

(3 Hours)

[Total Marks : 60]

N.B. : (1) **Question No. 8 (Case) is compulsory.**

(2) Attempt any **five** questions including **Question No. 8** which is compulsory.

(3) **All questions carry equal marks.**

1. International Business is more complex than Domestic Business. Define International Business; State its objectives and give an overview of International Business comparing it with domestic business.

2 (a) Explain David Ricardo's Theory of Two Country Two Product Model of International Trade theory. State the limitation of the theory.

(b) Explain the salient features of Modern Strategic Trade Theory and compare it with Theory of Natural Advantage and Theory of Acquired Advantage.

3. Country Risk and Political Risk studies are important before one enters International Business. Explain in detail the process of Country Risk and Political Risk analysis.

4. Define Globalisation. Explain in detail the process of Globalisation, The stages and phases of Globalisation and the Role of FDI in Globalisation.

5. WTO's main objective is to promote world trade. Trace the history of WTO. State five basic principles of WTO. Explain the organizational structure of WTO and its impact (both positive and negative) on India.

6. Multinational Corporation is regarded as Double Edged Sword to any economy. Define MNC. Discuss various models of MNC's. State the advantages and disadvantages of MNC highlighting the problems faced by MNC and its role in Economic Development of India.

7. Write short notes on **any three** of the following :-

(a) PPP (Purchasing Power Parity) Theory and its role in International Business.

(b) NAFTA Trade Block

(c) Five Environmental factors in International Business.

(d) Three different modes of doing International Business other than Imports and Exports.

8. **Case Study :Who will be Master of Planet Retail.**

Sam Walton began Walmart, the world's largest retailer, in 1962. Headquartered in Bentonville, Arkansas. Walmart was built on the policies of "everyday low prices" and a 100 percent customer satisfaction guarantee. Walton provided the lowest prices, on average, among American retailers, and directed the organization to achieve superior customer satisfaction. He had previously worked for the JC Penney Company and it has been reported that Mr. Penney once told Sam that he did not have a future in retailing. Walton's views on retailing were iconoclastic and industry-defining in the United States.

With over 3,000 stores in the United States, Walmart has begun an aggressive expansion into the international marketplace. Walmart has over 1,500 stores in Canada, Mexico, the UK, Germany, South Korea, China, Brazil, and Argentina. It also operates a small number of stores in a few other countries through joint ventures. Walmart's recent entry into the European market (primarily through acquisition) has caused anxiety, and in some cases panic, among European retailers. Walmart has larger sales than its major competitors Carrefour, Metro AG, and Ahold combined. Approximately 80 percent of Walmart's stores are in the United States.

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Carrefour, the second-largest retailer in the world, was started in France when two brothers, Jacques and Denis Deforey, who were in the grocery business, partnered with Marcel Fournier, who owned a department store. Known for its extreme attention to detail and the ability to cater to local tastes, Carrefour established itself as the major retailer in Europe. Carrefour now has over 6,000 stores in Europe, South America, and Asia, and is planning expansions into the Caribbean, Africa and the Middle East. Carrefour attempts to localize its operations as much as possible and uses few expatriates. Approximately 80 percent of store sales come from outside its home country, France.

Carrefour's global strategy involves careful study of local markets and careful attention to local customs. For example, in China Carrefour cuts its vegetables vertically, not horizontally, to avoid an image of bad luck among its Chinese customers. Carrefour has been a pioneer in the concept of "store clustering" internationally, altering its product mix, store facilities, and prices to suit different economic regions. Carrefour is the largest foreign retailer in China and sees the Asian market as critical to its continued success. Carrefour has 226 stores in Asia, compared to Walmart's 59 stores. One-quarter of Carrefour's new store growth comes from the Asian market.

Walmart is a much stronger company financially and it has deep pockets for international expansion. Its everyday low price concept has been a very viable strategy, and Walmart pioneered creative and successful approaches to supplier management and technology integration. In the United States, Walmart has huge scale economies and excellent logistical operations. In terms of domestic operations, Walmart has a very impressive 22 percent return on shareholder equity.

Internationally, Walmart has experienced less success. International sales account for only about 20 percent of Walmart's total revenue and its return on assets for international operations has been considerably lower than for its domestic operations. In Europe, Walmart faces strong unions, increased regulatory constraints, and weak scale economies. The ability to export its everyday low price concept to Europe is being challenged, especially in Germany. The everyday low price concept has also not been effective in Japan, where Walmart operates a joint venture with Seiyu. Many Japanese associate low prices with lower-quality goods.

The World's largest retailer hopes to match its domestic success internationally, and many analysts believe it has the financial and managerial ability to do so. On the other hand, Walmart lacks the international experience of Carrefour and is a latecomer in many markets where Carrefour is well established.

Questions :

- (1) Which international strategy does Walmart follow ? Which international strategy does Carrefour follow ? Which do you feel is a better strategy for global expansion ?
- (2) Can Walmart learn anything from Carrefour ? Can Carrefour learn anything from Walmart's success ? Explain.
- (3) Which retailer, in your opinion, will win the battle for global leadership ?
