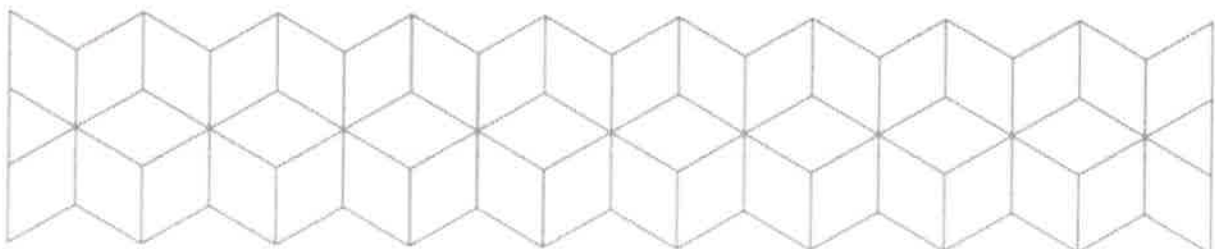


EXAMINATION

Course code: SFB11514	Course: International Marketing
Date: 6 December 2017	Duration: 09.00-13.00 o'clock (4 hours)
Permitted sources: Mother tongue-English-mother tongue dictionary	Lecturer: Birgit Leick
The examination: The examination papers consist of 7 pages including this page. Please check that the examination papers are complete before you start answering the questions. The exam consists of 3 (three) exercises. You must solve all three exercises. You can reach up to 120 points in total and 40 points for each exercise.	
Date of announcement of the examination results: 4 January 2018 The examination results are available on the Studentweb www.hiof.no/studentweb	



First task: International marketing and the socio-cultural environment (40 points)

The first task consist of three parts a) to c), pp. 2-3.

- a) Please read the Exhibit 1.6 below, which describes McDonald's global marketing strategy. Give a definition of "market responsiveness". Explain the difference between standardization and adaptation as two strategies for global marketing. Use examples from the exhibit. (15 points)

EXHIBIT 1.6 McDonald's is moving towards a higher degree of market responsiveness



McDonald's (www.mcdonalds.com) has now expanded to about 30,000 restaurants in over 100 countries. Executives at the headquarters of McDonald's Corp. in Oak Brook, Illinois, have learned that despite the cost savings inherent in standardization, success is often about being able to adapt to the local environment. Here are some examples.

Japan

McDonald's first restaurant in Japan opened during 1971. At that time fast food in Japan consisted of either a bowl of noodles or miso soup.

With its first-mover advantage, McDonald's kept its lead in Japan. By 1997, it had over 1,000 outlets there, selling more food in Japan than any other restaurant company, including 500 million burgers a year.

Among the offerings of McDonald's Co. (Japan) Ltd are chicken tatsuta, teriyaki chicken and the Teriyaki McBurger. Burgers are garnished with a fried egg. Beverages include iced coffee and corn soup.

McDonald's in Japan imports about 70 per cent of its food needs, including pickles from the US and beef patties from Australia. High volumes facilitate bargaining with suppliers, in order to guarantee sourcing at a low cost.

India

McDonald's, now with seven restaurants in India, was launched there in 1996. It has had to deal with a market that is 40 per cent vegetarian; meat eaters who dislike beef or pork; consumers with a hostility to frozen meat and fish; and a general Indian fondness for spice with everything.

The Big Mac was replaced by the Maharaja Mac, made from mutton, and the outlets also offer vegetarian rice-patties flavoured with vegetables and spice.

Other countries

In tropical markets, guava juice was added to the McDonald's product line. In Germany, McDonald's did well selling beer as well as McCroissants. Banana fruit pies became popular in Latin America and McSpaghetti noodles became a favourite in the Philippines. In Thailand, McDonald's introduced the Samurai Pork Burger with sweet sauce. Meanwhile, McDonald's in New Zealand launched the Kiwiburger served with beetroot sauce and optional apricot pie.

- b) Give three main characteristics of a "low-context" culture *versus* a "high-context" culture. (10 points)
- c) The exhibit on page 3 applies Hofstede's typology of cultural attitudes and differences to Denmark. Read carefully through the exhibit and describe why and how the knowledge and awareness of the Danish cultural context according to these criteria can be important for international marketers. Choose three illustrative examples. (15 points)

Source: W.J. Keegan; M.C. Green (2013). *Global Marketing*, 7th ed. Pearson, p. 140.

THE CULTURAL CONTEXT

Applying Hofstede's Typology to Denmark

What is Denmark really like? The following profile captures Denmark in terms of Hofstede's cultural values framework (see Exhibit 4-6).

Future Orientation: The extent to which a society encourages and rewards future-oriented behaviors such as planning, investing in the future, and delaying gratification. Denmark scores high.

In the Danish business environment, it is normal to prepare and discuss 5-year budgets and business plans that are then adjusted yearly. Also, the Danish population is aware of the importance of saving for retirement. The Ministry of Economic Affairs hopes to establish a world-class innovation center in Denmark. The center would elevate Denmark to the top ranks of countries with consumer-driven innovation.

Gender Differentiation: The extent to which a society maximizes gender role differences. Denmark scores low.

In Denmark, gender role differences are insignificant. Danish women are strong and believe they can do anything that a man can. Danish women are very focused on equality, both in the home and at work. It is very common for fathers to take equal part in cleaning and other duties around the house.

Uncertainty Avoidance: The extent to which the members of a society are accepting of ambiguous situations or comfortable with unfamiliar situations. Denmark scores low; in other words, it is an uncertainty-accepting society.

Danes generally are not afraid of taking chances; they are comfortable doing things that are not carefully thought out or planned. Denmark's "flexicurity" policy combines free labor markets (workers can be fired) with adjustable welfare benefits, including financial support and free job training for the unemployed. The Danish social system provides a close-knit safety



system to fall back on. Society relies on and supports a system that is costly, but provides a constant sense of security.

Power Distance: The degree to which members of a society expect power to be unequally shared. Denmark scores low, which results in very flat and informal organizational structures and the wide use of various matrix models.

Janteloven, or "the law of Jante," deeply affects how Scandinavian people act and are expected to act. The term originated with writer Aksel Sandemose who wrote a novel about Jante, a village where one is not supposed to believe he or she is better or smarter than anyone else. Humility is important, and this limits power distance.

Individualism/Collectivism: The degree to which societal institutions encourage individuals to be integrated into groups within organizations and society. Denmark scores high on individualism.

In-group Collectivism and Institutional Collectivism: The extent to which members of a society take pride in membership in small groups such as their family and circle of close friends and the organizations in which they are employed. Denmark scores high in institutional collectivism and low in in-group collectivism.

Sources: Justin Fox, "Why Denmark Loves Globalization," www.time.com (accessed June 1, 2008); Leila Abboud, "Power Play: How Denmark Paved Way to Energy Independence," *The Wall Street Journal* (April 16, 2007), p. A1; Jeffrey Stinson, "Denmark's 'Flexicurity' Blends Welfare State, Economic Growth," *USA Today* (March 7, 2007), pp. 1B, 2B.

Second task: International marketing and foreign market entry strategies (40 points)

The second task consist of three parts a) to c), p. 4-5.

- a) **Exhibit 2.3**, below summarizes the internationalization motives of the Chinese appliance manufacturer Haier. Read carefully through the exhibit and describe the *proactive* versus *reactive motives* that Haier has (or had) to access foreign markets. **(10 points)**

EXHIBIT 2.3 Internationalization of Haier – proactive and reactive motives



Haier Group, the Chinese manufacturer of home appliances (e.g. refrigerators), was near bankruptcy when Mr Zhang Ruimin was appointed plant director in 1984, the fourth one that year. It is under Zhang's leadership that the company has grown into the world's sixth largest home appliance manufacturer.

Proactive motives

Zhang Ruimin had an internationalization mindset that set the initial stage of Haier's development. In 1984, soon after joining the plant, he introduced technology and equipment from Liebherr, a German company, to produce several popular refrigerator brands in China. At the same time he actively expanded cooperation with Liebherr by manufacturing refrigerators based on its standards which were then sold to Liebherr, as a way of entering the German market. In 1986, the value of Haier's exports reached US\$3 million for the first time. Zhang later commented on this strategy: 'Exporting to earn foreign exchange was necessary at that time.'



Source: Sorbis/Shutterstock.com.

When Haier invested in a plant in the US, Zhang thought it gained location advantage by setting up plants overseas to avoid tariffs and reduce transportation costs. Internalization advantage had been attained through controlling services and marketing/distribution, and ownership advantage had been achieved by developing design and R&D capabilities through utilizing high-quality local human resources.

In January 2016 Haier Group said it would buy General Electric Co's appliance business for \$5.4 billion, the Chinese company's latest attempt to boost its presence in the lucrative United States market.

Reactive motives

The entry of global home appliance manufacturers into the Chinese market forced Haier to seek international expansion. In particular, since China joined the WTO, almost every international competitor has invested in China, establishing wholly-owned companies. The best defensive strategy for Haier would be to have a presence in its competitors' home markets.

The saturation of the Chinese home appliance market, with intensifying competition, has been a major motive. After the mid-1990s, price wars broke out one after another in various categories of the market. At the end of 2000, Haier's market shares in China of refrigerators, freezers, air conditioners and washing machines had reached 33, 42, 31 and 31 per cent, respectively. The potential for further development in the domestic market was therefore limited.

One of the important external triggers for the internationalization of Haier has been the Chinese government. Being an international player, Haier gained some special conditions that other Chinese companies could not obtain. For instance, Haier had already been approved to establish a financial company, to be the majority shareholder of a regional commercial bank, and to form a joint venture with a US insurance company. Without its active pursuit of internationalization, as well as a dominant position in the home appliance sectors, it would normally be impossible for a manufacturer to get approval to enter the financial sector.

Source: based on Liu and Li (2002) and other public sources.

- b) Export modes can take several forms. Choose two types of export modes and describe their main characteristics. What are the main advantages and disadvantages of choosing export modes for foreign market entry? **(15 points)**
- c) Licensing is another important entry mode for companies that wish to internationalize their operations. Describe the main elements of a licensing agreement, the benefits for firms that are licensors in international markets and the potential drawbacks for them. **(15 points)**

Third task: Internationalization theories and international marketing (40 points)

The third task consist of three parts a) to c), pp. 6-7.

- a) Describe and compare the factors that explain the internationalization process of the company according to the *Uppsala internationalization model* and the *"born global" concept*. **(20 points)**

- b) Give a prototypical example of the type of companies that matches the *Uppsala internationalization model* respectively the *"born global" concept*. **(5 points)**

- c) Case Study 3.2. on page 7 depicts the internationalization of the brand "Postman Pat" produced by the movie studio DreamWorks Classics. Read carefully through the case study. If you were to advise DreamWorks Classics, which pathway for the internationalization of "Postman Pat" would you recommend them: the one recommended by the *Uppsala internationalization model* or the one recommended by the *"born global" concept*? Give at least two arguments based on the theoretical model you favour. **(15 points)**

CASE STUDY 3.2

Dreamworks Classics: internationalization of Postman Pat

On 23 July 2012, movie studio DreamWorks Animation (the company behind box office hits such as *Shrek* and *Madagascar*) acquired Classic Media for US\$155 million. The company became a division of DreamWorks Animation and was renamed DreamWorks Classics, which now controls Classic Media's portfolio of over 450 films and 6,100 episodes of TV shows, including *Lassie*, *The Lone Ranger*, *Postman Pat*, *Noddy* and *Rocky and Bullwinkle*.

In 2012, Classic Media had a net revenue of \$82.2 million and an operating profit of \$19.2 million.

By acquiring Classic Media, DreamWorks Classics obtained control of *Postman Pat*, one of the most popular characters among children of pre-school age.

Postman Pat

Set in the fictional Yorkshire village of Greendale, *Postman Pat* and his faithful companion, Jess the Cat, began delivering post on the UK's BBC1 channel in September 1981. *Postman Pat* continues to air on the BBC, with episodes licensed and the broadcast platform secured beyond 2010. The target viewer group for the show is the pre-school age (2–6 years).

Postman Pat TV shows have now been shown in more than 100 countries around the world. With

sales in so many international markets, it is important that the brand awareness created by the TV platform is leveraged through the development of a strong licensing and merchandising line. For example, in the UK in 2004 Marks & Spencer acquired the rights to use the characters in 70 of its top stores. The programme included a range of nightwear, underwear, slippers, watches and puzzles for children aged 3–6. *Postman Pat* and Jess the Cat proved an irresistible gift buy for parents, grandparents, guardians and others.

In May 2009, Classic Media secured a partnership with one of the UK's largest theme parks – Flamingo Land in North Yorkshire – for *Postman Pat* and other characters from the Special Delivery service to take up residence. As of 2009, over 12 million *Postman Pat* books had been sold worldwide and some 20 titles were released in the UK in 2013. This growing collection includes *Postman Pat* story-books, integrated learning books, colouring books and multi-character magazines.

The long-anticipated 3D movie *Postman Pat: The Movie – You Know You're The One* was released at the end of May 2013. The film finds Pat, everyone's favourite postman, coming face to face with the temptations of money, status and a shiny new suit when he enters a national TV talent show that threatens to tear him away from his hometown of Greendale and the friends he loves.



Source: JFTL Images/Alamy Images.