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School of Business

Integrated Bachelor of Business Administration - Master of Business Administration
Semester End Examination - Nov 2023

Duration : 180 Minutes
Max Marks : 100

Sem IX - MBIB6001 - Global Business Strategy

General Instructions

Answer to the specific question asked

Draw neat, labelled diagrams wherever necessary

Approved data hand books are allowed subject to verification by the Invigilator

- 1) Why do firms differ? K1 (2)
- 2) Demonstrate the role of franchising in entering international markets? K2 (4)
- 3) Show two examples of successful entrepreneurial firms that have expanded internationally. K2 (6)
- 4) Apply the role of value chain in a company's competitive advantage in the global market? K3 (9)
- 5) Utilize the location-specific advantages in foreign market entry decisions. K3 (9)
- 6) Appraise the challenges and strategies for overcoming the liability of foreignness in global markets. K5 (10)
- 7) Discover that propensity to internationalize is a critical factor for the success of entrepreneurial firms in global markets. K4 (12)
- 8) Determine the five entrepreneurial strategies, and how do they influence global business growth? K5 (15)
- 9) Decide, how do companies form strategic alliances, and what are the benefits and challenges involved? K5 (15)

10) Discuss the following Case Study-

K6 (18)

Five Forces in the Beauty Products Industry

As a \$160 billion-a-year global industry, the beauty products industry encompasses makeup, skin and hair care, perfumes, cosmetic surgery, health clubs, and diet pills. Incumbents have remarkably long staying power in this industry. L'Oréal of France, today's industry leader, was founded in 1909. In 1911, both Nivea of Germany and Shiseido of Japan were established. In America, Elizabeth Arden and Max Factor were founded at about the same time. All these brands are still around, although not necessarily as independent companies. Recently, the industry has been growing at approximately 7% a year, more than twice the rate of the developed world's GDP. Two groups around the world underpin such strong growth: (1) richer, aging baby-boomers in developed economies and (2) an increasingly more affluent middle class in emerging economies such as Brazil, China, India, Russia, and South Korea. Brazil, for example, has a larger army of Avon Ladies (900,000 strong) than its men and women in the army and navy combined (!). Three major changes affect this industry. First, a number of new entrants have emerged. Most luxury goods firms, such as Chanel, Dior, Ralph Lauren, and Yves St Laurent, now have beauty products. Two consumer goods giants, Procter & Gamble (P&G) and Unilever, pose probably the most significant threats. As their traditional products such as diapers and soaps mature, they are increasingly pouring resources into their beauty divisions. Second, changes in consumer behavior help no-frills retail chains such as Wal-Mart gain bargaining power, at the expense of fashionable department stores, whose selling costs are high and whose sales are declining. Wal-Mart, for example, only wants to deal with a handful of big suppliers, which plays into the strength of L'Oréal and P&G. Smaller players, such as Estee Lauder and Revlon, which depend more on department stores, are hurting as a result. Finally, incumbents increasingly fight back, by emphasizing how unique their products are. L'Oréal, for example, advertised how many patents it has filed. Shiseido claimed that its Body Creator skin gel can melt 1.1 kilograms (2.4 pounds) of body fat a month without any need to diet or exercise. While the market for traditional beauty products becomes increasingly competitive, the industry's real growth may come from areas outside the radar screen of the main players: cosmetic surgery and well-being products. First, cosmetic surgery is no longer the exclusive territory of actresses and celebrities. In the United States, it used to cost \$12,000 to reconstruct a woman's breasts ten years ago now it can be done for \$600. More than 70% of such customers now earn less than \$50,000 a year. The US market for cosmetic surgery, a \$20 billion business, has grown 220% since 1997. The second area for growth is well-being products, consisting of spas, salons, and clubs linking beauty with natural solutions such as exercise and diet, as opposed to chemicals. The market has been fragmented with numerous entrepreneurs operating a few spas, salons, and clubs here and there. It seems that sooner or later, traditional beauty products companies will turn their attention to these new areas.

Case Discussion Questions

1. Why do incumbents have long staying power in this industry?
2. How do new entrants overcome entry barriers? How do incumbents react to new entries?
3. Why do retail chains gain bargaining power as buyers at the expense of department stores?
4. Should traditional competitors focus on expanding new country markets in emerging economies, or on entering hot new growth product markets in developed economies?