

UNIVERSITI SAINS MALAYSIA

Final Examination  
Semester I, Academic Session 1994/95

October/November 1994

AMU642 - INTERNATIONAL MARKETING MANAGEMENT

Time : 3 hours

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**Instructions**

Please make sure that this examination paper consists of FOUR printed pages before you begin.

Answer FIVE questions. The questions in Section A are **COMPULSORY**. Answer **THREE** questions from Section B.

**Section A (COMPULSORY)**

Q1. Many multinationals are expanding their operations to set up Global Business. As a result the traditional products of many countries are facing a serious onslaught from products hitherto unheard of or not very popular in their respective home markets. The following case of Kelloggs is one such example.

Case: (Reference: Concised from Asian Wall Street Journal Aug.23,1994)

**CHAPATHI CHALLENGE**

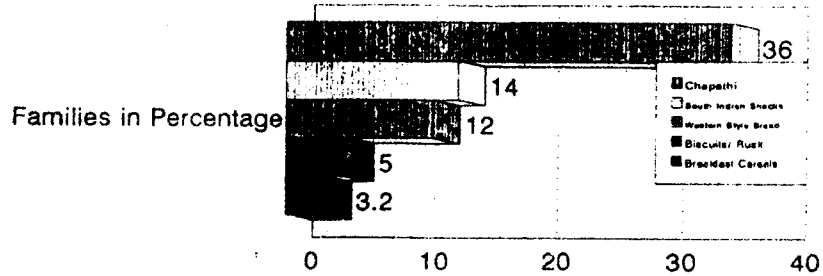
■ *Kellogg Co. hopes to persuade members of the Indian middle class families to trade in their chapatis and dosais for Breakfast Cereals. The company Expects to create a feeling of healthy and convenient breakfast "Ready to Eat Food". They are of the opinion that there is a potential market in India.*

*The potential market is estimated to be around US \$ 160 million and expected to grow at about 15% annually. The first step towards cashing in on that market is to be first in the market amongst many who will rush into the liberalised Indian market.*

...2/-

# Daily Bread

## Breakfast Habits of Indian Urban Families



Chapathi	36
South Indian Snacks	14
Western Style Bread	12
Biscuits/ Rusk	5
Breakfast Cereals	3.2

Source : Indian Market Research Bureau (as reported in AWSJ Aug 23,94)

*Kellogg is however cautious as Indians are not accustomed to western style of breakfast cereals and show clear preferences for spicy curries with chapathy or dosai. The only favouring trend is that India consumes about 10% of the total milk produced in the world and therefore it may be easy to convert them to douse cereals with milk.*

*In addition Indian middle income families have both the male and the female working, causing them to grab this convenience breakfast cereal.*

- a. If you were the Marketing Manager of Kellogg what would be the primary considerations ( called the matrix decisions) before venturing into an international marketing exercise ?
- b. Do you think it would be wise for you to suggest to Kellogg for setting up a manufacturing base in India or just start exporting the product from one of its current manufacturing bases ?

[30 marks]

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Q2. Briefly explain the following:

- a. Landed cost
- b. Letter of Credit
- c. Origin effect of product
- d. Inco terms
- e. Anti dumping Tariffs

[10 marks]

Section B (Answer any **THREE** questions)

- Q3. a. What are the different market entry options for international marketing? Discuss the risk and control aspects of each of the options.
- b. What are the different types of franchising agreements? How do franchising agreements differ from joint ventures?

[20 marks]

- Q4. a. Political Risk Assessment is an important exercise before choosing a foreign product/ market. What do you understand by the term Political Risk?
- b. There are numerous reports on political risk, and each of them use different variables and measures. Discuss some of the common variables used in such studies and their usefulness.
- c. How is political risk reduced through marketing strategic response ?

[20 marks]

- Q5. a. In international product planning there are three strategic options. They are domestic line extension, standardisation and adaptation. Explain each one and discuss their advantage or drawbacks.
- b. What are the current issues of Intellectual Property Rights and how do they effect product planning for foreign markets?

[20 marks]

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- Q6. a. Pricing in international marketing is governed by issues other than costs and profit. What are these elements and how do they affect the final consumer price in the host market?
- b. What do you understand by the term transfer pricing? Do you consider this method of pricing ethical in the current context ?

[20 marks]

- Q7. a. What is the rationale behind countries implementing trade restrictions and imposing tariffs on specific goods being imported or exported? Discuss their impact on International Marketing Strategy.
- b. List out the various Tariff and Non-Tariff barriers and explain them briefly.

[20 marks]

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