

CRAWFORD UNIVERSITY
COLLEGE OF BUSINESS AND SOCIAL SCIENCES
DEPARTMENT OF ADMINISTRATION AND MANAGEMENT
HARMATTAN SEMESTER EXAMINATION 2016/2017
BUS 401: BUSINESS POLICY 1

TIME: 2½ hrs

Instructions: Answer Four questions in all. Question One is compulsory.

CASE STUDY: AVON PRODUCTS INC.

In the global cosmetics industry, Avon held on to its lead until the mid-1980s – when its annual sales averaged more than \$3 billion, but signs of trouble began to appear during the recession of the mid-1970s as middle-class homemakers began to enter the workforce. By 1980, Avon's sales had begun to decline as fewer middle-class women were satisfied with part-time sales jobs and, accordingly, fewer women purchased products sold door-to-door.

In addition, Avon's products had little appeal with teens, and many lower-income women found Avon's products too expensive. With stalled sales growth in its core cosmetics business, Avon pursued business diversification to boost its revenue. Avon improved its website under a new management by making it easier for customers to purchase products online. In 1998, Avon held its first ever Representative National Convention, during which representatives learned about new products, received sales training, and discussed areas of improvement for the company. The convention revealed a number of barriers to representatives' success.

In response to the barriers mentioned at the convention, Avon launched a pilot programme that allowed representatives to order for goods more than once. In addition it set up telephone, fax, and interactive computer voice ordering and speeded up deliveries to improve sale representatives satisfaction. It also opened beauty centres (which were free standing kiosks in malls across the United States) where passersby could purchase the latest Avon products. Network marketing was an option that was open to the company, whereby representatives received commission on sales and bonuses based on sales by their trainees.

In 2001, the global cosmetics, fragrance, and toiletry (CFT) industry was highly fragmented, with distribution channels beyond direct selling and multiple subcategories existing within each product category. For example, with the colour cosmetics category, products like eyeliners, mascara, foundation, nail polish could be purchased from direct sellers like Avon or from supermarkets, drugstores etc. Another challenge was product segmentation arising from consumer demographics and geography. The product characteristics sought by teen consumers, for example, differed greatly from those sought by baby boomers

The 21st century opened avenues for improvement, sales increases were being driven primarily by product innovation. focusing on products with active ingredients that benefit wellness and youthfulness. Manufacturers formulated skin care products with natural active ingredients like vitamins and plant extracts.

Required: Identify and discuss 4 major challenges faced by Avon Cosmetics.

4marks

- (i) What steps should be taken by management of Avon to solve the challenges mentioned in (i)
3marks
- (ii) In an attempt to diversify, explain ways through which Avon can boost its sales.
3marks
- (b) Explain market fragmentation and market segmentation
3marks
- (ii) Formulate a strategy for Avon to exit the cosmetics industry
2marks
- Total 15marks

2 You have just been employed as a business manager to a chain of firms, using a matrix table do a SWOT analysis to justify why your organization should diversify into the fruit drink market and recommend ways to sustain the market.
10marks

(b) Using Porter's diamond model discuss the effect on any fast food outlet.
5marks
Total 15marks

3 You are the Chairman of a panel to look into ways of improving services in your firm.
(a) identify and explain how the internal and external factors affecting your company can turn the company around.
10marks

(b) What strategies should be adopted to remain the market leader in the industry.
5marks
Total 15marks

4a, Discuss any five (5) elements of organizational design and explain the structure of any company known to you.
8marks

b(i) Draw an organizational chart of a firm with 450 employees, two factories with head quarters located in Ota.
4marks

(ii) What structure would you expect the firm in b(i) above to have? Explain your answer.
3marks
Total 15marks

5 (a) Why is it important for a firm to study and understand the external environment?
7marks

(b) Discuss the differences between the general environment and the industry environment.
4marks

(c) why are the differences important.
4marks
Total 15marks

6(a) According to Andrews (1971): Strategy is concerned with the pattern of setting specific objectives, purposes or goals and the policies of achieving those goals. As a manager of Rintintin Group of companies formulate a viable strategy using the 5ps of strategy.
9marks

(b) Decision making is the genesis of all management actions and functions. It should therefore be purposeful and oriented towards desired goals and objectives. However, it can be supported or hindered by some inevitable factors. Examine clearly five of such factors.
6marks

Total 15marks