ℹ Important information regarding the examination

Høgskolen i Østfold

EXAMINATION

Course code and name:

SFB11514 International Marketing

Date and time:

7 December 2018, 4 hours

Permitted sources:

Mother tongue-English-mother tongue dictionary

Lecturer:

Birgit Leick

The examination:

The examination task comprises 5 (five) exercises. You can reach up to 100 points in total. The specific points you can reach for each task are given with the task.

Date of announcement of the examination results: 28 December 2018

The examination results are available on the Studentweb.

1 Task 1: Basic definitions and concepts in International Marketing (20 points)

Give brief definitions of the following terms and concepts used in international marketing. For each correct and complete definition, you can reach up to 4 points.

- Market responsiveness
- Glocalization
- De-internationalization
- Global marketing mix (or: global marketing programme)
- Foreign market entry mode

Fill in your answer here

Format

Words: 0

Maximum marks: 20

2 Task 2: Internationalization theories and concepts (20 points)

Take one of the **internationalization theories or concepts** you have come to know in the course.

1. Describe the *core message* of the theory/concept (5 points).
2. List *two to three key factors* that influence a company's internationalization strategy (5 points).
3. Give *two critical arguments* that speak against the theory/concept (5 points).
4. Give a brief description of an *ideal-type company that would fit the theory/concept perfectly* with its internationalization strategy (5 points).

Fill in your answer here

Format

Words: 0

Maximum marks: 20

3 Task 3: The global marketing programme: Product decisions/branding (20 points)

- Read Exhibit 14.9. below and answer the following questions: What is the strategy about? What are its benefits for the companies? Should competitors choose this strategy? Why (not)? (10 points)

EXHIBIT 14.9 Shell's co-branding with Ferrari and LEGO

In 1999–2000 Shell ran a £50 million co-branding campaign with Ferrari and LEGO. Some people might have thought that this was an attempt to persuade people, mainly in the west, that Shell's controversial attempt to dump the Brent Spar oil platform in the North Sea was not a true reflection of the company.

However, it may be more accurate to say that Shell was seeking a 'brand image transfer'. In the petrol retailer market traditionally driven by price and more price promotions, Shell wanted both Ferrari's sexy, sporty image and the family values of LEGO. Furthermore, Shell was, and is, no longer only in the petroleum and oils business, where price promotions are the main focus of marketing activity. The company is also involved in food retailing, where loyalty programmes are important.

What were the benefits for Ferrari and LEGO? Ferrari gained sponsorship and royalty income from model car sales, while LEGO got improved global distribution. The co-branding strategy involved the use of 10 exclusive small boxed toys and a big Ferrari LEGO car carrying a Shell logo. Shell wanted to sell between 20 and 40 million units of LEGO globally, and the deal made Shell one of the world's largest toy distributors.

Source: adapted from various public media.

- Exhibit 14.8 below shows an alternative branding strategy. What is this strategy about? What could be its potential dangers? (5 points)

EXHIBIT 14.8 Kellogg under pressure to produce under Aldi's own label

In February 2000, Kellogg (the cereal giant) made an own-label deal with German supermarket chain Aldi. It was the first time that Kellogg had supplied own-label products.

A slogan on Kellogg's cereal packets claimed: 'If you don't see Kellogg's on the box . . . it isn't Kellogg's in the box.' But then Kellogg negotiated a deal with Aldi to supply products in Germany bearing a different brand name. Reports in Germany suggested the deal was made after Aldi announced it would no longer pay brand suppliers' prices and threatened to cut top brands from its shelves.

Source: adapted from various public media.

- Give two preconditions for a company to sell on international markets with its own brand that is known in the home country (or a third country of production). (5 points)

Fill in your answer here

Words: 0

Maximum marks: 20

4 Task 4: The global marketing programme: Communication and pricing decisions (25 points)

This task consists of two parts.

First part: Communication decisions for global markets (15 points)

Exhibit 17.5 describes the communication strategy of the Norwegian cheese producer TINE for the brand "Jarlsberg" in different foreign markets. Read the exhibit and answer the following questions:

- Why does TINE choose a locally adapted communication approach for the cheese brand "Jarlsberg" in foreign markets instead of a standardized global communication strategy (e.g., standardized advertisements)? Give two arguments. (5 points)
- Describe briefly the different cultural attributes that are highlighted for the brand in each advertisement. (10 points)

EXHIBIT 17.5 Jarlsberg cheese – cross-border communication

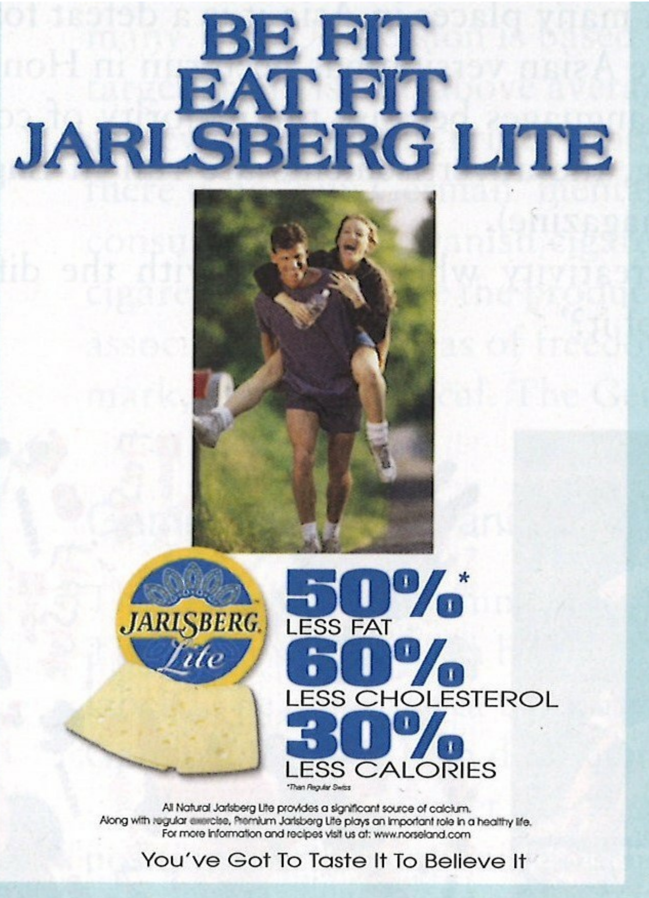
Jarlsberg, the Norwegian cheese brand, is a mild, Swiss-Emmentaler type of cow's milk cheese that has large, irregular holes. The history of this cheese can be traced back to the middle 1850s. Its creator, Anders

Russia

Source: Tine.

UK

Source: Tine.



US
Source: Tine.

Australia
Source: Tine.

Larsen Bakke, was a local farmer/entrepreneur and a pioneer in Norway's dairy industry. He produced the cheese in the village of Våle in the county of Vestfold, some 80 km south of Oslo. The cheese came to be named 'Jarlsberg' because 'Jarlsberg & Larviks Amt' was the name of the county until 1918.

Today, the producer of Jarlsberg, TINE SA, is Norway's largest producer, distributor and exporter of dairy products. Since the start of 1961, the exports of Jarlsberg have grown substantially. Annually, more than 23,000 tonnes of Jarlsberg are consumed worldwide. Jarlsberg is currently the most sold foreign cheese on the US and Australian markets. In the US market alone, Jarlsberg cheese is sold in 30,000 supermarkets.

Until now, Jarlsberg's assorted agents and partners in various export countries have been responsible for the local ads. The four photographs included here illustrate this approach of localized advertising.

Second part: Pricing decisions for global markets (10 points)

- Define price escalation. What could exporters do to prevent price escalation? (6 points)

P.S.: The illustration below can help you to understand price escalation. Note that you are not expected to describe the illustration in your answer.

Table 15.1 Examples of price escalation

	Domestic channel	Foreign marketing channel	
	(a)	(b)	(c)
	Firm ↓ Wholesaler ↓ Retailer ↓ Consumer	Firm ↓ Border ↓ Wholesaler ↓ Retailer ↓ Consumer	Firm ↓ Border ↓ Importer ↓ Wholesaler ↓ Retailer ↓ Consumer
	£	£	£
Firm's net price	100	100	100
Insurance and shipping costs	–	10	10
Landed cost	–	110	110
Tariff (10% of landed cost)	–	11	11
Importer pays (cost)	–	–	121
Importer's margin/mark-up (15% of cost)	–	–	18
Wholesaler pays (cost)	100	121	139
Wholesaler's margin/mark-up (20% of cost)	20	24	28
Retailer pays (cost)	120	145	167
Retail margin/mark-up (40% of cost)	48	58	67
Consumer pays (price) (exclusive of VAT)	168	203	234
per cent price escalation over domestic channel	–	21	39

Landed costs: total shipment costs. VAT: value-added tax.

- When should a company adopt a skimming strategy for pricing its product on a foreign market? (4 points)

Fill in your answer here

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Words: 0

Maximum marks: 25

5 # Task 5: Entry modes to foreign markets (15 points)

Read Exhibit 9.1 below about the brand "Zara" and answer the following questions:

- What is the general difference between "intermediate" and "hierarchical" entry modes to foreign markets? (3 points)
- Give an example each of an intermediate and hierarchical market entry mode for international markets. Feel free to use the exhibit. (4 points)
- Give a summary how the company chooses foreign market entry modes for its brand "Zara". (8 points)

EXHIBIT 9.1 Zara is modifying its preferred choice of entry mode, depending on the psychic distance to new markets

Zara (www.inditex.com) is a fashion retail chain that is part of the Inditex Group owned by Spanish tycoon Amancio Ortega. Zara's preferred entry mode is the hierarchical mode (direct investment), which is used in most European countries, resulting in full ownership of the stores. In 2014, 85 per cent of the Zara stores were own managed. Those markets where the hierarchical model is used are characterized by high growth potential and relatively low sociocultural distance (low country risk) between Spain and target market.

The intermediate modes (usually joint venture and franchising) are mainly used in countries where the sociocultural distance is relatively high.

A Zara shop in Shanghai, China
Source: Bloomberg/Getty Images.

Joint ventures

This is a cooperative strategy in which facilities and know-how of the local company are combined with the international fashion expertise of Zara. This particular mode is used in large, competitive markets where it is difficult to acquire property to set up retail outlets or where there are other kinds of obstacles that require cooperation with a local company. For example, in 1999 Zara entered into a 50–50 joint venture with the German firm Otto Versand, which had experience in the distribution sector and market knowledge in one of Europe's largest markets, Germany.

Franchising

Zara employs this mode for high-risk countries that are socioculturally distant or have small markets with a low sales forecast, such as Kuwait, Andorra, Puerto Rico, Panama and the Philippines.

Whatever entry mode Zara uses, the main characteristic of their franchise model is the total integration of franchised stores with own-managed stores in terms of product, human resources, training, window-dressing, interior design, logistical optimization and so on. This ensures uniformity in store management criteria and a global image in the eyes of customers around the world.

Source: adapted from the Zara case study and different public media.

Fill in your answer here

Format

Words: 0

Maximum marks: 15