

THAPAR UNIVERSITY, PATIALA
LMTSOM
Marketing Management SB 522
Mid Term Examination

Name of instructor: Ms Niti Chatterji

MM: 30

Time Allowed: 2 hrs

Instructions: All questions are compulsory.

- Q1) Describe the various windows through which an organization can view its markets. Explain with examples. (10)
- Q2) Explain the concept of value chain. How can a company add to its value chain? (5)
- Q3) Your business unit is the second largest company in terms of relative market share and the market is growing at 18% p.a. As a strategic planner how will you evaluate your unit and what further strategies will you adopt? (5)
- Q4) Read the caselet and answer the questions that follow:

STARBUCKS COFFEE

What'll you have? Skinny latte, espresso, almond truffle mocha? How about a Raspberry Mocha Chip Frappuccino or Tazoberry and Cream? Consumers globally are increasingly turning to Starbucks to quench a growing thirst for specialty coffee and beverages.

Starbucks got its start in 1971 as a gourmet coffee bean store in Seattle when the company used to sell roasted coffee beans to the local coffee lovers. In 1987, Starbucks current chief executive, Howard Schultz, opened the first stylish Starbucks coffee bar after realizing an untapped niche market of coffee outlets where the customers could be directly served with coffee in addition to selling roasted coffee beans to them. Soon after trying latte and mochas Seattle became coffee crazy. In 1990s the demand for great coffee allowed Starbucks to expand- first to the rest of United States and then further a field.

To penetrate the market the company stressed on enhancing the quality of its beans. It started vacuum packing the beans two hours after roasting. Starbucks started giving its employees over 24 hours of coffee-making training and lore. Starbucks maintained designers and architects in-house to develop, maintain, and update the hip, upscale image of the stores. All of this led to the high-quality service that built Starbucks' brand loyalty in the long run.

The company purposely opened stores near one another, even if it involved some cannibalization, in order to ensure intensive distribution coverage in attractive markets. Airports, hotels, and malls were all locations for Starbucks coffee bars.

A major issue for Starbucks was the cost of coffee which can fluctuate wildly. Frost in Brazil, the world's largest coffee producer, can damage coffee plants for years. New bushes can take five years to mature. Commodity coffee prices doubled while specialty premium coffees briefly tripled in price as recently as the mid-1990s.

With increasing domestic competition, Starbucks expanded to Europe and Asia. Starbucks has retail locations in Japan, Singapore, the Philippines, Taiwan, Thailand, the United Kingdom, New Zealand, and Malaysia. Starbucks opened its first store in Beijing, China, in 1999 partnering with Beijing Mei Da Coffee Co. Ltd., its distributor for wholesale operations in Beijing since 1994. Starbucks also opened its first outlet in the Middle East in Kuwait.

Frappuccino, a blended coffee and milk drink served chilled or over ice, was a product developed by Starbucks in conjunction with PepsiCo. In spite of the fact that few Americans drank cold coffee prior to Frappuccino's introduction as well as General Foods' market failure with a cold cappuccino product called Cappio, Frappuccino started gaining acceptance including Tazo tea.

Later Starbucks also developed Starbucks' coffee flavored ice cream in partnership with Dreyer's Grand Ice Cream, Inc. These products made Starbucks a more significant brand within the grocery store channel.

Later Starbucks also started selling coffee and products such as espresso machines, coffee presses, music, and books through its coffee bars and its website www.starbucks.com. Starbucks also has a program to offer food service and other merchandise for a number of different markets including the college/university market, the hotel/casino market, hospital and health care market, as well as business cafeterias.



Relate the various growth strategies adopted by Starbucks to give itself a strong footing in the market. (10)