

Name:	
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2018

Course: Strategic Management

Semester: III

Programme: MBA IB

Time: 03 hrs.

Max. Marks: 100

Instructions:

SECTION A

S. No.	Multiple choice questions	Marks	CO
Q 1	<ol style="list-style-type: none"> 1. Which of the following is a driver of globalization? <ol style="list-style-type: none"> a) Trade barriers and controls on inflows of foreign direct investment. b) Weak competition. c) Technological advance. d) Economies of scale are being exploited to the maximum. 2. Exchange rates determined purely by the forces of supply and demand are: <ol style="list-style-type: none"> a) Fixed exchange rates b) Floating exchange rates c) Pegged exchange rates d) Managed exchange rates 3. Market concentration measures: <ol style="list-style-type: none"> a) The geographical concentration of firms in an industry. b) The extent to which firms are able to exercise control over suppliers. c) The distribution of market power among firms in the market. d) The degree of control firms have over their competitors. 4. Which of the following is not a force in the Porter Five Forces model? <ol style="list-style-type: none"> a) Buyers b) Suppliers c) Complementary products d) Industry rivalry 5. Born global firms... <ol style="list-style-type: none"> a) Have multinational sales of at least 25% within the first three years of existence. b) Take an international perspective from inception. c) Tend to be found in technologically based, knowledge-intensive industries. d) All of the above. 6. Country risk is usually lowest in: <ol style="list-style-type: none"> a) High growth economies b) Economically advanced democratic nations 	1X10=10	CO1 ,2

	<p>c) Politically stable developing nations d) Underdeveloped but democratic nations</p> <p>7. Hofstede argues that:</p> <p>a) International firms can easily transfer their ways of working from one country to another. b) Business does not need to take into account the norms and values of the countries where they operate. c) Each country has a single culture. d) National culture is more influential than organizational culture.</p> <p>8. Which of the following would not be classified as an innovation advance?</p> <p>a) A company's R&D facility. b) The launching of a completely new product. c) A modification that improves an existing good or service. d) A major improvement in a production process.</p> <p>9. Tacit knowledge is:</p> <p>a) Knowledge that can be written down. b) Lost when employees leave the firm. c) Easily transferable from one employee to another. d) Not important to the business.</p> <p>10. Why has there been much cross-border restructuring in the financial sector?</p> <p>a) Banks preferred to move into other countries rather than diversify their product range. b) Financial institutions wanted to move to countries that were more tightly regulated. c) Financial institutions wanted to take advantage of expanding markets in S. E. Asia. d) Western financial institutions were become increasingly concerned about the threat of increased competition from Japanese banks.</p>		
Q2.	Examine the veracity (True and False) of the statement with explanation (1X10=10)		
	<ol style="list-style-type: none"> 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 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. 	1X10=10	CO1 ,2

	<p>7. In case of Executive director heading BOD, the number of Independent directors should be decreased .</p> <p>8. Behavioural substitution is a staffing strategy.</p> <p>9. Social responsibility is the idea that organizations are not only accountable to stockholders but also to the community-at-large.</p> <p>10.RACI is related with inventory management</p>		
SECTION B			
Q 3	Write short notes on any four	5x4=20	CO3
	<p>a. Offensive tactics</p> <p>b. Cognitive barriers in strategic decision making process</p> <p>c. Lee’s SRC</p> <p>d. Difference greenfield, brownfield and BOT</p> <p>e. Lobster trap, ladymacbeth strategy and backflip</p>		
SECTION-C			
	Case Study Analysis		
	<p>In May 2018, having recently been featured as one of the 100 most successful business owners in the Middle East by Forbes Middle East, Abdul Rafih, the owner and founder of FiLLi Café (FiLLi) in the United Arab Emirates, was experiencing mixed feelings. He was happy about his accomplishment, and overwhelmed recalling all the challenges he had overcome thus far. At the young age of 36, Rafih had undoubtedly done exceedingly well for himself as the owner of 30 FiLLi outlets across the United Arab Emirates, with a business worth AED50–60 million. Rafih had garnered much attention, from being featured in news articles to being invited to deliver TED Talks.</p> <p>Although he was happy with the way his business had evolved, Rafih was in no mood to go slow. After creating a successful business in the United Arab Emirates, he aspired to take the brand global, and he had developed a global expansion plan using the franchising model. However, the challenge was the fastchanging market with new entrants in the marketplace. Was retaining customer loyalty in the local market and creating a new market in other geographic locations too aspirational? Was franchising the right expansion strategy? Up to that point, Rafih had never invested funds in marketing and advertising; the company had depended on word-of-mouth publicity, which had certainly resulted in the desired outcome. But would that strategy be adequate as the company moved forward? These questions had to be answered and the path ahead chosen carefully.</p> <p>THE FILLI BRAND</p>		

The story of the genesis of the FiLLi brand dated back to 2004 when Rafih, popularly known as FiLLi among his school friends, took over his father's cafeteria business. Abdul Hamid had set up a small cafeteria in the Mamzar area of Dubai in 1991. When Rafih came to Dubai in 2003, his father's business was not doing well. Rafih took a job as a merchandiser with a fast-moving consumer goods company and simultaneously started working in his father's cafeteria. Rafih's interest in the business grew, and after a few months he asked his father to allow him to manage the business. His father graciously agreed to let his ambitious son take over, and, as they say, the rest was history.

Curious and observant, Rafih quickly noticed the customers' fondness for tea—or kadak tea, as the Arabs referred to it. The cafeteria had served only sandwiches and juices, but Rafih started serving tea based on his customers' demands. However, he did not want to serve them regular kadak tea, which was available at all food establishments and cafeterias; instead, he wanted to offer his customers something special. To accomplish that goal, Rafih followed a specific process while preparing tea—from choosing the ingredients to how the tea was boiled and strained. Through each step, he took care to create a different taste. He successfully created a tea that was different from the tea sold at other cafeterias. He fondly named it FiLLi tea after the nickname his school friends had given him. He started offering samples of FiLLi tea to his customers, and he noticed people's acceptance of the tea when they began to bring friends and family to the cafeteria to taste it. He consciously focused on tea over other items, as the tea business was high-volume. Slowly, due to word-of-mouth publicity, his network of customers grew.

Rafih knew he was serving a different kind of tea; he therefore priced it at AED1.00 as opposed to AED0.50, which was the price for tea in the other regular food establishments. His zeal to create a specialty tea with a distinct, unique taste led him to experiment by adding zafran to the tea. In doing so, he created FiLLi Zafran tea. Zafran, or saffron, was an exquisite spice that was well known in the Middle East. Rafih was aware of the popularity of the spice, which was usually added to milk, sweets, and other food items to give it a specific aroma and taste. Zafran also had health benefits. FiLLi Zafran, which Rafih priced at AED2.00, seemed to click with the palate of tea consumers in Dubai. Rafih's experiment created history—his customers loved FiLLi Zafran, and demand for it grew. The increasing popularity of FiLLi Zafran led to a spike in the cafeteria's sales from AED500 a day to AED10,000 a day.

The hardworking entrepreneur used funds he had managed to save from his service settlement after quitting his job to redesign and refurbish the cafeteria. Following that, Rafih's efforts and aspirations were reflected in the ambience of the cafeteria, the product that was sold, and the price at which it was sold. FiLLi Café had arrived.

Four years of hard work paid off in 2008, when Rafih opened his second outlet in Mankhool, an upper-class location in Dubai. This outlet was much bigger and had a more "upmarket" feel than the modest cafeteria in Mamzar. The regular FiLLi tea was now priced at AED4.00 and the FiLLi Zafran tea was priced at AED5.00. "It was not easy to gain acceptance in the minds of people who were used to the small cafeteria,"

Rafih reminisced. It took almost a year for business at the Mankhool outlet to start picking up. However, Rafih’s belief in his product, his patience, and his hard work paid off when the Mankhool outlet started doing well. From that point on, FiLLi began its fast-paced journey of becoming a well-known brand in Dubai. By 2018, FiLLi had 30 outlets across the United Arab Emirates in prime locations. As the company grew, its employee base expanded from a few people to 450 workers in various departments

MONEY MATTERS

Rafih followed the old adage “a penny saved is a penny earned.” He proudly claimed that he had never taken out a loan to expand his business—even though it had taken him several years to grow from one to 30 outlets. First he made his company profitable, and then he planned his next outlet based on the profits he had generated. And the business was profitable, with a remarkable 575-per-cent growth in net revenue over the last four years

FOCUSING ON WHAT MATTERS MOST: MARKETING AT FILLI

Rafih had never invested any funds in marketing. He explained, “If I had put money in marketing and advertising, I would not have had enough funds for expansion.” He also believed that advertising may or may not have brought customers to the outlet, whereas good reviews by his current customers did. Thus, he focused on what he thought was most valuable: word-of-mouth publicity. He let customers sample his product so they could experience and develop a taste for FiLLi tea.

Since 2012, FiLLi had been very active on all major social media platforms, including LinkedIn (1,559 followers), Twitter (957 followers), Instagram (8,547 followers), and Facebook (120,304 followers). Rafih believed that “in today’s times if you are not on social media you are as good as not being there at all.” He realized the power of social media to make or break a brand, and he acknowledged that one negative comment from a user could negatively impact the brand. The company used social media platforms to share updates or announcements, such as the opening of a new outlet or the feature of its products in the news; the platforms were also used to create customer engagement through contests. One of these was the “Sip a Selfie” contest, called “One Nation One Taste,” where customers were asked to take a selfie holding a FiLLi tea cup and upload it to Facebook or Instagram with the hashtag #OneNationOneTaste. Winning entries could earn up to AED1,000 worth of FiLLi vouchers.⁷

In addition to the company’s social media accounts, Rafih had a good social media presence through his personal social media accounts. He was actively promoted in the media due to his entrepreneurial spirit, which, in turn, helped the brand. FiLLi’s personal brand story appealed to customers on a human level.

OPERATIONS

As of 2018, each of the 30 FiLLi outlets across the United Arab Emirates was managed directly by Rafih. On average, 40,000 cups of tea were sold daily across all 30 outlets,

increasing to 50,000 cups a day on weekends. Rafih’s ambition was to open 100 outlets by 2020. After the success in the United Arab Emirates, Rafih wanted to make FiLLi a global brand. Thus, he needed to develop an expansion plan. The aim was to first focus on countries that had a preference for tea (see Exhibit 3), gain a stronghold in these markets, and then target expansion in coffee-consuming markets. The global expansion plan consisted of countries such as the United Kingdom, the United States, Canada, and countries in North Africa in addition to the Gulf Cooperation Council and Asian nations, including India.

For outlets outside of the United Arab Emirates, Rafih had chosen to use the franchising model. He worked with an American company called Francorp to help him navigate the franchising process. He noted, “I chose everything with a long-term vision, and therefore choosing the right partner was very important.” The company had already signed up for 100 locations in six countries with franchises in Qatar, the Kingdom of Saudi Arabia, Bahrain, and India (Mumbai).

MORE THAN JUST A CUP OF TEA: THE BRAND JOURNEY

Rafih’s passion for unique taste, consistent quality, and a great tea-drinking experience led FiLLi on a steep growth trajectory in a very competitive market. By 2018, FiLLi was registered as a brand in several countries (see Exhibit 4). Rafih proudly called FiLLi the “Starbucks of tea” because he was aware of the premium price he was charging his customers for the great taste and experience he was offering. In fact, he had filled a gap for specialty tea in a market for tea lovers. His passion for high quality and excellent taste led him to source his tea from Assam in India and his zafran from Iran. Both of these places were well known for having the best quality products in the world.

- FiLLi tea cups: FiLLi’s tea cups were made of thick paper and bore the brand colours orange and mahogany. The logo was printed on the cups (see Exhibit 5).
- FiLLi logo: The logo was circular, with a picture of Rafih in the centre and the brand name FiLLi underneath the picture. The text “Tea n’ Talk” was situated at top of the logo, emphasizing the owner’s belief in enjoying great tea with a great social experience. The text “Since 1991” was featured at the bottom of the logo to indicate the company’s legacy and origin.
- FiLLi café outlets: Rafih focused on the design and ambience of his outlets as much as on the quality of the products and the process of creating them. He said, “We don’t just serve tea, we give our customers a great experience, a place to socialize.” The outlets were designed to ensure that customers had a relaxing and comfortable environment in which to enjoy their tea (see Exhibit 6). The stores had warm earth tones, with hues of orange, brown, and caramel to give them a classic tea tone. The mahogany décor complimented the calm, relaxing ambience and the rich flavour of FiLLi tea.
- FiLLi store prototypes: FiLLi’s existing line of stores included kiosks, stand-alone cafés, and in-mall stores. There were three prototypes: large, medium, and small FiLLi outlets.

Typically, large FiLLi outlets were approximately 120 square metres (1,200 square feet) and had a seating capacity of up to 160 people, with a provision for both indoor and outdoor seating. Medium outlets had a seating capacity of up to 100 people, with an indoor seating capacity of approximately 60 and an outdoor seating capacity of approximately 30. Small outlets had a seating capacity of up to 40 people and were about three square metres (30 square feet) in area.

- Store locations: FiLLi outlets were located at places with good accessibility, visibility, and convenient parking for customers.
- FiLLi menu: In addition to the signature FiLLi tea and FiLLi Zafran tea, other beverages (hot and cold) as well as snack items were included on the menu. Snack items were prepared using ingredients discreetly chosen by chefs who worked with experts to enhance the taste. The range of food items included sandwiches, burgers, and wraps, to cater to most people’s taste preferences. Some of these items were introduced as limited-type offers or limited-type editions, and were continued later if they were found to be popular among consumers. Most of the products on the menu were served in all of the outlets, unless a specific outlet was not equipped with a kitchen of the required specification. While most owners of food and beverage establishments may have found it stringent or cumbersome to comply with the municipal requirements in the United Arab Emirates, Rafih said that compliance enabled him to offer products and services that met the expected standards of quality.

CUSTOMER SEGMENT

Although FiLLi’s products were initially more popular with Arabs and Indians, its customer base had expanded to include more nationalities, including South East Asians such as Filipinos. FiLLi had also sparked an interest in Europeans, who relished the taste of the tea. Rafih said that his European customers referred to the FiLLi tea as chai latte. Over 200 nationalities lived in the United Arab Emirates, so people were exposed to a diverse range of cuisines and beverages there. FiLLi benefited from these diverse demographics because most people had been exposed to tea consumption; those who had not, were given the opportunity to experience tea drinking as something new and to develop a taste for it. FiLLi catered to all age groups—young students, working professionals, families, older people—and all indulged in Tea n’ Talk.

TEA MARKET VERSUS COFFEE MARKET

The market for coffee and tea was growing, and was expected to increase 30 per cent by 2021. According to Euromonitor,¹³ the tea and coffee market was expected to reach US\$242.7 million by 2019; in 2014, it was US\$182.2 million.¹⁴

The coffee market was bigger than the tea market, which was expected to grow more slowly. According to a Gulf News article, “In the past five years looking at CAGR [compound annual growth rate] for coffee in terms of volume, it grew by about 9 per cent, mainly driven by on-trade performance. Tea on the other hand grew by about 7 per cent, again driven mainly by on-trade [performance].”¹⁵

The rapid growth of the tourism sector in the United Arab Emirates was the main reason for this demand. According to Anselm Godinho, the managing director of International Conferences & Exhibitions in Dubai, “The country’s traditional coffee culture and an expanding tea market complement increasing investment in the café, coffee and tea businesses estimated to be worth between [US] \$350 million and [US] \$400 million.” The United Arab Emirates had more than 4,000 coffee and tea cafés, and, as had often been claimed, tea was the second-most widely consumed drink, after water. James George, a research analyst at Euromonitor, said: “The South Asian population, especially Indians as well as Arabs, have a culture of tea consumption in its various blends and flavours in a relaxed environment along with snacks and food.” According to the International Coffee and Tea Festival, the United Arab Emirates was the largest re-exporter of tea, and perday tea consumption in the United Arab Emirates was approximately 19,000 kilograms.

COMPETITION LANDSCAPE

Rafih had said, “No one is my competitor, and in a way everyone who sells beverages is.” After FiLLi, a few other companies entered the U.A.E. market with a variety of tea offerings

THE ROAD AHEAD

Although Rafih was happy with how far FiLLi had come, he was not complacent. He was on an aggressive expansion spree and aspired to make FiLLi a global brand after its success in the United Arab Emirates. However, the market scenario had changed; new players had emerged and were vying for market share. Although FiLLi had undoubtedly created a niche for itself by filling the gap in the market for specialty teas for tea lovers, and had gained popularity among its customers, people still loved to try something new. How could FiLLi continue to retain customer loyalty while trying to expand internationally? To date, Rafih had not invested any funds in marketing or advertising. In the future, would it be wise to maintain that strategy? Was the franchising model the best way for the company to launch its global expansion? What could Rafih do to maintain the company’s competitive advantage while it began its global expansion journey?

EXHIBIT 1: FINANCIALS FOR FILLI CAFÉ, 2014–2018 (IN AED MILLIONS)

	2014	2015	2016	2017	2018
Gross Revenue	12.04	26.82	31.49	65.21	92.24
Cost of Sales	3.97	8.58	9.74	19.56	29.52
Operating Expenses	4.21	10.19	11.38	28.69	40.59
Net Income	3.85	8.05	10.37	16.95	22.14

**EXHIBIT 2: TOP TEA-DRINKING
COUNTRIES**

Top Hot-Tea Markets by Total Brewed Volume in 2016 (Million Litres)			Top Cold-Tea Markets by Total Ready-to-Drink Volume in 2016 (Million Litres)		
1	China	70.383	1	China	15.292
2	India	26.870	2	Japan	6.279
3	Russia	26.735	3	United States	5.630
4	Pakistan	19.632	4	Indonesia	2.753
5	Egypt	16.287	5	Vietnam	2.037
6	Turkey	14.547	6	Taiwan	1.146
7	United States	12.115	7	Germany	.822
8	United Kingdom	11.227	8	Thailand	.592
9	Indonesia	11.014	9	Canada	.575
10	Germany	7.144	10	Italy	.453
11	Japan	7.058	11	Turkey	.448
12	Uzbekistan	5.322	12	Philippines	.442
13	South Africa	4.904	13	France	.313
14	Kenya	4.855	14	Russia	.303
15	Canada	4.473	15	Switzerland	.263

Source: "Ranked: Top 15 Tea-Drinking Countries," Euromonitor International, December 15, 2017, accessed May 15, 2018, <https://blog.euromonitor.com/2017/12/ranked-top-15-tea-drinking-countries.html>.

FILLI BRAND REGISTRATION IN DIFFERENT COUNTRIES

Countries
All countries in Europe
United States
Canada
United Kingdom
South Africa
India
Pakistan
Bangladesh
Afghanistan
Malaysia
Hong Kong
China
Singapore
Sri Lanka
Australia
United Arab Emirates
Saudi Arabia
Bahrain
Oman
Qatar
Kuwait

Answer the followings

Answer the followings			
Q4	To what factors do you ascribe FiLLi's success?	10	CO3
Q5	Evaluate the brand elements of FiLLi that helped it become a well-known and popular brand in the United Arab Emirates.	10	CO3
Q6	Discuss the entrepreneurial traits of Abdul Rafih, the owner and founder of FiLLi.	10	CO4
Q7	With the changing market scenario and new entrants in the marketplace, what should FiLLi do to retain its market share and customer loyalty?	10	CO4
Q8	Is franchising the right strategy for the company's global expansion?	10	CO5
Q9	Conduct a strengths, weaknesses, opportunities, and threats (SWOT) analysis of FiLLi.	10	CO5