



## CASES IN MARKETING

### SBS BBA - ACC

### Assignment – Abu Dhabi 2019

STUDENT ID

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UNIT TITLE / CODE:

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NAME (in Full):

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#### GENERAL INSTRUCTIONS

- ✓ All assignments are to be submitted to [examinationboard@atmsedu.org](mailto:examinationboard@atmsedu.org) and [examinationboard@atmsedu.org](mailto:examinationboard@atmsedu.org)
- ✓ Hardcopy submissions to be done c
- ✓ If assignment is not submitted on d **SIGN HERE**  [org](mailto:examinationboard@atmsedu.org). ty of 10% deduction of
- ✓ Similarity between students work is strictly not accepted, any student found with similar work will be graded Zero and fail for the course. However, Plagiarism is an academic offence and will not be tolerated under SBS.
- ✓ Assignment once submitted to exam board is final for marking.

#### PRESENTATION OF ASSIGNMENT

- ✓ You should include a title page and list of contents.
- ✓ Use headings and sub-headings to organize your report and include supporting material in the document file.
- ✓ Number all pages sequentially.
- ✓ Any published material you refer to should be properly referenced and included in a reference list at the end of your assignment. (see Plagiarism notice overleaf).

**Assignment 1: 40 marks**

**Assignment 2: 30 marks**

**Total Mark: 70 marks**

Total mark will be converted to 90.

**Class Participation: 10 marks**

**Total Marks \_\_\_\_\_ / 100**

## PLAGIARISM

Plagiarism is a form of **cheating**, by representing someone else's work as your own or using someone else's work (another student or author) without acknowledging it with a reference. This is a serious breach of the Academic Regulations and will be dealt with accordingly. Students found to have plagiarised can be **excluded from the program**.

Plagiarism occurs whenever you do any of the following things without acknowledging the original source:

- ✓ Copy information from any source (including the **study guide**, books, newspapers, the internet)
- ✓ Use another person's concepts or ideas
- ✓ Summarise or paraphrase another person's work.

### How do I avoid plagiarism?

To ensure you are not plagiarising, you must acknowledge with a reference whenever you:

- ✓ use another person's ideas, opinions or theory
- ✓ include any statistics, graphs or images that have been compiled or created by another person or organization
- ✓ Paraphrase another's written or spoken word.

### What are the penalties?

The penalties for plagiarism are:

- ✓ Deduction of marks,
- ✓ A mark of zero for the assignment or the unit, or
- ✓ Exclusion from the program.

Plagiarism is dealt with on a case-by-case basis and the penalties will reflect the seriousness of the breach.

**Please note: claiming that you were not aware of need to reference is no excuse.**

# **ASSIGNMENT 1**

## **HAIER's foray into International Markets :**

In the late 1990s, the Haier group (Haier) was the leader in the Chinese consumer appliances market (with a 39.7%, 50% and 37.1% market share in refrigerators, air-conditioners and washing machines respectively in December 1998). But deflation in the Chinese economy slowed sales.

But deflation in the Chinese economy slowed sales growth from 50% in 1998 to around 30% in 1999. Haier decided to look for new markets. Since the US had a large demand for consumer appliances, Haier entered the US market in 1999. Analysts were doubtful about Haier's acceptability to American consumers, as there was a general perception in the US that Chinese goods were of low quality. Haier, however, was confident that with its product differentiation strategy it would be able to create a positive image for its products among the American public. In the early 2000s, the consumer appliances market in the US started hotting up as Haier entered the market. By 2009, Haier products were sold in 9 of the 10 top retail chains in the US.

With Wal-Mart agreeing to stock Haier products, many analysts believed that Haier would be able to shake up the US consumer appliances market. In 2009, Haier had a 6% market share in the US refrigerator market; it stated that it was aiming for a 15% market share by 2015.

The history of Haier dates back to 1984 when Ruimin Zhang (Zhang), a bureaucrat with the local government was asked to take charge of Qingdao General Refrigerator Factory, a state-owned enterprise that is manufacturing refrigerators for sale in China. When Zhang took over the management, the company was on the brink of bankruptcy, with no funds to pay the salaries of its employees or to invest in new product development. When Zhang took charge of the company, he realized that the company did not look after the quality of its products; nor did it bother about customer satisfaction. In 1985, Zhang started importing technology from a German firm and began manufacturing technically sophisticated refrigerators.

Zhang emphasized the elements of customer satisfaction and quality control in the company. In 1985, when a customer complained about the poor performance of his refrigerator, Zhang conducted a quality check and found that out of 400 refrigerators inspected, 76 were defective.

He had all the defective refrigerators destroyed with a sledge-hammer. According to Zhang, this made the workers realize that quality is of only two types - acceptable and unacceptable. In 1989, the company changed its name to Qindao Refrigerator Co. Ltd., and it was restructured with funds raised from banks and government agencies. In 1991, the company once again changed its name to Qindao Haier Group Co. and in the same year it merged with Qingdao Air-conditioner Plant and Qingdao Freezer General Plant. In 1992, the company set up Qingdao Freezing Equipment Co. In the same year, it merged with another previously state-owned enterprise Qingdao Condenser Factory, which manufactured refrigerator condensers.

In the same year it became the first company in China to get ISO 9001 certification, and the company's name was changed to the Haier Group. In 1993, Haier went in for an IPO of RMB 50 million and got listed on the Shanghai Stock Exchange (SSE).

During the mid-1990s, Haier began to grow through mergers and acquisitions. In 1995, it merged with Red Star Electric Appliance Company (and five of its subsidiaries). This company manufactured washing machines. It also acquired Wuhan Elec-appliance Co., which manufactured freezers and air conditioners. Between 1995 and 1997, Haier acquired seven companies and started exporting its goods to foreign markets.

By 1997, Haier was the number one consumer appliances brand in China and the market leader in all its product segments, which included refrigerators, washing machines, microwave ovens and freezers and its revenues were reported at \$1.15 billion (10 billion Yuan)...

### **Haier's Competitors in the US Market**

USA was the world's largest and most competitive market for consumer appliances. The consumer appliances market can be segmented on the basis of products into kitchen appliances and home comfort products. Included in kitchen appliances are products such as dishwashers, disposers, compactors, food preservation appliances, refrigerators, freezers etc.

In the home comfort segment are included products such as room air-conditioners and dehumidifiers. The home appliances market in the US was dominated by American companies, namely GE Appliances (a subsidiary of General Electricals), Whirlpool and Maytag. The only strong foreign player in this market was Sweden's Electrolux. GE Appliances, Whirlpool, Maytag and Electrolux together accounted for around 98% of the 9 million standard refrigerators sales in the US every year. In the 1990s, many Asian players such as LG Electronics and Samsung entered the US market in a big way. The big four companies in the US market concentrated on the high-end market comprising full-size refrigerators and washing machines, since the margins in this segment were high...

### **Strategies in the US Market**

Haier decided to compete with the US brands on the quality plank rather than on price. However, analysts felt that it would be very difficult for the company to win over American consumers who associated Chinese goods with low quality. To strengthen its presence in the US market, Haier adopted a localization strategy.

It opened a design center in the Los Angeles and employed US designers for designing its products for the US market. Haier also opened a marketing center in New York. The company focused on enhancing consumer awareness about the company and its products. Commenting on Haier's strategy, Zhang said, "We want consumers to feel that Haier is the one company that comes closest to satisfying their needs." For instance, none of the consumer appliances companies in the US offered a compact refrigerator to satisfy demand from college students who could not afford normal size refrigerators...

### **Going High-End**

Most analysts felt that Haier would feel the real competition only when it entered the high-end market. In the compact refrigerator segment, Haier did not face much competition from established players in the US, who did not focus on the low margin segment.

However, the major US players were keeping track of Haier's activities. Commenting on the competition from Haier, GE Appliances Chief Executive, Jim Campbell said, "I take it very seriously. They may be producing only 200,000 refrigerators per year now, but that's going to get bigger."

On the negative side, some analysts felt that Haier lacked the brand image to make a dent in the high-end segment. They pointed out that in general US consumers were brand-conscious, and this was especially true in the case of high-end products. The lack of a positive brand image in this

consumer segment would probably make it difficult for Haier to succeed in the high-end markets. Analysts felt that Haier had an additional weakness in its distribution and service centers...

### **Future Prospects**

Despite a few reservations, analysts too were, by and large, upbeat about the company because of its strong performance in breaking into the American market in a short time.

Said Nicholas Heymann of Prudential Securities, "Over five years, it could become a force." With quality products and lower prices, it was felt that Haier would be able to garner a sizeable market share in the US. Haier's experience in the geographically vast and diversified Chinese market would serve it well in catering to the US market.

However, a major worry for Haier is how to fund its expansion plans. Increasing competition in the domestic markets is bringing Haier's finances under pressure.

### **Questions:**

1. What in your opinion is the significance of an organization entering into International Markets for business? Is it advantageous or disadvantageous?
2. Is it possible for an organization like Haier to sustain its competition in brand conscious and quality conscious markets such as US and other countries?
3. What are the countries that you would suggest Haier should concentrate upon? Why?
4. What should be the marketing strategies that Haier should employ in Emerging Markets, Maturing Markets and Declining Markets ? Explain the reasons behind it.

## ASSIGNMENT 2

### CASE

Duraflex is a German footwear company with annual men's footwear sales of approximately 1.0 billion Euro(€). They have always relied on the boot market for the majority of their volume and in this market they compete with three other major competitors. Together, these four brands represent approximately 72% of the 5.0 billion € German men's boot market. The boots category includes four main sub-categories: Work boots, casual boots, field and hunting boots, and winter boots. Work boots is the largest sub-category and is geared to blue collar workers<sup>1</sup> who purchase these boots primarily for on-the-job purposes. Casual boots is the fastest growing sub-category, and is geared more towards white collar workers<sup>2</sup> and students who purchase these boots for week-end / casual wear and light work purposes.

The four key competitors in the market are Badger, Duraflex, Steeler, and Trekker.

Badger and Steeler are both well established as work boot companies, having a long history and strong brand recognition and credibility among blue collar workers. At the other extreme is Trekker, a strong player in the casual boot market but a very weak player in work boots. Duraflex, however, is a cross between the other competitors, having a significant share in both work boots and casual boots.

Historically Duraflex had an even stronger position in the work boot sector. However, since 1996 when the company began selling casual shoes and focusing on the growth opportunity in casual boots, sales of the Duraflex work boot line have steadily declined. Also, around the same time Duraflex shifted its emphasis, Badger became a much more assertive competitor in the work boot market, increasing its market share to 43% in just three years.

In the fall of 2013, Badger launched a new line of aggressively priced work boots. The strong success of this line has caused Duraflex's management to re-evaluate their position in work boots. With limited additional resources, management must now decide if they should focus their efforts on competing with Badger in the work boot sector, or focus their resources on further strengthening their position with casual boots.

To begin with, the consultants developed a 20 minute quantitative telephone survey that was conducted among 500 randomly dialed consumers across the country's 6 primary regions. In addition, the consultants completed some internal cost and pricing analysis for Duraflex's work and casual boot lines. The market pricing analysis showed Duraflex competing at the premium end of the market for both its casual and work boot lines.

### **Questions:**

*Analyse the following case and answer the following questions*

- 1) What is the key objective in this case? Frame the Case.
- 2) Do you think the customer survey method used by Duraflex to improve their market share is a better method? Why?
- 3) Can you suggest some changes to Duraflex's work boot marketing strategy? How it will be useful for expanding their market?