kasneb

CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 20 May 2021. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

KOKO PLC (KP), PESI PLC (PP) AND FIX PLC (FP)

Koko PLC (KP) and Pesi PLC (PP) are household names worldwide. Together, Koko and Pesi control over 70% of the global soft drinks market. Their success can be attributed to the differentiation strategies they developed to promote their products. These strategies have made them two of the most profitable global organisations. There are several parts to their differentiation strategies.

Firstly, both companies have built global brands by manufacturing soft drinks concentrate which give soft drinks their flavours. They then sell the concentrate in a syrup form to bottlers throughout the world. The bottlers are responsible for producing and distributing the actual soft drinks. They add carbonated water to the syrup, package the resulting drink and sell it through vending machines, supermarkets, restaurants and other retail outlets. The bottlers must also sign an exclusive agreement that prohibits them from bottling or distributing the products of competing soft drink companies. This creates a barrier to entry that helps prevent new companies from entering the industry.

Secondly, KP and PP charge the bottlers a premium price for the syrup, they then invest a large part of the profits in advertising to build and maintain brand awareness. They spend millions of shillings in order to develop global brand names. Brand names help KP and PP to differentiate their products so that consumers are more likely to buy a KP soft drink or a PP soft drink than a lesser-known brand. Moreover, brand loyalty allows both companies to charge a premium or a comparatively high price for what is after all, merely coloured water and flavouring.

In the last decade, the global soft drink environment has undergone a major change. An entrepreneur came up with a new strategy for competing against these dominant market players. His strategy was to produce a high quality, low priced soft drink bottled by Fix PLC where he was the chief executive officer. The company started selling its products under brands of major retail stores thus bypassing bottling firms. FP implemented its focused low cost strategy by charging a low price for its soft drinks. The company did not need to spend any money on advertising (other retail stores did that). FP's soft drinks were distributed by the store's chain using their efficient national distribution, such as nationwide trucking system developed by a giant retailer.

Retailers were willing to distribute FP's products due to the low prices of the drinks hence allowing them to make much more profit than they made from selling KP or PP soft drinks. At the same time, the products built their own brand image. The strategies adopted and implemented by FP led to an exponential growth of the company's market share due to increased demand for its products. This made the company to explore and supply the international market with soft drinks concentrates at prices lower than those of KP and PP. FP became the world's largest supplier of retailer-branded carbonated soft drinks.

To date, the company still focuses on its low cost strategy. It makes no attempt to compete with both KP and PP who still pursue differentiation strategy and whose brand names dominate the global soft drinks market. FP uses the Balanced Scorecard approach in evaluation of its strategies.

Required:

(a) With reference to the case, discuss Porters Competitive forces. (10 marks)

(b) Illustrate four ways in which Koko PLC (KP) and Pesi PLC (PP) have successfully used differentiation strategy to dominate the soft drinks industry. (8 marks)

(c) Examine four benefits enjoyed by different stakeholders from Fix PLC's (FP) focused low cost strategy. (8 marks)

(d) Discuss five ways in which the three companies in the case could leverage on information technology to become more competitive. (10 marks)

(e) Explain four drawbacks which could be experienced by FP from use of the balanced scorecard approach to evaluate its strategies. (4 marks)

(Total: 40 marks)

QUESTION TWO

(a) Explain the following terms as used in strategic monitoring:

(i) Lagging indicators. (2 marks)

(ii) Leading indicators. (2 marks)

(b) Justify the statement: "A company's organisational structure is a major contributor to its competitive advantage". (4 marks)

(c) With reference to strategic direction, analyse Mc Kinsey 7-S Framework. (7 marks)

(Total: 15 marks)

QUESTION THREE

(a) Summarise five non-financial benefits which an organisation could derive from effective strategic management. (5 marks)

(b) (i) With reference to strategic management in a global environment, explain the term "resource based view". (1 mark)

(ii) Analyse the five step resource based approach to strategy analysis. (5 marks)

(c) Customer satisfaction is at the heart of success of an organisation's strategies.

With reference to the above statement, examine four key elements of customer driven organisations. (4 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Describe six micro environmental factors a business might analyse during the strategic planning process. (6 marks)

(b) Assess five essential tasks of the strategic management process. (5 marks)

(c) Analyse four reasons why strategic plans fail. (4 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Formulating a well-conceived vision statement is necessary but not sufficient. It must be cascaded down to the lower level managers and employees.

With reference to the above statement, explain six roles of a good vision statement to an organisation. (6 marks)

(b) Analyse five characteristics of a strategy. (5 marks)

(c) With reference to strategy evaluation, highlight four limitations of benchmarking. (4 marks)

(Total: 15 marks)

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