EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Final Year/First Semester Examination in Business Administration - 2008/2009

(Proper / Repeat) (Sep. 2009)

MKT 4113 Strategic Marketing Management

Answer all five (5) questions Time: 03 hours

Q1) Read the following case study and answer the questions given below.

Flying the Good Times- Kingfisher Airlines (KFA)

On April 25, 2005, Kingfisher Airlines (KFA), a wholly-owned subsidiary of the United Breweries Holding Limited, the investments holding company of the UB Group, took delivery of its first aircraft - an A320 from Airbus - at a special ceremony in Toulouse, France.

It was the first time that an Indian private airline had bought a brand new aircraft for commencing its commercial operations. KFA, which started its operations in India on May 7, 2005, positioned itself as a budget carrier and not as a low cost carrier (LCC). Vijay Mallya (Mallya), Chairman and Managing Director of the UB Group, said "Kingfisher Airlines will have a 'Fly the Good Times' approach and this will reflect in the experience we will offer to passengers. With costs lower than economy class travel on full service airlines and marginally more than the 'bus services' type low cost competition, Kingfisher Airlines offers a far better value proposition.

The aircraft and service will reflect the Kingfisher lifestyle imagery and credibility that has been built over the years." As of December 2005, KFA had a fleet of nine aircraft (seven A320s and two A319s) and operated on 56 routes. KFA also managed to corner a six percent market share within the first six months of its launch. As of January 2006, KFA had a 7.6% market share of the domestic air travel market.

In December 2005, KFA won the 'Best New Airline of the Year 2005' award in the Asia Pacific and Middle East region from the Center for Asia Pacific Aviation (CAPA). On receiving this award, Mallya said, "Kingfisher Airlines has grown at a scorching pace and we intend to continue to delight and pamper our guests and offer them unparalleled levels of service, comfort, and convenience to ensure that they keep flying the good times!" Later, in January 2006, KFA was voted as the third most successful brand launch of 2005 in the Business Standard annual Brand Derby. In February 2006, Skytrax gave KFA the 2006 award for 'Service Excellence for a New Airline'.

At this awards function, Mallya said, "This award means a lot to us because it expresses the opinion of travellers across the board and because Skytrax surveys are so highly regarded within the travel industry. This survey is not just a vote about the product facilities offered, but combines customers' very clear perceptions about our service standards." However, the competition in the Indian skies was hotting up...

New low cost carriers (LCCs) like SpiceJet and GoAir entered the market after KFA's launch and they started an all-out price war by slashing down on fares. For instance, in December 2005, GoAir started offering 10,000 free air tickets on four new routes (Hyderabad, Chennai, Jaipur, and Bangalore). Established players like Jet Airways (India) Ltd., (Jet Airways) too looked to consolidate their market positions.

In January 2006, Jet Airways announced that it would acquire Air Sahara (Sahara) for US$ 500 million. This acquisition would make Jet Airways India's largest airline with an almost 45% market share. Jet Airways was also expected to gain control of Sahara's 22 parking bays spread across many domestic airports. In February 2006, the Jet-Sahara combine brought down their air fares to compete against KFA, and LCCs like Air Deccan and SpiceJet.

There were also other challenges which affected the airline industry as a whole, like high aviation turbine fuel (ATF) prices and congestion problems at high traffic airports like Mumbai and Delhi. In this increasingly competitive environment, KFA set its sights on becoming India's largest private carrier by 2010. Mallya said, "Having invested in the best-in-class fleet of aircraft, we are committed to achieving our ambition of making Kingfisher Airlines India's largest private airline both in capacity and market share by 2010." There were also media reports that KFA planned to launch a low cost airline called 'Kingfisher Express' to tap into the growing LCC segment.

Background

The Government of India nationalized nine airline companies vide the Air Corporations Act, 1953. Accordingly it established the Indian Airlines Corporation (IAC) to cater to domestic air travel passengers and Air India International (AI) for international air travel passengers.

This Act ensured that IAC and AI had a monopoly over the Indian skies. A third government-owned airline, Vayudoot, which provided services between smaller cities, was merged with IAC in 1994. These government-owned airlines dominated India's air travel industry till the mid-1990s

In 1994, IAC was renamed Indian Airlines (IA). In the same year, the Indian Government, as part of its "open skies" policy, ended the monopoly of IA and AI in the air transport services by repealing the Air Corporations Act of 1953 and replacing it with the Air Corporations (Transfer of Undertaking and Repeal) Act, 1994. Private operators were allowed to provide air transport services. Foreign direct investment (FDI) of up to 49 percent equity stake and NRI (Non Resident Indian) investment of up to 100 percent equity stake were permitted through the automatic FDI route in the domestic air transport services sector. However, no foreign airline could directly or indirectly hold equity in a domestic airline company.

By 1995, six private airlines accounted for more than 10 percent of the domestic air traffic. But in the next couple of years, only Jet Airways and Sahara managed to survive the competition; NEPC Airlines, East West Airlines, ModiLuft Airlines, Jagsons Airlines, Continental Aviation, and Damania Airways lost out. IA, which had dominated the Indian air travel industry, began to lose market share to Jet Airways and Sahara, which provided better services. From a 100% domestic market share in 1994-95, IA's share had gone down to 36% by 2000-01...

KFA modeled its strategy on the strategies of JetBlue Airways, in providing value added air travel services at economical prices. KFA purchased brand new A320 aircraft powered; the cockpit was a paperless environment. The airline called its aircraft

'Kingfisher Funliners' to represent the fun-filled experience it wished to provide to its customers.

All the aircraft had in-flight entertainment systems and well designed interiors. There was only one class, i.e., the Kingfisher Class, rather than the economy class and business class bifurcation of other airlines

"We are going to have a single class which will combine the experience of business class with economy," said Ajit Bhagchandani, General Manager of KFA. Having a single class freed up more space and legroom for passengers when compared to normal economy class seats. KFA was also the only airline in India to address its passengers as 'guests'.

Mallya made it clear that KFA would not be positioned as a low cost carrier as passengers would attribute the features of low cost carriers like low quality of service, delayed flight timings, etc., to KFA as well.

Hence, the airline was called a budget airline and not an LCC. Fares were above those of LCCs but lower than the economy class fares of Jet, Sahara, and IA. KFA also allowed multiple fare options and auctioning of tickets on all traffic routes...

As part of its promotional strategy, the marketing team of KFA showcased the airlines as 'the new flying experience'. Advertisement hoardings at airports depicted the stylish interiors of the 'Funliners', which conveyed a youthful, fun-filled, and world-class image. INOX multiplexes in Mumbai publicized KFA's special offers for a month. KFA was the official travel airline for the cast and crew of 'Mangal Pandey' and gave a red carpet welcome to all the guests who attended the premiere of the film...

KFA's customers could book their air tickets either online at the KFA website (www.flykingfisher.com), at any KFA office, or through an approved travel agent. KFA also offered a facility for home delivery of tickets on demand. In December 2005, KFA launched its SMS service called 'King Mobile' to keep its guests updated about flight schedules and flight status through instant mobile alerts...

Prior to its launch, KFA signed a 'non-poaching alliance' with Air Deccan under which both airlines agreed not to hire each other's employees. However, most of KFA's crew came from Jet and Sahara.

KFA's flight attendants also called 'flying models' were selected through a national level model contest. The attire of KFA's cabin crew was designed by noted fashion designer Manoviraj Khosla.

KFA also stressed the fact that its employees had to be capable enough to meet the airlines' high service standards...

During KFA's launch function in May 2005, Mallya mentioned that the airline would add at least one aircraft to its fleet every month till the end of 2005. KFA started off with four A320's and had nine aircraft by the end of December 2005. In June 2005, KFA placed an order worth US$ 5 billion at the Paris Air Show, for five new A380 aircraft, five A350-800 aircraft, and five A330-200 aircraft. KFA was the first Indian carrier to place an order for A380s.

The proposed buyout of Sahara by Jet Airways and the price war among all the airlines was an indication of the competition building up in the Indian aviation sector. With regard to the increased competition, Mallya said, "Sure there will be a bloodbath ... in so-called low-cost airlines who seek to convert the railway passenger into airline passenger.

We are positioned extremely differently." He also said that KFA targeted the growing middle class segment that was net savvy, young and upwardly mobile, with a propensity to spend.

Questions:

(a) What are the **bases** on which the Kingfisher Airline's (KFA) have developed their **competitive advantages**? And what it would be for the next few years?

(07 Marks)

(b) Profile the **strategies of competitors** of Kingfisher Airlines (KFA) and describe how these strategies have made those competitors to survive in this airline industry?

(06 Marks)

(c) Review the **marketing effectiveness** of Kingfisher Airline's (KFA) by taking into consideration the extent to which this Airline reflects on the following attributes of marketing orientation

(i) A customer-oriented philosophy
(ii) An integrated marketing organization
(iii) Adequate marketing information
(iv) A strategic orientation
(v) Operational efficiency

(3*5=15 Marks)

(Total 28 Marks)

Q2) **a.** What **information** might a marketing manager need in order to understand a **competitor**? Briefly detailed information under each element.

(06 Marks)

b. Describe the necessity for the organization to be **right-side-up** rather than **wrong-side-up**.

(06 Marks)

c. How can **productivity** be defined and measured in the context of marketing operations? And what is its value to the marketing manager?

(06 Marks)

(Total 18 Marks)

Q3) a. From a marketing perspective, "**financial criteria are more important than Non-Financial criteria**", elaborate on this statement.

(06 Marks)

b. What are the **Characteristic** of **good mission** statement? And identify the **three categories of stakeholders** who influence on the mission statement.

(06 Marks)

c. Explain the difference between **transactional marketing** and **relationship marketing**.

(06 Marks)

(Total 18 Marks)

Q4) a. How do the **Market Leaders, Followers, Challengers and Nichers** are different from each other? Specify the **strategies** that are available for the above categories.

(06 Marks)

b. Describe the different types of **formal** and **informal control mechanisms** that are found in an organization.

(06 Marks)

c. What are the **internal and external factors** that are considered under the different **portfolio techniques** and clearly explain the application of **GE matrix**?

(06 Marks)

(Total 18 Marks)

Q5) a. "Marketing environment is changing ever more dramatically and, for many organizations, ever more unpredictable". What are the **three approaches** the marketing planner can take regarding to the **changing marketing environment**?

(03 Marks)

b. Describe the **stages** in the buying process for **organizational purchase** and identify briefly the differences with consumer buying decision process.

(06 Marks)

c. ABC Ltd Company markets three products and the most recent financial data for the products are shown below.

Product	Selling Price Rs.	Variable Cost Rs.	% Contribution	% of total sales	Contribution as % of total Sales
A	6	3	15%	20%	3%
B	5	2	20%	40%	8%
C	10	7	30%	40%	12%
				100%	23%

Fixed cost of ABC Ltd amount to Rs. 150,000

Total sales are Rs. 300,000

(a) Compute the Profit of ABC Company.

(b) The Company decided to introduce new Product line (D) to replace the Product B.

Product D gave the Following Characteristics

Selling price per unit	Rs 8
Variable cost per unit	Rs 5
Percentage of Contribution	15%
Increased fixed cost	Rs. 6,000

"The introduction of new product will lead to the organization in a favourable state" What is your opinion regarding the above statement? Explain with supportive facts.

(09 Marks)

(Total 18 Marks)