



UNIVERSITY OF RUHUNA  
FACULTY OF GRADUATE STUDIES

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Total Marks: 100

MBA 106 –Marketing Management

MASTER OF BUSINESS ADMINISTRATION DEGREE PROGRAMME

PART I SECOND SEMESTER END EXAMINATION – APRIL 2019

Three Hours

**Instructions:**

➔ Answer all questions.

**Question 01**

**Tesco**

If you asked a customer of UK supermarket chain Tesco what the shopping experience there was like in the early 1980s, “customer friendly” would probably not be the answer. Though it began upgrading its stores and product selection in 1983, Tesco continued to suffer from a reputation as a “pile it high and sell it cheap” mass market retailer, lagging behind Sainsbury’s, the more upscale market leader. To gain share against Sainsbury’s, Tesco needed to reverse the public perception of its stores. It decided to improve the shopping experience and highlight improvements with an image campaign to “lift us out of the mold in our particular sector,” as its 1989 agency brief put it.

Between 1990 and 1992, Tesco launched 114 separate initiatives to improve the quality of its stores, including adding baby-changing rooms, stocking specialty items such as French free-range chickens, and introducing a value-priced line of products. It developed a campaign entitled “Every Little Helps” to communicate these improvements with 20 ads, each focused on a different aspect of its approach: “doing right by the customer.” As a result, between 1990 and 1995, Tesco attracted 1.3 million new customers, who helped increase revenues and market share until Tesco surpassed Sainsbury’s as the market leader in 1995.

Tesco then introduced an initiative that would make it a world-class example of how to build lasting relationships with customers: the Tesco Club-card frequent-shopper program. The Club-card not only offered discounts and special offers tailored to individual shoppers but

also acted as a powerful data-gathering tool, enabling Tesco to understand the shopping patterns and preferences of its customers better than any competitor could. Using Club-card data, Tesco created a unique "DNA profile" for each customer based on shopping habits. To build this profile, it classified each product purchased by a customer on a set of up to 40 dimensions, including price, size, brand, eco-friendliness, convenience, and healthiness. Based on their DNA profile, Tesco shoppers received one of 4 million different variations of the quarterly Club-card statement, which contained targeted special offers and other promotions. The company also installed kiosks in its stores where Club-card shoppers could get customized coupons.

The Club-card data helped Tesco run its business more efficiently. Tracking Club-card purchases helped uncover each product's price elasticity and helped set promotional schedules, which saved Tesco over \$500 million. Tesco used its customer data to determine the range of products and the nature of merchandising for each store, and even the location of new stores. Within 15 months of introduction, more than 8 million Club-cards had been issued, of which 5 million were used regularly. Tesco's customer focus strategies enhanced by the Club-card helped propel Tesco to even greater success than in the early 1990s. The company's market share in the United Kingdom rose to 15 percent by 1999, and that year other British companies voted Tesco Britain's most admired company for the second year in a row.

In the following years, Tesco continued to apply its winning formula of using customer data to dominate the British retail landscape. Tesco moved beyond supermarkets to "bigbox" retailing of general merchandise, or non-food products. This strategic growth not only provided additional convenience to consumers who preferred shopping under one roof but also improved overall profitability. In 2003, the average profit margin was 9 percent for non-food products versus 5 percent for food and nearly 20 percent of Tesco's revenues came from non-food items. That year, the company sold more CDs than Virgin Megastores and its apparel line, Cherokee, was the fastest-growing brand in the United Kingdom.

By 2005, the company had a 35 percent share of supermarket spending in the United Kingdom, almost twice that of its nearest competitor, and a 14 percent share of total retail sales. Tesco sought growth overseas in the mid-2000s and today, the company operates 4,300 stores in 14 countries, with a strong focus on high-growth markets in Asia. The company has used the same customer-centered strategies that worked in the United Kingdom to expand into these new markets.

Tesco continues to diversify its product and service offerings in order to reach more consumers. In the late 1990s, Tesco launched its own ISP service, Tesco Broadband, to provide Internet access to homes and businesses. During the 2000s, the company partnered with existing telecoms to create Tesco Mobile and Tesco Home Phone, a service now used by over 2 million UK residents. Recently, Tesco joined forces with the Royal Bank of Scotland to create a banking division, Tesco Bank. In addition, Tesco offers insurance policies, dental plans, music downloads, and financial services. One Citigroup analyst said the chain had, "pulled off a trick that I'm not aware of any other retailer achieving. That is to appeal to all segments of the market." Tesco has accomplished this feat by creating three distinctive Tesco-branded price ranges in order to appeal to everyone: "Finest," "Mid-range," and "Value." In addition, Tesco has categorized its stores into six different formats, depending on where they are located and whom they are targeting. From largest to smallest, these stores include Tesco Extra, Tesco Superstores, Tesco Metro, Tesco Express, One Stop, and Tesco Homeplus.

Throughout Tesco's massive expansion, both globally and through its product and service offerings, Tesco has stayed true to the importance of its Club-card loyalty program. Consumers can now earn points on their Club-card every time they shop at a Tesco store, use one of Tesco's services (Tesco Mobile, Tesco Home Phone, Tesco Broadband, Tesco Credit Card, or Tesco Financial), or use one of Tesco's partners' services. During the recent worldwide recession, Tesco helped trigger spending through special loyalty promotions such as double reward points. During a double points promotion, consumers receive 2 points for every £1 spent. For every 100 points, consumers receive a £1 voucher good for any Tesco product or service.

In 2009, Tesco's profits reached £3 billion, which resulted in £59 billion in revenues. Today, it is the largest British retailer measured by both sales and market share (30 percent). Based on profit, it is the second largest retailer in the world after Walmart.

#### Questions

- (a) What is Customer Value Proposition? Explain in brief five elements of Tesco's Customer Value Proposition.

(10 marks)

- (b) What are the suitable strategies to measure Customer Satisfaction of company's current loyalty programmes?

(10 marks)

(c) Discuss the four ways of building long-term relationship with customers strictly adhering to Tesco case.

(10 marks)

(d) Critically evaluate two Price Adjustment strategies of Tesco.

(10 marks)

(Total marks 40)

### **Question 02**

“Marketing Channel is defined as a set of interdependent organizations that help make a product or service available for use by the consumer or business user.”

(a) Discuss in brief five key functions that are performed by Marketing Channel members.

(10 marks)

(b) By giving examples on each, discuss the difference between Conventional and Vertical Marketing Systems.

(10 marks)

(Total marks 20)

### **Question 03**

“Integrated Marketing Communications is the coordination and integration of all marketing communication tools, avenues and sources within a company into a seamless program which maximizes the impact on consumers and other end-users at a minimal cost.”

(a) Explain the reasons for Integrating Communications

(10 marks)

(b) Explain the features of an ideal advertising campaign

(10 marks)

(Total marks 20)

### **Question 04**

“Marketing research is the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization.”

Briefly explain the steps in the marketing research process.

(Total marks 20)

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