PGDM- IB (2018-20)
INTERNATIONAL MARKETING
Subject Code: IB-301
Trimester – III, End – Term Examination, March 2019

Time allowed: 2.5 hours | Max. Marks: 50

Roll No. : ________

Instruction: Students are required to write their roll number on every page of the question paper, writing anything except the roll number will be treated as Unfair Means. In case of rough work, please use the answer sheet.

Section A

Attempt only **THREE** questions. | Marks: 5*3=15
Word limit: 200 words

1. How does SRC (self-reference criteria) interfere in making international marketing decisions? How will you minimize the impact of SRC?
2. Briefly explain functional and measurement equivalences and how it can impact international projects.
3. What is multimodal transportation? How will the geographical and infrastructural elements of a country define its logistics?
4. Why has junk food been able to transcend cultural barriers despite food being a culturally sensitive product?
5. Explain the following concepts
   a. Transfer Pricing
   b. Dumping

Section B

Attempt only **TWO** questions. | Marks: 10*2=20
Word limit: 400 words

1. Elaborate on the following statement, "The most complicated problems in dealing with cultural environment stem from the fact that we cannot learn culture, we have to live it."
2. An international marketer has to find a trade-off between standardized and customized products as it is difficult to evolve a completely global product. Justify your perspective of this comment, with suitable examples.
3. Which industry sectors are more likely to rely on franchising to tap foreign markets?

Section C

Compulsory Case study | Marks: 15

Rethinking World Cars

With automobile markets maturing in the triad, both Ford and General Motors must look for growth elsewhere. Two large emerging markets, India and Russia, promise sales growth but present challenges as well.

India is the world's second most populous country and one of its poorest, with a per-capita income of only $425 a year. For 40 years the Indian car market was protected from foreign competition and was dominated by only two models of cars. When the government liberalized the automobile market, global competitors flocked to India. Soon there were fifteen automobile firms with production in India, a phenomenon that led to considerable overcapacity in the market.

Ford was among the firms that had been attracted to India. However, the Ford Escort fared poorly in this market. The company found out firsthand that the Indian consumer wanted the best but would not spend much money for it. Ford responded by designing the Ikon, their first car built for consumers in the developing world. More than four hundred engineers and development personnel were assigned the task, at a cost of $500 million.

Essentially, Ford remade its Fiesta model. More headroom was added to accommodate men who wore turbans. Doors opened wider for women who wore saris. The air conditioning was adjusted to India's heat, and air-intake valves were fitted in such a way as not to be vulnerable to the flooding that accompanied India's monsoon season. Shock absorbers were toughened to withstand potholed streets. Ford even convinced certain of its suppliers to set up plants near the Ford plant in India in order to meet India's local-content requirements. Extensive product testing was done under India's harsh driving conditions. The Ikon was priced between $9,500 and $16,000, and its sales in India quickly surpassed those of the Escort. In addition, over 50 percent of production of the Ford Ikon was exported to South America and South Africa.

About the time the Ikon was enjoying its first sales in India, General Motors decided to take quite a different route to the market in Russia. GM identified Russia as one of eight countries that would account for two-thirds of global growth in car sales in the coming decade. Unfortunately, Russia continued to be plagued with both political and economic risk. Furthermore, GM was concerned that a stripped-down model of a Western car—GM's traditional approach to markets in developing countries—would not be cheap enough for the Russian market. Although such a car could be assembled inexpensively in Russia, the engineering to create the adapted model would be extremely expensive. Also, market research showed that Russians thought little of cars assembled in Russia, even if they included foreign-made parts and bore a prestigious brand name. If a car were assembled in Russia, it would be attractive only if it sold at an extremely low price.

GM decided, therefore, to put its Chevrolet brand on a product developed by Avtovaz, a struggling automobile producer from the Soviet era. As the Soviet car producer, Avtovaz had dominated not only the Russian market but also the Soviet bloc market until the fall of communism, when it lost its captive export markets and the Russian market became deluged with imported cars. Avtovaz's cheapest car, priced at $3,000, was the boxy four-door "classic." Most of its models included no automatic transmission, no emission controls, and no power steering. The company developed only one new model in the 1990s. With Russia's political uncertainty and collapsed economy, Avtovaz lacked the funds to bring the model to production.

After considerable negotiations, GM and Avtovaz agreed to enter a $333 million joint venture to produce the Niva. GM would contribute much-needed cash, as well as designing and supervising the production facilities. Avtovaz would contribute the Niva design and would also save GM the costs of developing a parts and distribution system, because the car would be sold and serviced through the Avtovaz system. Still concerned about political risk in Russia, GM convinced the European Bank for Reconstruction and Development to lend the venture $93 million and to invest another $40 million in exchange for a 17 percent equity stake.

The new Niva was noisy, delivered a rough ride, and had a low-power engine, but it passed basic safety testing, carried a GM logo, and could be sold for $7,500. The premium model would get Opel transmissions. Surveyed consumers liked the Niva better than other Russian models. In addition, GM identified, among its international operations, potential export markets for up to 25,000 of the 75,000 cars to be produced each year.

Discussion Questions

1. What are the similarities and differences between the car markets in India and Russia?
2. Which market do you think is the most difficult? Why?
3. Compare the pros and cons of Ford's model invention strategy and GM's joint venture strategy.