

Case Studies on
Growth Strategies – Vol. I

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Case studies are intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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ISBN 81-314-0341-6

Editorial Team: Vara Vasanthi and P.S. Prabha Devi

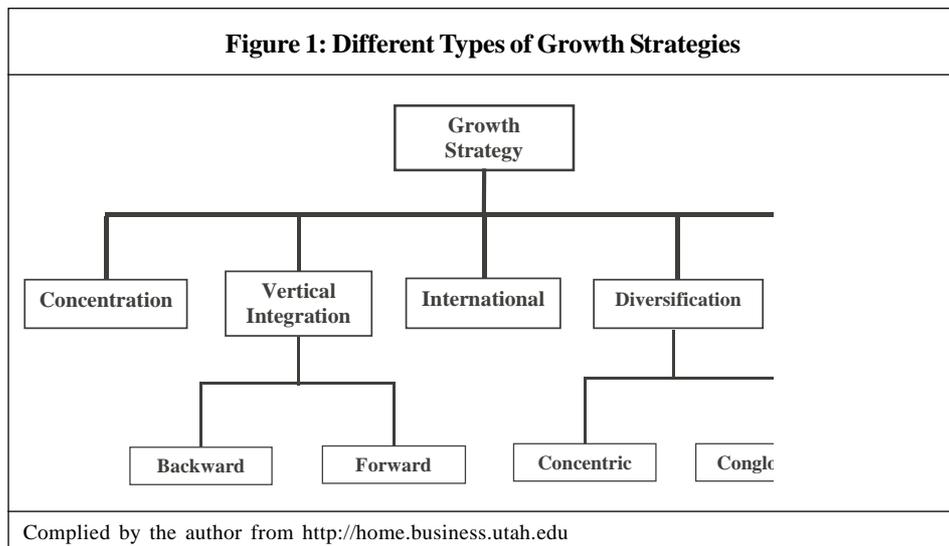
Visualiser: Ch. Yugandhar Rao

Designer: K. Sreehari Rao

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AN OVERVIEW

In order to sustain itself in the fiercely competitive global environment, any organization has to achieve certain level of growth. Companies, which do not quickly adapt to the changing market conditions, may end up losing market share and their competitive advantages to competitors. There are several objectives, which entail a company to adopt different strategies for the growth of their business. Some of these objectives include increase in sales revenue, increase in market share and other financial and non-financial benefits. To achieve that certain level of growth, companies adopt several strategies. Some of the broad categories of growth strategies include diversification, vertical integration, horizontal integration, concentration and international growth strategies.



Each company draws on a specific strategy based on its size and the goals it plans to achieve. The different growth strategies are unpacked below:

Concentration

In this type of strategy a company directs all its resources towards the growth of a single product or a single market. It concentrates on its primary line of businesses and looks for ways to meet its growth objectives by increasing its level of operation its primary business.

Vertical Integration

Vertical integration involves the company gaining control either of its inputs or its outputs or both. This involves production of inputs previously provided by suppliers or through the replacement of a customer role by disposing of one's own inputs. Vertical integration is characterized by the extension of the company's definition in two directions from the existing business i.e. backward integration and forward integration.

Backward Integration

Backward integration takes place when a firm assumes a function that was previously provided by a supplier. A firm may adopt such a strategy to have a regular and uninterrupted supply of raw materials, components and other inputs, to ensure the quality of raw materials being used and also to reduce the direct taxes payable on purchase of inputs.

Forward Integration

Forward integration takes place when a firm assumes a function, which was previously fulfilled by a customer. A firm may adopt this strategy for greater acquisition over sales prices and level of input or to improve their competitive position.

International

A company may pursue an international growth strategy to expand outside its domestic markets to gain access to new customers, to spread its business risks across a wider market base or to capitalize on its core competencies. A company might enter one or more foreign markets through export, licensing, franchising or direct investment.

Diversification

Diversification is a strategy that a company adopts to increase its number of business operations. A company may pursue a diversification strategy if there are opportunities for expanding into industries whose technologies and products complement its present business. Diversification into closely related business opens new avenues for reducing costs or when the company has a powerful brand name, which can be transferred to other product or business. There are two types of diversification strategies:

Concentric Diversification

This type of diversification occurs when a company adds related products and markets to its business. This type of diversification can be achieved by acquiring new businesses, internal start-up which involves building new business subsidiary from scratch or through joint ventures and strategic partnerships. Joint ventures involve forming a new corporate entity owned by the partners, and strategic partnerships involve a collaborative arrangement that can be terminated whenever one of the partners so chooses.

Conglomerate Diversification

This type of diversification occurs when a company diversifies into areas that are unrelated to its current line of business. A company may pursue this type of diversification strategy when it finds an opportunity in any industry where there is satisfactory growth and earnings potential. Usually a company might acquire an established company rather than forming a start-up subsidiary within its own corporate structure.

Horizontal Integration

In this type of growth strategy a company might acquire additional business activities at the same level of the value chain. Horizontal growth can be achieved by internal or external

expansion through mergers and acquisitions of firms offering similar products and services. A company adopts this type of strategy to increase its market share, to have greater access to channels of distribution, to take advantages of the benefits of synergy.

This book contains twenty case studies on companies from different industries. Each case study describes the various growth strategies a company has adopted to expand its business. One company may not use a single growth strategy but use a combination of growth strategies depending upon the goals it plans to attain. The following table gives the list of cases in this book and the respective growth strategies the company has adopted.

The cases *IRKUT's Expansion Strategy*, *Datang International Power Generation: China's Energy Giant's Growth Strategies*, *SingTel's Growth Strategies*, *Nokia in China: The Growth Strategies*, describe the **concentration** growth strategy. These companies have concentrated solely on a particular product or market and increased their market share.

The case of **IRKUT Corporation** elucidates how IRKUT engaged its expertise in manufacturing military aircrafts to build commercial aircrafts and became a formidable commercial producer of aircrafts. The case of **Datang International** expounds how an independent power producer developed its power generation capacity in spite of the rising coal prices, uncertain tariff reforms and increasing demand for power in China. The case of **SingTel** casts light on how the company has grown by providing various services ranging from national telephony to corporate voice services, to become Asia's largest mobile operator. The case of **Nokia** goes over the growth strategies adopted by Nokia to counter competition from domestic players in the Chinese cell phone market.

The above mentioned companies have solely executed the concentration growth strategy but other companies have applied another strategy in combination with the concentration strategy for the growth of their business. The cases *Emirates: The Ambitions and Challenges*, *FreemantleMedia's Pop Idol: The Growth Strategies*, *Hennes & Mauritz (H&M): The Growth Strategies*, *Café Coffee Day's Expansion Strategies* describe the strategies of companies, which have drawn on the **concentration strategy** as well as the **international** growth strategy.

The case of **Emirates** details how the company has grown from being a domestic player in Dubai to an international airline and has gained a sustainable competitive advantage over its competitors. The case of **FreemantleMedia** unfolds how the company took one popular show to the world and became successful in the countries where it was launched. The case of **Hennes & Mauritz** delves on how the company concentrated on selling clothes to become the largest retailer with operations in over 20 countries. The case of **Café Coffee Day** provides insight into how the company concentrated solely on coffee retailing and became a leading coffee chain in a primarily coffee-drinking nation and expanded into international markets as well.

Sl.no	Growth Strategies Vol. I	Industry	Cor
1	AIG: Strengthening its Asian Links	Insurance	Ir
2	AirAsia: Growth Strategies	Airlines	(
3	Bharat Forge – MNC in the Making	Automobile industry	Ir
4	BHP Billiton: The Australian Mining Company's Growth Strategies	Metals and mining]
5	Café Coffee Day's Expansion Strategies	Specialty Eateries	Cc Ir
6	Costco Warehousing Corporation: Strategies for Growth	Warehouse clubs and superstores	Ir
7	Datang International Power Generation: China's Energy Giant's Growth Strategies	Independent power production	Cc
8	Emirates: The Ambitions and Challenges	Airlines	Cc Ir
9	Essel Propack: From Indian to Transnational	Packaging	Ir
10	FreemantleMedia's Pop Idol: The Growth Strategies	Television production and distribution	Cc Ir
11	Giorgio Armani's Growth Strategies	Apparel	(Di
12	Growth Strategies of Banyan Tree	Hospitality	(Di
13	Hennes & Mauritz (H&M): The Growth Strategies	Apparel and accessories retail	Cc Ir
14	Hershey Foods Corporation: The North American Snack-Food Maker's Growth Strategies	Candy & Confections	Cc]
15	Huawei Technologies: Growth	Telecommunications	Ir

The case of *Hershey Foods Corporation: The North American Snack-Food Maker's Growth Strategies*, describes how the company ran both **concentration** and **horizontal integration** in as a growth strategy. The case of **Hershey** describes how the company concentrated solely on making chocolates and eventually became a formidable player. The company later expanded its business line by acquiring several other brands.

The case of *Costco Warehousing Corporation: Strategies for Growth* interprets the **vertical backward integration** growth strategy. The Costco Company became the largest wholesale club operator in the US by offering a wide variety of products at deep discount prices. It was able to achieve this by sourcing products directly from manufacturers.

The cases *AIG: Strengthening its Asian Links*, *The TATA Group: Going Global*, *Huawei Technologies: Growth Strategies*, *Bharat Forge – MNC in the Making*, *Essel Propack: From Indian to Transnational*, *Whirlpool's Global Expansion Strategies* penetrates into the **international** growth strategy adopted by these companies.

The case of **AIG** projects how the company began its operations in Asia and became a leading insurance and financial services company, expanding into China, Japan and India. The **TATA Group** case describes how the company grew to become one of the most revered Indian business conglomerates and the attempts the company made to go global. The case of **Bharat Forge** surveys how a leading Indian forgings manufacturer expanded its business interests in Europe, North America and China. The **Essel Propack** case explains how the company became the world's largest laminated tubes manufacturer and how the company entered the international arena after the acquisition of Switzerland's Propack AG. The case of **Whirlpool** describes how a leading household appliances manufacturer expanded into Europe, Asia and Latin America and the problems it faced in its expansion in Asia.

The cases *Growth Strategies of Banyan Tree* and *Giorgio Armani's Growth Strategies* describe the **concentric diversification** strategy of the companies. The case of Banyan Tree details how the company became well known for its luxury resorts and later expanding its luxury resort chain to hotels, villas and retailing galleries spread across the world. The case of Giorgio Armani crystallizes how the company became popular for its 'power suits' and capitalized on the popularity to expand across the world with brands like Armani collezioni and Armani jeans.

The case of *BHP Billiton: The Australian Mining Company's Growth Strategies* elucidates the **horizontal** growth strategy followed by the company. The case facilitates the readers to understand how BHP, an Australian natural resources company merged with Billiton, a British mining company to form the world's largest mining company. The case discusses how the group engaged each other's expertise to gather momentum in the mining industry.

The cases presented in this book enable readers to understand the different growth strategies adopted by the world's leading companies and the effect of these strategies on their operations.