ATHENS UNIVERSITY of ECONOMICS and BUSINESS
MSc PROGRAM in INTERNATIONAL and EUROPEAN ECONOMIC STUDIES
COURSE: ***International Business Economics*** **(IBE)**

2nd In-Class Quiz-Case Study

NAME: ---

A. Choose by circling your correct answer (one) to the following questions

1. The vertical differentiation in the organizational structure of a firm facilitates
a. its formal division into sub-units **b.** the coordinating the of its sub-units
c. the value creation activities of the firm
d. the decision-making structure within the firm

2. "Proprietary assets" refers to multinational enterprise's
a. intangible assets **b.** location and scale economies
c. technological standards **d.** all of the above

3. When two or more enterprises encounter each other in different regional or national markets, it results to:
a. strategic rivalry between them b. multipoint competition
c. substantial dumping of products in these markets d. knowledge spillovers

B. Case: LuxTech Electronics

LuxTech is a European consumer electronics company headquartered in the Netherlands. It specializes in smart home devices, e.g., smart speakers, thermostats, and security cameras. The firm has experienced strong growth in Europe and North America, where it sells similar standardized products produced in large-scale factories in Poland and Germany. Recently, *LuxTech* has started expanding into emerging markets, including India, Brazil, and South Africa.

Senior management is debating how to structure *LuxTech*'s international expansion strategy. One group advocates a **global standardization strategy**, arguing that *LuxTech* should focus on lowering costs by maintaining standardized products, centralized R&D, and global marketing campaigns. Another group proposes adopting an **international strategy**, where *LuxTech* will continue exporting and replicating its existing business model abroad with limited adaptation and moderate decentralization.

Some market realities challenge these decisions:

- In emerging markets, *LuxTech* faces price-sensitive customers and strong competition from low-cost Asian firms.
- Local distribution channels and after-sales service expectations differ widely from Europe.
- Governments in India and Brazil are considering local content regulations.
- *LuxTech*'s brand is not well known outside Europe, so gaining trust in new markets will take time.

a. Based on *LuxTech*'s situation, evaluate which of the two strategies is more appropriate for its expansion and why. Refer to pressures for cost reduction and local responsiveness in your answer.
b. Suggest **two strategic risks** *LuxTech* may face if, to your opinion, it chooses the wrong strategy and explain why.

<u>**Indicative Answers**</u>

a. Which strategy suits LuxTech? Why?

LuxTech faces **both moderate cost pressures and moderate local responsiveness pressures** in emerging markets. Cost pressures arise from competition with low-cost Asian firms and the need to offer affordable products. Local responsiveness pressures stem from differences in distribution systems, service expectations, and possible local-content regulations.

A **pure global standardization strategy** may not work because standardized products may be too expensive for price-sensitive consumers and may not meet local requirements (e.g. voltage standards, language, compatibility with local apps). However, a **pure international strategy**—simple export of European products with minimal adaptation—also seems unsuitable because rivals are locally embedded and governments may push for local production.

LuxTech may **initially adopt an international strategy** to enter markets gradually with low commitment and risk, but must **evolve toward a transnational or adaptive version of global strategy** to balance scale benefits with selective local responsiveness.

b. Strategic risks if the wrong strategy is chosen

1. **Loss of competitiveness** – If LuxTech relies only on standardization, it risks losing market share to local competitors that better meet local price and service expectations.

2. **Regulatory and political risk** – If LuxTech fails to respond to local content requirements in India or Brazil, it could face tariffs or FDI restrictions, harming long-term market access.