UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION

SUPPLEMENTARY EXAMINATION 2013

FULL-TIME AND I.D.E.

TITLE OF PAPER : INTERNATIONAL MARKETING

COURSE : BA 323/426

DEGREE AND YEAR :BCOM 3&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

KONKA GROUP

The Konka Group has about 9,000 employees, 18 production lines, and its annual output is approximately 6 million colour TV sets. By setting up four new production bases in east, south, south-east and north-west China, with an annual output of over 1 million colour TV sets each, Konka is becoming one of the most rational production units in the colour TV industry in China.

The Konka Group Company Ltd reported sales of $815.17 million for 2001, with net losses. This represents a sharp decrease of 25.1 per cent against 2000. Almost all of the company's 2001 sales (96.50 per cent) were in its home market of China. Konka was plunged into the red for the first time in 2001 due to fierce market competition and a slack market. Then the company took a bold step and began to develop high-end new TV sets by investing in a production base for these TV sets.

In 2002 the Konka Group ended its loss-making situation and secured sales revenue of $967 million. The group sold 6 million colour TV sets and 1.6 million cellphones in 2002.

From contract manufacturing to own branding

Perseverance has helped Wei-rong Chen, now Konka's Managing Director, to grow the Chinese manufacturer, which used to make television sets for multinational corporations to sell under their own names, into China's best-known television brand.

When the Konka group started selling televisions in China under its own brand name in 1989 it was entering a tough market. Chinese consumers, who were paying as much as three years' salary for a TV, preferred foreign brands such as Sony and Panasonic, and retailers refused to carry Konka products. Undaunted, Chen ordered his salespeople to lug them into stores on their backs and beg managers to display them. At the same time Chen began urging Konka to shift its strategy. Although the contract manufacturer had lined up seemingly lucrative deals to make televisions for General Electric and Emerson Radio, building products for other companies had failed to pay off. Chen wanted to introduce products bearing the Konka brand. 'We had worked very hard as a contract manufacturer for eight years, and we realised we made too small profits. 'That's when Chen ordered the salespeople to start lugging the televisions into retail stores. 'We knew selling them would be very difficult,' Chen says. Konka salespeople offered store managers healthy margins, and promoted the televisions' high quality and the company's commitment to service. Konka kept prices low, underselling Sony and other Japanese and local brands.

By 1993 it had captured 9 per cent of China's television market. In 2002 it controlled 25 per cent, and produced 6 million colour sets and a host of other products, including DVDs, video recorders, CD players and mobile phones.

The economic slowdown in China – and Chen's refusal to languish where he first found success – has pushed Konka abroad. In 1995 Chen began exporting Konka televisions to other Asian and southern Pacific nations, Russia, South Africa and the Middle East, before trying to woo some of the toughest customers of all: large US retailers.

Konka enters the US market

To enter the $8 billion US television market Konka first set up a research and development facility and sales office in San Jose, California, in 1998. Then it began selling traditional analogue television sets, and in 2000 Konka introduced its high-definition digital television sets, priced at $3,000 – half of what the competition currently charged – hoping that an attractive price for the masses would spark interest in Konka's products. It put in place a nationwide service network and offered customers a free replacement Konka set in the event of any problem within a year of purchase. It planned to achieve annual sales of 1 million sets in three years and to become one of the top 10 TV brands in the United States in five years.

Konka sees itself as a '2nd-tier' supplier, below firms such as Matsushita and Sony, relying mostly on the price parameter to sell its products. Currently the TVs sold in the United States are shipped from Chinese assembly plants, but if volumes increase Konka is considering setting up an assembly unit in Mexico. However, up until now Konka is far from achieving its goal of 1 millon television sets sold in the US market.

SOURCE: Svend Hollensen. **Global Marketing, A decision-oriented approach. Third edition.** Pearson Education Limited 2004

Question 1

a) Identify the diversification strategy used by Konka and why? **(20 MARKS)**

b) What pricing strategy is Konka using in the U.S. market? Do you think it will work? **(10 MARKS)**

c) How would you characterise Konka's distribution strategy regarding market coverage? **(10 MARKS)**

SECTION B (ANSWER ANY THREE QUESTIONS)

QUESTION 2

a) Discuss the role of social media in international marketing and tools associated with it. **(10 MARKS)**

b) Compare the concepts of push versus pull in international marketing communication. **(10 MARKS)**

QUESTION 3

Explain the reasons why exporters use countertrade as a pricing tool and then discuss the different forms of countertrade. **(20 MARKS)**

QUESTIONS 4

a) What criteria should global marketers consider when making product design decisions? **(15 MARKS)**

b) How can buyer attitudes about a product's country of origin affect marketing strategy? **(5 MARKS)**

QUESTIONS 5

Discuss some of the factors that lead to the establishment of an international division as an organization increases its global business activities. **(20 MARKS)**