Name: **Enrolment No:**	UPES UNIVERSITY WITH A PURPOSE

UNIVERSITY OF PETROLEUM & ENERGY STUDIES

End Semester Examination (Online) – July, 2020

Program: B.B.A, LL.B. (Hons.) Corporate Laws 2018 **Semester : 4th**
Subject/Course: Business Policy and Strategy **Max. Marks: 100**
Course Code: CLNL3001 **Duration : 3 Hours**

IMPORTANT INSTRUCTIONS

1. *The student must write his/her name and enrolment no. in the space designated above.*
2. *The questions have to be answered in this MS Word document.*
3. *After attempting the questions in this document, the student has to upload this MS Word document on Blackboard.*

		Marks	COs
Q.1	Apply the concept of value chain analysis on any firm of your choice and critically analyse source of firm's value creation.	20	3
Q.2	Consider legal education in India as an industry and point out the critical success factors of a law school in the industry. Attempt to formulate the objective of a law school and devise measure of performance based on critical success factors you identified.	20	3&4
Q.3	Analyse these trends and extrapolate on strategy of companies with cornet examples. a. Growing size of middle class b. Rapid Infrastructure development in cities and villages	20	3&4
Q.4	What is the status of rivalry among competitors in sporting apparel and footwear market?	20	3&4
Q.5	Explain the power relationship in thus supply chain (by using five forces model) and how they might predict the winners and losers in terms of ongoing profitability.	20	3&4

Read the case **"Power is money"** and answer question 4 & 5.

Power is money

In the 1960s, a change took place in the sporting apparel and footwear markets. Until then, by far the most important consumer had been the amateur and professional athlete who wore the shorts, tops, tracksuits, special shoes, and other paraphernalia necessary for his/her particular sport. Of this group, the largest segment comprised the millions of amateur sports enthusiasts throughout the world. Direct promotions to these consumers and promotion via endorsement by top athletes made a performance enhancing proposition (i.e. "wear our kit and be a winner"). Then, in the "swinging sixties", pop groups like The Rolling Stones began to wear "trainers" (i.e. running shoes) as a counter – cultural symbol of youthful rebellion. And so sports apparel by firms such as Reebok, Nike, and Adidas became fashion as well as sports brands.

The wholesale global sportswear industry is worth more than US$60bn per year and nearly US$150 bn at retail. The top three brand companies, Nike, Adidas and Reebok, share 40% of the branded market (29% of the total). While these firms retain the core competitive functions of marketing and design, manufacturing is outsourced to the lowest cost sources in a long global supply chain (figure 3-1.1).

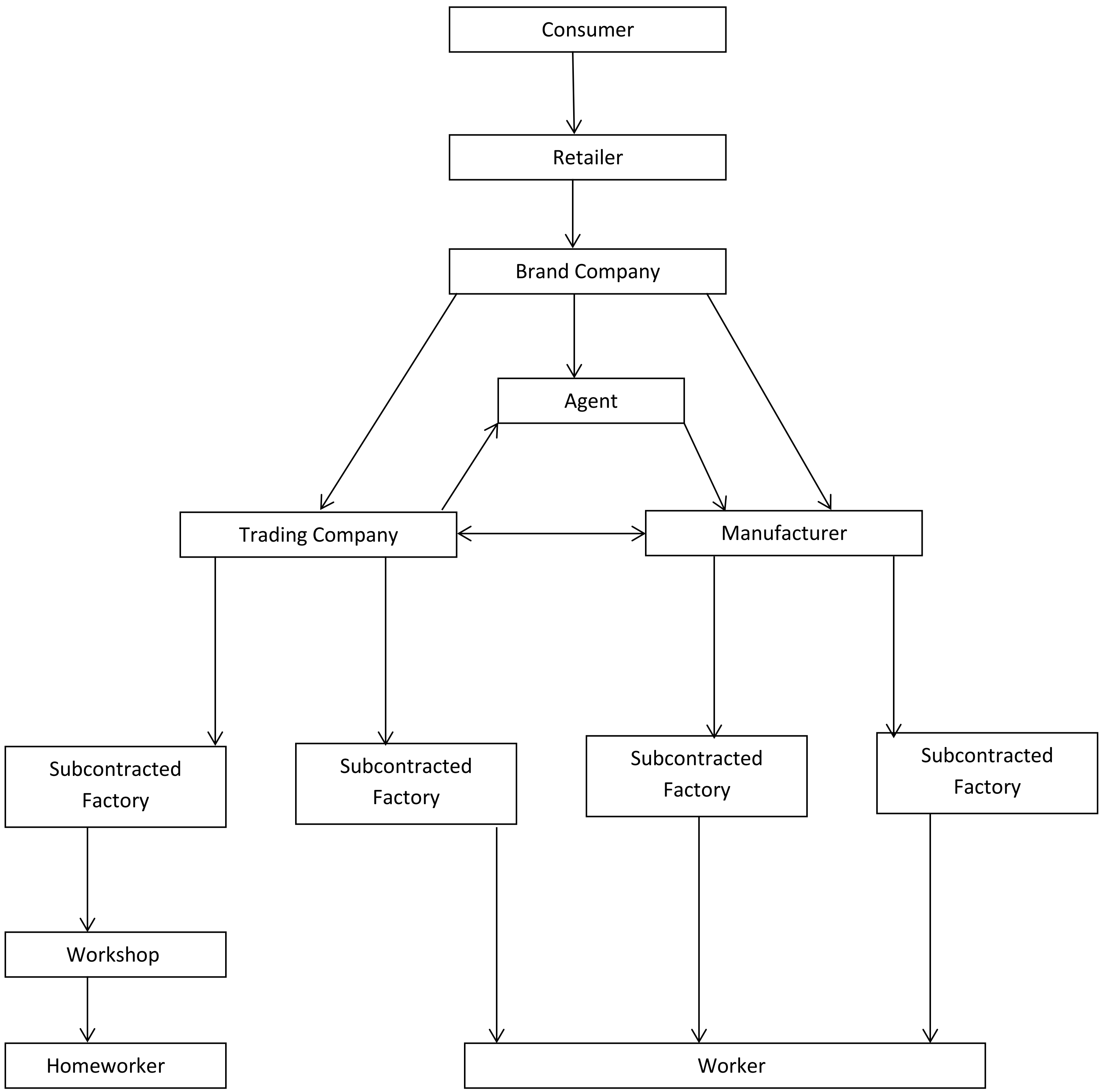
For instance, Nike (market leader, with 20% of the branded market) has over 700 suppliers worldwide. The targeted sportswear consumer, particularly the teenage and young adult segment, is fashion sensitive, is fashion sensitive and relatively price insensitive. Wearing what is "in" is more important than wearing what you have until it is worn out. High – profile sports teams are aware of this dynamic and regularly change the design of their (branded) playing shirts (their "strips") to profit from loyal fans who "must have" the latest shirt with the name and number of their favorite player added at extra cost. Sporting teams, however pale into retailing insignificance compared with giant consumer distributors like US-based Wal-Mart or France's Carrefour. While 80% of the athletic footwear sales and 75% of sportswear are sold under brands, retailers understand that even fashion-conscious, price insensitive customer will, if given the choice, pay the lower of two prices for their chosen brand items. So being able to offer that lower price is a key competitive weapon. As they thrust and parry with price reductions, the retailers constantly put pressure on their suppliers for compensating cost reduction so that retail margins are maintained.

While retailers set the customer price, the brand company infuses the product with its value. Creating image-based value means that marketing is the major cost as both saturation media coverage and celebrity endorsements are expensive. In making over US$1bn profit in 2004, Nike expensed nearly as much on marketing. Yet, while nothing is spared on value-creation in design and marketing, things are entirely different at the production end. Here the watchwords are “efficiency” and “cost reduction”. These watchwords are passwords foe the agents, trading companies, and manufacturers seeking access to “manufacture and supply” orders.

Some of these intermediaries themselves are large multinationals but, like the myriad smaller companies and the even smaller subcontractors that supply them, are dependents for their corporate lives on winning the orders of Reebok, Adidas, etc. As well as pressure on product cost, this level of the supply chain must manage complex forecasting, inventory, and logistics algorithms as retailers respond to variable consumer demand by giving shorter lead times for more frequent but smaller orders. Hence, these suppliers bear most of the risk and costs of inventory management as well as the challenges of continuous cost reduction.

Flexible low-cost manufacturing in a labor-intensive product demands flexible, low-cost workers. Hence, the supply chain ends in countries like China, Cambodia, or Indonesia, the comparative advantage of which lies in an abundant supply of low-cost (I.e. poor) workers. On July 1, 2005 the official minimum wages for full-time worker in Shanghai, one of China’s most dynamic and modern cities, rose for the thirteen time since 1993 to 690yuan (US$83) per month (Shanghai Daily, June 4, 2005)

Figure 3-1.1 The sports apparel Supply Chain



ANSWERS