

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 8

NOTE : Answer ALL Questions.

1. Case Study :

GLOBAL STRATEGY AT BLUNDSTONE

A great Australian name has gradually but firmly become a global celebrity. The famous Australian workboot, Blundstone, is worn by many a well-heeled person in Los Angeles, New York and London. The company has worked hard to survive, counting on innovation, investment, and clear corporate values and culture to make it into the 21st century. Great public relations and famous names do no harm. The American male fashion magazine, *Men's Journal*, listed the Blundstone 500 Series as a 'must-have'. Television presenter Rosie O'Donnell wore a pair to the opening of *The boy from Oz*, the Broadway musical starring Australia's Hugh Jackman, and the Australian Idol star, Shannon Noll, toured the Tasmanian factory to be fitted with a new pair of boots. Blundstone is an iconic brand that suits such characters : individualist, running against the fashion trends and tough in their own right.

Blundstone's chief, Steve Gunn, noted that the working-class image fits well with the company philosophy. While the boots have remained close to their working-class roots, they have ventured in other directions. They are featured in fashion shoots with A\$2000 men's Hugo Boss suits and A\$500 women's Calvin Klein zipped jackets. In Canada, the company released the Canada Eh! Boot, selling for about A\$260, to celebrate Blundstone's ten years in that market. The boot features a maple leaf on the elastic siding of the boot. The boot has even featured in crime details : in a murder case, the defendant's barrister noted that a size nine Blundstone boot print had been found near a murder scene, the defendant denied ever having owned Blundstone boots.

A long-term association with the iconic Australian tap group, Tap Dogs, has taken the boot far. Started in 1995, the group is a worldwide hit - always wearing their Blunnies. And it is not by accident : Blundstone has been sponsors from the beginning. These associations

are not uncommon. Blundstone also supports the Monash Science Centre's commitment to science education and credits this link and others, such as the one with Australia's high-profile science research institute CSIRO, with its ability to continue its hi-tech innovations that translate into important intellectual property advantages.

Blundstone sells about 1.6 million pairs of shoes each year, at an average A\$100 per pair. The core product is a solid, high-quality workboot, which far more than 100 years has been aimed at the working man. Termed 'the industrial safety market', the Australian market is worth about A\$150 million per year. Blundstone has a 35 per cent share. But the so-called 'urbanwear' category that has created much of the buzz for the brand.

But what is a Blunnie ? It is a tough, rubber soled leather boot with an elastic side panel to allow users to get it on and off easily. The boots last for years and come in many designs to suit all kinds of working conditions.

The Blundstone venture got under way in 1892 when John Blundstone was making boots from a factory in Hobart and had taken his son into the business. John Blundstone and Son was form in 1902, and in 1932 the concern was purchased by the Cuthbertson family. This brought additional expertise to the Blundstone brand : the Cuthbertson family company was experienced in tanning and shoemaking as well. The manufacturing operations were combined under the Blundstone name and the Cuthbertson name was kept for the tannery enterprise that the Cuthbertsons also owned.

The Blundstone Group has had a long-held vision and strategy and is explicit about its values include :

Respecting the dignity of our people

Active legal compliance

Responsible community membership

Outstanding product quality

Outstanding customer service

Non-discriminatory employment

Safe and healthy workplaces

Active industry membership.

To this end, Blundstone has entered a sponsorship agreement with the women of the Urapuntja Artists, an indigenous Australian art community and the art centre of the Utopia homelands in the Northern Territory. The women artists have design, presentation and merchandising input into the Women's Work range of Blundstone boots. In return, the Urapuntja Artists receive royalty payments and an improved profile, plus business experience and the credibility of joint-venture success.

A recent launch highlights the Blundstone aims. Called Xtreme, it combines the traditional elastic sides with a steel cap and a polyurethane moulded sole. The renowned marketing and PR skills link with the innovation and process efficiency.

One additional unexpected challenge from the move offshore by many Australian footwear manufacturers is that the suppliers have either moved offshore or stopped that portion of their businesses. Therefore, Blundstone has had to find alternative sources of materials, often at higher prices. The company has put a lot of its effort into long-term development and ensuring survival. Sharon Teuma, who recently became export and corporate marketing manager, with long-term involvement in new product development at Blundstone, notes that in some ways the growth and expansion of the company has been at the expense of profits. Other factors, such as fluctuating conditions in the Australian cattle trade, affect business too. For example, in 2002, the concern, which has a vertically integrated production process, was stocking up on partly processed hides, so that it could capitalise on the influx of cattle into Tasmania because of the milder conditions there, away from the drought-stricken mainland. Such actions fit with the firm's long-term focus.

Blundstone has purchased a rival New Zealand company, John Bull, and used the New Zealand label to launch two new ranges, Matador and Warrior. Steve Gunn, the country born and bred Australian CEO of Blundstone, suggested the boots were a marriage of technology and design. As with the new product launches at Blundstone, the design team was led by Sharon Teuma, who had had previous hits with Blundstone's Women's Work boots, Blunnies For Kids and Mountain Master. Indeed, the Mountain Master brand grew from a revival of a logo that Teuma found when she was researching company archives. The Mountain Master is a hi-tech boot range launched in collaboration with the Australian travel guide company, Lonely Planet. Lonely Planet has been a huge success in publishing and felt that a collaboration with Blundstone would be a natural fit. Indeed, Australian backpackers wearing Blundstone boots, had originally literally taken the Blundstone boot on its global odyssey.

The two companies have compatible brand attributes and plan to push the link-up, with Lonely Planet providing a booklet, *Walk the planet*, to be included in the Mountain Master packaging.

There is a fine line, however, between leveraging the firm's strengths and moving away from those strengths. Exports have been very successful for the Blundstone. During roughly 1992-2002, the percentage of exports had risen from basically zero to about 20 per cent of earnings. The United States is the biggest market, while Canada, Israel and the UK have worked well too. Many new products have been developed and released but always around the footwear theme. The firm has resisted the temptation to diversify the brand into noncore business. Clothing, thought by some to be the brand natural extension, has been resisted. The move, however, has not been completely ruled out, so long as any shifts do not damage the Blundstone name.

Blundstone is a poster organisation for proactive strategic business approaches. In 2000, the Australian government released its recommendations for the textiles, 'clothing, footwear and leather industry. Under the government's long-term plan, the industry was increasingly subjected to direct foreign competition; over time all trade barriers to imports were being removed. Therefore, Australian manufacturers, suppliers and retailers competed essentially on the open market against fierce competitors from places such as China and India. The United States had taken the approach of limiting clothing imports to their markets using quotas. When the World Trade Organization required that these quotas be lifted, the US government set about using other means to protect the local industry. Australia however took the sink or swim approach : compete head-on or die.

The recommendations took an interesting tack. While towards 2010 report noted that imports would continue to create an, environment where many enterprises would fail, it also noted that globalisation and the opening of markets worldwide should give Australian enterprises access, to overseas markets, in developed and developing countries. So it suggested not only that Australian firms could compete against the tide but also that this was an opportunity. Michael Porter, the strategy guru, notes that a paradox of competing in a global economy lies increasingly in local changes such as knowledge relationships and motivation that distant rivals cannot match.

The proposed strategy was to achieve an industry environment in Australia that stimulates innovation and cultural change through a focus on leadership, fostering innovation, effective supply chain management, overcoming entry barriers and IT.

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Blundstone appeared to have taken these directives to heart. A 2002 report by the Tasmanian Electronic Commerce Centre (TECC) cited Blundstone as a poster company for advancement, especially in IT. In a case study in its submission to the Tasmanian government, TECC notes that Blundstone had long been an innovator in the use of technology. For example, its early use of barcoding and touchscreen terminals for production and inventory management had long helped in the battle to survive. However, Blundstone realised early on that online services would be a key in its national and international long-term growth plans. To realise its global aspirations and service its international customers, the firm knew that customers would need to have continuous access to it. So it looked to provide 24 hour real-time account and service capabilities. Blundstone realised the importance of using e-commerce as a competitive tool. The approach : think marketing and customer servicing by online services. Blundstone had as a goal reducing workload and focusing on technology as a way to add value for both itself, in terms of its brand and product, and customers, in terms of access, timeliness and efficiency. The firm provides value using the Internet in three key ways : a website containing its products and distributor contact details, an online ordering and account system for distributors and an internal online document management system for staff.

The outcome has been that the electronic trading system allows for a real-time interactive and integrated online interface with partners and suppliers. The most important outcome, however, is that the use of IT provides a tangible competitive advantage. By being ahead of the curve in product innovation, clever marketing and PR and close working relationships with distributors (which are treated as partners), the firm creates a global network that is hard for competitors to emulate. These types of relationships, often directly with niche distributors in key exports markets, are also too expensive for huge footwear concerns to create (and not advantageous to bother with) and too, complex and costly for smaller firms to implement. The system allows partners to place and track orders, manage account details and access all invoicing data, all online, using Blundstone's infrastructure.

Blundstone has been expanding in specific key ways. It has bought the safety footwear division Protector Technologies and taken over John Bull in New Zealand, one of its rare direct foreign investment efforts. In April, after many rumours that the firm would move production offshore, it invested a further A\$2 million in its Hobart factory to make as efficient as possible. The rationale is partly that the boot is strongly linked to its Australian origins and an Australian

boot, 'Made in China', might lose part of its reputation and so dent the brand's value. Not all agree that this would make a difference. Australian customers, for instance : Blundstone has lost domestic sales to Chinese lookalike imports, so clearly some Australian consumers prefer value in the form of lower prices over the intrinsic brand and quality advantages of Blundstone. It also constantly seeks to build its international distribution network, entering distribution alliances with key partners in key markets.

Blundstone's market entry success has been adopted by R.M. Williams, a testament to the 'imitation as flattery' story. R.M. Williams, along with Akubra and Drizabone, round out the Australian icon apparel brands. R.M. Williams have chosen the long-term Blundstone distributor in the US marketplace to distribute their products. Blundstone have used the company, Fletcher Ltd., for many years. Fletcher has helped Blundstone achieve a strong market presence. Other key outlets for Blundstone were also adopted by R.M. Williams.

R.M. Williams, however, has a different target market (the products are often three times the price and fit more the luxury image, especially overseas) and has its own extensive retail network in Australia and some of its own stores (in New York for example).

It also makes hard decisions when needed : when entering the 2003 Christmas trading period, it realised there was a stock glut. Production was shut down one day a week from September and 25 workers were made redundant to help ensure the future of the company.

The origin and image of Blundstones link with the quality and uniqueness of the product, which is why the product seems to appeal in particular international markets. When Greg Cromwell, a Canadian visitor to Australia, saw the boots, he realised the potential for his home country. With the help of the Toronto Austrade office, eventually he and a group of partners set up Blundstone Canada, which operates three stores, a warehouse and a large distribution system. Blundstone Canada is the authorised Canadian distributor for Blundstone boots.

Steve Gunn, who joined the Tasmanian company as a human resources manager in 1996, was promoted to CEO in December, 2001. During his first five years at Blundstone, he introduced new systems and policies, including in-house training and competency systems that were linked to quality and safety systems. As a result, the company has been able to grow and become more global. This growth has been organic, through acquisition and with international

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distribution alliances. So the company exports to more markets and importantly sources supplies from a wide range of countries.

A recent report notes that footwear production is almost extinct in Australia except for the important, albeit niche, market of bootmakers. Most important of these are Blundstone and R.M. Williams. Hardly a surprise, however, that these should be survivors: Australia's traditional strengths have long been connected physically and psychologically to the land, in terms of primary products and mining related outputs.

Referring to the above case study, answer the following questions :

- (a) Analyze the market entry strategies of Blundstone for global expansion and to capture global market. (10 marks)
- (b) How has Blundstone capitalised on its core strengths to establish the company as successful shoe maker ? (10 marks)
- (c) How has the firm sought to turn threats into opportunities ? (10 marks)
- (d) What direction should Blundstone take in terms of further leveraging its brand ? (10 marks)
- (e) From the analysis of this case study what are the long-term prospects for the firm ? (10 marks)
2. (a) If you were representing a company negotiating investments in Indonesia, what steps would you take to manage (or reduce) the potential political risks associated with these investments ? (5 marks)
- (b) "Containerization's Benefits can't be contained." Explain this statement with reference to Logistic Management. (5 marks)
- (c) XYZ Ltd. Company offers "products that is ready for immediate use", which project is considered as a best practice in this regard. State your answer with suitable examples. (5 marks)

- (d) How can local competitors in India use antidumping procedures as a competitive tool against foreign competitors ?
(5 marks)
- (e) Government set up various advisory bodies for promotion of trade. Elaborate the advisory bodies role in promoting the trade and their effectiveness.
(5 marks)
- (f) Since all trade terms are basically the same there is no need of using them in export sales contracts. Discuss.
(5 marks)
3. A European multinational company interested in foreign direct investment (FDI) and for FDI the company shortlisted two countries i.e. 'X' and 'Y'. These companies has little knowledge about FDI policy of 'X' and 'Y' therefore the company is seeking your help. So analyze the FDI policy of these two countries and submit your report so that the company can select the market accordingly for foreign direct investment.
(5 marks)
4. "Strategic alliance is a strategic cooperation between two or more organization with the aim to achieve a result, one of the parties cannot (easily) achieve alone". In context of strategic alliance explain the above statement with the best alliances in India.
(5 marks)
5. India is a member of UNCTAD and WTO. WTO is concerned for multilateralism in trade, protection of intellectual property rights, resolution of trade disputes, etc. When most of the global trade issues are handled by WTO then why India should continue its membership with UNCTAD, will you advice India to ignore the role of UNCTAD and leave this institution.
(5 marks)
6. A small and medium enterprise firm got export order from a foreign buyer but the company does not know anything about the nitty-gritty of export and even does not know how to get IEC code number. The company hired you as an export management consultant and asked you to help the company in getting the IEC code so that the company can fulfill the export order in time. How will you help the company in this regard ?
(5 marks)