



Strategy and Performance Measurement

Instructions to examinees:

- (i) Answer all **SEVEN** questions.
 - (ii) Answer in **black** pen only.
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Q.1 Dunya Explorers (DE), a travel and tourism company, caters to 50 destinations around the world. To lure customers, it has been using informative and vibrant brochures, travel-magazine ads and TV commercials. DE organizes travel workshops and expo center events in various cities, providing opportunities for customers to interact with DE representatives and gain insights about different destinations and packages. In addition, DE offers one-on-one travel consultations by appointment, where experts provide personalized recommendations. DE also seeks customer suggestions through interactive customer service counters, which allows customers to voice their opinions.

DE's target market comprises of busy individuals who value convenience and accessibility. These individuals are tech savvy, active on social media and have disposable income.

In a post corona world where the industry is still reeling from its effects, DE is trying to bounce back and recover. One suggestion to rebound DE's business is to introduce innovative strategies to their marketing mix, such as offering a comprehensive range of travel services through an interactive website, and creating a one-stop shop for all travel needs.

Required:

- (a) In the light of 6I's of e-marketing, explain how DE's current marketing efforts can be executed by deploying the website. (12)
- (b) Describe the three principles used to evaluate an ecommerce website. How can DE provide assurance to its customers of meeting these principles? (03)

Q.2 Rose Industries Limited (RIL) is engaged in the manufacturing and sales of industrial equipment. The company's sale has grown significantly after it introduced a generous three-year warranty scheme on its products. To manage growing amount of work, RIL has established a repair center in each major city of the country. Each city has its own dynamics resulting in varying travel, technical and customer service needs. When a customer calls on the helpline the work is assigned to the available technician at the nearest repair center. All technicians are contracted to be paid market competitive salaries with an annual increment that matches the inflation rate at the time. Each repair center is headed by a manager. However, since the last few months, number of customers' complaints regarding unsatisfactory services have grown significantly, especially with regard to the time taken to fix the problem.

In view of the above, HR department has proposed that a team bonus be paid to the repair center that records the shortest average time across the board to serve customers' complaint from the minute it is assigned to the technician.

Required:

Discuss issues with the solution proposed by the HR department and recommend appropriate measures to avoid these issues. (10)

- Q.3 The manufacturing process of GPower, a portable power bank, begins with a meticulous design phase. This phase incorporates principles of Design for Manufacturability and Design for Reliability. Rigorous supplier audits are conducted to ensure the selection of reliable sources for components such as batteries, circuit boards, and casings. Upon material receipt, a thorough inspection is conducted to ensure compliance with specifications. Products that do not meet the specifications are either scrapped or corrected. The assembly process follows standardized procedures, with well-trained skilled personnel minimizing errors. Rigorous testing protocols assess functionality, capacity, and safety, ensuring compliance with international standards. Comprehensive documentation covers specifications, inspection results, and corrective actions, contributing to quality assurance and adherence to industry standards.

For reporting purposes, the management at GPower is looking to calculate the relevant quality-related costs associated with GPower.

Required:

Categorize the quality-related costs presented in the above situation, and recommend any other category of costs, with examples, that should be considered.

(08)

- Q.4 Royal Pakistan Limited (RPL) has four product divisions: Men's Shoes (MS), Ladies' Purses (LP), Formal Clothing (FC) and Casual Wear (CW). The target markets for MS and FC divisions include both high and middle income consumers. These products are sold through 800 retailers operating in 10 of the country's largest cities. The LP and CW divisions, on the other hand, targets high-income consumers and are marketed through large retail stores in only three major cities: Karachi, Lahore and Islamabad.

The management accountant has gathered the following information with the help of company's marketing research department:

Product division and its details		2021	2022	2023	2024	2025
		Actual	Actual	Actual	Estimate	Estimate
----- Rs. in million -----						
MS	Market Size	59,000	67,000	77,000	90,000	110,000
	RPL Revenue	3,000	4,700	7,800	10,200	13,700
LP	Market Size	5,600	5,700	5,800	5,900	6,000
	RPL Revenue	140	145	150	147	144
FC	Market Size	38,000	41,000	44,500	49,000	55,500
	RPL Revenue	1,500	1,700	1,900	2,200	2,600
CW	Market Size	5,800	5,900	6,000	6,100	6,200
	RPL Revenue	3,600	3,800	4,000	4,200	4,400

Note:

During the year 2023, the respective market shares for the market leaders in the MS, LP, FC and CW businesses are 10.1%, 32.5%, 16.2% and 66.7%.

As a growth initiative, the recently hired Head of Divisions at RPL, Shakeel Rizwan, has proposed the following growth strategies for the approval of the board:

MS: There is a large market for women's and children's shoes, which we have not targeted as yet, neither do we have the manufacturing facility for these types of shoes. We need to introduce these as soon as possible.

LP: To increase the sales, we need to advertise in top international fashion magazines in addition to the local magazines. We also need to advertise on major local TV Channels.

FC: Considering the price sensitive nature of this product and high margins demanded by the stores in posh areas, we should consider reducing prices or offering regular discounts.

CW: Presently, we are targeting high income customers only. To reap the benefit of growing market, we should expand our reach to other cities and also extend our target market to include middle income families.

Required:

- (a) Classify the four divisions on BCG Matrix. Provide reasons for your answer. (05)
(Note: Market growth rate cut-off is 10% per annum)
- (b) Classify the strategies proposed by Shakeel Rizwan into Ansoff Matrix. Provide reasons for your answer. (04)
- (c) In light of your answers in (a) and (b), comment on the risks associated with each of the strategies proposed by Shakeel Rizwan. (10)

Q.5 Millennium Cars Limited (MCL) is a leading car manufacturer in both the home country and Nakhlistan, a developing country. One of the reasons behind the popularity of its brands is the MCL's liberal warranty policy and its exceptional after-sales service. MCL is also renowned for its strong commitment to CSR spending, benefiting not only current and former employees but also local communities.

Recently, the management of MCL has encountered the following independent issues:

- (a) A whistle blower's complaint enabled the management to discover that one of its employees, Mukhtar Sabir, a star performer and brilliant mechanic, was involved in the theft of expensive car parts. When assigned to visit customers for maintenance issues, he stole those parts and replaced them with second-hand alternatives. Investigations revealed that this had been occurring for the past 15 months. Furthermore, it was revealed that Mukhtar engaged in this activity to meet the escalating medical expenses of his seriously ill brother.

The management is currently deliberating action under the company's code of ethics, which could lead to Mukhtar's dismissal and the forfeiture of the MCL's entire contribution to his provident fund account. However, given Mukhtar's status as a star performer and his 20+ years of experience with MCL, he has garnered sympathy among senior management. These sympathizers propose a more lenient approach, citing his unmatched work quality which contributes significantly to MCL's goodwill.

Required:

- Analyse the above ethical issue and suggest any **three** appropriate course of actions for the management. (06)
- (b) MCL has been operating a hydroelectric power plant for its car manufacturing factory in Nakhlistan since 2002. The company has an agreement with the government of Nakhlistan, covering a period of 25 years, allowing MCL to use a local dam for electricity generation. All excess electricity generated by the plant is sold to the nearby industrial zone.

According to the agreement, MCL was liable to pay the Nakhlistan government only NKN 40,000 per megawatt of electricity produced, with an annual increase of 2%. The rate was agreed at a time when the cost of generation through other methods was comparatively low, and Nakhlistan was experiencing a severe shortage of electricity.

MCL charges a price which is almost 10% lower than the average price of other power generation companies in the country. Despite this lower pricing, MCL still earns substantial profits, largely due to low cost of generation agreed with the government.

Over the last two years, pressure has been mounting on MCL's management to agree to an increase in the price that it pays to the cash-strapped government of Nakhlistan for utilising the dam. On social media, the industries are being urged to stop buying electricity from MCL until it agrees to an increase in pricing. To ease the mounting pressure and garner support from the local community, a proposal has been presented to MCL's board to build a state of the art hospital for the local community, under the company's CSR policy. However, this initiative is facing opposition from major shareholders. They argue that MCL is already meeting its responsibility by spending almost 4% of its revenues on various CSR initiatives. They contend that constructing and operating the hospital would significantly increase the CSR expenditure, raising it to almost 9% of the total revenue.

Required:

- Discuss MCL's responsibility in the above situation from an ethical standpoint. Also, analyse the proposal to establish the hospital from a business perspective. (06)

- Q.6 Standard Packages Limited (SPL), a listed company, specializes in the manufacturing of a diverse range of packaging materials for various industries. It competes with 25 other companies in this sector within the country, all producing similar products. Around three-fourth of these companies are private limited companies, and detailed data about them is not publically available.

Though SPL has been enjoying reasonable growth, some board members are not satisfied with the company's performance. They argue that despite significant investment in cutting edge technology plant, the expected benefits have not been fully realized. In defence, SPL's CEO has highlighted the following reasons for the relatively lower profits:

- SPL incurs considerable expenses to ensure full compliance with environmental laws, while many competitors are in clear violation of these laws.
- SPL pays generous salaries as part of its CSR commitments.

At the board's request, SPL's management has gathered the following data comparing SPL's performance with that of the market leader, Alpha Packaging Limited (APL), and the overall industry. Although APL is a public unlisted company, it publishes limited performance data as part of its strategy to maintain its market leader image.

Description		2019	2020	2021	2022	2023
		----- Rs. in billion -----				
Revenue	SPL	27.6	29.5	34.8	40.3	46.2
	APL	31.4	35.6	38.4	41.6	47.1
	Industry	250.0	270.0	290.0	312.0	340.0
Gross profit	SPL	9.4	10.4	11.4	13.2	14.8
	APL	11.4	12.8	13.6	14.6	16.4
	Industry	90.0	96.0	102.0	108.6	117.0
Net profit after tax	SPL	3.8	4.0	4.7	5.2	6.0
	APL	4.6	5.2	5.6	6.0	6.8
	Industry	37.6	40.6	43.5	47.0	51.2
Capital expenditure	SPL	7.5	6.3	0.8	0.9	0.5
	APL	5.8	5.6	0.9	1.2	0.7
	Industry	20.5	22.5	17.3	18.1	17.6

Earnings per share (EPS) / Return on capital employed (ROCE)	SPL	1.5/11%	1.1/11%	1.3/14%	1.4/16%	1.6/19%
	APL	1.6/11%	1.8/12%	2.0/13%	2.1/14%	2.4/16%
	Industry	1.7/13%	1.7/14%	1.8/15%	1.7/14%	1.8/15%

Additional information:

- (i) The majority of the capital expenditure for SPL and APL in 2019 and 2020 was attributed to the cost of installing new plants.
- (ii) SPL financed this capital expenditure through right share issue and long-term borrowings. While similar information for APL is not available, market intelligence indicates that APL primarily used long-term borrowings for its financing.

When the above data was presented, the board expressed concerns about SPL's performance lagging behind the industry. The board has appointed you as a consultant to report on the following:

- (a) The possible reasons for SPL's lower EPS compared to the industry averages including a discussion on whether it would be more appropriate to compare SPL's performance with the industry as a whole, rather than just with the market leader. (04)
- (b) Analysis and comparison of the performances of SPL and APL along with an opinion on SPL's future prospects. (08)
- (c) Non-financial factors that may be relevant for SPL in the given situation. (04)

Required:

Write a report to the board providing the information they have requested. *(Note: A formal report format is not required)*

- Q.7 Oleum, a leading petrol supplier in Grandland, currently targets middle-income petrol consumer market and has standard petrol stations on all major roads of the country. The consumer preferences in this segment suggest a focus on cost-effective fuel options, standard vehicle maintenance services, and affordable loyalty programs.

In response to the rising competition faced by Oleum, it is planning to incorporate one of the following market segments to increase revenue:

Market segment	Consumer preference	*Revenue potential
Affluent petrol market	<ul style="list-style-type: none"> ▪ Premium fuel products ▪ Eco-friendly additives ▪ Clean and spacious stations ▪ Technology integration ▪ Personalized services 	<ul style="list-style-type: none"> ▪ Consumer growth: From 50 million to 62 million, with a 4.4% compound annual growth rate (CAGR) ▪ Average consumer income growth: From USD 100,000 to USD 149,000 at an 8.3% CAGR ▪ Market revenue growth: From USD 5 billion to USD 9.13 billion, with a 12.8% CAGR
Low-income petrol market	<ul style="list-style-type: none"> ▪ Budget-friendly fuels ▪ Basic vehicle maintenance ▪ Community-centric loyalty programs 	<ul style="list-style-type: none"> ▪ Consumer growth: From 150 million to 162 million, with a 1.5% CAGR ▪ Average consumer income growth: From USD 15,000 to USD 17,800 at a 3.5% CAGR ▪ Market revenue growth: From USD 8.25 billion to USD 9.94 billion, reflecting a 3.8% CAGR

**Based on past 5 years' data*

The Chief Financial Officer of Oleum has indicated that the company has limited funds available for expansion. Additionally, the option to secure additional financing is limited due to the high-interest rate environment in the country.

Required:

- (a) Evaluate and recommend which segment should Oleum incorporate. (04)
- (b) Based on your recommendation in (a):
- (i) Devise a marketing mix strategy using the 4Ps. (08)
- (ii) Create a balanced scorecard for Oleum. (08)

(THE END)