

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS
ADMINISTRATION**

MBAD 873: INTERNATIONAL MARKETING

STREAMS:

TIME: 3 HOURS

DAY/DATE: TUESDAY 04/12/2018

2.30 P.M. – 5.30 P.M.

INSTRUCTIONS:

- **Answer all questions**

QUESTION ONE

Read the case below and answer the questions that follow;

BIG BROTHER

Super computers are the fastest computers which are used by scientists. A super computer can cost \$ 30. Cray Research Inc. is the undisputed leader in this market segment and it has 67% of the world market. Fujitsu Ltd, in second place, holds 20%. The third place NEC Corp has 6%.

In 1987, the Massachusetts Institute of Technology (M.I.T) planned to buy or rent a supercomputer and solicited for \$ 7.5 million contract. Among those submitting proposals were Cray Research. IBM, E.T.A. System, Amdahi (46% owned by Fujistu) and Honeywell NEC (50% owned by Nippon Electric corp.).

Learning of M.I.T's preference for Japanese made Machines the US government intervened. The acting secretary of commerce formally informed M.I.T's president that "imported products may be subjected to US antidumping duty proceedings". Informally despite a denial of the commerce Department of the government's threat, it was made clear to M.I.T that, in light of Japan's barriers preventing US, super computer firms from entering Japanese market, it would not be in the interest of the US to purchase Japanese units." M.I.T reacted to the US government's intervention by cancelling its procurement and announcing that it planned to apply for federal funds for a research center that would use several US made super computers.

The 1990 super computer trade accord has helped Cray Research to increase its market share in commercial installations in Japan to 25%. However, Cray Research has been unable to further

penetrate the public sector and its share in this sector remains at 8%. The public sector include government funded universities and research labs. Although Japanese government (Japan's biggest buyer) has never bought from Cray.

As an example of how difficult is to penetrate Japan's sector, the National Institute for Fusion Research Chose to Lease NEC's Sx – 3 system for \$ 625,000 a month. However, according to four pages of bench mark test results, Cray's C90 system surpassed all, but one of the fusion institute's speed requirements. Still Japanese officials insisted that the extra power available from Cray's machine was irrelevant since the fusion scientists did not need it. Furthermore, they pointed out that the bid required the machine to work with specialized storage devices. Cray, on the other hand, argued that the requirements in question was bogie since it was included solely to favour NEC's machine

Washington, while accusing Japan of being unfair has done exactly the same thing. The US government has done its best to discourage sales of Japanese super computers in the United Stated, US government labs, the biggest super computer users in the world have not yet bought a Japanese machine. Whenever an American university or government agency has expressed an interest in buying a Japanese unit, Cray has quietly but efficiently lobbied to block the move.

In 1991, due to political pressure, Fujistu was prevented from donating a \$ 7 million super computer to a Colorado consortium of environmental scientists. Congressional critics did not like the idea of a Japanese giveaway. They did not object, when Cray donated in the same year X – MP system to the Energy Department in support of a national high-school super computer program.

- (a) Is it appropriate for the US government to pressure M.I.T to reject Japanese super computers in spite of lower prices? (5 marks)
- (b) Was M.I.T justified in cancelling its procurement plan? (Give reasons to support your answer). (5 marks)
- (c) Suggest five reasons why the US tried to close off its super computer market to Japan while at the same time, trying to pressurize the Japanese government to purchase American super computers. (5 marks)
- (d) As an international marketing consultant, what political considerations would you advise the Japanese companies to consider in order to enter foreign markets. (10 marks)
- (e) Explain five strategies that countries can devise to prevent dumping of imported goods. (5 marks)

QUESTION TWO

- (a) Briefly explain five barriers to international marketing. (10 marks)

- (b) According to the theory of comparative advantages as explained by Ricardo, why is trade always possible between two countries even when one of them is absolutely inefficient? (6 marks)
- (c) Explain four major characteristics of Multinational Enterprises (MNES). (4 marks)

QUESTION THREE

- (a) Briefly explain five benefits of WTO to member countries. (5 marks)
- (b) Explain six factors that make it impossible to offer standardized products in international markets. (6 marks)
- (c) Describe three pricing methods that exporters can use. (9 marks)

QUESTION FOUR

- (a) Explain the importance of international marketing to a small business manager who wants to internationalize his business activities. (8 marks)
 - (b) A group of entrepreneurs from your county has sought your assistance in enlightening them on how to enter the international markets. Explain to them any three international market entry strategies that are suitable to them. (12 marks)
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