

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

LEVEL 4 CERTIFICATE IN MANAGEMENT CONSULTING 10331

UNIT 4 BUSINESS ENVIRONMENT

CASE STUDY – JUNE 2014

INSTRUCTIONS TO CANDIDATES

You should read this Case Study thoroughly and carefully in advance of the examination. You will have 30 minutes reading time. The examination will require you to refer to the content of the case study and your own knowledge.

Fibracquet Ltd is a UK-based firm which manufactures carbon-fibre tennis racquets and supplies these to discerning tennis players in the European and USA markets.

The two directors of Fibraquet Ltd made substantial initial cash investments in the venture and both own equal shares in the business. Since then two factors seem to have contributed to the growth in Fibraquet's tennis racquet sales. First, the directors possess complementary knowledge and skill-sets: one in terms of the global business environment; and the other in terms of carbon-fibre technology. Second, having been tournament professional tennis players themselves, they possess a wealth of experience in using tennis racquets and also have direct access to a significant network of tennis professionals, some of whom have been winners of 'grand slam' tennis tournaments.

As with most other tennis racquet suppliers in the industry, Fibracquet Ltd outsources the manufacture of its carbon-fibre tennis racquets to the far-east, mainly in China. There are two types of tennis racquet manufactured and sold globally. These are carbon-fibre (graphite carbon) or aluminium in construction. Sixty percent of customers prefer carbon-fibre tennis racquets and forty percent prefer aluminium tennis racquets. There are in excess of 100 stages in the process of manufacturing a tennis racquet. The manual process for a tennis racquet is highly labour intensive and requires manual dexterity, precision and standardisation. The significantly lower labour costs of making tennis racquets in China makes good economic sense. Likewise, the presence of significant graphite carbon supplies in this part of the world suggests a sound basis on comparative advantage grounds to locate the manufacturing of these products in China.

The directors of Fibracquet Ltd believe it is critical to ensure that the business functions of marketing, design and development, and finance remain located in the UK. However, the growing global economic significance of markets in China and India has convinced one of the directors that Fibracquet Ltd should start to supply tennis racquets to the markets in these countries. Yet, expanding the business in this way may require a change in business culture, objectives and practices.

Estimates of the current global market for tennis racquets suggest that about eight million are sold each year. Fig. 1 shows the percentage estimates of global sales of tennis racquets.

Percentage estimates of the global sales of tennis racquets

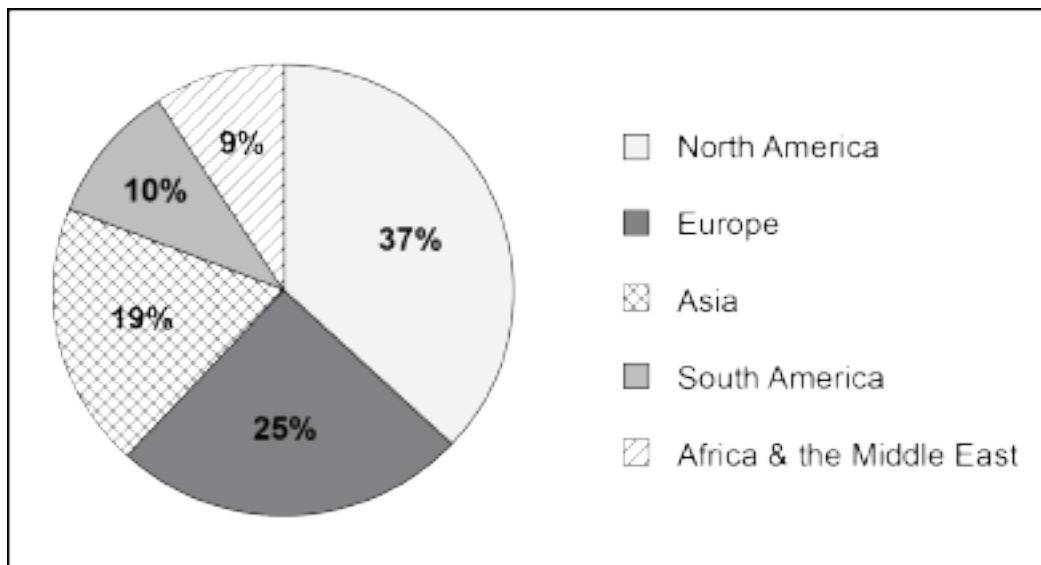


Fig. 1

The industry comprises about 15 suppliers, of which two - Wilson, a US supplier, and Head, a Dutch supplier – are the dominant players and account for over 60 percent of market share. Wilson's and Head's top-of-the-range carbon-fibre tennis racquets attract almost identical prices and currently retail at around £140. These suppliers are able to sustain their dominant market positions through economies of scale, effective brand management and product endorsements from elite 'grand-slam' tennis champions such as Andy Murray and Serena Williams. Babolat, a French niche supplier, initially of tennis racquet strings, has also emerged as a significant supplier of carbon-fibre tennis racquets. Its racquets are at present the preferred choice of the 'grand-slam' champion, Rafael Nadal. The source of competitive advantage of the remaining suppliers in the industry appears to be based on product, brand and market differentiation.

Fibracquet Ltd's share of the global market has grown to three percent. Its reputation for the smart use of the technology of 'rapid-prototyping' and innovative, intelligent design of carbon-fibre tennis racquets is now becoming the envy of other suppliers. The unique innovative capabilities of Fibracquet Ltd's design team – the so-called Racquanteurs - enables it to create carbon-fibre tennis racquets which integrate the processes of design and manufacture with the unique performance needs of the discerning tennis player. The result has been the creation of an 'intelligent' carbon-fibre racquet for which Fibracquet has taken out global patent protection. The purpose of this patent is to prevent rival suppliers of carbon-fibre tennis racquets from copying the novel 'intelligent' process devised by Fibracquet Ltd. This process gives the frame the innate ability to increase, or decrease, the force needed to strike a tennis ball. Most recently, two rising stars on the professional tennis circuit have been working with Fibracquet Ltd to test and fine-tune prototypes of this new, innovative, 'intelligent' tennis racquet.

Strong vested interests exist among a number of suppliers within the global tennis racquet industry. The smaller suppliers for example are becoming increasingly restless about the concentration of market share among the two dominant suppliers, Wilson and Head, which respectively control thirty-five percent and twenty-five percent of the market. The representative body for these smaller suppliers, the Forum for Tennis Racquet Suppliers (FTRS), has strongly criticised the industry as being a 'cosy oligopoly in which the dominant suppliers exert undue control of both the price of tennis racquets and the quantities produced

in the industry'. On the other hand as new suppliers such as Fibracquet Ltd, which is not a member of the FTRS, can enter and gain a foothold in the market, this must surely be evidence that possibilities can and do exist for firms to compete and flourish in the industry. The Organisation for the Global Development of Tennis (OGDT) suggests that the sport is too geographically focused in Europe and the USA. According to its current president, if tennis is to become a truly global sport played by the many instead of the few, then greater efforts must be made to change the perceived elitist attitudes in the sport. Only then is there likely to be real growth in the industry, from which all, including tennis racquet suppliers, will benefit.

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