

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE
DEPARTMENT OF MARKETING
BRAND MANAGEMENT - CBU 4204
FINAL EXAMINATION - MAY 2014
TIME ALLOWED: 3 HOURS 15 MINUTES

INSTRUCTIONS TO CANDIDATES

Answer Section A and any other **three** questions in Section B.

Information for candidates

- (i) Question one carries 40 marks, all other questions carry 20 marks each.
- (ii) Questions may be answered in any order.
- (iii) Credit will be given for the use of appropriate examples.
- (iv) This paper contains **seven** questions

SECTION A

QUESTION 1 (Compulsory)

CASE: CATERPILLAR

How did Caterpillar – founded in 1925 when two California based tractor companies merged – grow to become one of the biggest companies in the world? The company grew steadily at first, hitting a few critical milestones, but things changed when the recession of the early 1980s hit Caterpillar hard and international competitors gained a market share, including Japan's Komatsu.

Caterpillar Inc., or CAT, has grown into the largest manufacturer of earth-moving equipment and engines in the world. With over 300 different machines for sale. Caterpillar offers product solutions for eight industries: residential, non-residential i.e., industrial, infrastructure, mining and quarrying, energy, waste, and forestry. Its distinctive yellow machines are found all over the globe and have helped make the brand a U.S. Icon. In the 1990s, Caterpillar recognised that it desperately needed to change, and under new leadership it successfully pulled off one of the biggest turnarounds in corporate history. Today, Caterpillar ranks number one or number two in every industry it serves. Its products are unmatched in quality and reliability and the company has maintained its strong focus on innovation. With a \$2 billion annual research and development budget, new products are launched every year.

Another reason for Caterpillar's dominance in the market is its business model. Caterpillar sells it all – machines, services, and support – for a wide range of industries. Caterpillar's sales hit \$51 billion in 2008 and Japan's Komatsu remains a distant number two, with less than half the sales of Caterpillar. Caterpillar maintains 50 production facilities in the United States and 60 overseas, selling products in over 200 countries.

The situation is very different in China. The massive potential market is very complex, but offers huge profits for Caterpillar and other overseas brand if they get the balance right. Caterpillar and their main rival, Komatsu, offer higher-quality machinery than Chinese manufacturers, but at a higher price.

Caterpillar controls around 7 percent of the heavy machinery in China. They clearly see the importance of winning in China, as evidenced by the transfer of their group president, Richard Lavin, to Hong Kong towards the end of 2011.

As each year passes, Chinese manufactures are catching up with Caterpillar and Komatsu. The technology has improved, the financing deals available are more attractive and they are very aggressive in their marketing and sales. This is illustrated by the fact that Caterpillar's market share has dropped from 10 percent over the past five years.

Chinese manufacturers have adopted new strategies to combat overseas competitors. Top-of-the-range luxury cars are raffled via the dealerships for buyers and attractive financing deals are better than those that Caterpillar can offer. The key Chinese competitors include Sany Heavy, Shantui, Xugong and Zoonlion.

However, demand for heavy machinery in China has stalled with a slowdown in the construction market. Industry analysts believe that this will be a testing time for the Chinese manufacturers as they chase fewer buyers. Faced with dwindling sales in their own home market, Chinese manufacturers have begun to look elsewhere for buyers. They are already active in the Middle East, Europe, South America, and in the United States. Several of them are acquiring manufacturing plants overseas so that they can supply those markets more easily. Sany Heavy has set up a new headquarters and factory in Georgia, Shantui has opened in Dubai.

Despite these threats to Caterpillar, not only in China but across the globe, the giant is still upbeat about the prospects. They feel that they have the expertise and managerial skills in place already, which they imply the Chinese manufacturers lack. Equally, they point to the fact that they have a comprehensive servicing system and more reliable and robust machinery to sell.

Caterpillar has big plans for China. The expectation is that the engineering industry in China will increase in value from US\$73 billion to US\$145 billion by 2015. Caterpillar wants a share

of that staggering growth. To be able to serve the potential buyers , the company intends to double its workforce in China to 22 000 by 2015.

Infrastructure projects in China are expected to fuel the demand for heavy machinery. The Chinese government is expected to be spending some 1 trillion Yuan on housing and another 4 trillion on water conservation over the next five years. Urbanisation is seen as one of the key drivers and this will present huge opportunities for business such as Caterpillar.

Caterpillar and their competitors know that China is the market in which the global leader will emerge. It has been estimated that half a million pieces of heavy machinery will be sold each year in China alone . Caterpillar is not content with having a 7 per cent share of those sales. Their dealer network is well developed : they offer logistics, rentals, and financing. Coupled with the reputation of the brand , they hope that this will give them the competitive edge they need in China .

What's next for Caterpillar? As the company moves forward, it remains focused on reducing greenhouse gas emissions in its machinery , innovating more green technologies, maintaining its strong brand , and investing in the future of emerging countries. The company believes that in order to grow , it must be successful in emerging markets.

Source: Green Rankings , The 2009 List: Newsweek, <http://greenrankings,newsweek.com>.

Required:

- (a) Discuss Caterpillar's future. What are the possibilities of Chinese manufacturers establishing themselves in Caterpillar's domestic US market? **(20 marks)**
- (b) Can Caterpillar really compete in China? **(20 marks)**

SECTION B

QUESTION 2

'Frequently, there is confusion between products and brands.' Draw the distinction. **(20 marks)**

QUESTION 3

'As a brand, the game is one of being defined or being self – defined'. Discuss. **(20 marks)**

QUESTION 4

‘There is a difference between brand identity and brand image.’ Evaluate this statement.

(20 marks)

QUESTION 5

‘When you broaden your brand, you weaken it; however, the law of fellowship brings in a new twist.’ Elaborate.

(20 marks)

QUESTION 6

However well a brand is initially positioned in the market, it may be necessary to reposition it at sometime. Discuss.

(20 marks)

QUESTION 7

Diluting the brand can alienate its core followers. Discuss.

(20 marks)

END OF EXAMINATION