Name: **Enrolment No:**	UPES

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
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Course: Strategic Management — **Course Code:STGM 8001**
Semester: III — **Max. Marks: 100**
Programme: MBA LSCM
Time: 03 hrs.
Instructions:

SECTION A

S. No.	Multiple choice questions	Marks	CO
Q 1	**i. firm that is living on its past laurels will probably have a culture that is** a) politicized and differentiated b) change-resistant c) greed-driven d) insular and inwardly focused **ii. Owners of brands frequently suffer when rivals make a rival product to resemble their Own product. A common law remedy against this is based on the law of:** a) Equity b) Product proliferation c) Passing off d) Pairing of 3. **iii. 360% feedback involves appraisals by:** a) Line managers b) Subordinates' c) Superiors' d) Anyone who is directly in contact with the appraisee **iv. A fragmented industry** a) emphasizes economy of scale b) emphasizes large capital requirements c) has many different product lines d) has an absence of market leaders **v. The'operations' in a passenger airline service would be:** a) The manufacture of the aircraft b) Getting passengers and baggage from A to B by means of flying in an aircraft c) The design of the price structure and yield plan d) Selling the tickets to passengers	**1X10=10**	**CO1, 2**

	vi. Who benefits when the currency grows weaker in the location where products are manufactured? a) Rivals b) Exporters c) Customers d) Suppliers **vii. Which of the following might NOT be an advantage of increasing the number of Countries in which a clothing firm does business?** a) Exposure to demanding customers with exotic tastes b) Increased efficiency c) Making life more difficult for competitors d) Increased access to funding **viii. A brand is a short hand method which a manufacturer can use to identify its product as Being distinctive. However, to be of value to a customer,and long termvalue to the company, this particularly depends on which of the following brand characteristics being present?** a) A snappy brand slogan b) Adverts that are liked by consumers c) An emotional attribute d) Consistency **ix.According to Henry Mintzberg, the realized strategies of a firm** a) are a combination of deliberate and emergent strategies. b) are a combination of deliberate and differentiation strategies. c) must be based on a company's strategic plan. d) must be kept confidential for competitive reasons **x.Members of Boards of Directors are** a) appointed by the Securities and Exchange Commission. b) elected by the shareholders as their representatives. c) elected by the public. d). only allowed to serve one term of four years.		
Q2.	**Examine the veracity (True and False) of the statement with explanation (1X10=10)**		
	1. Intellectual capital is becoming increasingly important in today's economy. It is a concern of managers throughout organizations 2. Market capitalization is an indicator of share of the market held by a company 3. A retrenchment strategy is a renewal strategy designed to address organizational weaknesses that are leading to performance declines. 4. An important advantage of first movers or “pioneers” in a market is that they	**1X10=10**	**CO1, 2**

	may establish brand recognition that may later serve as an important switching cost. 5. White Knight is the term used in business strategy. 6.A primary benefit of the "balanced scorecard" is that it complements financial indicators with operational measures of customer satisfaction, internal processes, and the organization's innovation and improvement activities. 7. In case of Executive director heading BOD, the number of Independent directors should be decreased . 8. Behavioural substitution is a staffing strategy. 9. Social responsibility is the idea that organizations are not only accountable to stockholders but also to the community-at-large. 10.RACI is related with inventory management		
	SECTION B		
Q 3	**Write short notes on any four**	**5X4=20**	**CO3**
	1. Evaluation and control model 2. Theories of ethics and Recommendations of Different committees on on Corporate Governance 3. Integration strategies 4. Difference greenfield, brownfield and BOT 5. Lobster trap, ladymacbeth strategy and backflip		
	SECTION-C		
	Case Study Analysis		
	INTRODUCTION "I was prepared to handle inquiries from two different retail groups," thought Jane Walter, founder of organicKidz, a Calgary-based firm marketing the world's first stainless steel baby bottles. Walter was standing outside her booth at the All Baby & Child Kids Expo in Las Vegas on September 13, 2009. It had been a year and a half since Walter had started her company, and she had been pleased with the response to her new products. But as Walter began to list her products with specialty and mass merchandiser accounts, she started to think about the types of product and promotional choices she would be asked to make. She wanted to define her marketing strategy for the next few years. Walter expected several dozen buyers and category managers to come by her booth in the next four days. "I've decided to sell my higher end bottles — the narrow-necked ones — to specialty stores, and the entry level bottles — the wide-mouthed ones — to big-box stores. I think that having two product lines is the right strategy." Walter had heard that		

specialty stores and big-box stores tended to earn gross margins of about 50 per cent and 30 per cent, respectively.

"But this morning, a buyer from Costco, a warehouse club, wanted to know whether we would sell our bottles to them," Walter continued. Costco tended to price its merchandise to generate gross margins of under 10 per cent. Walter weighed the potential for large volume against the potential pressure on prices with her current accounts. She wondered how to respond to the Costco buyer's request.

The Infant Feeding Industry

The global baby-care supplies industry was considered a mature market, with about $9 billion in sales in 2006. There were five main categories in the market: disposable diapers, wipes or moist towelettes, baby body-care products, pacifiers and teethers, and feeding accessories. Feeding accessories generated about$500 million in sales and included products such as baby bottles, baby bottle liners, breast pumps and pads.

At the start of 2008, 95 per cent of baby bottles sold in the United States were made from polycarbonate, a rigid plastic. The baby bottle market was considered mature, with top brands growing by taking market share from each other. The three leaders in the baby bottle market were Playtex, Novartis (with its Gerber brand) and Avent. Each company had its own line of baby bottles that had essentially remained unchanged for the past decade. Bottles were, on average, priced between $6 and $12, depending on the features each one carried. One key development in this market had been the introduction of bottle liners, which were disposable plastic sleeves that lined the bottle. These liners were primarily meant to reduce the incidence of colic when feeding babies: milk was poured into the sleeve and, as the baby consumed the milk, the sleeve contracted.

Manufacturers marketed their baby bottles by advertising in baby-focused magazines, sponsoring events or shows in the infant industry, and investing in trade promotions at the store level. In the United States, an annual marketing budget for one of the three leaders might be $5 million.

Large mass merchandisers generally purchased bottles directly from manufacturers, selecting three to four key brands to merchandise. These mass merchandisers typically sold a full range of consumer products — about 100,000 individual stock-keeping units (SKUs) — and carried baby products as part of their store's assortment. They operated on gross margins of about 30 per cent, with the objective of being a "one-stop shop" for consumers. The mass merchandisers were chain stores, with a few hundred to several thousand locations across the country. Baby bottles that were sold at mass merchandisers ranged from entry level $3 bottles to mid-range $8 bottles.

Specialty stores focused on selling higher end infant and toddler products, such as furniture, strollers, clothing and accessories. These stores — at about one-tenth the size of a typical big-box store — usually stocked merchandise that was higher in price and quality compared to what was available at mass merchandisers. Staff members were usually very knowledgeable about products. There were perhaps 2,000 specialty stores across the United States, most of which were owner-operated. They worked on typical gross margins of 50 per cent and focused on providing top-notch service. Baby bottles that were sold at specialty stores were usually a manufacturer's higher end bottles and retailed for $10 to $15.

Warehouse clubs — for example, Costco — tended to stock and sell merchandise in bulk. Their target was the small business owner who would resell products in their stores. Warehouse clubs usually stacked their merchandise on wooden pallets within in a large, unadorned warehouse. They worked on gross margins of perhaps eight per cent to 10 per cent, earning their profits from investing cash that was available because of the difference between when the stores collected funds (most consumers used debit cards or cash, which was available to warehouse clubs almost immediately) and when the payables were due (typical terms for suppliers were 45 to 60 days).

The baby bottle market changed dramatically in April 2008, when Canada banned the sale of polycarbonate bottles. Research had shown that a chemical, bisphenol-A (BPA), was leaching from polycarbonate bottles when they were heated. BPA is known as an endocrine-disrupter that, in large amounts, can be harmful to humans.

As soon as the ban was announced, Canadian retailers were forced to clear their retail shelves of any baby bottles made with polycarbonate. Retail buyers, already on the alert for BPA-free bottles, started taking calls from non-traditional manufacturers who were offering BPA-free alternatives.

OrganicKidz

Walter's new business idea — stainless steel, BPA-free baby bottles — came to her when she was on a shopping trip in preparation for a family visit. She wanted to give BPA-free baby bottles as gifts for her nieces and nephews, and when she could not find any on the store shelves, she started thinking about the opportunity to launch a new company. Since Walter came from a family of entrepreneurs, she was able to get a referral to a relative's connections at a Chinese factory that had the capability of producing steel bottles. She recalled, "I wanted to make the safest baby bottles in the world. They would be BPA-free and they would be shatter-proof. I thought — what material is safer than stainless steel?"

Walter sketched out bottle designs, paid for moulds to be built and produced prototypes. In the early days, she worked through several setbacks as she tweaked the design of the bottles. Looking to promote her products, Walter signed up for the ABC Kids Expo in Las Vegas but was told that she was too late — the show was full. Determined to get into the show, she called repeatedly and finally secured a slot when another manufacturer cancelled. She shipped the bottles to the show but arrived to find that her samples were stuck in customs. Undeterred, she started the show with nothing more than a stand and some brochures. Walter's narrow-necked bottles, examples of which can be seen in Exhibit 1, retailed for $19.99 to $24.99. They came in different colours, such as pink, green and blue. Walter's contribution rate was about $11.25 per bottle.

Walter was unprepared for the huge response her products received; there was a frenzy of activity at her booth at all times. Buyers who were desperate for a BPA-free alternative were crowding her booth, even though she did not have any samples until two days into the event. All the major retailers — Target, WalMart, Kmart — came by, along with dozens of specialty stores. Distributors representing specialty stores from half a dozen different countries visited her booth as well.

Walter was glad to see the overwhelming response to her products, taking orders for $2,000 worth of bottles during the show alone. Walter elected to start marketing her products at specialty retailers. She signed with five distributors for sales in Europe and Asia, and she handled the North American orders on her own. She decided not to offer the same narrow-necked bottles to the mass merchandisers and hence declined their orders, stating that she would develop a different line of products for them.

From late 2008 to mid-2009, Walter sold approximately $15,000 worth of stainless steel bottles and expanded her distribution to 12 countries from five. Her sales climbed from month to month, even as the global economy slipped into a recession. While she began operations by shipping all bottles from Calgary, by March 2009, she located a U.S. warehouse from which she could ship bottles to U.S. specialty stores.

By September 2009, Walter had upgraded her website (see Exhibit 2), won several industry awards, and sold a total of about 6,000 bottles for $65,000 in sales. At this rate, Walter was on track to reach $100,000 in sales by the end of 2009. To promote her bottles, she worked to be included in articles in baby magazines, and she attended consumer and retailer trade shows. Two of these shows were celebrity gifting shows, where she provided free product to celebrities.

Walter invested another $5,000 in moulds and design work to develop a second line of baby bottles —wide-mouthed versions — to be sold at mass merchandisers. The wide-mouthed bottles had the same margin structure as did the narrow-necked versions, but they retailed for $15 to $18. At that
price range, Walter's contribution would average $9.45 per bottle. She was excited about the prospects of generating high growth from her two lines of products.

One issue that Walter had to address concerned her inventory levels. As orders increased, she wondered how much inventory of each SKU she should be holding in her Canadian and U.S. warehouses. Adding a second line would definitely increase the amount of product being stockpiled, and Walter wondered whether it would make sense to hold a few hundred or even a few thousand bottles at any given time. There were about eight different styles per SKU.

In addition to working on organicKidz, Walter had designed a line of children's jackets, and she was thinking of starting her own distribution firm to place unique products at North American specialty stores.

At the ABC Kids Expo in September 2009, Walter announced the launch of her second line of bottles.Retailer interest remained very high, and Walter took orders for about $10,000 worth of wide-mouthed bottles. On September 13, 2009, the buyer for Costco dropped by the booth, wanting to know whether
Walter would sell her baby bottles in a selection of Costco's 413 U.S. warehouse stores. The initial order could be for $20,000 to $40,000.

Walter's Dilemma

At first, Walter was delighted by the Costco offer since it had the potential of vaulting her company's sales to a different level. While the buyer did not state an amount for the purchase order, Walter could guess that if the initial order sold well, a subsequent order could be for as many as 45,000 bottles — or nearly $400,000 in sales to organicKidz. This would be more than twice her cumulative sales since starting the company. Consistent orders from Costco would mean that Walter could invest in her product lineup, pay off loans, and put in place an advertising strategy that would involve the development of Web- or TVready commercials, a magazine advertising

	budget, and perhaps even a few event sponsorships. She could start to hire a staff to manage details such as billing and shipping. Two or three consecutive sales to Costco could result in a large return for organicKidz. On the other hand, Walter thought about the 100 different specialty stores and five mass-merchandiser accounts that currently sold her merchandise. A sale to Costco would draw negative reactions from her existing customer base since Costco would likely price even the lower-end bottle at about $10 or less. Managing the backlash could be difficult, and there was also the potential of being de-listed.Walter wondered whether Costco's offer to purchase her bottles was a one-time deal or whether it suggested that Costco might be willing to feature her items regularly. If the product did well at the store level, there was a high possibility that Costco could reorder. If this was a one-time purchase, however, Walter was worried that the negative reaction from her existing clients would outweigh any monetary benefits to be gained. **Answer the following questions**		
Q4.	What is your assessment of organicKidz's results thus far in the baby-bottle market?	**10**	**C03**
Q5.	Using SWOT, Outline the risks and opportunities Walter faces in each of her retail channels.	**10**	**C04**
Q6.	While conducting tactical analysis , comment on the Costco opportunity from organicKidz's perspective. What would you recommend to Walter.	**10**	**C04**
Q7.	Using CPM, comment on the competitive status of the company	**10**	**C05**
Q8.	Use SPACE matrix to describe the position and strategy of the company (assumptions could be made for the missing variables)	**20**	**C05**