

THE OPEN UNIVERSITY OF SRI LANKA  
 BACHELOR OF MANAGEMENT STUDIES (HONOURS)  
 DEGREE PROGRAMME  
 LEVEL 06  
 FINAL EXAMINATION -2019  
 INTERNATIONAL MARKETING – MSU6406/MCU4206  
 DURATION –THREE (03) HOURS

20



DATE: 18.01.2020

TIME: 1.30 P.M. – 4.30 P.M

INSTRUCTIONS:

ANSWER QUESTION NUMBER ONE (01) AND ANY THREE (03) OTHER QUESTIONS.

WRITE LEGIBLY

**QUESTION ONE**

Read the following case and answer the questions given at the end.

**Honda's Marketing Strategies in India*****The Launch***

In September 2004, Honda Motorcycle and Scooters India Limited (HMSI), the wholly owned subsidiary of the Japan-based Honda Motor Company Limited (HMCL), launched its first 150cc motorcycle named 'Unicorn.'

Priced at Rs 50,043 (ex-showroom price, Delhi), Unicorn had a four stroke 13.3 bhp engine with five gears.

The new bike was available in five colours and was designed to achieve a speed of 0 to 60 kmph in five seconds. Unicorn was promoted with the caption "Be a wing rider."

Targeted at youth, Unicorn looked sportier than all the existing motorcycles in the premium segment and was pitted against Bajaj Pulsar, the leader with 75 percent market share in that segment. The other bikes in this segment were TVS Fiero, LML's Graptor and Hero Honda's CBZ. HMSI expected sales of 56,000 units of Unicorn in the first year of launch.

The Indian two-wheeler industry, traditionally considered a scooter market, witnessed a gradual migration towards motorcycles from the 1990's. When HMSI was incorporated in late 1999, the Indian motorcycle market was booming, compared to the scooter market.

Still, SI announced that it would initially concentrate only on the scooter market and would enter the motorcycle market in 2004, the year when the HMCL joint venture agreement with the Hero Group was due for revalidation. HMSI was credited for reviving the scooters market in India. Within three years of commercial operation, HMSI emerged as the market leader in the scooters segment.

The company's scooter models included Activa, Dio and Eterno. Appreciating the efforts of the company, Veeshal Bakshi, an analyst with Financial Express, a leading business daily in India, said, "Honda has stirred the Indian automobile markets in many ways. Its wholly owned subsidiary Honda Motorcycle and Scooter India (HMSI) single handedly revived the two-wheeler scooter market, at a time when even the likes of Bajaj were unable to prevent the slide in scooter sales."

### ***Background Note***

The history of HMCL could be traced back to 1946, when Soichiro Honda, a mechanical engineer, established the 'Honda Technical Research Institute' in Hamamatsu, Japan.

The idea was to develop and later produce small two-cycle motorbike engines. Honda's first product, an A-type 50cc bicycle engine, was produced in 1947.

In 1948, HMCL was incorporated with a capital of one million yen. Soon, the company started to design and produce lightweight motorcycles.

Honda's first motor cycle, D-type two stroke 98cc, was produced in 1949. In the early fifties, the headquarters of the company was shifted from Hamamatsu to Tokyo and the company got listed on the Tokyo Stock Exchange. In 1959, the American Honda Motor Company Inc. was established in Los Angeles.

The American venture started modestly with a staff of six and sales figure barely touching 200 motorcycles.

In 1963, American Honda launched the "You meet the nicest people on a Honda" advertising campaign, which revolutionized the US motorcycle industry.

A few years later, Honda established motorcycle assembly plants in Germany and Belgium.

During the 1960s, HMCL expanded its product line by introducing light trucks, compact cars, out board motors, power generators and several new models of motorcycles and motor scooters.

New production units were started in Thailand, UK, Malaysia and cumulative motorcycle production reached 10 mn units by 1968. During the 1970s, HMCL entered the Philippines, Indonesia and Brazil...

### **Excerpts**

#### ***The Product Launch***

After coming out of the joint venture with KEL, HMCL planned to introduce its own two-wheelers in the market. In October 1999, in a major strategic initiative, HMCL established HMSI. The company made an initial investment of Rs 3 bn to establish a plant with an annual production capacity of 200,000 units...

## **Activa**

Launched in 2001, Honda Activa was the first scooter model of HMSI for the Indian market. A 102 cc scooter, Activa was specially designed keeping in view the needs and preferences of Indian consumers who expressed that the conventional Indian scooter was too big and difficult to handle and that the scooterette was too small and similar to a moped...

## **Dio**

Dio was launched in 2002 as the first motoscooter in the Indian market...

### ***The Marketing Strategy***

Thanks to the success of its joint venture with Hero Group and KEL, 'Honda' was already a household name in India. Hence, rather than putting major efforts into brand building, HMSI's marketing strategy emphasized on offering innovative products at competitive prices, novel promotional campaigns and developing an extensive distribution network...

### ***Looking Ahead***

After the launch of Unicorn, HMSI announced plans to introduce a 135cc motorcycle in 2005. Confirming this, Yukihiro Aoshima, COO and MD, HMSI said, "The Unicorn is just the beginning.... We do not want to restrict ourselves to any specific category.

We would like to have full line-up covering right from the entry level low-cost motorcycle to a motorcycle for people with strong taste and fun elements into it." With plans to launch its own motorcycles in India, analysts feared that HMCL may not renew its ties with the Hero Group.

**Source :** <https://www.icmrindia.org/casestudies>

- a) Discuss the importance of understanding the needs, wants and demand of customers in offering a product to an international market. (25Marks)
- b) In the above case of Honda introducing its products to India how would you evaluate their strategies in terms of adapting it to the local needs? (15Marks)

(Total 40 Marks)

## **QUESTION TWO**

- a) What are the key decisions an already existing exporter has to be involved in when entering a foreign market? (08 Marks)
- b) Explain the four steps of the planning process of entering a foreign market with an example. (12 Marks)

(Total 20 Marks)

**QUESTION THREE**

You are recruited as the Research Officer of Fruits and Vegetables, a leading exporter in Sri Lanka. Due to financial constraints you have been asked to cut down expenses on research. Write a report to the Senior Management explaining how important it is to conduct marketing research when you are operating internationally. (20 Marks)

**QUESTION FOUR**

- a) Explain with logical arguments the mode of entry you would suggest a particular company to choose when it is poor in its financial and managerial capacity of serving a foreign market. (10 Marks)
- b) Discuss the advantages and disadvantages of using the Letter of Credit over other modes of payment.

(10 Marks)  
(Total 20 Marks)

**QUESTION FIVE**

Write short notes on the following

- a) Sales Contract
- b) Free On Board (FOB)
- c) Stages theories of Internationalization
- d) Multi National Corporations (MNC's)

(Total 20Marks)

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