

## i Important information regarding the examination



## EXAMINATION

**Course code and name:**

SFB11514 International Marketing

**Date and time:**

2 December 2019, 4 hours

**Permitted sources:**

Mother tongue-English-mother tongue dictionary

**Lecturer:**

Birgit Leick

**The examination:**

The examination task comprises 4 (four) tasks. 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:** 23 December 2019

The examination results are available on the Studentweb.

## 1 Task 1: Theories and concepts on internationalization [30 points]

Read carefully the following newspaper article about the company 'Mellow Coffee', which has been retrieved from Insider Retail Hongkong, a specialised retail trade magazine for the country. Answer the questions below the article.

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### **Mellow Coffee eyes Hong Kong**

From March 19, 2019. Source: [Inside Retail Hong Kong](http://insideretal.hk) (insideretal.hk)

Chinese cafe chain Mellow Coffee plans to open its first outlet in Hong Kong later this year. The company says a Hong Kong debut is part of a broader international rollout strategy, which has begun with the opening of the chain's first outlet in Vietnam. Located on first floor of Deutsches Haus building on Le Duan Street in Ho Chi Minh City, the boutique has a classic cafe configuration with sofa seats.

Mellow Coffee plans to adapt its menu to local tastes as it enters new markets. For example, in Vietnam it has created a new concept called "coffee + light food", featuring salads, the traditional Vietnamese-style sandwich, the banh mi, and selected French desserts available all day. It also promises to bring three new products inspired by local culture, named "Saigon Impression", "Ice Lemon Juice", and "One Kaffee".

A second Vietnam store will launch by the end of this year. Mellow Coffee says it will open new stores in Los Angeles this August, and a Hong Kong launch will be "soon". The company currently has more than 80 stores worldwide, including in Shanghai, Beijing, Chongqing, Shenzhen, Singapore and South Korea.













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**Questions regarding the case of Mellow Coffee:**

1. One can argue that this company fits well the Uppsala internationalization model. Give an argument from the text why you would agree (**2 points**). Give another argument from the text why you would perhaps disagree (**2 points**). (**4 points**)
2. Then describe the following elements belonging to the theory/concept:
  - the core message of the theory/concept (**5 points**);
  - the key factors influencing a company's internationalization according to the theory/concept (**5 points**); and
  - critical views on the theory/concept (**5 points**). (**15 points**)
3. Now think back on the case company Mellow Coffee. Which regional markets would you expect as the next steps (**3 points**), and which market entry modes (or, more generally, market commitment) should they opt for next according to theory (**3 points**) ? (**6 points**)
4. Finally, name the two other internationalization theories or concepts you know from the course (**2x2,5 points = 5 points**)

**Total points: 30 points**

**Fill in your answer here.**

Format | **B** | *I* | U |  $x_2$  |  $x^2$  |  $I_x$  |  |  |  |  |  |  |  |  |  |  |  | 

Words: 0

Maximum marks: 10

## 2 Task 2: 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.

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

**Total points: 20 points**

**Fill in your answer here**

Format | **B** | *I* | U |  $x_2$  |  $x^2$  |  $I_x$  | | | | | | | | | | | | | |

Words: 0

Maximum marks: 20

## 3 Task 3: Entry modes to foreign markets [30 points]

Read Exhibit 9.1 below about the brand "Zara". Then answer the following questions which are partly related to this exhibit.

1. What are the general characteristics of "export modes", "intermediate modes" and "hierarchical modes" to foreign market entry? **(9 points)**
2. Give an example each of an intermediate and hierarchical market entry mode for international markets. An example for export modes is 'direct exports' or 'indirect exports'. Describe briefly two characteristics of the entry mode example. Feel free to use the exhibit. **(12 points)**
3. Give a comprehensive summary how the company Inditex chooses foreign market entry modes for its brand "Zara". **(9 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 | B | I | U | x<sub>2</sub> | x<sup>2</sup> | I<sub>x</sub> | [Image icons for undo, redo, copy, paste, list, link, unlink, table, link, unlink, link, unlink, link, unlink, link, unlink] | ABC | [Image icon for full screen]



#### 4 Task 4: Political-economic environment for global marketing [20 points]

This task will address the concept of 'bottom of pyramid' markets. You will find the questions below the example.

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An example for a company that targets such markets is the British-Dutch manufacturer Hindustan Unilever Limited (HUL), located in Mumbai, India. Back in 2001, HUL launched a New ayurvedic cosmetics brand *Ayush*, see the pictures below. At the time of the launch, the market for ayurvedic Products in India and globally was still limited. A market analysis for India showed that HUL should target all income-levels in India with the new ayurvedic products, including poor consumers.

(Source: Hindu Business Times, Blogs/Cases).













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Questions:

1. What is commonly understood by 'bottom-of-pyramid' markets? Give a correct and complete definition. (5 points)
2. Give two arguments why such markets represent attractive market opportunities for companies. (6 points)
3. Which conditions do companies, both Western multinational corporations and companies from emerging markets such as HUL, need to fulfill with their products or services in order to be successful on BOP markets and benefit from these market opportunities? Describe three main conditions. (9 points).

**Total points: 20 points.**

**Fill in your answer here**

Format | **B** | *I* | U |  $x_2$  |  $x^2$  |  $I_x$  |  |  |  |  |  |  |  |  |  |  $\Sigma$  | ABC | 

Words: 0

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Maximum marks: 10