PGDM (IB) 2016-18
International Marketing
DM -434
Trimester – IV, End-Term Examination, September 2017

Time allowed: 2 Hrs 30 Min

Max Marks: 50

Roll No: ___________

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means.** In case of rough work please use answer sheet.

SECTION A

Note: Attempt any 3 questions

1. Explain with the help of Product Life Cycle Theory how does FDI happen at various stages of PLC in different countries. Why this theory fails to explain the investment phenomenon of MNCs in contemporary environment?

2. "The goal of foreign marketer is to gain product acceptance by the largest number of consumer in shortest span of time, however new products are not always readily accepted" Discuss using suitable example the factors that affect the rate of diffusion and how the knowledge of innovation characteristic can help the marketer in determining rate of acceptance of product in the market.

3. Explain with the help of suitable examples the concept of equivalence in International Marketing Research.

4. What are Incoterms? Discuss the responsibilities and risk under following Incoterms
   a. FAS
   b. CFR
   c. DAT

5. Discuss in brief the following documents that are required in transportation of goods for exports
   a. Shipping Bill
   b. Bill of lading

SECTION B

Note: Attempt any 2 questions

1. Cultures around the world can be classified as Information Oriented and Relationship Oriented. Discuss the characteristics of each type and points to be kept in mind while doing business in each type of culture.

2. Assume that you are the VP-International Business of a leading Multinational, you have to decide on the extent of standardization and adaptation in various components of following product categories required in US, Japan and African market. Give reasons to support your answer.

    a. Soft Drinks
    b. Infant Food Formula

3. "People travelling abroad often are surprised to find goods that are relatively inexpensive in their home country are priced outrageously high in other countries. Because of this manufactures often resolve to begin exporting to crack these new, profitable markets only to find that, in most cases, the higher prices reflect the higher cost of exporting." Discuss the factors responsible for price escalation? Discuss using examples the strategies adopted by companies to lower price escalation.

2X10=20 Marks

SECTION C

Note: Case study is compulsory

15 Marks

General Motors in China

The late 2000s were not kind to General Motors. Hurt by a deep recession in the United States and plunging vehicle sales, GM capped off a decade where it had progressively lost market share to foreign rivals such as Toyota by entering Chapter 11 bankruptcy. Between 1980, when it dominated the U.S. market, and 2009, when it entered bankruptcy protection, GM saw its U.S. market share slip from 44 percent to just 19 percent. The troubled company emerged from bankruptcy a few months later a smaller enterprise with fewer brands, and *yet* -going forward- some believe that the new GM could be a much more profitable enterprise. One major reason for this optimism was the success of its joint ventures in China.

GM entered China in 1997 with a $1.6 billion investment to establish a joint venture with the state-owned Shanghai Automotive Industry Corp. (SAIC) to build Buick sedans. At the time the Chinese market was tiny (fewer than 400,000 cars were sold in 1996), but GM was attracted by the enormous potential in a country of more than 1 billion people that was experiencing rapid economic growth. GM forecast that by the late 2000s some 3 million cars a year might be sold in China. While it explicitly recognized that it had much to learn about the Chinese market, and would probably lose money for years to come, GM executives believed it was crucial to establish a beachhead and to team up with SAIC (one of the early leaders in China's emerging automobile industry) before its global rivals did. The decision to enter a joint venture was not a hard one. Not only did GM lack knowledge and connections in China, but also Chinese government regulations made it all but impossible for a foreign automaker to go it alone in the country.

While GM was not alone in investing in China-many of the world's major automobile companies entered into some kind of Chinese joint venture during this time period it was among the largest investors. Only Volkswagen, whose management shared GM's view, made similar-size investments. Other companies adopted a more cautious approach, investing smaller amounts and setting more limited goals.

By 2007, GM had expanded the range of its partnership with SAI (to include vehicles sold under the names of Chevrolet, Cadillac, and Wuling. The two companies had also established the Pan-Asian Technical Automotive center to design cars and components not just for China, but also for other Asian markets. At this point, it was already clear that both the Chinese market and the joint venture were exceeding GM's initial expectations. Not only was the venture profitable, but it was also selling more than 900,000 cars and light trucks in 2007-an 18 percent increase over 2006, placing it second only to Volkswagen in the market among foreign nameplates. Equally impressive, some 8 million cars and light trucks were sold in China in 2007, making China the second largest car market in the world, ahead of Japan and behind the United States.

Much of the venture's success could be attributed to its strategy of designing vehicles explicitly for the Chinese market. For example, together with SAIC it produced a tiny minivan, the Wuling Sunshine. The van costs $3,700, has a O.B-liter engine, hits a top speed of 60 mph, and weighs less than 1,000 kg-a far cry from the heavy SUVs GM was known for in the United States. For China, the vehicle was perfect, and some 460,000 were sold in 2007, making it the best seller in the light truck sector.

It is the future, however, that has people excited. In 2008 and 2009, while the U.s. and European automobile markets slumped, China's market registered strong growth. In 2009, some 13.8 million vehicles were sold in the country, surpassing the United States to become the largest automobile market in the world; in 2010, the figure was close to 18 million. GM and its local partners sold 1.8 million vehicles in 2008, which was a record and represented a 67 percent increase over 2007. At this point, there were 40 cars for every 1,000 people in China, compared to 765 for every 1,000 in the United States, suggesting China could see rapid growth for years to come. In 2010, GM sold 2.35 million cars in China, more than the 2.22 million it sold in the United States!

Case Discussion Questions

1. GM entered the Chinese market at a time when demand was very limited. Why? What was the strategic rational?
2. Why did GM enter through a joint venture with SAIC and what are the benefits and potential risks of this approach?
3. Why did GM not simply license its technology to SAIC? Why did it not export cars from the United States?