

PGDM (IB) 2016-18
International Trade & Investment
IB -104

Trimester – I, End-Term Examination, September 2016

Time allowed: 2 Hrs 30 Min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

SECTION A

Note: Attempt any 3 questions

1. Explain with the help of Product Life Cycle Theory how does FDI happen at various stages of PLC in different countries. Why this theory fails to explain the investment phenomenon of MNCs in contemporary environment?
2. Discuss the following schemes of Foreign Trade Policy (2015-20)
 - a. Duty Free Import Authorisation (DFIA)
 - b. Services Exports from India Scheme (SEIS)
 - c. EPCG Scheme
3. Explain the help of suitable example various steps of determining duty on products coming into India? What is the rationale behind levying anti-dumping and countervailing duty?
4. Explain with the help of Purchasing Power Parity theory how exchange rate is determined. How Big Mac Index helps in determining that the currency is overvalued or undervalued?
5. Discuss in brief the challenges faced by Indian Gems & Jewelry sector and steps taken by Indian Government to promote export of Gems & Jewelry from India.

3X5 = 15 Marks

SECTION B

Note: Attempt any 2 questions

1. Discuss the characteristics, advantages and disadvantages of fixed and flexible exchange rate systems. What are the different types of exchange rate systems followed by different countries presently?

2. "In last one decade the basket of Indian Exports have undergone a big shift from traditional items to more technological intensive products" In light of above statement explain the current structure of Indian Exports and its major markets. What do you think are the problems faced by Indian exporters and what should be done to overcome them.

3. Indian Textile sector is considered to be one of the important sectors of export. Discuss the profile of the sector, challenges faced and policy initiatives of Indian Government. What suggestions would you like to give for overall growth of the sector?

2X10=20 Marks

SECTION C

Note: Case study is compulsory

15 Marks

STAG INTERNATIONAL

"And that's where we are, gentlemen," said Rakesh Kohli as Ajay, an external industry consultant concluded his presentation to Rakesh and Vivek Kohli, chairman and vice-chairman of Stag International, respectively. "Good job, and thank you, Ajay. Vivek — your thoughts on this, please" continued Rakesh as he reached out for his cup of coffee and looked over to his younger brother, Vivek.

A lot was at stake here. As this family run, leading manufacturer and exporter of sports goods from India entered its 90th year of existence, the dynamics of the business had changed significantly, and the two brothers had to chart the way forward for the next generations of the business. On the one hand, lifestyles and fitness awareness were increasing in leaps and bounds in India, and there was talk of the government really throwing open the retail segment for foreign multi brand retail, while on the other hand there was still no end in sight to the economic turbulence that had plagued Europe (Stag's biggest export market) over the last few years. And then there was the question of expanding Stag's core business to the next level. What should Stag do? Should it stick to the knitting and focus on expanding its core business of manufacturing and selling Stag branded sports goods only, diversify into synergistic product lines and ride the retail opportunity in India or just sit tight for the moment? Those were the issues that had been foremost in Rakesh's mind as of late.

HISTORY & BACKGROUND

Fourth generation family owned Stag International was one of India's leading, and a globally acknowledged, manufacturer, supplier and exporter of sports goods and equipment. Integral to the operations was an in-house facility to manufacture indigenous sports equipment — a facility which grew from 2,000 square feet in the 1950s to 10,000 square feet by 1991. As the years rolled by, the baton of steering the company passed into the hands of successive Kohli generations. — first Lala Arjan Das's son Tilak Raj Kohli and then (currently) into the hands of Lala Arjan Das's two grandsons, Rakesh and

Vivek. By 2011, and with the introduction of Pranav and Vinita (Rakesh' son and daughter-in-law respectively) into the business, the Stage had been set for the fourth generation of the Kohli family to step in and steer the business forward.

The turning point for the operations came when the first indigenously developed and manufactured table tennis table by Sports International rolled out of the factory in 1975. Over the next few years, as the product gained momentum and acceptance in the market, the two brothers decided to re-brand the operations and give the product a much more contemporary look and feel. They decided to associate the word 'Stag' with the company, as it conjured up images of speed and power. In 1981, Sports International was re-christened, and Stag International was born, with Rakesh at the helm as chairman and Vivek as vice chairman.

Subsequent milestones for the business came when, in 1983, the Table Tennis Federation of India (TTFI) approved the Stag table for use at the national championships in India and then again in 1987, when the Stag table became the first table tennis table from India to be accredited by the International Table Tennis Federation (ITTF). By 2011, Stag had become one of the most reputed Indian sports brands globally in table tennis, a game that had the second largest number of federation affiliations worldwide after only volleyball. As the biggest domestic producer of table tennis equipment, Stag was already the number one table tennis brand in India and amongst the top five globally. Stag was also now one of the five premium partners of the ITTF — the premier world sports body for the sport of table tennis.

In 2011 Stag's annual turnover reached INR40 crore (approximately US\$8 million) from the manufacture and distribution of Stag branded sports goods and equipment across 16 different sports categories, including table tennis, basketball, football, netball, badminton, hockey, track and field, gymnastics, weight training, archery and other sports in more than 150 countries. It was also ranked in the top five sports equipment manufacturers and exporters from India.

LINES OF BUSINESS AT STAG

Stag organized its operations around two verticals: domestic (India) sales and exports. A third line of business, strategic tie ups with international/global sports and fitness brands for distribution rights in India, was also being evaluated. Stag's business model was to sell via dealers and distributors of sports goods and fitness products. The 2011 top line revenues were split 70:30 between exports and domestic sales. The sale of sporting equipment contributed 86 percent of the top line, and the other 14 percent came from accessories, including apparel, which had been growing steadily over the last couple of years. Of the various sporting categories, table tennis contributed more than 60 percent to the total revenues.

Over the years, exports had been the main focus for Stag. From 1991 to 2008, exports went from zero to 75 percent of the Stag top line; there after, it steadily hovered around the 60 to 70 percent mark. Stag's export business was organized around "Key Markets"- Latin America, Europe (UK, Germany, Spain), ITTF and the "rest of the world " Given the strategic importance of the key markets to Stag's business, these markets were handled by Rakesh himself. The ITTF, in its own right, was a critical stakeholder for Stag's business and was therefore managed directly by Vivek. Vivek's passion for promoting the sport, coupled with the fact that he himself was a player and technically very skilled

at the game, made Vivek extremely popular with the ITTF. Two export managers had also recently been recruited to support Rakesh and Vivek managing this part of the business.

Consistent with its business model, Stag sold in the domestic segment via a chain of Stag appointed distributors (single /multiple states distributors), dealers (mom and pop stores in individual cities and locations) and its points of presence in organized retail outlets like Planet Sports, Reliance Retail, Hypercity, Spencer's, etc. across India. In 2011, Stag was operating in the domestic segment via a network of more than 400 distributors, dealers, organized retailers and mom and pop retail outlets across India. Four account managers and one order processing resource had been dedicated to supporting the domestic business.

MARKETING / BUSINESS DEVELOPMENT AT STAG

The Stag brand was a key asset for Stag International, and Stag invested heavily in creating and supporting its brand presence both domestically and internationally. Sweden's Peter Karlsson — five time table tennis world champion — and India's Kamlesh Mehta — Arjuna Award recipient and the national coach and selector for the Indian table tennis team — were the official brand ambassadors for Stag.

BACKOFFICE OPERATIONS AT STAG

The entire Stag product range across the 16 sports categories, complete with product specifications, was published in the annual Stag product catalogue. The Stag product catalogue, with an associated pricelist, was available to all Stag channel partners and distributors, domestic and international. Orders were placed by channel partners through direct email from Stag. All incoming orders were scrutinized and approved by Rakesh and passed on to the production manager in the Stag manufacturing facility for production and supply. Any discussions or clarifications regarding the incoming purchase orders were managed by the relevant export manager and /or the domestic order processing resource under instructions from Rakesh. Factory lead times were anywhere between 15 to 45 days.

Standard business terms were 100 percent in advance for both domestic and export orders. For very select customers, and based on specific approvals from Rakesh himself, special payment terms of 30 days credit were, at times, offered. Export consignments were dispatched by sea. Domestic consignments were delivered via in-country freight movers or via specific consignment or courier services to the respective dealers and distributors.

Up until now, Stag had not felt the need to invest in any aftersales/ service mechanism. Any damages during shipment and/ or manufacturing defects were handled by an offer of a one-for-one replacement against return of the damaged/ faulty goods. Replacements were shipped with consignments against the next purchase order, whenever they became due.

BUSINESS GOVERNANCE AT STAG:

Rakesh was fully hands-on in all aspects of the business and gave the final word on all decisions. Besides managing the company's relationship with the ITTF, Vivek was also responsible for the factory and production at Stag. At that time, Pranav and his wife

Vinita (a qualified fashion designer from the London College of Fashion) had begun to get increasingly involved in product management and the apparels product line of the Stag business portfolio.

Responsibility for the day-to-day running and operational well-being of the firm was in the hands of Rakesh. Sales activities for the domestic market were being increasingly handed over to Pranav, leaving Rakesh and Vivek to focus more on exports and the company's relationship with the ITTF.

Business planning for all financial and operational targets of the firm was an activity led by Rakesh, with input from relevant stakeholders. All accounts and financial matters were personally reviewed by Rakesh with the firm's accountant on a regular basis.

All order processing, logistics (shipment and delivery of consignments) and accounts receivables / collections activities were under the purview of the respective sales staff, with Rakesh as the escalation point. All factory and manufacturing related issues were managed by Vivek. Rakesh and Vivek were the two main client and industry interfaces for Stag. Vivek, Pranav and Vinita reported directly to Rakesh and were based out of Meerut.

GROWTH OPPORTUNITIES FOR STAG

Rakesh was acutely aware that the sports goods market in India was highly fragmented. Yet, the industry reports that he had read in the recent past estimated the sports goods market in India was to reach the INR 5,000 crore (US\$1billion) mark in 2011, with growth rates pegged at anywhere between 10 and 35 percent per annum (Exhibit1). With the opening up of organized retail, increasing disposable incomes and changing lifestyles of the ever growing Indian middle class, Rakesh also observed with interest several international brands like Nike, Adidas and Reebok enter the Indian market and establish roots. Clearly, as Rakesh argued with himself, there had to be an opportunity for Stag here. The questions were simple—what should he do, and where and how should he go about it?

THE WAY FORWARD FOR STAG

As he sipped his coffee and turned around to listen to Vivek, Rakesh felt that, no doubt, a major milestone had been achieved with the presentation from Ajay (the consultant). However, critical for Rakesh was the fact that the journey ahead for Stag had to be aligned and paced with the organization's philosophy and capabilities, and as a result, certain choices and tradeoffs would have to be made along the way. While the presentation that day was a good first step, and he expected a similar reaction from Vivek, Rakesh would still need to think carefully through the what, where and how, as well as the cross-functional, organization-wide implications in his mind before making any calls. Rakesh needed a framework to think this through.

Questions

1. What are the business challenges for Stag?
2. As chairman of firm and head of the family, what is Rakesh's dilemma?
3. What could be possible go-to-market models for the journey ahead?