Total No. of Questions : 6 + Case : 1] **[Total No. of Pages : 3**

P768

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M.B.A. (Sem. - III) NOV 2010

(303 F) : INTERNATIONAL MARKETING

(IB Specialization)

(2008 Pattern)

Time : 3 Hours] ***[Max. Marks : 70***

Instructions to the candidates:

1) *Q.No. 7 is compulsory. (22 marks)*
2) *Attempt any 4 out of remaining questions. (12 marks each)*

Q1) What are the driving forces and restraining forces of international marketing? Discuss with relevant examples.

Q2) "Effective international marketing research is crucial to prevent marketing failures". Justify the statement with suitable examples.

Q3) Discuss merits and demerits of different 'foreign market entry strategies' with help of examples.

Q4) "An international marketer has to find out a trade-off between 'standardised' and 'customised' product as it is difficult to develop a 'global product'". Do you agree? Justify your answer with suitable examples.

Q5) Explain steps to be taken to set up export trading business. What is the procedure for registration of exporters?

Q6) Write short notes (any two) :

a) Country of origin.

b) Balance of payment.

c) Types of 'Letter of credit'.

d) SEZ (Special Economic Zone).

P.T.O.

Q7) Case Study (Compulsory Question) **[22]**

Case Study : Systematic analysis of the case and logical reasoning will have more weightage.

U.S. Pharmaceuticals, Inc. (A)

U.S, Pharmaceuticals (USP) is a U.S. firm with about 30 percent of its sales outside the United States. USP concentrates on the ethical drug business but has diversified into animal health products, cosmetics and some patent medicines. These other lines account for about one-fourth of USP's $800 million sales.

USP's international business is conducted in some 70 countries, mostly through distributors in those markets. In six countries, however, it has manufacturing or compounding operations. (Compounding refers to the local mixing, assembling, and packaging of critical ingredients shipped from the united states). USP's only Latin American manufacturing/compounding operations are in Latinia, a country with a population of about 30 million. Some products are shipped from Latinia to other Latin American, markets.

USP's Latinian plant is operated by the pharmaceutical division. It is engaged in the production and especially the compounding of USP's ethical drug line. It does no work for other USP divisions (cosmetics, proprietary medicines and animal health). All the other divisions, which also sell in Latinia, exports their finished products from plants in the United States. The Latinian plants employs 330 people, of whom only two are North Americans - the general manager, Tom Hawley, and the director of quality control, Frixos Massialas.

USP's cosmetics and toiletries business accounts for $150 million in sales and is handled by a separate division - Cosmetics and Toiletries. The division sells in only 38 of USP's 70 foreign markets. One of the division's better foreign markets is Latinia, where it has sales of over $8 million and an acceptable market position. Cosmetics and Toiletries has a marketing subsidiary in Latinia to handle its business there. Jim Richardson, an American, heads the subsidiary. The rest of staff are Latinias.

Jim Richardson was very disturbed by the latest news received from the Latinian Ministry of International Trade. Traffic were being increased on many "nonessential products" because of the balance - of - payments pressures the country had been undergoing for the past year and a half. For USP's Cosmetics and Toiletries, specifically, this meant a rise in the tariffs it pays from 20% to 50% ad valorem. The 20% duty had posed no particular problem for Cosmetics and Toiletries because of the prestige of the imported product and the consumer franchise it had established, Richardson explained. He believed, however, that the 50% duty was probably an insurmountable barrier.

Cosmetics and Toiletries competition in Latinia was about evenly divided between local firms and other international companies from Europe and North America. Jim believed that local firms, which had about 40% of market, stood to benefit greatly from the tariff increase unless the international firms could find a satisfactory response. When Jim received the news of the traffic increase, which was to be imposed the first of October - one week away - he called a meeting to consider what Cosmetics and Toiletries could do. Deborah Neale, Manager, Cosmetics Marketing, and Emilio Illness, Manager, Toiletries Marketing, met with Jim to discuss the situation.

Several different courses of action were proposed at the hastily called meeting. Deborah suggested, "we could continue importing, pay the high duty, and change the positioning strategy to appeal to high-price, quality market". Another idea was to import the primary ingredients and assemble (compound) and package them in Latinia. (Duties on the imported ingredients ranged between 10% and 35% ad valorem) Emilio suggested asking Cosmetics and Toiletries in the United States for a lower price on the products shipped to Latinia so that the duty would have a lesser impact on the final price in the local market. Jim mentioned the alternative that none of them wanted to think about. "If we can't compete at those high prices, we may have to give up the market".

Questions

1. Evaluate the alternatives that were brought up at the meeting **[8]**

2. Are there any other possible courses of action? **[4]**
3. Propose and defend a course of action. **[5]**
4. How would your response differ if, instead of a traffic increase, Latinia had imposed a quota cutting the imports of these products by 75%? **[5]**

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