Roll No…………

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) – 201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2019 -2021)

MID TERM EXAMINATIONS (TERM - III)

Subject Name: Strategic Management	Time: 01.30 hrs
Sub. Code: PG25	Max Marks: 20

Note:

1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.

2. All questions are compulsory in Section A, B & C. Section A carries 1 Case Study of 8 marks. Section B carries 3 questions of 2 marks each and Section C carries 2 questions of 3 marks each.

SECTION - A

04+04 = 08 Marks

Q. 1: Case Study: **Dabur: Gained back lost ground**

Dabur India Ltd. (Dabur), a leading Indian fast moving consumer goods (FMCG) company, was established in 1884 as a small pharmacy based in Calcutta (now Kolkata). Since then, it had gone on to become a Rs. 77 billion company (as of 2017). A decade into liberalization in 2002, the FMCG industry saw competition intensify, with deep-pocketed multinational companies (MNC's) trying every trick in the book to capture market share. The demand for consumer products was rising. But Dabur despite strong brand recall and trust was having trouble cashing in.

After analyzing the challenging and competitive environment, the core group in Dabur decided on a multipronged growth strategy. As the first step, Dabur decided to outsource non-core businesses like IT, and to concentrate on making quality consumer products. Simultaneously, Dabur decided to refurbish the product portfolio and entered into several emerging and sunrise categories such as skin care, packaged fruit juice and toothpaste.

In addition, Dabur drew up a rapid expansion plan which also included taking the inorganic route to grow business. Dabur recognized - much ahead of the competition - that rural India would become a key growth driver.

In addition, Dabur expanded their horizons and took on the MNCS on their home turf and in overseas markets and established a manufacturing facilities abroad, rather than ship products from India, as that would make them more nimble in addressing the changing needs of consumers, and provided them a leaner and quicker supply chain. This decision paid off and their products soon became favorites with Arab consumers, and their international business became a strong growth engine for the company, helping it tide over the recession in onwards, when it hit the domestic market. Today, their overseas business accounts for nearly 30 per cent of consolidated turnover. Another measure of our international success is that our premium skin and hair care brand, Vatika, is probably the only Indian FMCG brand to report equal turnover from both Indian and overseas sales.

Towards the end of 2016-17 and early 2017-18, due to a number of factors such as subdued demand, demonetization and rapid expansion from Patanjali and macro-headwinds, ayurveda major Dabur is pull up its socks. With better sales and improved margins, the firm took leverage the popularity of ayurveda, mostly ignited by rival Patanjali. The size of the ayurveda market has increased, which has aided their growth. Dabur are now getting traction for ayurvedic products across categories like never before. This factor is perhaps playing a biggest role in their performance. But in the long run Patanjali entry expanded the size of the market.

Dabur wanted to reach out to more entities in rural markets. Thus, pulled money from everywhere - cut down advertisement and promotions, cut down on bonuses - for infrastructure building. In rural market, Dabur divided the portfolio and team into health care and personal care and put in massive infrastructure to increase the density. Dabur also added 400 people. These measures have earned them rich dividends.

Operating margins have improved by 300 to 400 basis points due to continued low inflation and benefits from the GST. Half of their portfolio is home and personal care but their dependence on oil derivatives is much low as compared to many other firms. Only 30 per cent of their portfolio is facing the issue of inflation but other areas prices are downwards. Thus, rising oil prices or depreciating rupee is a lesser concern

Minimum support price (MSP) hikes for farmers in last few years was one of the favourable factor for Dabur. Higher MSPs mean higher disposable income in rural households. While it would increase the cost of raw materials to a certain extent but incremental sales would be much higher. Thus, inflation is not a concern as long as it boosts demand.

The regulatory framework of the Government of India is favorable with relaxation in license rules that permits tremendous opportunities in the rural market. The major players in the Indian FMCG market have foreign connections like Hindustan Unilever, Nestlé India, and Procter & Gamble and are market leaders. Among the truly Indian players are Dabur, Britannia, ITC (Indian Tobacco Company) and Marico. It is imperative that Dabur stands out among the Indian players and provide a stiff competition to capitalize on the large market opportunity in the FMCG market.

Dabur India stressed that it is looking to shift its focus back to its core strength, which is Ayurveda. The company will increase its focus on nine power brands from its product categories, which constitute about 65-70% of its sales. Dabur created a separate team for e-commerce channel six months ago. By 2020-21, it expect e-commerce could be up to 5 per cent of their sales. Dabur is accelerating product innovation and brand renovation which will ensure scalability of under indexed brands. Dabur's 5 strategies are (1) Scaling up brands, (2) Driving innovation and renovation for market leadership, (3) Distribution expansion, (4) Operational excellence and (5) Capability improvement

Questions

1(A) Critically evaluate the FMCG industry using PESTEL framework in today's business environment?

1 (B) Explain the corporate and business level strategy for Dabur? Which strategies were responsible for its sustainable long term performance?

SECTION - B **02×03 = 06 Marks**

Q. 2: Explain the strategic management process and its importance for any organization.

Q. 3: Explain the differences between Vertical and Horizontal Integration strategies with examples.

Q. 4: What is role of Ansoff Matrix to device the strategies for future growth of any organization? Explain with suitable examples?

SECTION - C **03×02 = 06 Marks**

Q. 5. You are the CEO of a footwear manufacturing company. Your company manufactures shoes and sandals for both the sexes. The designs of the shoes and sandals have not changed over the years. Your shoes sold like hot cakes in early 2000s but now the sales have declined heavily. Analyze the situation and suggest appropriate solutions to get the company back on track.

Q. 6. What is the role of vision and mission for an organization? Do you think that vision and mission should be reviewed and upgraded after every few years? Justify your answer by giving suitable arguments.