

CA Intermediate – Group II
STRATEGIC MANAGEMENT
SM UNIT TEST 1 – CHAPTER 1 – 4

Course: CA Intermediate

Paper: 7B

Total Marks: 77

Attempt all the questions.

Answer to all the questions are to be given only in English.

PART 1: Scenario Based MCQs

(6*2= 12 Marks)

In the 1970, the **Tetley Tea Ltd. (TTL)**, engaged in tea plantations in Assam and Darjeeling for more than two decades, began selling packaged tea under the brand name **"Bagh" and "Bakri"**.

At the time they had around 40% of market share in the packaged tea segment that was growing rapidly. Their next competitor had 25% market share. In 1985, the company launched a chain of eateries selling teas and branded it as **"Prakrit"**. They brewed tea in these eateries by adding goodness of **adrak, tulsi, mulethi, lemon grass, haldi and other natural ingredients**.

Their products were positioned as natural Indian tea with ayurvedic ingredients having health benefit. They positioned it as masala chai clinically proven to enhance immunity and gave a tag line, **"Swad ki Potli"**. It soon became the favourite chain of eateries, selling India's popular beverage, tea.

In early nineties when liberalization favoured entry of Multinationals in diverse sectors, two companies with their headquarters in **USA – Agro Tea and Yogi Tea**, leading consumer goods company entered Indian market. The two companies respectively held two major global brands of teas **Agro Tea and Yogi Tea**. Both the global players with their vast pool of financial and other resources, knowledge of multiple markets and experienced professionals were expected to rewrite the history of the Indian Tea business.

TTL concerned about their future engaged a leading management consultant to take advice on the future course of action. The management consultants after a thorough study and survey in four largest metropolitan cities advised TTL to exit the market and encash their goodwill. The consultants felt that it would be difficult for TTL to survive in the tea business in India with the might of new competitors having abundant resources.

TTL engaged with the two global companies and sold their packaged tea business to **Agro Tea** in the year 1995 with a non-compete clause for 20 years. The brands **"Bagh" and "Bakri"** became property of **Agro Tea**.

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TTL retained the eateries and "**Prakrit**" brand. **Agro Tea** got an edge over **Yogi Tea** in Indian Market with instant access to the distribution network. In late **1990's Agro Tea** reduced production of "**Bagh**" and "**Bakri**" and focussed to sell their own brands. However, both the new entrants struggled to sell their products in India. **Agro Tea** changed back its focus to "**Bagh**" and "**Bakri**" in 1990s and started gaining edge over **Yogi Tea**. In the beginning of new century Agro Tea had a market share of **21%** and **Yogi Tea** had a market share of **13%**. There were many other big and small brands that controlled the remaining share.

When the Indian tea market was witnessing a high-profile tussle between the global giants, **Prakrit** gained popularity among domestic consumers and increased the number of outlets to **163 located in 78 cities**.

TTL riding high on the success of their Prakrit outlets, diversified into the fruit-flavoured beverages segment, with aims to garner significant share in the Indian fruit beverages market. The company launched the brand '**Herbal Kranti**' and started selling packaged juices in three flavours – mixed fruit, green apple and tangy orange. In the year **2010** the business expanded with the launch of **100% natural Tender Coconut Water**. As a result, it became the country's largest health and nutritious drink brand with variety of products under its umbrella. Over time the management of TTL also changed and is now controlled by the next generation.

The new generation, nostalgic about their first product re-entered packaged tea business in the year **2015** with the brand '**swad**'. They pursued to cater to broad markets by reducing costs in the areas of procurement, storage and distribution of teas and selling it at attractive prices. However, five years have passed; the **brand 'swad'** is not able to garner any significant foothold in Indian packaged Tea Market.

Answer the following MCQs based on the above scenario:

1. In the 1970's what was the position of TTL in BCG matrix?

- a. Question marks
- b. Cash cows
- c. Stars
- d. Dogs

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2. In 1985, the TTL launched a chain of eateries selling teas and branded it as "Prakrit". They brewed tea in these eateries by adding goodness of adrak, tulsi, mulethi, lemon grass, haldi and other natural ingredients. Which one of the following expansion strategies have been adopted by TTL?

- a. Related Diversification
- b. Market development
- c. Product development
- d. Unrelated Diversification

3. Entry of TTL in eateries with brand name Prakrit is

- a. Vertically integrated diversification
- b. Horizontally integrated diversification
- c. Concentric diversification
- d. Conglomerate diversification

4. Positioning of "Swad ki Potli" as masala chai being clinically proven to enhance immunity is a _____ strategy.

- a. Market Penetration
- b. Market development
- c. Product development
- d. Unrelated Diversification

5. Entry of TTL in coconut water is:

- a. Market entry
- b. Market development
- c. Market penetration
- d. Product development

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6. TTL concerned about their future engaged a leading management consultant to take advice on the future course of action. The management consultants after a thorough study and survey in four largest metropolitan cities advised TTL to exit the market and encash their goodwill. The consultants felt that it would be difficult for TTL to survive in the tea business in India with the might of new competitors having abundant resources. TTL engaged with the two global companies and sold their packaged tea business to Agro Tea in the year 1995 with a non-compete clause for 20 years. The brands "Bagh" and "Bakri" became property of Agro Tea. TTL's exit from the market and further merger of "Bagh" and "Bakri" with Agro Tea is:

- a. Vertical Integration Merger
- b. Horizontal Integration Merger
- c. Concentric Merger
- d. Conglomerate Merger

PART 2: Practical & Descriptive Questions

(30 Marks)

Question 1: CAAR Enterprises deals in a wide range of businesses which includes lifestyle products, processed food items, fashion, furniture, electronics items, real estate, jewellery and gardening tools. CA Aman Rajput is one of the important persons in CAAR Enterprises. In an informal discussion with his friend, he shared that he has to move very cautiously in his organisation as the decisions taken by him have organisation wide impact and involve large commitments of resources. He also said that his decisions decide the future of his organisation.

Required:

- i. Where will you place CA Aman Rajput in CAAR Enterprises hierarchy?
- ii. In your opinion, what is the name of the strategic level CA Aman Rajput belongs to?
- iii. What are the different dimensions of the decisions being taken by CA Aman Rajput in CAAR Enterprises?
- iv. Enlist the activities involved with the role of CA Aman Rajput at his strategic level.
- v. Enlist and describe the strategy adopted by CA Aman Rajput.

(10 Marks)

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Question 2: OTC Retail Venture Pvt. Ltd. operates some of India's most popular retail chains that inspires trust through innovative offerings, quality products and affordable prices that help customers achieve a better quality of life every day. It serves millions of customers in more than 515 cities in every state of the country through digital platforms and over 3580 stores that cover over 21 million square feet of retail space with an income of Rs 20,185.37 crore in FY19 and Rs 15,717.09 crore in FY20.

However, OTC Retail Venture Pvt. Ltd. Has a consolidated debt of ₹12,778 crore as of Sep. 2019. OTC Retail Venture Pvt. Ltd. had a gross debt of ₹2,657 crore as of March 2019. It had been in financial difficulty since the nationwide lockdown started hurting its businesses. OTC Retail Venture Pvt. Ltd.'s net profits declined to ₹164.56 crore on a consolidated basis in Q3-FY20 from ₹197.60 crore in the year-ago period. Revenue from operations decreased to ₹5,193.19 crore in Q3-FY20 compared to ₹5,368.46 crore in Q3-FY19.

OTC Retail Venture Pvt. Ltd. Is a strategically managed enterprise. It takes all decisions through a strategy group formed at the top of the hierarchy. However, the presence of strategic management and strategy group could not stop the continuing losses and acquisition of OTC Retail Venture Pvt. Ltd. by Prathama Retail Venture Pvt. Ltd.

Required:

- In your opinion, what are the major reasons of the above situations?
- Discuss with reason and suitable examples.

(5 Marks)

Question 3: Hyundai is a competitive company inside the Automobiles (car) market because they have achieved constant success every year. This company is based on the development of new strategies that helps Hyundai to differentiate from the competitors like Honda, Toyota, Suzuki, Ford, GM, etc.

Required:

Analyse the data of each competitor and suggest Hyundai the major steps to be taken to understand the competitive landscape.

(5 Marks)

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Question 4: An industry comprises of only two firms-Soorya Ltd. and Chandra Ltd. From the following information relating to Soorya Ltd., prepare BCG Matrix:

Product	Revenues (in `)	Percent Revenues	Profits (in `)	Percent Profits	Percentage Market Share	Percentage Industry Growth rate
A	6 crore	48	120 lakh	48	80	+ 15
B	4 crore	32	50 lakh	20	40	+ 10
C	2 crore	16	75 lakh	30	60	-20
D	50 lakh	4	5 lakh	2	5	-10
Total	12.5 crore	100	250 lakh	100		

(5 Marks)

Question 5: In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases:

- I. A leading producer of toothpaste advises its customers to brush teeth twice a day to keep breath fresh.
- II. A business giant in hotel industry decides to enter into dairy business.
- III. One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets.
- IV. A renowned auto manufacturing company launches ungeared scooters in the market.

(5 Marks)

Question 6: CA Pradeep Rohilla has joined as the new CEO of ITC TECH and aims to make it a dominant technology company in the next five years. He aims to develop competencies for managers for achieving better performance and a competitive advantage for ITC TECH. CA Pradeep Rohilla is well aware of the importance of resources and capabilities in generating competitive advantage. Discuss with industry examples about the four major characteristics of resources and capabilities required by ITC TECH to sustain the competitive advantage and its ability to earn profits from it.

(5 Marks)

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Question 7: Retailco is the leading supermarket Indian retailer and one of the top seven Indian retailers. The pursuit of this strategy has meant Retailco diversifying into growing emerging markets which bring opportunities and threats. Diversifying reduces Retailco's reliance on few business areas but also increases its risks since the 'industry life cycle' is less well understood in emerging markets.

Retailco's core business is significant within the group, with over 1,00,000 employees and over 14000 stores. Nearly 80 per cent of group sales and profits come from the India business.

Growth in India business comes from new space, extensions to existing stores and multi-format approach. Sales of non-food which are growing at around twice the rate of food, also contribute to the overall growth picture.

In 2020, Retailco reported a 17 per cent increase in group profits before tax. Its group sales were a staggering 2.5 Lakh Crores, representing an increase of 14 per cent on the previous year. Its share in the market is 32 per cent well ahead of its nearest rivals Big Bazar and Easy Day.

Required:

- i. Keeping the Essentials of a strategic vision in mind, articulate the strategic vision of Retailco.
- ii. Do you think that Retailco must write its mission statement. If yes, then why do you believe so?

(5 Marks)

Question 8: Bata has not moved far from its footwear emphasis. The company has not demonstrated a desire to diversify into other apparels as have of its competitors. It's emphasis is on consolidation after a rapid growth. In your opinion, what type of Grand Strategy is being followed by Bata. Discuss in detail with its objectives behind doing so.

(5 Marks)

Question 9: The 3M Company is an American multinational conglomerate corporation operating in the fields of industry, worker safety, US health care, and consumer goods. The company produces over 60,000 products under several brands. 3M made \$32.8 billion in total sales in 2018, and ranked number 95 in the Fortune 500 list of the largest United States corporations by total revenue.

3M Company is famous for their exceptional product ideas and innovations. Founded in 1902, the company first focused on sandpaper products. In the 1920s, the company invented the world's first waterproof sandpaper, which reduced airborne dusts in automobile manufacturing. To achieve all the above, 3M invests huge amount of capital.

Required:

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- i. Do you also think that while investing capital, either from the promoters or from the public, 3M should be inherently careful in choosing an industry?
- ii. In your opinion, what are the important factors on which the management of 3M may base their conclusions to invest capital carefully in different industries?

(5 Marks)

Question 10: A Good strategy execution involves creating strong “fits” between strategy and organisational capabilities, between strategy and the reward structure, between strategy and internal operating systems, and between strategy and the organisation’s work climate and culture. It also entails vigilantly searching for ways or continuously improve and then making corrective adjustments whenever and wherever it is useful to do so. In the light of the above statement, discuss the principal aspects of strategy implementation and control process with a suitable example.

(5 Marks)

Question 11: EIS Ltd. is a large enterprise dealing in pharma, chemical, petroleum, retail and insurance products and services. It is a multinational, multi-brand, multi-division, multi-business enterprise. It has huge value chain that has huge value creation capability. However, it has its own set of competitors and EIS Ltd. is capable to deal with its competitors. EIS Ltd. hires Mr. Om Trivedi, an IIM Alumnus, as its strategic advisor and chief strategist. According to Om Trivedi, it seems impractical for EIS Ltd. to provide strategic planning treatment to each of its subsidiaries, brands and businesses spread all across the globe.

Required:

- i. Do you also think that the strategic management approach followed by Om Trivedi for Strategic Planning of each of EIS Ltd. subsidiaries, brands and businesses spread all across the globe is correct? Support your opinion with reason.
- ii. Suggest the most suitable strategic level and its strategy and major strategic concerns of EIS Ltd.

(5 Marks)

Question 12: Why is strategy evaluation more difficult? Give reasons.

(5 Marks)

How to Submit your Answer Sheet?

Scan your Answer Sheets, rename it by using your Name & Mobile no. and submit it in PDF Format over Mail ID: eissmchd@gmail.com