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MBAH 453

Second Semester M.B.A. Degree Examination, November 2023
BUSINESS ADMINISTRATION
Indian Business Environment

Time : 3 Hours

Max. Marks : 70

SECTION – A
(Compulsory)

Sri Dharmasthala Manjunatheshwara
College of Business Management, Mangalore
Post Graduate Centre for Management
Studies and Research Library

Answer to the question should **not** exceed **6** pages.

(1×15=15)

1. Comment on the New Industrial Policy 1991. Explain its objectives and features. Discuss the policy changes in NIP 1991. Examine the impact of policy changes in the Industrial climate in India.

SECTION – B

Answer **any five** questions. **Each** question carries **8** marks. Answer to **each** question should **not** exceed **5** pages.

(8×5=40)

2. Highlight the benefits of monitoring Business Environment. Describe various techniques of scanning the Business Environment with suitable illustrations.
3. What are the objectives of public sector in India ? Explain the problems by public sector in India.
4. Outline the need and importance of performing social responsibility functions by a business organisation.
5. Write a detailed note on Hard infrastructure of Indian Economy.
6. Explain the importance of foreign trade for a developing economy like India.
7. Write a note on RBI, its role and function in Indian Business Environment.
8. Distinguish between balance of trade and balance of payments account. Briefly explain the reasons for adverse balance of payments situation in India.

P.T.O.



SECTION – C
(Compulsory)

Answer to this question should **not** exceed 6 pages.

(1×15=15)

9. Procter and Gamble (P&G), a global consumer products giant, “stormed the Japanese market with American products, American managers, American sales methods and strategies. The result was disastrous until the company learnt how to adapt products and marketing style to Japanese culture. P&G which entered the Japanese market in 1973 lost money until 1987, but by 1991 it became its second largest foreign market.”

P&G, acclaimed as “the world’s most admired marketing machine”, entered India, which has been considered as one of the largest emerging markets, in 1985. It entered the Indian detergent marketing the early nineties with the *Ariel* brand through P&G India (in which it had a 51 percent holding which was raised 65 per cent in January 1993, the remaining 35 per cent being hold by the public). P&G established P&G Home products, a 100 per cent subsidiary later (1993) and the *Ariel* was transferred to it. Besides soaps and detergents, P&G had or introduced later product portfolios like shampoos (Pantene) medical products (Viks range, Clearasil and Mediker) and personal products (Whisper feminine hygiene products, pampers diapers and old spice range of men’s toiletries).

The Indian detergents and personal care products market was dominated by Hindustan Lever Ltd. (HLL). In some segments of the personal care products market the multinational Johnson & Johnson has had a strong presence. Tata group’s Tomco, which had been in the red for some time, was sold to Hindustan Lever Ltd. (HLL). HLL, a subsidiary of P&G’s global competitor, has been in India for about a century. The take over of Tomco by HLL further increased its market dominance. In the low priced detergents segment Nirma has established a very strong presence.

Over the period of about one and a half decades since its entry in India, P&G invested several thousand crores. However, dissatisfied with its performance in India, it decided to restructure its operations, which in several respects meant a shrinking of activities – the manpower was drastically cut, and thousands of stockists were terminated. P&G, however holds that, it will continue to invest in India. According to Gary Cofer, the country manager, “it takes time to build a business category or brand in India. It is possibly an even more demanding geography than others.”¹



China, on the other hand, with business worth several times than in India in less than 12 years, has emerged as a highly promising market for P&G. When the Chinese market was opened up, P&G was one of the first MNCs to enter. Prior to the liberalisation, Chinese consumers had to content with shoddy products manufactured by government companies. Per capita income of China is substantially higher than India's and the Chinese economy was growing faster than the Indian. Further, the success of the single child concept in China means higher disposable income.

Further it is also pointed out that for a global company like P&G, understanding Chinese culture was far easier since the expat Chinese in the US was not very different from those back home where as most Indian expats tended to adapt far more to the cultural nuances of the immigrant country.²

One of P&G's big bets in India was the compact technology premium detergent brand *Ariel*. After an initial show, *Ariel*, however, failed to generate enough sales – consumers seem to have gone by the per kilo cost than the cost per wash propagated by the promotion. To start with, P&G had to import the expensive state-of-the-art ingredients, which attracted heavy customs duties. The company estimated that it would cost Rs. 60 per kilo for *Ariel* compared to Rs. 27 for *Surf* and Rs. 8 for *Nirma*. Because of the Rupee devaluation of the early 1990s, the test market price of Rs. 35 for 500 gms was soon Rs. 41 by the time the product was launched. HLL fought *Ariel* back with premium variants of *Surf* like *Surf Excel*.

It is pointed out that, "in hindsight, even P&G managers privately admit that bringing in the latest compact technology was a big blunder. In the eighties, P&G had taken a huge beating in one of its most profitable markets, Japan, at the hands of local company *Kao*. Knowing the Japanese consumer's fondness for small things, *Kao* weaved magic with its new-found compact technology. For a company that prided itself on technology, the drubbing in Japan was particularly painful. It was, therefore, decided that compacts would now be the lead brand for the entire Asia-Pacific region. When P&G launched *Ariel* in India, it hoped that the Indian consumer would devise the appropriate benchmarks to evaluate *Ariel*. As compacts promised economy of use, P&G hoped that consumers would buy into the low-cost-per-wash story. But selling that story through advertising was particularly difficult, especially since Indian consumers believed that the washing wasn't over unless the bar had been used for scrubbing. Even though *Ariel* was targeted at consumers with high disposable income, who represented half the urban population, consumers simply balked at the outlay.



Thereafter, one thing led to another. Ariel's strategy of introducing variants was a smart move to flank Lever at every price point by cleverly using the brand's halo effect. And by supporting the brand in mass media and retaining the share of voice. By 1996, it had become clear that Ariel's equity as a high-performance detergent had begun to take a beating. Its equity as a top-of-the-line detergent was getting eroded...Nowhere in P&G's history had a concept like Super Soaker been used to gain volumes...It was decided that Super Soaker would no longer be supported, nor would Ariel bar be supported in media."³

Questions :

- a) Discuss the reasons for the initial failure of P&G in Japan.
- b) Where did P&G go wrong (if it did) in the evaluation of the Indian market and its strategy ?
- c) Discuss the reasons for the differences in the performance of P&G in India and China.