

International Business (Common Sub. for all.)

Q.P. Code : 795102

( 3 Hours )

[ Total Marks : 60

- N.B. :** (1) Question **No.1** is **compulsory** and carries **20 marks**.  
(2) Attempt **any four** questions from questions **No.2** to **No.7**.  
(3) **Marks** for **each** question is **indicated alongside**.  
(4) Attempt **five** questions in **all**.  
(5) Make relevant assumptions where required, and state them clearly.

1. Read the following case and answer the questions below :

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Mr. Noli Tingzon, President, International Division of King Foods, was wondering if he could succeed in USA by targeting the Pilipino expatriates there. The Company was hugely successful in Philippines with the "5Fs" philosophy- flavourful food, fun atmosphere, flexibility in catering to customer needs, focus on families-all at an affordable price.

McDonald's entered with the Big Mac, and had a market share of 27% in Philippines versus King's 32%. McDonald's chain was a study in operations efficiency, and its consistency and reliability across the chain led to footfalls and sales. It excelled in uniform standards of cleanliness and service. The chain actually sold American pop culture and imposed standardized menus, recipes, advertising themes, and store designs on all franchisees. King wanted to be amongst the Top 10 fast food chains in the world.

King's first international foray was Singapore through a franchisee, but distrust and mismanagement led to closure of this operation. The next international foray was to Taiwan through a 50/50 Joint venture. Though initial sales were good, conflicts over day-to-day management with the partner soon led to dissolution of this venture too.

The next entry was Indonesia, through a Family friend of the owners. Competition was intense from street food and cheap local fast food chains, but soon the operation stabilized and the company was hopeful of success.

The key lessons were, since they were not big like McDonald's, they did not get the best partners; also location was the key to success. As an unknown brand in foreign markets, you don't get the prime locations. The company then decided to separate the international division from the domestic operations and hired an Australian to head the division. The thrust was in markets with large Filipino populations such as Middle East, but it soon found

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that poorer workers had restricted freedoms of movements and at the upper end, rich Filipinos preferred hotels. The other approach was to gain first mover advantages in new markets that did not have established chains, so they could define the taste and build brand recognition- "planting the King Foods flag." The new store typically recruited a local project manager who would build the store as per requirements of King Foods and recruited a crew who were trained at Philippines. Strong to the franchisee was done for first two months of launch with daily sales figure providing inputs on customer preferences and menu choices. Mystery shoppers were sent every quarter to control quality. Over time, control was shifted to the local franchisee.

However, King soon found that planting the flag was far from easy- consumer tastes differed, cheap alternatives were available and willingness to pay for fast food was often lower than in the Philippines. They needed to re-position themselves for a more upmarket clientele! They decided to incorporate menus like salads in Dubai, or dried fish in Malaysia. Menu diversity always came at the cost of operating efficiency besides causing huge tension with the local Filipino operations.

Local division saw the international division as interlopers who overturned practices built over decades, while the international division found the domestic operations as slow and bureaucratic!

Tingzon's dilemma :

A new market identified was Papua New Guinea, pop 5 million, with only one sub-standard 3 store fast food chain. The franchisee felt King could capture this market and discourage other chains from entry. Was planting the flag appropriate for the company?

King's brand recognition in Hong Kong 'Nas weak,, though there is a huge opportunity. McDonald's is very profitable in its operations there. King's menu was not tailored to local tastes despite repeated requests from the franchisee, and Chinese managers considered Filipino discipline as lax, and their style arrogant while Filipinos considered Chinese as uncommitted. Eventually, all Chinese managers resigned.

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Would the California operation targeted at the Filipinos in USA appeal to other Asian Americans, or be targeted only to Filipinos? The company was confident of replacing labour intensive operations with other equipment in keeping with high labour costs IN USA.

Tingzon wanted to have 50% sales from international division in 10 years.

**Questions :**

- (a) Should Noli Tingzon support planting the flag approach, or expand in Hong Kong, or expand the California operations?
  - (b) Does the broad strategic thrust of King Foods make sense for its international expansion? Explain your position?
  - (c) Is the strategy of targeting Filipino expatriates the right one for going international? Discuss.
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2. Explain Porters Diamond with special reference to the IT sector in India. 10
  3. "The Brexit referendum on June 23<sup>rd</sup> 2016 whereby, the United Kingdom (UK) voted for leaving the European Union (EU) is expected to have considerable socio-economic and political ramifications in the years ahead". Discuss. 10
  4. Discuss Strategic Alliances as a mode of entry in international business with suitable examples. What are the advantages and drawbacks of this mode? 10
  5. How do companies manage forex risk when they trade in multiple currencies? discuss the different methods. 10
  6. How will you use Perlmutter's EPRG model to identify a head of your subsidiary in a foreign market? What are the pros and cons of choosing this model for this purpose? 10

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7. Write Short Notes on **any two** of the following :

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- (a) ASEAN
  - (b) WTO
  - (c) IMF (International Monetary Fund)
  - (d) MFN (Most Favoured Nation)
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