Paper – 17 - Strategic Performance Management

This paper contains 10 questions, divide in three sections; Section A, Section B and Section C. In total 7 questions are to be answered.
From Section A, Question No. 1 is compulsory and answer any two questions from Section A (out of three questions – questions Nos. 2 to 4). From Section B, Answer any two questions (i.e. out of Question nos. 5 to 7). From Section C, Answer any two questions (i.e. out of question nos.8 to 10).
Students are requested to read the instructions against each individual question also. All workings must form part of your answer. Assumptions, if any, must be clearly indicated.

Section –A

[Question 1 is compulsory and answers any 2 from the rest. All questions carry equal marks]

1. **Read the following case study and answer the following questions:**
Situation: ESPN suffered from an absence of Customer Knowledge
Several years ago, ESPN recognized that it lacked a consistent view of its customers. For example, it housed registration, product purchase, and online behavioral data in separate data repositories. Meanwhile, many business units were running their own data warehouse and decision engines to power their marketing communications. As a result, ESPN didn't just lack a consistent view of its customer; it also lacked a cohesive view of how fans were interacting with the overall business. Because it lacked a consistent view of customers, it didn't know which customers were more valuable, how the more valuable customers interacted with the company, and which customers were most likely to engage with the company in specific ways.
Best Practice: ESPN turns customer data into intelligence
Under the tutelage of Scott Keating, senior director of fan relationship marketing (FRM), ESPN established a simple yet powerful mission to "know our fans well enough at any point in time or place to serve them better." To deliver on this mission, Keating and his team, working with Quaero, a CSG solution, set out to:
- Create a holistic view of fans: During the past three years, ESPN has invested significantly in how it captures and manages customer data. The company integrates fan data from product purchases and enrollments, registration, online behavior observed through Omniture, and third-party data including census and retail co-op data and Mosaic clusters. However, as Keating highlights, "It's not just about cramming the data together in a single repository. We want to understand the correlation between the different data sets to draw insights from each that we couldn't get by looking at them in isolation."

- Understand how fans interact with the company: ESPN quickly moved beyond looking at the demographic profile of customers within specific products and dove into differences in site navigation and digital platform usage to see if it could determine interests by observing behavior. This not only allowed ESPN to promote offers based on behavior and affinities but also to understand cross-channel behavior-an increasingly important need in light of mobile visitors and new initiatives such as ESPN Networks.
- Understand the relative value of fans: Once ESPN successfully integrated its various data sources, it began to evaluate the relative value of fans, considering both indirect revenue from online advertising and direct revenue from premium products such as ESPN Insider, ESPN Shop, and prize-eligible fantasy games. Today, fan value drives a wide range of activity including content strategies, channel strategies, network cross promotions, and even the prioritization of house ads.

Best practice: ESPN Uses customer intelligence to Drive business value
By continuing to evolve its data capture and analysis initiatives, ESPN leverages fan intelligence and its understanding of fan value to improve its marketing and business performance. Specifically, ESPN uses fan knowledge to:

- Enhance the customer experience: ESPN focuses on the fan experience in several ways – it leverages customer knowledge to improve the relevance of its messaging; it uses behavioral and product usage insight to tailor any cross-sell and up-sell efforts; and it uses deep customer knowledge to segment and target fans at a micro level. The company can also test product development and personalization with high value fans to ensure new initiatives has the most relevance for ESPN's primary digital audience. As a result, it ensures that new initiatives, and as many of its contact touches as possible, enhance the fan's experience with the company.

- Develop marketing into a profit generator: Leveraging the knowledge developed by Keating and his team, ESPN introduced ESPN Select, a premium advertising product that allows advertisers to target ESPN.com visitors based on attributes such as affluence, age ranges, and sport interests. The team can also provide advertisers with mid-campaign reports that allow the advertiser to adjust a campaign or to increase the exposure to certain segments or creative based on performance to date. As such, Keating's FRM team evolved from a cost center to a revenue driver by offering targeted inventory at premium CPM. In some cases where ads were targeted against multiple attributes, inventory commanded a significant premium.

(a) Explain Customer Intelligence.
(b) State the benefits of Customer Intelligence.
(c) Discuss the challenge face by the ESPN for non- availability of Customer Intelligence data.
(d) Explain How ESPN turns Customer Intelligence to drive Business Value.
(e) Discuss ESPN turns Customer data to Customer intelligence. **[4+2+4+5+5]**

2(a) A Finance Manager is considering drilling a well. In the past, only 70% of wells drilled were successful at 20 meters depth in that area. Moreover, on finding on water at 20 meters, some persons in that area drilled it further up to 25 meters but only 20% struck water at that level. The prevailing cost of drilling is Rs. 500 per meter. The Finance Manager estimated that in case he does not get water in his own well, he will have to pay Rs. 15,000 to buy water from outside for the same period of getting water from the well. The following decisions are
Considered:
(i) Do not drill any well;
(ii) Drill up to 20 meters, and
(iii) If no water is found at 20 meters, drill further upto 25 meters.
Draw an appropriate decision tree and determine the Finance Manager's optimal strategy.

(b) You are the manager of Raj paper Mills and have recently come across a particulars type of paper, which is being sold at a substantially lower rate (by another company Raju Ltd) than the price charged by your own mill. The Value Chain for one use of tone of such paper for Raju Ltd is: Raju Ltd. $\rightarrow$ Merchant $\rightarrow$ Printer $\rightarrow$ Customer.
Raju Value sells this particular paper to Merchant at the rate of ₹ 2,466 per Tonne. Raju Ltd pays for the Freight which amounts to ₹130 per Tonne. Average returns and Allowances amount to 4% of sales and approximately equals ₹160 Tonne.

The value chain of your Company, through which the paper reaches the ultimate customer is similar is to that of Raju Ltd. However, your Mill does sell directly to the Merchant, the latter receiving the paper from huge Distribution centre maintained by

your Company at Haryana. Shipment Costs from the Mill to the Distribution centre is ₹ 111 per Tonne while the operating Costs in the distribution center are estimated at ₹ 125 per Tonne. The return on Investment required by the Distribution centre for the investments made, amount to an estimate ₹158 per Tonne.
Calculate the "Mill Manufacturing Target Cost" for this particular paper for RAJ Ltd. Assume that the return on the investment expected by Raj Ltd is ₹220 per tonne of paper.

(c) List the objectives of Transfer Pricing. **[9+6+5]**

3 (a) Describe the advantages and disadvantages of Return on investment.

(b) A market is characterized by two sellers and many buyers (duopoly) and demand curve is $p = a - bq$, $q = q_1 + q_2$ where the cost of production is zero.
(i) Generate the market output and show that it is two thirds of competitive output and monopoly output is three fourth of duopoly output if a, b >0
(ii) If 3 more sellers enter the market what would be the market output?
(iii) Show that if several sellers are now in the market i.e. a situation of competitive market, we will get competitive output.

(c) A radio manufacturer produces 'x' sets per week at total cost of ₹ X^2+ 78x + 2500. He is a monopolist and the demand function for his product is $x = \frac{(600 - P)}{8}$, when the price is 'p' per set. Show that maximum net revenue is obtained when 29 sets are produced per week. What is the Monopoly Price? **[7+8+5]**

4. (a) Discuss about the Limitations of the Value Chain Analysis.
(b) Discuss the parameters to measure the performance of Public Undertakings.
(c) List a few business applications of Activity Based Management.
(d) Distinguish between Total Quality Management (TQM) and Business Process Re-Engineering (BPR). **[5+5+5+5]**

Section – B
[Answer any 2 questions from this section]

5. (a) State the Technological and Operational factors of E-commerce.
(b) "The MI is based on the concept of the Production function. This is a function of maximum possible production, with respect to a set of inputs pertaining to capital and labour" – Discuss it. **[6+4]**

6. (a) Explain the Statistical Process Control (SPC) methods.
(b) Describe about the different types of On-Line Analytical Processing. **[5+5]**

7. Define the following terms in the context of Supply chain Management:
(a) Capacity Strategy,**(b)** Lead Time/ Cycle Time, **(c)** Preventative Maintenance , **(d)** Specifications. **[2.5 x4]**

Section C

[Answer any 2 questions from this section]

8. (a) "Risk Management Process refers to the process of measuring or assessing risk and then developing strategies to manage risk. In the risk management, some steps are taken up to minimize the risk"- Discuss the steps taken to minimize the risk.

(b) "Several techniques have been developed to help in prediction why companies fail." – Describe the Altman: Z Score Model in this regard. **[5+5]**

9.(a) Describe about the Partial Adjustment Process under the Corporate Bankruptcy Prediction Models.

(b) Discuss the benefits of Risk Mapping. **[6+4]**

10 (a) Describe the Asset Liability Management Model in the perspective of Corporate Risk Management

(b) Explain the Neural Network (NN) under the Corporate Bankruptcy Prediction Models. **[6+4]**