

Con. 9538-13.

(FURTHER REVISED COURSE)

VT-14756

(3 Hours)

[Total Marks : 60

- N. B. : (1) Question No. 1 (case) is **compulsory**, and carries **20** marks.
 (2) Answer any **four** questions out of the remaining **six** questions.
 (3) **Each** of these questions (other than question 1) has **internal** choices (a) or (b).
 Please answer any **one** only. **Each** question carries **10** marks.
 (4) In **all**, answer **5** questions, **including** question 1.

1. **Case : LG Electronics in Emerging Markets.**

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Korea became synonymous with high quality, innovative consumer electronics products. Koreans beat established Japanese brands like Sony, Sharp, Panasonic to claim world leadership in most consumer electronics products.

LG Electronics

LG Electronics pioneered the growth of Korean electronics industry spurred by president Ponk Chung Hee's vision for global leadership in key industries like consumer electronics, LG moved to capture the developed markets by 1980's. However, their early forays failed as dealers in the west relegated LG to the backroom, as they did not have the design, styling, brand equity required by discerning customers in the west. Chastened by this, LG invested in creating world class products. Since the home market was small, Korean companies had to find foreign markets.

Foray to Emerging Markets

After failing to make any dent in the developed American/European markets, LG moved to Brazil in the 1980's and started manufacturing television and VCR's in its factory at Manaus and Taubate. In 1999, The Brazilian Currency, Real became unstable, forcing many foreign companies to close, but LG stayed and converted Brazil into a manufacturing hub of North and Latin America. LG become one of the longest exporters from Brazil. It localized its strategy, sponsoring the wildly popular Soccer Championships there creating huge brand awareness and adopted a premium positioning for its products.

LGE India Ltd. was established in 1997 with manufacturing in Greater Noida, near New Delhi. LG focussed on customizing products to local needs, though the product platforms, design, engineering and R & D remained in South Korea. Local R & D would adopt to local conditions. For example, its "golden eye" technology would automatically sense the level of ambient lighting and adjust brightness accordingly to adjust for fluctuating power supply in India. It focussed on rural markets with a regional distribution system going to Tier-2 and 3 towns in India. It also provided mobile service centres, sponsored cricket matches and provided excellent repairs.

80% of local employees were Indians, only a handful of Koreans were in top management positions. Only major investment decisions needed Head Quarters approval, the local office had freedom on day to day decisions.

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LG invested heavily in Russia by 1998-99; by 2004, it had several localized offerings such as a hot/cold airconditioner that could be used around the year in 2005, LG received the "Narodnaya Marka" Logo meaning it was considered a National Brand in Russia.

LG entered China using strategy similar to India and Brazil by 2002, it had 12 manufacturing plants in China. 98% of all personnel were Chinese and established a R & D centre in Beijing in 2002, It remained in China despite the severe "SARS" crisis when many foreign companies fled, demonstrating its sense of corporate responsibility.

The Changing Landscape

- (i) Competition within emerging markets became severe with Samsung and domestic players moving aggressively to gain market share. LG lost market share to Samsung in some categories in these markets.
- (ii) Japanese held their share in developed markets. Europeans dominated the white goods segment in USA.
- (iii) Apple and other players leveraged their strength in software to launch innovative products in Consumer Electronics. LG was very weak in software. The competence in consumer electronics was shifting from hardware to software.

Questions:

- (a) What strategy did LG adopt in its globalization drive?
- (b) How did LG succeed in Emerging markets?
- (c) Should LG remain focussed on emerging markets since it has not penetrated large parts of Africa and the Middle-East or should it continue its quest for dominating the developed markets of Europe and USA ?
- (d) Are the lessons learnt in the emerging markets transferable to developed markets?

Attempt any **four** of the remaining **six** questions. Each question carries **10** marks.

2. (a) Discuss the International Product Life cycle with suitable examples. 10

OR

 (b) Discuss the Key Provisions of WTO in International Trade. 10
3. (a) Discuss the various modes of entry in International Markets with their Pros and Cons. 10

OR

 (b) "Globalization has led to huge income disparities" – Discuss. 10

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4. (a) Discuss Porters' Diamond model of National Competitiveness. 10
OR
(b) Explain some Non-tariff barriers in International trade with examples. 10
5. (a) Discuss the role of Free Trade Areas in International trade. 10
OR
(b) Discuss ASEAN and NAFTA, explaining their relative advantages in trade. 10
6. (a) "China attracts several times the FDI as India" – Discuss. 10
OR
(b) Discuss the theory of Comparative Advantage with suitable examples. 10
7. Write short notes (any two):- 10
(i) TRIPS
(ii) Purchasing Power Parity
(iii) MERCOSUR
(iv) International HRM.
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