



GL BAJAJ

Institute of Management & Research

Approved by A.I.C.T.E., Ministry of HRD, Govt. of India

Roll No.....

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.)–201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2018-20) MID TERM EXAMINATIONS (TERM -III)

Subject Name: **Strategic Management**

Time: **01.30 hrs**

Sub. Code: **PG-25**

Max Marks: **20**

Note:

1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.
2. All questions are compulsory in Section A, B & C. Section A carries 1 Case Study of 8 marks. Section B carries 3 questions of 2 marks each and Section C carries 2 questions of 3 marks each.

SECTION – A

04+04 = 08 Marks

Q. 1: Case Study:

OYO Rooms in China: Scaling the Great Wall

In September 2018, OYO check into the Unicorn Club with a funding of \$1 billion led by SoftBank Vision Fund, Sequoia Capital, and Lightspeed Venture Partners. The fresh round of funding was expected to boost OYO's business in China and in other international markets. In May 2018, OYO entered in China, setting a rare example of an Indian consumer technology company setting up operations in the second-largest economy in the world. With this move, OYO was set to compete with well-established players in the country like Jinjiang Inn and Home Inns.

In 2011, Oravel Stays Pvt. Ltd by Ritesh Agarwal, as a platform to enable listing and booking of budget accommodation. In 2013, the company was named as OYO Rooms. Backed by a number of investors the company continued to raise funds and expand. Over the years, OYO forayed into Malaysia and Nepal.

OYO's China operations clearly indicated the big bet OYO has placed on foraying east. Further, it had been speculated that OYO was also planning to explore the US and UK markets as well. The case discusses the growth and expansion of OYO in China and the challenges it was likely to face in that highly competitive market. With the arrival of OYO in China, it remained to be seen how the rival companies would respond and whether the company will be able to compete and sustain.

In September 2018, hospitality company OYO Rooms (OYO), based in Gurugram (Haryana, India), announced that it had raised US\$1 billion in a fresh round of funding to grow its business in China and expand into other international markets. The funding made OYO the latest startup from India to check into the Unicorn Club and the second most valuable startup in the country after One 97 Communications (Paytm). The funding of US\$800 million was led by Soft Bank Vision Fund, Sequoia Capital, and Lightspeed Venture Partners, who promised to infuse an additional capital of US\$200 million. Justin Wilson, Director, SoftBank Investment Advisers, said, "Oyo's unique value proposition and outstanding growth over the last few years gives us the confidence that it can scale, innovate and continue to offer an intuitive customer experience, curated for different markets."

Ritesh, a college dropout, started his business career at the age of seventeen. He conceived the idea of hotel aggregation during his travels, when he checked into a budget hotel and found that the services offered were below par. Carrying the idea forward, Ritesh started Oravel Stays Pvt. Ltd in 2011, which was a platform to enable listing and booking of budget accommodation. In 2012, Ritesh received a seed funding of around INR 3 million from Venture Nursery for his startup.

OYO was based on the home-rental model of Airbnb but with a twist. OYO's website showed only listed rooms with no mention of the partnering hotel names. It partnered with other hotels but listed their products under its own brand name. OYO's main focus was to ensure high quality service. Its partners had to meet some predetermined standards like providing free Wi-Fi, breakfast, TVs, clean bed linen, branded toiletries, etc. in each room. Once the standards were met, OYO made those rooms more visible to the customer-base through its website and mobile application. A room could be added to OYO's network within 5-6 days of the agreement being signed.

Realizing the problems that aggregation involved, the company decided to change its strategy. Following reports of malpractices by a few hotel owners, OYO started reducing its dependence on the aggregator model. Reportedly, there were instances of customers who had booked a room in a hotel through OYO being denied accommodation and being told that the room had been given to someone else

The competition intensified with startups like RedDoorz , Wudstay Hotels , FabHotels , and Treebo Hotels operating in the budget accommodation space. In April 2017, RedDoorz raised US\$1 million venture debt from InnoVen Capital. In July 2017, OYO's rival, FabHotels, raised US\$25 million in a funding round led by Goldman Sachs.

In September 2017, OYO partnered with China Lodging Group Limited, a leading and fast-growing multi-brand hotel group in China, to enter the country. OYO entered into a five-year Memorandum of Understanding (MoU) with China Lodging Group to facilitate and strengthen collaboration to build a global market leading hospitality business. Additionally, China Lodging Group also agreed to invest US\$ 10 million equity in OYO to become a minority shareholder. Jenny Zhang, CEO.

Analysts opined that the opportunities were big in mainland China. Ankur Nigam, a partner at KPMG, said,“(The hospitality market in) China would be twice the size of India i.e. in excess of a \$1 trillion market. That said, the penetration is still low and they have 4 rooms per 1,000 people as compared to 10 rooms in the UK and 20 in the US. So despite a large market already, there's headroom for growth.”

In September 2018, OYO raised a huge funding of US\$ 1 billion and turned into a US\$5 billion unicorn. The company decided to invest US\$600 million from new funding to strengthen its position in China. OYO further expanded to 171 cities and 87,000 rooms in the country

(i) Discuss the value proposition of the business model of OYO Rooms that has lead the company to success. In this regard develop vision and mission statement for the company if you are hired as a consultant.

(ii) What factors in the environmental scanning can be termed as positive for growth and expansion of OYO Rooms in India and China. Develop An ETOP Profile for the same.

SECTION – B

02×03 = 06 Marks

Q. 2: Develop BCG matrix for any 6 businesses under the Tata Group by giving justification of your placing. Contrast this placing with that of GE Matrix.

Q. 3: It has been analyzed that JIO telecom has adopted all possible strategies under the Ansoff's matrix which is completely opposite to what other companies so. Discuss the strategies by giving examples as to how the company has done it.

Q. 4: Undertake micro and macro environment scanning for a company of your choice and present in the form of SWOT analysis identifying the most critical opportunity and most difficult weakness.

SECTION – C

03×02 = 06 Marks

Q.5. Automobile sector is largely fragmented in the country with different companies competing in different segments. Create the Strategic Group Analysis of the automobile sector in the country by specifying the market leader, challenger, follower and nichers.

Q. 6. Since the privatization of the insurance sector in India in the year 2000, the market and players have transformed making India one of the most attractive market. Evaluate the industry attractiveness through Porter's five force model for a UK based company that is seeking to enter India.