



GL BAJAJ

Institute of Management & Research
Approved by A.I.C.T.E., Ministry of HRD, Govt. of India

Roll No.....

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.)–201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2017-2019)
END TERM EXAMINATION (TERM- I)

Subject Name: **Marketing Management-1**
Sub. Code: **PG02**

Time: **02.00 hrs**
Max Marks: **50**

Note:

- 1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.**
- 2. All questions are compulsory in Section A, B & C. Section a carries 2 Case Studies, 10 marks each. Section B carries 2 questions of 10 marks each and Section C carries 5 questions 2 marks each.**

SECTION A

10×02 = 20 Marks

Q. 1: Case Study:

American Express: CRAFTING THE BRAND POSITIONING

American Express is one of the world's most respected brands, known globally for its charge cards, travel services, and financial services. American Express began as a 19th-century express shipping company, grew into a travel services company, and eventually evolved into a global payments company associated with brand images such as prestige, trust, security, customer service, international acceptability, and integrity.

American Express created the first internationally accepted "Travelers Cheque" in 1891, which used the same signature security system and exchange rate guarantees employed today. American Express issued its first charge card in 1958 but collected a higher annual fee than its competitors to create the feeling of prestige and membership. A charge card requires that customers pay off outstanding balances, unlike the revolving debt possible with credit cards. By 1967, one-third of the company's total profit came from its charge card businesses, and the American Express card surpassed the Travelers Cheque to become the company's most visible symbol.

In the 1960s and 1970s, American Express stepped up its marketing efforts in response to strong competition from Master Charge (now MasterCard) and Bank Americard (later to become Visa). Ad agency Ogilvy & Mather created the now-famous "Don't Leave Home Without It" in the early 1970s as a "synergy" tagline. In 1974, the now-familiar blue-box logo first appeared, with the words American Express printed in white outline over a square blue background.

Many perceived American Express cards as a status symbol signifying success and achievement. The company called its cardholders "card members" and printed the year they became members on their cards, suggesting membership in a club. It maintained this elusive image through its advertising, impeccable customer service, and elite promotions and events.

During the 1980s, American Express expanded into a variety of financial categories, including brokerage services, banking, and insurance, by acquiring a number of companies such as Lehman Brothers Kuhn Loeb Inc. and E. F. Hutton & Co. It encountered difficulty integrating these broad financial offerings, however, and it divested many of its financial holdings in the early 1990s. The new, leaner company focused on its core competencies: charge and credit cards, Travelers Cheques, travel services, and select banking and financial services. In addition, American Express increased the number of merchants that accepted its cards, adding Walmart, and developed new card

offerings, including co-branded cards. To communicate the transformation that had taken place during the 1990s, the company launched a corporate ad campaign called, “Do More.”

American Express also responded to Visa and MasterCard’s increased pressure in the mid-1990s by rebranding its Small Business Services division as “OPEN: The Small Business Network” and adding benefits such as flexible payments as well as special offers, partnerships, and resources for small businesses. John Hayes, chief marketing officer for American Express, explained the rationale behind developing a separate small business brand, “Small business owners are fundamentally different from people who work for large companies. They’re characterized by a shared mindset; they live and breathe the business they’re in. We think it’s important for this area to have its own identity.”

At the turn of the century, American Express introduced two revolutionary new credit cards, Blue and Centurion Black. Blue contained a chip that enhanced Internet security and targeted younger, tech-savvy consumers with a hip image and no annual fee. The Black Card, on the other hand, targeted the most elite clients, who spend more than \$150,000 annually and desired amenities such as a 24-hour personal concierge service and invitations to exclusive events. The company also continued to expand its Membership Rewards program, which at the time was the world’s largest card-based rewards program. This allowed cardholders to redeem points for travel, entertainment, gift certificates, and other predetermined offerings.

Visa turned on the pressure by taking ownership of the latest consumer trend, check cards, which were debit cards that subtracted money for purchases directly from a cardholders’ bank account. MasterCard surged in popularity as well when it created the “Priceless” ad campaign, which became a ubiquitous pop culture reference point. However, American Express scored a huge legal victory against Visa and MasterCard in 2004 when the Supreme Court ruled that it could pursue relationships with any and all banks, which technicalities had prevented it from doing before. Over the next three years, American Express partnered with banks such as MBNA, Citigroup, UBS, and USAA and increased its card accounts from 60 million in 2003 to 86 million in 2007.

American Express introduced two new marketing campaigns in the 2000s. The “My Life. My Card” campaign in 2004 featured celebrities like Robert De Niro, Ellen DeGeneres, and Tiger Woods providing intimate narratives about places, causes, achievements, and avocations that were meaningful to them. In 2007, American Express continued to feature celebrities in its ads but introduced a new tagline—“Are you a Cardmember?”—that acted as more of a call to action to join American Express than its previous, more passive campaign.

Things turned for the worse as the global economy collapsed in 2008 and 2009, significantly dampening American Express’s financial results. The company’s stock price fell 64 percent in 2008 caused by numerous problems, including increased default payments, weaker billings, and higher credit losses. In addition, many analysts agreed the company “grew too fast from 2005–2007.” The company had changed its core strategy of targeting wealthier, low-risk consumers with a prestigious brand and valuable rewards in order to increase its total number of card members. Its newer products, which allowed consumers to carry over a balance and pay only the interest, came back to hurt American Express’s bottom line during the recession.

Despite these disappointing financial results, BusinessWeek and Interbrand ranked American Express the fifteenth “Most Valuable Brand in the World” and Fortune ranked it one of the top 30 “Most Admired Companies.” This brand value was a testament not only to the company’s product and marketing innovation but also to its commitment to providing customers with outstanding service at any location in the world at any time of day. Today, American Express offers a variety of different personal cards as well as small business and corporate cards, each with a different level of customer service, fees, rewards, spending limits, and special access or services. The company’s five most popular cards from 2009 were the Platinum Card, Preferred Rewards Gold Card, Starwood Preferred Guest Credit Card, Gold Delta SkyMiles Credit Card, and Preferred Rewards Green Card.

Questions

1. Evaluate American Express in terms of its competitors. How well is it positioned? How has it changed over time? In what segments of its business does American Express face the most competition?
2. Evaluate American Express's integration of its various businesses. What recommendations would you make in order to maximize the contribution to equity of all its business units? At the same time, is the corporate brand sufficiently coherent?

Q.2: Case Study:

Read the case given below and answer the questions given at the end.

The furnishing limited is a small chain of distributors of good quality office furniture, carpets, safes and cabinets. Within each category, the company offers a wide variety of products, with a great many variations of each product being offered. For example, the company currently offers some 4 different designs of chairs and 23 varieties of office desks. The company keeps in touch with advances made in the office furniture field worldwide and introduces those products which are in keeping with the needs of the market in terms of design, workmanship, value for money and technical specifications.

Fine furnishing trades only in good quality furniture. Differences between its products and cheaper, lower quality ones are well known to those who have several years of experience in the business.

An important feature the company feels is the availability of a complete list of components of the furniture system. This enables customers to add bits and pieces of matching designs and colour in the furniture. Such components are available for sale separately. Systems are maintained in stock by the company for a number of years, and spare parts for chairs and other furniture are always available.

The trade is currently witnessing a downturn due to recession. Fine furnishing has also experienced the same over the past two years. In addition, it had to trim its profit margins. Last year, it barely broke even and this year it is heading for a loss for the first time in the company's twenty year history.

- i) Explain the term product-item, product-line and product mix in the context of the above situation.
- ii) Advise the company in relation to its product mix. How will your recommendations affect the company's image?

SECTION B

10×02 = 20 Marks

Q. 3: How will a restaurant manager strengthen his bond with his customers with special reference to Customer Relationship Management?

Q. 4: Explain The Gaps Model of Service Quality with reference to hospital in your locality?

SECTION C

05×02 = 10 Marks

Q.5 (A): Design a buyer behaviour model for purchase of durable goods?

Q. 5 (B): Consumers buy brands not products. Discuss the importance of branding in the light of the above statement with suitable example of your choice.

Q. 5 (C): What are the main characteristics that distinguish services from physical products? How can tangibility be introduced into services? Explain with the help of examples.

Q. 5 (D): Packaging acts as a silent salesman. Comment?

Q. 5 (E): What variables would you use in segmenting the market for the following products and why?

- a) Sports Car
- b) Credit card