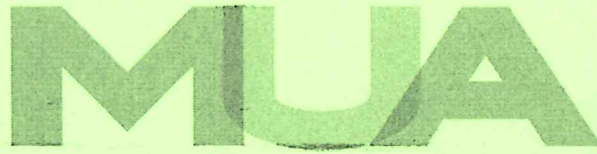


The
Management
University
of Africa



Sponsored by the Kenya Institute of Management

UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

BCM 323 : INTRODUCTION TO INTERNATIONAL BUSINESS

DATE: 12TH AUGUST 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

GEITHTECH LIMITED (GTL)

Geithtech limited (GTL) is a diversified Kenyan firm which derives about 30% of its sales outside Kenya. GTL produces edible oils, cosmetics and toiletries. The toiletries product line is targeted at low income earners who are extremely price sensitive and accounts for about one third of GTL's Ksh. 100 million annual sales turnover.

GTL conducts her international business operations in 10 African countries through the use of distributors in those foreign markets. The products are manufactured in Kenya and then exported to the 10 countries. The exporting strategy has served GTL well in all countries where it operates

David who is GTL's global marketing director was informed that Zimbabwe where GTL had been in operation for eight years had completed an upward review of tariffs for all toiletry imports entering the country. The effective date of implementation of the new tariffs was only 30 days away. Tariffs had been reviewed upwards to enable the government boost its tax revenues and also protect the country's SME sector which was struggling from the weight of cheap imported toiletries. Tariffs for toiletries were thus increased from 25% to 60 % advalorem. For the eight years GTL had been in operation in Zimbabwe, the 25% tariff had not posed any revenue problem for toiletries.

In the Zimbabwean market competition in the toiletries market segment was almost evenly distributed between local SME'S and other international players from all over Africa. David strongly felt that the 60% tariff will favour local SME'S due to the price sensitivity of the toiletries target market. David therefore assembled a team of senior managers from the marketing department to deliberate on the matter and prepare a recommendation to the company's top management.

During the meeting, one manager suggested that GTL continues exporting the toiletries to Zimbabwe, pay the increased duty and change the positioning strategy to appeal to a high price quality market. Another manager suggested that GTL should consider producing the toiletries in Zimbabwe with raw material charged duties

ranging from 10% to 25% ad valorem). David was of the view that if GTL could not compete at those high prices, then it would be better to give up the Zimbabwean toiletries market all together

Required:

- a). Evaluate the three alternatives that were raised during the meeting (6 marks)
- b). State if these three alternatives exhaustive? (3 marks)
- c). If you were invited to this meeting, propose and defend what you consider to be the most ore suitable alternative course of action (10 marks)
- d). Explain how your proposed course of action in 1(c) differ if instead of a tariff increase Zimbabwean authorities had imposed a quota cutting the toiletries imports by 80% (6 marks)

QUESTION TWO

NPZ Limited is a fast food company that has been expanding rapidly into the COMESA region in the last five years. This company enters foreign countries by granting foreign companies the right to market its products and use its name, logos and colours in return for a fair financial commitment from the foreign companies as well as an agreement to conduct business in a way defined by NPZ Limited.

- a) Describe this foreign country entry strategy used by NPZ Limited highlighting **THREE** advantages and **THREE** disadvantages of such a strategy (9 marks)
- b) An entrepreneur who has been running a profitable small and medium size **business wants to expand its** operations into the East African market through licensing. He has approached you for advice. Explain to him why licensing would be an appropriate strategy (6 marks)

QUESTION THREE

- (a) Define the term trade barrier (3 marks)
- (b) Explain the following pricing strategies
 - (i) Penetration Pricing (2 marks)

- (ii) Economy Pricing (2 marks)
- (iii) Price Skimming (2 marks)
- c) Explain three functions of the foreign exchange market (6 marks)

QUESTION FOUR

- a) Kenya is a member of the World Trade organization (WTO). Discuss how Kenyan business organizations benefit from Kenya's membership to WTO (9 marks)
- b) Discuss the implications of globalization to Kenyan business organizations (6 marks)

QUESTION FIVE

- a) During a recent seminar by University students, there was a heated debate on whether there are any differences between domestic and international businesses. If you had been invited as a participant in this seminar, discuss the position you would take on this debate and justify it. (6 marks)
- b) Assess the contribution made by multinational enterprises in Kenya (9 marks)

QUESTION SIX

- a) Product standardization and product adaptation are two competing global product strategies that can be adopted by international business firms. Differentiate the two strategies and explain if any of them is more superior to the other (9 marks)
- b) The East African Community (EAC) is a regional economic bloc at the level of a common market. State if companies operating within the member states of this regional economic bloc enjoy any advantages over those exporting to the EAC from nonmember states? (6 marks)