VPM's
DR VN BRIMS, Thane
Programme: PGDM (2018-20)
Second Trimester Examination Oct - Dec 2018

Subject	**Corporate Strategy**		
Roll No.		**Marks**	**60 Marks**
Total No. of Questions	**7**	**Duration**	**3 Hours**
Total No. of printed pages	**2**	**Date**	**22.12.2018**

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1. Starbucks at every Corner

Starbucks announcement that it will close 600 stores in the US is a long-overdue admission that there are limits to growth.

In February 2007, a leaked internal memo written by founder Howard Schultz showed that he recognized the problem that his own growth strategy had created: “Stores no longer have the soul of the past and reflect a chain of stores vs. the warm feeling of a neighbourhood store.” Starbucks tried to add value through innovation, offering Wi-Fi service, creating and selling its own music. More recently, Starbucks attempted to put the focus back on coffee, revitalizing the quality of its standard beverages. But none of these moves addressed the fundamental problem: Starbucks is a mass brand attempting to command a premium price for an experience that is no longer special. Either you have to cut price (or that implies a commensurate cut in the cost structure) or you have to cut distribution to restore the exclusivity of the brand. Expect the 600 store closings to be the first of a series of downsizing announcements. Sometimes, in the world of marketing, less is more.

Schultz sought, admirably, to bring good coffee and the Italian coffee house experience to the American mass market. Wall Street bought into the vision of Starbucks as the “third place” after home and work. New store openings and new product launches fuelled the stock price. But sooner or later chasing quarterly earnings growth targets undermined the Starbucks brand.

Starbucks increasingly appealed to grab and go customers for whom service meant speed of order delivery rather than recognition by and conversation with a barista. Starbucks introduced new store formats like Express to try to cater to this second segment without undermining the first. Since then the early adopters who valued the club-like atmosphere of relaxing over a quality cup of coffee found themselves in a minority. But many Starbucks veterans have now switched to Peets, Caribou and other more exclusive brands.

The new products undercut the integrity of the Starbucks brand for coffee purists. They also challenged the baristas who had to wrestle with an ever-more-complicated menu of drinks introduced many new products to broaden its appeal. With over half of customers customizing their drinks, baristas hired for their social skills and passion for coffee, no longer had time to dialogue with customers. The brand experience declined as waiting times increased. Moreover, the price premium for a Starbucks coffee seemed less justifiable for grab and go customers as McDonald’s and Dunkin Donuts improved their coffee offerings at much lower prices.

Opening new stores and launching a blizzard of new products create only superficial growth. Such strategies take top management’s eye off of improving same store sales year-on-year. This is the heavy lifting of retailing, where a local store manager has to earn brand loyalty and increase purchase frequency in his neighbourhood one customer at a time. That store manager’s efforts are undercut when additional stores are opened nearby. Eventually, the point of saturation is reached and cannibalization of existing store sales undermines not just brand health but also manager morale.

None of this need have happened if Starbucks had stayed private and grown at a more controlled pace. To continue to be a premium-priced brand while trading as a public company is very challenging. Tiffany faces a similar problem. That's why many luxury brands like Prada remain family businesses or are controlled by private investors. They can stay small, exclusive and premium-priced by limiting their distribution to selected stores in the major international cities.

Case Questions:

1. What was the issue and why?
2. Explain success of Starbucks and what affected its growth?
3. Suggest a strategy that Starbucks should have adopted and would have had a store at every corner.

Attempt Any FOUR from the Remaining SIX Questions

Q2.

a. What is meant by corporate strategy?
b. Define mission with example
c. What are the elements of strategy? What are the different types of strategies?

Q3.

a. Why vision and mission statements are important in strategic management? Give examples
b. What is value chain?
c. Explain differentiation strategy

Q4.

a. Differentiate internal and external environment and its entities.
b. Define PEST analysis?
c. Explain the environment influencing business strategies

Q5.

a. What are the defensive strategies against hostile takeovers?
b. Explain the 7s in McKinsey frame work?
c. Explain Ansoff matrix in reference to intensive growth strategy.

Q6.

a. Explain BCG growth share matrix
b. Explain the role of technology in strategic management
c. Distinguish between goals and objectives.

Q7.

a. Explain Non-market strategy of an organisation.
b. Explain the difference between strategic planning and tactical planning.
c. What are the twelve danger signals that a company exhibits in a turnaround situation?

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