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EXAMINATION PAPER

COURSE CODE : CMA403
COURSE TITLE : INTERNATIONAL MARKETING
DURATION : 3 Hours
DATE :

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer all questions in Section A and any other three (3) questions in Section B.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []

Section A

Globalization (1998~ present)

Samsung made its first foray into the global market in 1996, when it exported its PCS phones to Sprint, an American CDMA carrier. Sprint had been supplied with its PCS phones from Sony, but as it sought out more advanced phones, it realized that Samsung was one of only a few companies that offered such phones. Sprint signed a \$600 million contract with Samsung, under which Samsung would provide its PCS phones to Sprint for three years under the co-branded name "Sprint-Samsung."

Samsung worked with Sprint's engineers to develop customized phones that would work uniquely on Sprint's network. This effort differentiated Samsung in the market, and the deal ended up a great success.

After this first export success, Samsung expanded into Hong Kong (Huchinson, CDMA) in 1997, and Brazil (TELESP and TELERJ, CDMA) in 1998. After successfully exporting to Brazil, Samsung built a mobile phone production facility in Brazil in 1998, in the hopes of expanding into Latin America.

Samsung's leading position in CDMA technology and its significant domestic market share gave it the confidence and momentum to go abroad. Samsung targeted countries that use the CDMA technology for mobile communication. In 1999, Samsung secured the number one position in the worldwide CDMA market where it accounted for more than 50% of market share.

However, the worldwide CDMA market was far smaller than the GSM market, which accounted for 70% of the total worldwide mobile communications market. Moreover, the domestic market was approaching saturation, and competition was becoming more intense. Motorola tried to reposition itself in the Korean market, and emerging domestic players, which were supported by exclusive distribution partnerships with service providers, actively launched new mobile phones. Thus, to achieve further growth, Samsung had to penetrate the GSM market.

The first GSM model was the SGH-200, which was made for European customers. But it was not as good as the company's CDMA phone. It was difficult to hurdle the high entry barrier, which the then "Big 3"—Nokia, Motorola, and Ericsson—had built for years. The company's next few models didn't attract Europeans, either.

The development team realized that a simple change in the circuit system wouldn't work in the European market. Thus, it decided to look more closely at the customer's point of view. They found that Europeans preferred geometric, balanced, and simple designs. Using this information, Samsung adopted 'simple' as the design concept, then developed a new design to suit the tastes of Europeans.

The SGH-600 was born in September 1998. To market this model, Samsung changed its market entry strategy by adopting a high-end strategy. Samsung needed to escape from its low-end image. It figured that its new mobile phone, with its sophisticated design and distinguished functionality, would help it do just that.

Before the SGH-600 was launched, Samsung exhibited the model at many trade shows to build up a premium image. After the first stop in Germany, many members of the press commented favorably to the quality of the product. Taking this as encouragement, Samsung entered into Italy, Portugal, France, and England. Although the price was higher than that of competitors, the sales of the SGH-600 reached 10 million units in the European market.

The GSM market accelerated Samsung's growth, providing new opportunities. Samsung's high-end positioning, along with its quality product, helped raise the prestige of Samsung's mobile phones to that of a luxury good.

In China, for example, Samsung dominates the high-end market. Though the average price

of GSM phones in China is about 1,600 RMB, Samsung mobile phones sell for about 3,000~4,000 RMB. Even Motorola or Nokia, the first and the second players in China, sell for 2,000~3,000 RMB. Though Samsung's overall market share in China is in third place, its share in the high-end market (over 4,000~5,000 RMB) is around 50%.

In the CDMA market in China, Samsung beat Motorola and became the number one player in terms of market share in 2003. For most Chinese people, a CDMA phone is regarded as 'cheap' or 'free,' because the Chinese government provides subsidies for the CDMA phone purchases. Nevertheless, Samsung mobile phones are sold at prices 500~1,000 RMB higher than average.

In the UK, Samsung's market share has been growing rapidly since its entry in 1999. Its market share in 2000 was 2.6%, but grew to 4.9% in 2001, then to 9.9% in 2002. Its estimated market share in 2003 was 15%.

Thanks to such growth, Samsung was granted the "Best Manufacturer" award twice by the Mobile News Award, an award that was previously given to Nokia and Ericsson.

Moreover, the localization strategy has paid off in Europe. For instance, in Germany, where service providers mainly compete in mobile contents, Samsung launched an online community called the "Funclub." Not only does the "Funclub" bring in customer's attachment for Samsung, it strengthens Samsung's relationship with its service providers. Through the "Funclub," Samsung proved that it is able to provide popular mobile contents, in addition to the handset itself.

In France, Samsung tries to connect technology and culture through what is called "culture marketing." For instance, in May 2001, Samsung had an exhibition titled "*Samsung, going together with culture*" at the Guimet Museum and displayed its products, including its mobile phones. It was a provocative trial for a famous French museum to display a company's products rather than historical relics. Also, it invited French artists to the new product launching session in the Champs Élysées.

In CDMA and GSM markets combined, Samsung ranked 4th in the worldwide mobile phone sales in 2002. In 2003, the company firmly held the number three rank in terms of unit sales and number two in terms of revenues

Question 1.

- a. Discuss the international marketing strategies used in this case. [10 Marks]
- b. If you were the international marketing manager of Samsung what could you do to increase in sales? [15 marks]

Section B

Question 2

Discuss the phases involved in the internationalisation process.

[25 Mark

Question 3

- a. Briefly outline the possible strategic alternatives to respond to political risk in a local country. [10 marks]
- b. Why is it important for international marketers to understand the business customs before visiting their target markets? [15 marks]

[total 25 Marks]

Question 4

Discuss strategic options for the global market place available to international marketers.

[25 Marks]

Question 5

Discuss the influence of self- reference criteria on the international marketer and how it can be solved. [25 Marks]

*****The End*****