



Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306
POST GRADUATE DIPLOMA IN MANAGEMENT (2018-20)
MID TERM EXAMINATIONS (TERM - II)

Subject Name: **Marketing Management II**

Time: **01.30 hrs**

Sub. Code: **PG 10**

Max Marks: **20**

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 01 Case Study with 2 questions of 4 marks each. Section B carries 3 questions of 2 marks each and Section C carries 2 questions of 3 marks each.**

SECTION – A

04+04 = 08 Marks

Q. 1: Read the Case Study and answer the question given below:

AVON's Distribution Network

Avon, the world's largest direct seller of beauty products – US-based Avon started as a perfume company by David H. McConnell in New York in 1886, it went on to become an international manufacturer and distributor of beauty, household, and personal care products. Over the years, it expanded into several markets across the world like Russia, Brazil, China, and many others.

Avon's business was based on the traditional marketing model of door-to-door selling through a network of sales representatives (reps) who sold the products directly to consumers. Over the years, its direct selling system underwent changes and emerged as multilevel marketing, wherein the Avon reps recruited and trained other reps and were rewarded for doing so.

The history of Avon can be traced back to 1885 when it was founded by David H. McConnell (McConnell), a traveling book salesman. In 1886, while going from house to house with his books, he found that his customers, especially women, were more interested in the free perfume samples he offered than the books he was selling.

He also recognized that many women had the potential to become good salespeople. He took up the perfume business more seriously and became a perfume entrepreneur. He incorporated California Perfume Company (CPC) and P.F.E Albee (Albee) was the first representative of the company. She travelled by horse, buggy, or even train to sell perfumes door-to-door.

She also appointed other women as representatives. This method of selling directly to the customers went on to become the hallmark of Avon's business model. Albee was called the 'Mother of the California Perfume Company'.

Product Library Of Avon

Avon, being an international manufacturer and distributor of beauty, household, and personal care products, had believed in direct selling since its inception. It offered a wide range of beauty products, including skin care products, cosmetics, perfumes, spa treatments, make up, and everyday cosmetics & toiletries like shampoos, deodorants, and body lotions. Its product line included many recognizable names such as Anew, Avon Color, Skin-So-Soft, and Advance Techniques. Avon Color was one of the leading cosmetic brands in the world. The products were mainly targeted at women in the age group of 25 to 50 years. The products were of high quality, were priced affordably, and positioned as products that provided value.

Evolution Of The Direct Selling Model

Broadly, Avon's distribution channel could be divided into three major categories: Direct Selling, Limited Retailers, and Online. Of these, direct selling was its primary channel while the other two

were secondary channels of distribution. The direct selling channel was Avon's core channel, one which the company had relied on since 1886 when its founder himself used to undertake door-to-door selling.

The Distribution Model

The representatives were independent contractors and not employees of Avon. Once a person signed up to become an Avon Rep, the district manager, who was an employee of Avon, called on him/her to explain the process of selling the products. The new reps were required to remit a sign-up fee of \$ 10 . They were given 20 brochures, sample products, sales books, order forms, etc.

Retail

In the early 1980s, retail outlets were gaining a strong hold on the market. Almost 80% of all beauty products were sold through retail stores and this market had become difficult to ignore. However, for Avon, selling its products through retail stores was difficult as it knew the move could alienate its sales representatives. In order to enter into department and specialty stores, Avon entered into a joint venture with Liz Claiborne (designer) and created fragrances and cosmetics line and made these products available in 2,000 stores.

Online

In 1997, Avon became the first cosmetic company to sell its products directly online. There was a dedicated Avon representative website which also informed consumers about new products in the industry. Though it was started in 1997, the electronic commerce strategy was not taken very seriously till 1999.

Channel Conflict

Andrea Jung became the chief executive officer (CEO) of Avon in 1999 to establish a retail channel and an online presence made customers and representatives alike feel that Avon was no longer a direct sales company, and that it was turning into a packaged goods company. Jung tried to position some products as premium cosmetics, but that plan did not work out, as the premium products were hard to sell through direct marketers. Similarly, restructuring efforts under her direction also proved unsuccessful.

- a) Discuss the impact of direct selling for the company and for the customers?
- b) Examine the distribution challenges faced by McConnell?

SECTION – B

02×03 = 06 Marks

Q. 2: Examine the influence of No-Cost EMI's, Instant Cash Backs and Easy/Instant Finance Options during festive sales on e-commerce websites.

Q. 3: Apple, even after launching the new Mac Book Air, Pro, in October 2018 increased the prices of their existing models of Mac Book Air, Pro? Which pricing strategy have they applied and what could be the reasons.

Q. 4: Which distribution strategies- selective, intensive or exclusive –are used by the marketers to sell the following products:

- a) Canned food
- b) Sanitary ware
- c) Tanishq Jewellery

SECTION – C

03×02 = 06 Marks

Q.5.For each of the following products/services, which pricing strategies/tactics the seller should adopt?

- a) Theatre seats
- b) Automobile – purchasing a car
- c) A high –technology kitchen chimney

Q. 6. A major steel company has developed a new process of galvanizing steel sheets so that they can be paired and used for body parts of car to prevent rust (previously not possible).What factors should the company consider in setting a price for the product?