

# Waseda Business School

## Application for Family Business Successors

### Academic Year 2017 Admission

#### Directions

1. For this test, a Directions Sheet, a Question Sheet with two pages, two Answer Sheets, and a Scratch Paper are provided.
2. Do not start the test until the instructor tells you to do so.
3. Questions are written in the Question Sheet.
4. Answer the questions in English.
5. Please print your name and application number clearly in the appropriate place on the Answer Sheet.
6. Please use a black or blue ball-point pen for the essay. Pencils may not be used. You may use an erasable-ink pen and a correction tape or fluid.
7. Scratch Paper will not be collected.
8. After the test, only the two Answer Sheets will be collected.

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### Academic Year 2017 Admission Spring Round

#### Question Sheet

Please answer the questions below in an essay format.

Please use the Answer Sheets provided to answer each question. Each essay should be 1-2 pages in length (Front and Back = 2 Pages).

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#### Question 1

Read the discussions below and write an essay accordingly. The questions to be addressed are “How would you explain the strategies of Companies X and Y? Compare their strategies and evaluate them.” When you explain, please point out whose (A to G) logic you are using. If you disagree with the student’s opinion, please elaborate your views. Please disregard any legal problems when you think about the pricing strategy of firms. You can make assumptions when information is not provided, but you have to state your assumptions clearly in the essay.

Discussions between students: **Foreign exchange rate fluctuations and export strategy**

A “Foreign exchange rate fluctuations definitely have big impacts on businesses. For example, if Japanese yen becomes stronger relative to US dollar, Japanese exports to the US will suffer and imports from the US tend to increase.”

B “Japanese yen’s movement seems to be quite separate from other currencies. Therefore when we say yen is strong, it is becoming stronger relative to most currencies. Yen has moved between 80 yen per dollar and 120 yen per dollar in the last 15 years. It could go from top to bottom, or bottom to top in five years, so the fluctuation is very severe.”

C “What will happen if a company manufacturing in Japan is exporting to the US? Will the company try to increase the price when yen becomes stronger in order to get the same amount in yen? Or do they try to keep the same dollar price?”

D “When yen is strong, the pricing depends on lots of factors. If a company is a monopoly or if the product is so unique such that there is no substitute, the company tends to keep the price fixed in terms of yen. If a company has lots of competitors, especially competitors from other countries, they will face severe competition. It is because the Japanese company’s cost will be high, while its overseas competitors’ costs remain the same. So it will be very difficult for the Japanese company to raise the price in dollars. The amount it gets would be much lower in terms of yen.”

E “Pricing and demand are issues we need to consider. For products that are ‘necessities’ such as food and gas (gasoline), the consumers need to buy whether the product is expensive or not. Consumption of wheat or gas in the US should be relatively price insensitive because no one can avoid buying them to survive or to commute. Consumption of luxury items could be postponed or totally avoided if they are too expensive. However for some people, some products are very important due to psychological attachment. Some love to play a certain type of video games regardless of the price.”

F “We have to think about consumers’ perception of what price means to them. Most people prefer cheaper prices, but some rich people may prefer that they are buying something that poor people cannot afford. Very rich people do not mind how much gas their SUVs guzzle.”- (Explanation: Gas-guzzler cars are fuel inefficient cars.)

G “If the prices are different among countries, you can go to other countries to buy the same product at a lower price. Of course this is possible only if the product is small enough to carry.”

<Company X’s strategy>

This is a big global fast food company operating hamburger restaurants. The foods they sell, including packages etc., are produced outside of Japan and the cost is stable in terms of dollars. The CEO decided to take advantage of the strong yen by adopting a “low margin strategy” in order to sell much more than their typical revenues in the normal years. The price was lowered more than the lowered cost. This strategy succeeded and the company sold 6 times of the usual number at half the original price, meaning that the sales figure was tripled. It made a big profit. However when yen weakened drastically, they had to double the price, meaning going back to past higher price. The consumers, who once bought 100-yen hamburgers got used to the lowered price and did not accept 200-yen hamburgers any more. The company had to shut down many restaurants.”

<Company Y’s strategy>

This is a European car manufacturer, which has a very strong brand and is selling to rich Japanese in urban areas. Their price is usually constant in terms of yen although their products are manufactured outside Japan. Their sales volume and value are very stable. This means the profit is acceptable when yen is weak relative to Euro. When yen is strong, the company makes a fortune. (If yen appreciates 25%, the cost lowers 25% and margin increases.) Usually the Japanese consumers accept 30% higher price for the brand relative to similar size Japanese cars, as they consider an import from Europe very valuable. The consumers are indifferent about the company’s profit as far as they accept what they pay for the value of the car, which means price in terms of yen they are paying. It is very difficult to find the car abroad and transport it to Japan. It is because this company’s cars for Japan need to have a steering wheel on the right hand side of the car, and it is very rare in other countries.

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## Question 2

Think of a product or a service that has experienced deregulation. (Please specify which country you are writing about.) Explain the rationale for the regulation in the past, and reasons why the deregulation was accepted. What factors were behind the changes that lead to the deregulation? What were the deregulation’s impacts on various players inside and outside the industry? Evaluate the deregulation and clarify your evaluation criteria. In your evaluation, you can refer to the situations in other industries or other countries for comparison. If you need to make assumptions due to lack of detailed knowledge about the product/service, please clarify them.

(End)

Name

Applicant No.

(採点欄)

※Please write your Name and Applicant No. in appropriate box

Question

1

Waseda Business School  
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Answer Sheet

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Name

Applicant No.

(採点欄)

※Please write your Name and Applicant No. in appropriate box

Question

2

Waseda Business School  
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Answer Sheet

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