

(3 Hours)**Marks : 60**

- Note: (1) Q1. is compulsory and carries 20 marks
(2) Answer any four from Q2. TO Q7. for 10 marks each.

Q1. Read this case study and answer all the questions a), b) and c) listed below

Case study : The Haier Road to Growth

Customers always come first for this Chinese appliance maker — even as it continually reinvents itself and expands around the world

Start with 30 million responses on your QZone, Tencent, and other social media platforms — all to a simple question: “What do you want in air conditioning?” Then pay attention to the more than 670,000 people who take part in the online conversation that follows. You’re bound to come up with something cool — or, more precisely, “cool, not cold.” This concept, drawn from online responses, became the tagline for the Tianzun (“Heaven”), Haier’s advanced household heater/air conditioner/air purifier, released in 2014. Many Asian consumers don’t like the chilling effect of conventional temperature control. They’d much prefer to be “cool, not cold.” But there’s more to the concept than temperature. Air from most such devices in China is dry and dusty. The machines themselves are too noisy, or too likely to spread disease (bacteria live in air conditioning systems). Moreover, the machines look — well, like air conditioners.

The Tianzun doesn’t have any of those drawbacks. It is an obelisk-like device with a small wind tunnel that draws air through it from the room where it is positioned. It has an Internet connection, so consumers can use their smartphones to warm or cool the room while on their way home. Some consumers probably knew they wanted that feature, but they didn’t know that they wanted to see the circle’s light shift from red to blue as their air quality improved. Once they saw that happening, they were hooked. The product is targeted directly at a consumer segment that no other company, in the West or the East, has recognized, and that could end up being much bigger than a niche.

By building cooling machines based on this in-depth and multi-layered approach to consumer insight, Haier is following its own core principle: “customer service leadership,” or the necessity to shape the future by giving customers what they want most (but may not have yet realized they can ask for). Even the decision to use the phrase “cool, not cold” in its Chinese advertising campaign reflects this principle. These are the words that customers use themselves, as opposed to a slogan dreamed up by a marketing professional.

Just as unconventional was the cross-functional nature of the appliance’s launch. While the marketing staff digested the insights gained from Haier’s online customer interactions, manufacturing was already considering what they would mean for production, procurement was speaking directly to suppliers about sourcing feasibilities, and after-sales service was developing plans for follow-through. Because they worked closely together from the start, managers from all these functions were moving forward in concert, addressing possible disconnects as they arose. This allowed products to go to market as soon as they were designed and developed, instead of waiting for each department to throw its work “over the wall” to the next one. Meanwhile, representatives of each company function conducted conversations directly with customers, thereby adding a responsive new dimension to the company’s consumer insight capabilities.

Haier’s rapid introduction of the Tianzun air conditioner is typical of the company’s track record since the late 1990s. The company is known for several distinctive capabilities: a precise understanding of consumer needs, especially in China and other emerging markets; the ability to rapidly innovate new types of appliances that meet those consumer needs; the management of complicated distribution networks, a skill honed in the complex Chinese market; and a high level of execution ability, including the automation of factories to deliver products to consumer specification. These attributes have served it especially well in China, allowing Haier to outcompete more experienced appliance companies such as Whirlpool and Maytag in that country. In fact, Haier’s prowess — and particularly its emphasis on “what we can do and who we are” rather than on “what we sell and how we make

money” — shows the kind of capabilities needed by companies that were founded in emerging economies if they are to succeed in the global sphere

Water purification is another example of the increasing scope of Haier’s collaboration. The company entered the business through a joint venture with the Strauss Group, an Israeli technology firm, which provided the technology while Haier focused on marketing, distribution, and service. But then Haier broadened its platform to include many other R&D partners; for instance, it shares more than 20 water purification patents with Dow Chemical.

The result is a new level of proficiency that goes beyond anything Haier has done before. For example, the company now uses Internet access to customize every product it sells in China, whether bought in a store or online. Customers choose the color combinations, features (such as the number and layout of shelves in the refrigerator), and ancillary design elements (like the pattern of sparkles on a high-end appliance). Factories routinely make them to order. The process is not unlike choosing the accessories on a new car, except that there tend to be more choices.

The Internet connection also makes customers more likely to buy a water purifier — which is sold only by consultation. Haier reps are trained to look up the complex data on China’s water problems, which vary by neighborhood, and to install the filters that guard against that neighborhood’s mix of chemicals and pollutants. On its website, which has an active consumer-to-consumer dialogue, the company posts water quality information for 220,000 communities in China. “We want people to be able to find all their water-related answers at Haier,” says Qu Guinan, the general manager of the Haier water treatment company. Building on its success to date, the company is now exploring partnerships with local communities to manage their water purification efforts community-wide.

The Internet has enabled the company to expand its service diligence; it provides intensive installation as part of any appliance sale (a rarity in China), and, using monitoring signals from the appliances, it conducts follow-up calls with customers when the equipment is not working. The company also keeps

in touch personally just in case the monitoring has missed some cause of dissatisfaction. The connection to customers has helped Haier migrate many people from their medium-value line of household appliances (the original Haier) to the more upscale Casarte brand. The phrase “the information is more valuable than the product” has already become a slogan throughout Haier.

- 1 Explain SWOT as a tool for Strategic Management (6)
- 2 Apply SWOT to analyse the Haier business case above (7)
- 3 As CEO of Haier India what would be your strategic plan for its growth? (7)

Q2. Explain Mckinsey’s 7S Model with any suitable example.

Q3. Explain GE Matrix as a tool for strategic analysis. What are its limitations in application to real life situations? Give suitable examples.

Q4. Describe the use of Porter’s Five Force Model in Strategic Management and analysis of the white goods industry.

Q5. What are the critical components of a good strategic plan? Explain with a suitable example.

Q6. Write short notes on any **two**:

- a) VUCA
- b) BCG Matrix
- c) Balanced Score Card
- d) Porter’s Generic Strategies