

**NCRD's Sterling Institute of Management Studies,  
Nerul, Navi Mumbai**

**SEMESTER END EXAMINATION MMS SEM II April 2017**

**Sub: - Business Environment**

**Date 22/04/2017**

**Time: 11am to 2.00 pm**

**Day: Saturday**

**Marks: 60 Marks**

**Roll No:**

**Instructions: Question No. 1 is compulsory. (Total 20 Marks)**

**Attempt Any Four Questions from the Rest. (Total 40 Marks)**

**Section I**

Coca – cola, the world's largest selling soft drink company had established its strong presence in the world since 1886. Coca-Cola is the first international soft drink brand to enter the Indian market in the early 1970's. Till 1977 Coca-Cola was the leading brand in India; later, due to FERA (Foreign Exchange Regulation Act), they left India and didn't return till 1993. Coca-Cola had to face many issues regarding its quality, resource exploitation and market exploitation along with price-quality trade-offs. People all over India are challenging Coca-Cola for its abuse of water resource. Coca-Cola had affected both quality and quantity of ground water. Due to its waste extracts, Coca-Cola was criticized for polluting the nearby fresh water and ground water and soil; because of this issue, farmers are suffering from water scarcity. Despite all these social and cultural issues, customers are using Coca-Cola due to its strong brand reputation all over the world. This is because Indians are now using more soft drinks and the youngsters are more in this category. However, with many studies and policy changes, Coca-Cola will be able to establish its brand reputation and increase its market share in the near future.

**B. CURRENT SCENARIO**

There has been a great competition between refreshment drinks in Indian market. Coca-Cola is the world's largest and first soft drink manufacturer. As part of the Globalization program, India has made it easy for multinational companies to enter the Indian market. Globalization has made the whole world into one market by reducing the trade barriers and minimizing the risk. It is noticeable that many multinational companies had failed in Indian market. This failure is mainly due to improper knowledge about the country and the national culture. It is very important to know about the people and their consuming behavior. Culture plays an important role in consuming behavior. Coca-Cola is mainly associated to the issues related to the brand, reputation and Corporate Social Responsibility (CSR).

Present situation of the country is favorable for multinational companies to start their business in India. As we had already seen that Coca-Cola is the largest selling soft drink in the world, they do have direct opportunities in the Indian market. Even though it is facing some social problem in India, Coca-Cola has got good market in India. The main target customers are youth who has already accepted the taste of the drink.

Coca-Cola should give more importance for the culture of the people because culture is a major element which decides the consumer behavior and purchasing patterns. India is a country where people are keener towards the culture. Considering Geert Hofstede's cultural dimensions here in this case, it is clear that, uncertainty avoidance India is less and people are not so flexible to adopt the sudden changes. In India uncertainty avoidance is indexed at 50, which shows that people are sensitive and emotional towards exploitation and invasions from other people or culture; so that before entering to the Indian market, it would be a good strategy to avoid such issues by planning the re-entry as a step by step process. According to Geert Hofstede (2001),

“culture is the collective programming of human mind that distinguishes the members of one human group from those of another. Culture in this sense is a system of collectively held values.” It is quite understood from the bellow given chart that the US and Indian culture had got vast difference. So it is not easy to cop up with the Indian market. Therefore, it is important to have a detailed analysis on Indian market so that they can initiate a fail proof and systematic market entry.

Coca-Cola need to concentrate in many aspects so that they can grab more market share and earn respect from the community members. The company's brand reputation and brand recognition is not enough for them to grow in the Indian soil. Indians take business so seriously and their approach is entirely different when it comes to purchasing patterns and habits. Therefore, Coca-Cola has to adopt alternate branding and promotion strategies to develop its fan base in India.

#### PUBLIC RELATIONS

The main and foremost solution is that to communicate openly with the key constituents; including the public, media, employees, trade channels, state and national government and suppliers. They should do an open and honest communication to resolve the problems so that issues can be identified and resolved. An honest and open approach is always appreciated in the Indian society. Communication is the best method through which consumers can have proper and clear picture about the company and its product. Efficient public relation is very much equivalent to a smart and efficient promotion, which eventually make the consumers to buy our products. Communication has its roots in a person's behavioral aspects. Behavior is directly linked with culture. As Smith et al., (2002), states, a person's behavior, cultural values and personality can directly affect a business and the managerial behavior. Therefore it is important to communicate with the customers in accordance with their cultural status and values. Without proper public relations and communication there are chances that public may not get good knowledge about products and they may be left unnoticed.

#### ENHANCE RELATIONSHIP WITH GOVERNMENT

In India, it is widely known that the government systems and procedure lack transparency in its operations. Therefore it is very important to have very close relation with the government. This can be done by actively participating in Government driven charity operations and government initiated infrastructure development. Indian people and government always appreciate any true effort towards the development of the country. This also helps in building reputation among the people. India is a country, where reputation and relationships are valued to the core. They believe in qualitative elements than quantitative elements. (Lothar Katz, 2008). Therefore it is important to keep good relationship with the government. Ethical issues like water resource exploitation etc. are believed to be hyped by the media and not the general public. However, it is important for the company to generate and implement a corporate social responsibility system in India, and operate within the guidelines of that system, which will prevent any such unwanted situations.

#### LAUNCH MARKETING CAMPAIGNS

Marketing campaigns are the best way to push a product into Indian market. This will create awareness among the general public which makes the sales easy. Indians would like to have more details on everything they choose; let it be soap, or even a television, they would like to know more about the product. If the product is of optimum value in terms of price and quality, they would definitely go for it.

#### LISTEN TO THE CUSTOMERS

Consumer behavior is an important part in any business. In order to find the differences and their demands, it is very important to listen to the consumers. This can be done by initiating a survey or a feedback system. Listening means, the identification of areas and aspects where the

company is lagging. If the company can make the customers feel that they are valued and considered, then they would come back to those particular products. Therefore, it is very important to listen to their comments, make necessary adjustments on service and products and creating a strong customer base.

### MANAGING STYLE

Management style and its efficiency decide the quality of management in a particular country. Multinational companies are believed to have many managing styles and organizational culture. However, it is important to have a management style tailored to the hosting country's cultural and social value. Having an alien management style may create issues with the domestic employees in the long run. Also, developing a country specific management style will help in delivering quality and on demand services to consumers and general public; which will eventually help the company in the future. This will also make the employees feel that they are considered and their opinions are welcomed.

### PULL BACK PRICE- QUALITY TRADE -OFF PLANS

Indians are those who give more importance for quality and trust. It is practiced in India for many long years. Indians rely more upon quality of the product with lower prices. So India is not a place to follow up with Price - Quality Trade - Off. Even if the prices are higher, Indians may consider this product due to its quality. Indian society and the culture are very much vulnerable to quality tradeoffs.

The above mentioned are the important solutions and suggestions that company should concentrate more in Indian market in order to sustaining in this competitive market. It is too important for a company to have a long life in market; so to attain this they should study the market at first in detail and the culture and purchasing power of the public.

### SUGGESTIONS

According to Robert Tannenbaum and Warren H Schmidt "management styles are characteristic ways of making decision and relation to subordinates". Different management styles can be applied based on the nature and culture of business, the nature of task, the nature of work force and skills of the leader. This definition is given to understand management style in general. Every country has got its own style of management. It is necessary that they should have a correct view about the management style of particular country. As seen in definition, management varies from business and their task; so it is very important to understand the task and the business at the most and then decide the appropriate method of management. As Elenkov and Manev (2005) suggests, it is the responsibility of top managers to coordinate with the subordinate and innovate in management styles and thereby improving the efficiency of the system.

India is the country where people give more importance to culture. Based on Geert Hofstede's cultural dimension in India uncertainty avoidance and long - term orientation is more. Uncertainty avoidance means Indians are too slow in accepting the sudden changes and they follow up with traditional styles so it is more important for the company to do a proper analysis on the consumer behavior and product requirement. Another important factor which should be taken into consideration is Long- Term Orientation. India is the place where this is followed more because Indians are more towards tradition and their customs. It is not easy to make them accept the sudden changes. So there should properly take consideration of long - term orientation also (Geert Hofstede, 2001).

They should also give more importance for Price - Quality Trade- Off issues. Indians are those who give more value for trust, value and quality. They are keener towards more quality with fewer prices. They give more value for quality rather price. So it is more important for the company to give more importance for the quality and their pricing strategy which need to be favorable for their business too.

In business it is not enough to keep present condition safe to have a long life and they need to study the market properly in every moment because the nature of market changes as new competitors come in. So to overcome these fluctuating conditions, they should always keep an open eye on how the market goes in next moment. For this the company needs to establish a market analysis team who can conduct on demand analysis of the market or outsource the task to us.

These are all the solutions and recommendations for the company which should be followed. It is not easy for a company to run business smoothly without considering the issues, especially if the company is of foreign origin. Therefore they need to understand the market and key trends in order to sustain in the market.

#### FORECASTS AND PREDICTIONS

The company can definitely establish their presence in Indian market once again, because it has already got a strong good brand image for long years. As Indians are those who give more importance for trust and quality, this brand image from past will help for its sustainability in Indian market. As India's population is high, they can get a good customer base. Apart from this, in Indian customers include large number of youngsters who is adopting the modern cultural values and supporting westernization. Thus, it is easy for the company to make them as target customers. Due to globalization, many multinational companies had entered Indian market and Indians had accepted many of those companies which clearly say Coca-Cola still have large potential and scope in the Indian market. As India is in the stage of modernization and economic reform, the consumption of soft drinks has been increased so it is a good opportunity for Coca-Cola to make a proper stand in Indian market. After considering the above mentioned solutions and recommendations it is sure that the company can make a proper stand in Indian market and re-establish their operations for ever.

#### CONCLUSION

Conclusion is the important part of a case study. After doing a detailed study on socio-cultural barriers of Coca-Cola in India, the most noticeable factor is the company is not following and considering the social and cultural trend and factors. The main drawback which Coca-Cola is facing is it is going against environment or exploiting environment. The company is using fresh water in such a large quantity where there is a crisis for fresh drinking water; apart from that, due to its waste discharge they have been spoiling the water and soil. Therefore farmers are facing numerous problems with their crops. Because of these reasons Coca-Cola is facing problems in India. These problems are indirectly affecting the life of the people staying near by to the manufacturing plant. Apart from this culture is the most important factor which company should keep in mind for further development.

From the above given recommendation, suggestions and analysis, it is clear that the cultural and economic conditions in India is stable and favorable for the company, but the environmental problems are making g issues among the public and government. Therefore, as suggested, the company should employ an efficient corporate social responsibility team to monitor their operations in the Indian sub-continent and make policies to overcome any such instances. With the help of these suggestions, Coca-Cola can make a brilliant come back to the market.

Q.1.A Analyze the case critically keeping in mind the influence of Business Environment Factors.

Q.1.B. What policies you could have suggested to Coca-Cola to make successful comeback in India.

## Section II

**Q.2. Define Business Environment. Explain the prospects and limitations of environmental analysis.**

**Q.3. Explain the features and importance of "Make In India Campaign".**

**Q.4. You are the CEO of a Food-Joint to be launched in India, prepare a plan to compete with organizations like McDonald's, KFC, Dominos etc., keeping the business environment of India in mind.**

**Q.5. Explain the major ecological issues and importance of sustainable development.**

**Q.6. Give details of LPG Model (Liberalization, Privatization, and Globalization).**

**Q.7. Write short notes on (any two)**

**A. WTO**

**B. IMF**

**C. National Income.**

**Q.8. Explain the socio-cultural environment of business.**

**Or**

**Explain the Political environment of business.**

**Q.9. What is Monetary Policy? Explain the concept of Inflation.**