(DEMB 12)

EXECUTIVE M.B.A. DEGREE EXAMINATION, MAY - 2015

First and Second Years

Paper – XII : INTERNATIONAL BUSINESS

Time : 03 Hours **Maximum Marks : 75**

SECTION-A ***(3 x 5 = 15)***

Answer Any Three of the following

1) a) IPRS

b) Genesis of WTO.

c) SAARC.

d) Quality circles.

e) Performance indicators.

f) Seven tigers of Asia.

SECTION-B ***(3 x 15 = 45)***

Answer Any Three of the following

2) State the environment faced by a business unit in internationalisation.

3) Critically examine comparative cost theory of international trade.

4) How are foreign markets identified for IB?

5) Elucidate the role of WTO.

6) Enumerate the factors that should be considered while designing international channel of distribution.

7) Examine the strategic planning in MNCs.

SECTION-C ***(15)***

(Compulsory)

8) It takes more than the establishment of a reliable auction process to make Internet exchanges work.

What were they thinking, those punters who bid up business-to-business (B2B) e-commerce stocks so high before the markets crashed earlier this year? Or, for that matter, the hundreds of B2B exchanges that launched into that bubble, only quietly to scale back or shut down in the past six months? Entrepreneurs have hunched more than 700 B2B marketplaces, many of them based upon auctions, hoping to create commodity-like markets for everything from chemicals to steel. Most have been guilty of thinking that business transactions are lot simpler than they really are.

The problem is that commodities that can be auctioned this way represent only a tiny fraction of all transactions. An estimated 80-90% of all business goods and services are actually traded through extended-term contracts, often lasting for a year or more; the public “spot” markets, which quote up-to the-minute prices, are just the tiny tip of a huge private market of one-to-one contract deals, which are hard to bring on to Internet.

Too many B2B exchanges focused on the spot markets in their industries (or imagined that such markets existed), and are now paying the price. By focusing on the exception, rather than the rule, they were bound to remain fringe players, starved of liquidity and ignored by most of the big firms in their industry, which continued negotiating contracts with each other as before. A report earlier this year by AMR Research, a consultancy, found that not a single one of the 600 B2B exchangers studies had reached even 1% of the overall trading volume in its industry.

Now the survivors are turning to the harder, but more lucrative, game contracts. One of the earliest to do this was FreeMarkets , which designs and runs “reverse auctions” (in which the price falls over time instead of rising) for many industries. This is a tricky process involving codifying all the elements of a contract, from the specifications of the product to performance guarantees, so that bidders can compete fairly in an auction. *In fact*, so tricky is the work that, despite FreeMarkets' early start, its share price is down 90% from its peak. Others, such as Perfect .com and Commerce One, are trying to write software that will help, automate bidding across industries, but the sheer complexity of the task is slowing their progress.

The more manageable option is to work with a single industry. But even here, few B2B exchanges have had the money, industry knowledge and resources to succeed. One of the exceptions is GoCargo, an exchange for the container-shipping industry, which is expanding from a relatively small spot market to far larger contract market- and learning just how complex that is.

Bulky Task

At first blush, containers look as commodity-like as airline seats. After all, the containers themselves are standard-sized, sealed units. Nobody cares much about how the boxes get from here to there; just how much it costs to send them. Even better, American prohibitions on private-rate negotiations for container space were lifted last year, opening the market to deal-by-deal auctions. No wonder Eyal Goldwerger, a consultant with Boston Consulting Group scouting for a B2B idea in 1998, settled on containers and founded GoCargo. If ever there was product perfect for online trading, this seemed to be the one.

Even so, the exchange faced an uphill struggle. Around three-quarters of the world's $50-billion container business is still done under service contracts, most of them negotiated the old-fashioned way, through relationships, brokers, sales calls and the like. This is partly because the industry, like its shops, is slow to turn. But other problems to deeper. For one, the sea is usually only part of the journey for a container. It will also probably go on a truck and a train, and typically passes through customs twice. shippers usually want an end-to-end solution; although paying a logistics firm or freight forwarder to provide it may cost them a bit more than they would pay in an open auction, the overall savings on hassle often make it worthwhile.

Nor are all freight carriers as alike as they might seem. Some have better reliability records than others and some can handle bigger shipments, for instance. Where carriers are alike is in their suspicion of any market place that might cut their prices by treating their service as an undifferentiated commodity. And on the shipper's side, along service-contracts have the additional advantage of locking in availability and price over a set period.

Although GoCargo started by auctioning spot capacity, Mr Goldwerger quickly saw that old-style service contracts were not about to disappear. So he built a staff of 60 multilingual industry specialists and traders, based in New York, who could codify terms, certify shippers and carriers, and otherwise make this handshake business safe for Internet trading. (To respond to the carrier's concerns about becoming commoditised GoCargo include ways to help them stand out form the crowd by including in the auction criteria such elements as rated quality of service.) As GoCargo got better at this, it started to turn into a real business: contracts now amount to nearly a third of the exchange's total volume and should reach half by the end of the year. The site now has 12,000 members and has conducted more than 5,000 live auctions over the past year, providing it with enough liquidity to start compiling real-time market trends and indices.

Another example is Logistics.com, which auctions transport contracts of all kinds, from trucking to air and sea. Yossi Sheffi, its boss, reckons such contracts are among the hardest to bring online. One of the biggest problems is “conditional deals” a carrier will agree to move containers in one direction only if it can find someone who will pay it to bring them back again. Unless online auctions accommodate this kind of problem, they will be ignored.

In a few other industries, such as steel, B2B exchanges are also starting to make some headway in trading contracts, having realised that spot markets, though easy to enter, are usually too small.

The hope is that contracts will gradually become more standardized, allowing them to be traded like commodities themselves. But if the industry has shown anything in its first, dismal couple of years, it is that this will take far longer than those early, breathless business plans suggested.

Questions:

a) What are neural networks? ;

b) How do you reengineer the international business process based on the new technologies? ;

c) What is meant by E -Business? ;

d) What is E-Commerce? What are its advantages and disadvantages?

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