

CA FINAL

RISK MANAGEMENT

IN-HOUSE

CASE STUDY SERIES

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Case Study 23 Answers

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Multiple Choice Questions

Answer

1. Answer B.
2. Answer C.
3. Answer D.
4. Answer A.
5. Answer B.

Descriptive Questions

Answer

6. Pros and Cons of forward Integration - moving into The Popular End

The Rewards

- Helps unlock hidden brand value
- Diversifies the product range
- Improves overall market share
- Puts focus on process efficiencies

The Risks

- May end up eroding brand equity
- Comes short on managerial buy-in
- Dilution of traditional business focus
- Costs may go out of control

7. Justification for moving into the popular end of the textiles market:

The popular segment provides the single-largest opportunity for getting volumes, which is a critical factor in ensuring profitability in a composite textile mill. Given the infrastructure that Bhandari Textiles has already built up in terms of manufacturing and distribution facilities, mass marketing is the only way in which those facilities can be fully exploited.

Given that the company is already incurring certain fixed costs, mass production is also the only way it can cover its fixed costs completely. Besides, it is the best safeguard against the vagaries of fashion and changing trends, which are a hallmark of the premium end. Since clothing is a basic need, you are always assured of a market as long as you cater to that customer need.

Simultaneously, the company should build a single umbrella brand. It should develop a distinct identity at the retail level. Whether a customer is buying from an exclusive outlet, a store-in-store, or a multi-brand outlet, and whether he is

buying a shirt or a towel, he should be able to identify Bhandari as a brand that stands for common attributes on which he knows for certain the company will not compromise.

Premium-end does not provide growth. It can only add a sheen to the company's existing brand equity. Growth in revenues and profits comes only from the popular range. Business sustainability is possible only through mass production and mass marketing. It is true that, post-liberalisation, there has been a major shift in consumer stance in India. There is greater awareness of product quality and reliability. But that has not deflected the traditional focus on value for money. There is a degree of preference towards brand value. But this has not pushed the consumer towards fancy 'labels' that come with fancy price tags. Price is still a major factor influencing purchase decisions. In that sense, no marketer can fool the consumer with glib talk and elegant packaging.

The migration towards brand preferences is a proposition that companies like Bhandari should build on. This should be done through developing local brands that meet local needs. The basic requirement is that you know your customer and see what her needs are. This is the only route to success in any business.