

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION 2009

FULL-TIME AND I.D.E.

TITLE OF PAPER : INTERNATIONAL MARKETING
COURSE : BA 423
DEGREE AND YEAR : BCOM 4
TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS:

- 1. THIS PAPER CONSISTS OF SECTION (A) AND (B)**
- 2. SECTION (A) IS COMPULSORY**
- 3. ANSWER ANY THREE (3) QUESTIONS FROM SECTION B**
- 4. THE TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS FIVE (5)**

**NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION
IN ENGLISH AND FOR ORDERLY PRESENTATION**

**THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL INVIGILATOR HAS
GRANTED PERMISSION**

SECTION A (COMPULSORY)

READ THE FOLLOWING CASE AND ANSWER THE QUESTIONS BELOW

Understanding Entry modes into the Chinese market

China became a member of the World Trade Organization (WTO) on December 11, 2001 and is currently in the process of completing a seven-year transitional period. Overall, the Chinese economy has shown exceptional economic growth over the last five years, closely associated with China's increased integration with the global economy.

With a population exceeding 1.3 billion, continued economic growth and a large supply of inexpensive and productive labour, China lures businesses from around the world. China's population is approximately 23 per cent of the world's total. China's integration into the global economy is fueling accelerated change in many markets and global economic growth. It is likely that China will continue to grow at a rapid pace for some time. In 2005 and 2006 China's economy increased by nearly 10 per cent each year. Despite tremendous progress, China remains a developing country, albeit one with vast potential. Spread over a population of 1.3 billion, China's 2 trillion USD economy (2005) does not represent a large amount of disposable income for each person. Per capita income in China is approximately USD 1,538 (2005). However, the income distribution within the country is highly uneven with urban centres, such as Beijing, enjoying a per capita income of almost USD 5,000. China's middle class, those with per capita income over USD 8,000 is estimated at over 200 million. At the same time, the Chinese government estimates that several million Chinese are very poor with per capita income of USD 300 or less. Corruption remains widespread in China. Although the government continues to emphasize anti-corruption campaigns, these efforts are hampered by the lack of truly independent investigative bodies. Despite these criticisms of its unwieldy bureaucracy or lack of disclosure of corporate accounting practices and governance, most global companies agree that companies cannot be globally successful if they ignore this huge emerging market.

Companies considering doing business with China, have first to determine the best way to enter the market. Most foreign firms utilize some form of collaborative arrangement with local firms when entering China.

Independently whichever entry model you choose personal relationships ('guanxi' in Chinese) in business are critical. Guanxi is deeply rooted in Chinese culture and is basically 'a tool to get business' and 'a way of getting things done'. It often takes months, perhaps even a year or more, to establish guanxi. It is important for exporters, importers and investors to establish and maintain close relationships with their Chinese counterparts and relevant government agencies. It is equally important that exporters encourage strong guanxi between their Chinese agents or distributors and the buyers and end-users. A web of strong personal relationships can often help ensure expedited governmental procedures and the smoother development of business in China.

Though Chinese customers welcome products in general and especially in high-tech related areas, they still prefer to have localized customer support from a manufacturer, such as on-site training, service centres in China, local representatives, as well as catalogues and user manuals in Chinese etc.

It is clear for those experienced in dealing with China that there is not one best way to enter China. Companies have to consider a number of financial, operational and resource factors. For example, some companies start by considering how much control they wish to retain while for others, the primary concern is how much of their own resources they are willing to commit. As companies develop more experience doing business with China, they are likely to reassess the way they do business in the country, particularly in terms of collaborative arrangements. Companies that aim to have a stronger and more profitable presence in the Chinese market need to increase their commitment of resources.

Source: adapted from Keegan video guides 2004

QUESTION 1

- a) Discuss the key factors that companies must consider when determining the best way to enter the Chinese market. (20 MARKS)
- b) Identify the opportunities and challenges provided by the Chinese market for foreign companies. (15 MARKS)
- c) Explain why the Chinese Partner (guanxi) is important in collaborative arrangements. (5 MARKS)

SECTION B (ANSWER ANY THREE QUESTIONS)**QUESTION 2**

Identify and discuss some of the forces that have resulted in increased global integration and the growing importance of global marketing. **(20 MARKS)**

QUESTION 3

Discuss the factors that need to be taken into account when making packaging decisions for international product lines. **(20 MARKS)**

QUESTION 4

a) Why is it important for Swaziland to be a member of the SADC (Southern African Development Community) Free Trade Area? **(8 MARKS)**

b) Compare and contrast standardized, concentrated, and differentiated global marketing. Illustrate each strategy with an example from a global company. **(12 MARKS)**

QUESTIONS 5

Explain what sourcing is, and then discuss the conditions that should be considered when making sourcing decisions? **(20 MARKS)**