

Management (2017)
4th Year 1st Semester
International Entrepreneurship and
Marketing
Part B

Answer only Three (03) questions including question number One (01)

Mark Allocation: 60 Marks

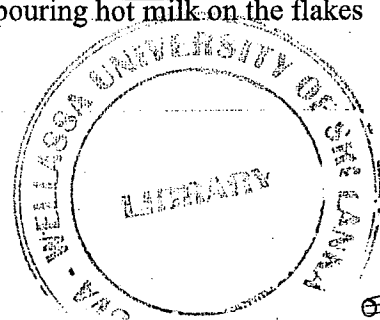
01.

Kellogg was the wholly-owned Indian subsidiary of the Kellogg Company based in Battle Creek, Michigan. Kellogg Company was the world's leading producer of cereals and convenience foods, including cookies, crackers, cereal bars, frozen waffles, meat alternatives, piecrusts, and ice cream cones. Founded in 1906, Kellogg Company had manufacturing facilities in 19 countries and marketed its products in more than 160 countries. The company's turnover in 1999-00 was \$ 7 billion. Kellogg Company had set up its 30th manufacturing facility in India, with a total investment of \$ 30 million. The Indian market held great significance for the Kellogg Company because its US sales were stagnating and only regular price increases had helped boost the revenues in the 1990s.

In April 1995, Kellogg India Ltd. (Kellogg) received unsettling reports of a gradual drop in sales from its distributors in Mumbai. There was a 25% decline in countrywide sales since March 1995, the month Kellogg products had been made available nationally.

Launched in September 1994, Kellogg's initial offerings in India included cornflakes, wheat flakes and Basmati rice flakes. Despite offering good quality products and being supported by the technical, managerial and financial resources of its parent, Kellogg's products failed in the Indian market. Even a high-profile launch backed by hectic media activity failed to make an impact in the marketplace. Meanwhile, negative media coverage regarding the products increased, as more and more consumers were reportedly rejecting the taste. There were complaints that the products were not available in many cities. According to analysts, out of every 100 packets sold, only two were being bought by regular customers; with the rest 98 being first-time buyers. Converting these experimenters into regular buyers had become a major problem for the company.

By September, 1995, sales had virtually stagnated. Marketing experts pointed out various mistakes that Kellogg had committed and it was being increasingly felt that the company would find it extremely difficult to sustain itself in the Indian market. Kellogg realized that it was going to be tough to get the Indian consumers to accept its products. Kellogg banked heavily on the quality of its crispy flakes. But pouring hot milk on the flakes



made them soggy. Indians always boiled their milk unlike in the West and consumed it warm or lukewarm. They also liked to add sugar to their milk or lukewarm.

They also liked to add sugar to their milk. When Kellogg flakes were put in hot milk, they became soggy and did not taste good. If one tried having it with cold milk, it was not sweet enough because the sugar did not dissolve easily in cold milk. The rice and wheat versions did not do well. In fact, some consumers even referred to the rice flakes as rice corn flakes. In early 1996, defending the company's products, Managing Director Avronsart said, "True, some people will not like the way it tastes in hot milk. And not all consumers will want to have it with cold milk. But over a period of time, we expect consumer habits to change. Kellogg is a past master at the art, having fought and won against croissant and coffee in France, biscuits in Italy and noodles in Korea."

Kellogg sources were however quick to assert that the company was not trying to change these habits; the idea was only to launch its products on the health platform and make consumers see the benefit of this healthier alternative.

Source: Bloomberg Business week, 1997

By referring the above case answer the following questions.

- i. What were the factors that were responsible for the failure of Kellogg's products in India in the beginning when it entered the Indian market? (10 Marks)
 - ii. Critically discuss, how International marketing research will help to overcome this problems which faced by the Kellogg's company in Indian market. (10 Marks)
 - iii. Explain advantages that Kellogg Company can gain using customization strategy in Indian market. (10 Marks)
- (Total 30 Marks)**

02.

- i. Explain the reasons to implement Protectionism activities by other countries in the International Trade operations. (07 Marks)
 - ii. "Concern about Business Ethics and Social responsibility are differ from country to country"
Critically discuss above statement. (Philip R. Cateora) (08 Marks)
- (Total 15 Marks)**

03.

i. Describe how channel management activities are handle by the firm in international business. (07 Marks)

ii. Explain alternative middle men choices which are available to the firm develop the international distribution channel network.

(08Marks)

(Total 15 Marks)

04. Critically discuss things that should consider by the entrepreneur when moving to the International business by providing suitable examples.

(Total 15 Marks)

