



Question 21. 'Healthy Juice India Ltd.' and 'Asli Juice Ltd.' are engaged in the production of fruit juice. Both the companies sell the juice in 1,000 ml tetra packs and are in direct competition. To avoid competition, the management of both the companies decided to merge and formed a new company 'Asli Healthy Juice India Ltd.'. The new company decided to sell the fruit juice through the company owned outlets throughout the country. [All India 2015]

1. Name and explain the 'Enterprise Growth Strategy'.
2. Also identify the channel of distribution decided by 'Asli Healthy Juice India . Ltd.'

Answer:

1. The Enterprise Growth Strategy involved is Horizontal merger. Horizontal merger: This merger is between companies in the same industry. It is a type of business consolidation that occurs between firms which are competitors and offering the same goods or service. It is in the condition where competition tends to be higher and the potential gains in market share are much greater for merging firms in such an industry. Example: A merger between Coca-Cola and the Pepsi beverage division, would create a new, larger organization with more market share.
2. There is Direct/zero level of distribution channel.

IV. VERY LONG ANSWER TYPE QUESTIONS

Question 1. Discuss growth sustaining activities giving appropriate examples.

Answer: Following are the growth sustaining activities:

1. Franchising: In franchising the rights of selling a product or service are transferred to another enterprise. This saves time as the parent company has its own marketing strategy, fixed requirement of infrastructure, written rule and regulations. The franchisee need not require expenditure on promotion, advertisement, layout, etc as it is the responsibility of the franchiser, e.g. McDonalds had expanded itself by offering franchisee.
2. Manufacturing more than one product: Under it, the enterprise grows by producing a new product. This new product can be a complementary good or any related product or a non-related product, e.g. Videocon started with the production of electronic goods. But now it is producing various other consumer goods like mixer-grinder, etc. thus this type of diversification helps in the growth of the enterprise.
3. Up gradation: An enterprise can upgrade itself by adopting new technique, process etc. This not only increases efficiency of the enterprise but also reduces the cost of production. Also it helps in reducing the per unit price of the commodity which provides a competitive edge to the enterprise. Thus this type of up gradation or modernization helps in the growth of the enterprise.
4. Increasing Turnover: An enterprise can increase its turnover for growth. For raising its turnover it may have to modernize or expand or both. With the increase in volume of production

the growth takes place though such rise in production is also associated with increase in number of employees, demand for raw materials etc.

Question 2. Describe some examples of franchising by Indian firms.

Answer:

1. Raymond Ltd: Raymond Ltd, started in 1325 as a woollen and readymade garment industry. It has more than 503 stores. It opted for franchise model for expanding in smaller towns as these areas are not affected by recession. In smaller towns the franchised Stores can be driven by local entrepreneurs who are aware of the preferences of the local customers.
2. NUT: NIIT, a firm in IT education industry, has a franchising network of more than 12,500 centres spread over in more than 40 countries worldwide, apart from India. This success has been possible due to their business partners, who have been a crucial element. The Business Partner Network helped NIIT expand its presence across India and reach the unreached, and also entrepreneurship in the country.
3. JSW Steel Ltd: It is the third- largest Steel manufacturer in India, operates through 174 JSW Shoppe outlets that work on the franchise model. It is planning to take the count of its JSW Shoppe outlets to 340 by 2011.
4. Mahindra & Mahindra Ltd: It is a part of the India Industrial Mahindra Group. It has taken the franchise route to expand its 100 per cent subsidiary. It is planning to take the count of its outlets to 450 in the next four years.

Question 3. Mention some of the prominent synergies that could arise from the deal between TATA Steel and Corus.

Answer: There were a lot of apparent synergies between Tata Steel which was a low cost steel producer in fast developing region of the world and Corus which was a high value product manufacturer in the region of the world demanding value products.

Some of the prominent synergies that could arise from the deal were as follows:

1. Tata was one of the low cost steel producers in the world and had self-sufficiency in raw material. Corus was fighting to keep its production costs under control and was on the lookout for sources of iron ore:
2. Tata had a strong retail and distribution network in India and SE Asia. This would give the European manufacturer an in-road into the emerging Asian markets. Hence, there would be a powerful combination of high quality development and low cost high growth markets.
3. There would be technology transfer and cross-fertilization of R&D capabilities between the two companies that specialized in different areas of the value chain.
4. There was a strong culture fit between the two organizations, both of which highly emphasized on continuous improvement and ethics. Tata steel's Continuous Improvement Programme 'Aspire' with the core values: trusteeship, integrity, respect for individual, credibility and excellence. Corus's Continuous Improvement Programme 'The Corus Way' with the core values: code of ethics, integrity, creating value in steel, customer focus, selective growth and respect for our people.

Question 4. "The expansion of a concern may be in the activities or acquisition of ownership and control of other concerns". What are the ways used by an entrepreneur for the expansion of an enterprise?

Answer: The two ways of expansion are :

1. Internal Expansion

2. External Expansion

Internal Expansion: It refers the gradual increase in the activities of the concern.

It can be in the form of:

1. Increase its present production capacity by adding more machines or by replacing old machines with the new machines with higher productive capacity.
2. It can also be undertaken by taking up the production of more units.
3. By entering new fields on the production.
4. Adding new market and marketing sides.
5. It may be financed by the issue of more share capital.
6. Generating funds from old profits/ retained earnings.
7. By issuing long-term securities.

The net result of internal expansion is the increase in business activities and broadening the present capital structure.

External Expansion: It refers to business combination where two or more concerns combine and expand their business activities.

It can be in the form of:

1. Combining two or more units engaged in similar business or related process or stages.
2. Sometimes stages of the same business join with a view to carry on their activities.
3. Giving shape, their policies on common basis.
4. In coordination for mutual benefit.
5. To earn maximum profits.

The combination may be among competing units or units engaged in different processes. After combination, the constituted firm pursues some common objectives or goals.

Question 5. 'Jagriti Ltd' are the manufacturers of Cars for the last 15 years and was earning good profits. Recently, due to the irregular supply of parts by the suppliers the company could not make timely delivery of cars to its customers. The customers cancelled their bookings and there were very few new bookings. As a result the sale of the cars declined and also the profits. The management of the company analysed the problems and decided to take over those two firms because of whom the problems arose. One of them was supplying engines and the other types. The company also launched new discount schemes for its customers. It also decided to employ 200 unemployed young boys and girls to take up the cleaning operations using imported machines inside the factories as well as the surrounding areas. [CBSE Delhi 2015]

1. Identify and state the concept of 'Enterprise Marketing and Growth Strategies' discussed in the above para.
2. Identify any one value which 'Jagriti Ltd' wanted to communicate to the society.

Answer:

1. The concept for enterprise marketing is sales promotion. Sales promotion is one level or type of marketing aimed either at the consumer or at the distribution channel (in the form of sales-incentives). It is used to introduce new product, clear out inventories, attract traffic, and to lift sales temporarily.
The concept for growth strategy is acquisition. Acquisition are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own. Acquisitions are often paid in cash, the acquiring company's stock or a

combination of both.

2. Following are few of the values which 'Jagriti Ltd.' wanted to communicate to the society:
 - Job opportunity for youth
 - Equal opportunities for both men and women
 - Care for environmental cleanliness.

Question 6. Unicon Ltd. and Nahata Communications provide Cable T.V. network in adjacent areas of Delhi. After some time the market was slowly taken over by big cable companies. Both Unicon Ltd. And Nahata communications understood the competition and decided to come together so as to increase their markets share. This strategy helped them in cost saving through economies of scale as they could cover more areas now. It led to the overall growth of both the companies.[CBSE Sample Paper 2016]

1. Identify the enterprise growth strategy adopted by the two.
2. State the benefits that the companies have after this arrangement.

Answer:

1. A market extension merger takes place between two companies that deal in the same products but in separate markets. The main purpose of the market extension merger is to make sure that the merging companies can get access to a bigger market and that ensures a bigger client base.
2. Following are the benefits that the companies have after this arrangement:
 - (a) Synergy: Synergy is the most essential component of mergers. In mergers, synergy between the participating firms determines the increase in value of the combined entity. In other words, it refers to the difference between the value of the combined firm and the value of the sum of the participants. Synergy accrues in the form of revenue enhancement and cost savings.
 - (b) Acquiring new technology: To remain competitive, companies need to constantly upgrade their technology and business applications. To upgrade technology, a company need not always acquire technology. By buying another company with unique technology, the buying company can maintain or develop competitive edge.
 - (c) Improved profitability: Companies explore the possibilities of a merger when they anticipate that it will improve their profitability.
 - (d) Acquiring a competency: Companies also opt for Merger and Acquisition to acquire a competency or capability that they do not have and which the other firm does.
 - (e) Entry into new markets: Mergers are often looked upon as a tool for hassle-free entry into new markets. Under normal conditions, a company can enter a new market, but may have to face stiff competition from the existing companies and may have to battle out for a share in the existing market.
 - (f) Access to funds: Often a company finds it difficult to access funds from the capital market. This weakness deprives the company of funds to pursue its growth objectives effectively. In such cases, a company may decide to merge with another company that is viewed as fund-rich.
 - (g) Tax benefits: Mergers are also adopted to reduce tax liabilities. By merging with a loss-making entity, a company with a high tax liability can set off the accumulated losses of the target against its profits gaining tax benefits.

