

Question Paper Code : 3782

M.B.A. (CBCS) (Semester-IV) Examination, 2018

MANAGEMENT OF MULTINATIONAL COMPANIES

[SC-451]

Time : Three Hours]

[Maximum Marks : 70

Note : Answer **five** questions in all. Question **No.1** is **compulsory**. Besides this, attempt **one** question from each unit.

1. Read the given case and answer the following questions:
[3x10=30]

Case Study

The Senseo coffee pod system (www.senseo.com) is the result of a partnership between electronics expert Philips (supplier of the Senseo-machine) and coffee roaster Douwe Egberts (supplier of the coffee pods), both world renowned companies originally from the Netherlands.

Philips

Royal Philips Electronics of the Netherlands is one of

the world's biggest electronics companies and Europe's largest, with sales of € 30.4 billion in 2005. With activities in the three interlocking domains of healthcare, lifestyle and technology and 161,500 employees in more than 60 countries, it has market leadership positions in medical diagnostic imaging and patient monitoring, colour television sets, electric shavers, lighting and silicon system solutions.

Sara Lee/Douwe Egberts (DE)

A subsidiary of Chicago based Sara Lee Corporation is Sara Lee/DE, with headquarters in Utrecht, The Netherlands. Sara Lee/DE is a global group of branded consumer packaged good companies. Activities include coffee, tea and household and body care products. The origin of Douwe Egberts dates back to 1753, when Egbert Douwes and his wife Akke Thysses founded the company. When their son Douwe Edberts, entered the business around 1780, he built up a reputation regionally by also supplying shop owners elsewhere, thereby spreading the Douwe Egberts brand around the country. Gradually, Douwes and his descendants built a company that grew to become the Dutch market leader for its core

products, coffee and tea.

Since 1978 Douwe Egberts has been allied to the Sara Lee Corporation, which opened new horizons worldwide. Today Douwe Egberts is the second largest coffee roaster in the world, employing over 26,000 people worldwide.

Table 1 World market for coffee machines

Coffee machines	Retail volume (million units)
Western Europe	16.6
Eastrn Europe	0.6
North America	28.4
Latin America and Carribbean	4.1
Asia Pacific (minus Australia and NZ)	2.9
Australia and NZ	0.3
Africa and Middle East	0.7
World total	53.6

Source : Adapted from Euromonitor.

Working in tandem, the two innovators developed every aspect of Senseo-from its patented coffee machine and the brewing process to its one-of-a-kind coffee pods.

The machine uses single portion Senseo coffee pods, containing the finest ground coffee, to guarantee a perfect cup every time it is used. Senseo has now been launched in ten countries worldwide Austria, Australia, Belgium, China , Denmark, France, Germany, the Netherlands, the United Kingdom and the United States.

The main target group of Senseo is one/two person households with people between 25 and 39 years of age and where the personal household income would be average or above.

The world market for coffee machines is shown in Table 1. Since Philips and Douwe Egberts introduced the coffee pod machine in spring 2001 it has sold more than 12 million total and more than 7 billion coffee pods were sold in the first five years of its lifetime. In Germany alone 3 million Senseo-machines were sold together with 900 million coffee pods. In this way the Senseo coffee machine achieved 80 percent of the German pod-coffee-machine market and the coffee pods themselves achieved nearly 5 percent of the very competitive German coffee market.

When the Senseo coffee pod machine was introduced,

UNIT-III

6. What challenges are faced by a MNC's HR manager in appraising the performance of an expatriate? How can he improve this process ? [10]
7. As an MNC's marketing manager, how will you systematically plan for your firm to operate in several countries ? [10]

UNIT-IV

8. Briefly discuss any two ethical issues which are seen in the global business environment . What steps can be taken by an MNC to improve Global Business Ethics? [10]
9. What are the characteristics of Transnational organizations? Comment on the role and responsibilities of their subsidiaries. [10]

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- (b) Discuss threats that Senseo might face in future.
[10]
- (c) Which new markets are relevant for Senseo to enter ? Comment on the mode of entry into these markets.
[10]

UNIT-I

2. Explain the need for the emergence of MNCs in today's changing business environment. Give example of an Indian MNC, elaborating on its journey towards becoming a MNC.
[10]
3. Discuss the reasons of the importance of BRICS nations in the world's economy. Comment on FDI flows into BRICS nations.
[10]

UNIT-II

4. Explain with two examples, how global companies are localizing their business strategies to suit Indian Market Conditions.
[10]
5. How is Management Control System in MNC's different from MNCs in domestic companies ?
[10]

the end-user price was around €75, the current recommended price is €69, but in Spring 2006 it was available for around €58.

Today Philips is one of the world's biggest electronics companies and Douwe Egberts is the second largest coffee roaster in the world.

It is reported that almost one-third of Dutch households own a Senseo machine, and the figure is expected to climb steadily in years to come. Although most Dutch households continue to use both conventional filter coffee machines and single-serve coffee systems, unit sales of the latter have clearly outperformed the former. Nevertheless, industry experts suggest that it will take a long time for conventional filter machines to disappear completely. Many Dutch households are expected to continue to use conventional machines when holding a party and the Senseo-type machines for everyday use.

Low-cost followers from China, used to selling cheaper filter coffee machines, have had problems catching up on this alliance, because they cannot easily copy the tight collaboration between Philips and Sara Lee's Douwe Egberts subsidiary which produces the coffee packets

designed especially for the Senseo.

When big retail chains like Aldi and Wal-Mart see a product like this, they usually go to China to request something similar. But in the Senseo case this is not so easy, because the main profits from the Senseo concept come partly from coffee machines but mainly from coffee pads. Chinese rivals have to recoup that money from machines alone and this is unattainable.

The battle among coffee makers for at-home use intensified in 2005, with other leading coffee players such as Procter and Gamble and Kraft Foods launching single-service machines, which can brew a high-quality cup of coffee in less than a minute.

Coffee suppliers have teamed up with electrical appliances makers to produce the machines jointly. Philips and Sara Lee were early pioneers of this format, but Kraft Foods has also cooperated with Saeco International to produce its coffee maker called Tassimo. In both systems, the coffee comes in single-serve bags called 'pods' specifically suited for the machines designed as companions for the product lines. These types of coffee makers are intended to retain consumer loyalty

towards certain brands. In order to gain a competitive edge, Melitta announced that from the third quarter of 2005 its pods would be adapted to fit competitors' machines.

In line with developments in other food and beverage categories, the strong growth of private labels remains a concern. Private labels have already emerged in the portioned coffee market. In the Netherlands some supermarket private labels offer varieties of coffee pods that exactly match the technical specifications of Senseo's machines, and with private label's price advantage, many Dutch consumers opt for private label pods rather than the more expensive Douwe Egberts range.

(Source: Global marketing with a special Indian Focus

Author: Sevend Hollensen and Madhumita Banerjee,

Pearson: 4th edition

Questions:

- (a) Explain how competencies represented in the Senseo concept, can create international competitiveness. [10]