



THE OPEN UNIVERSITY OF SRI LANKA
BACHELOR OF MANAGEMENT STUDIES DEGREE PROGRAMME
LEVEL 06
FINAL EXAMINATION - 2011
INTERNATIONAL MARKETING- MCU4206
DURATION: THREE (03) HOURS

DATE: 13.03.2011

TIME: 1.30 P.M TO 4.30 P.M

INSTRUCTIONS

- Answer four (04) questions in all including question No. ONE (1).

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

Q1. The past century saw rapid growth of multinational companies around the globe. Along with the tide of globalization, these companies are compelled to deal with customers in different cultures. China, boosting a remarkable economic growth in the past two decades, stands out under the spotlight of international business. Many multinational companies have joined the competition to attract Chinese customers. There have been losers and winners. IKEA is now on the right track. IKEA entered the Chinese market in 1998 by first opening a shop in Shanghai, the financial centre of the country and are now ready to expand further.

Originating from a small village in the south of Sweden in 1943, IKEA has grown into the biggest furniture retailer with 253 stores in 37 countries and territories around world. IKEA offers a whole range of products, almost everything you need for your home. The same category of products, for example, sofas, IKEA designs models with different features. Some sofa models are even provided with different covers to choose from. IKEA is positioned as selling at affordable price and offering reasonable quality. In order to cut down the costs, IKEA does not wrap its products fancily but with simple and environmental friendly material.

The company's attempts in the Chinese market started from Shanghai in 1998, when its first store in Mainland China was opened. During the next 9 years, IKEA took its time, getting to know the Chinese customers. Ian Duffy, IKEA's CEO of Asia-Pacific region, once said IKEA's localization in China is to appeal to Chinese customers' taste. For example, the range of products offered in the Chinese market should match the customers' preference. The showrooms should be designed and arranged

in accordance with a Chinese style. In fact, IKEA's product policy pays much attention to the Chinese style and integrates the set of product attributes accordingly and effectively. According to IKEA Shanghai's website, it offers over 7,900 products compared with around 10,000 in Malmö, Sweden. Both shops roughly categorize their products into 21 ranges. Interestingly, the whole range of flooring material is missing at IKEA Shanghai whilst Swedish food stands out as a respective category. Although not produced by IKEA, Swedish food and drinks successfully differentiate IKEA from its competitors in the Chinese market. While emphasizing its Swedish origin, IKEA also takes into consideration the Chinese style of cooking and eating. IKEA Shanghai provides 3 kinds of meat cleavers and 3 kinds of chopsticks together with Western style of knives and forks. Anders Dahlvig, IKEA's CEO, points out in an interview that 5% of the products IKEA sells in China is for China only, in contrast to 1% in IKEA's European market. In contrast with the traditional Chinese furniture, which is darker and sometimes with fancy carvings, IKEA's design introduces a lighter and much simpler style. Simplicity is a virtue, stated by IKEA. Given the fact that IKEA designs all its products, the company can be flexible when trying to fit its products to the Chinese market. In the past few years before Chinese New Year, IKEA would release a series of products as a nod to the coming lunar year. Chinese New Year is called The Spring Festival in Chinese, which is the most important festival for the Chinese people and is when all family members get together, just like Christmas in the West. Chinese people decorate their homes featuring an atmosphere of rejoicing and festivity (Ministry of Culture, P. R. China). At the beginning of 2006, a red rooster appeared on many IKEA products, greeting the year of the Rooster. This move had won IKEA many customers. The victory was to be resumed from December 2006, the products of series FANBY featuring red pigs went home with many Chinese customers who wanted to bring a new look to their home, welcoming the coming year of the Pig. The colour red has been carefully chosen for the Chinese New Year series because red suggests good fortune in China (Copeland and Griggs 1986) and is commonly used in decorations to bring good luck.

Source: Ying Pan, (2005), Lund University, Centre for East and South-East Asian Studies

- a) Comment on IKEA's efforts taken to adapt to the Chinese market. (10 marks)
- b) Suppose IKEA is planning to expand its operations to the Sri Lankan market. Provide your own suggestions as to how they will have to change their marketing mix strategies to suit the Sri Lankan customer in general. (30 marks)

(Total 40 marks)

Q2 Explain in detail how Cavusgil and Nevin have identified the process of "internationalization".
(20 marks)

Q3 a) Why do marketers need information at the stage of preliminary country analysis?
(05 marks)

b) Explain how the market audit provides this information to a marketer who plans to operate internationally.
(15 marks)

(Total 20 marks)

Q4 a) List the main types of Letters of Credit used in international transactions.
(05 marks)

b) Explain why you would choose a Letter of Credit in international transactions.
(15 marks)

(Total 20 marks)

Q5 Briefly explain any **four (04)** of the following.

- a) Free trade area
- b) Country category effect
- c) Pro-forma invoice
- d) The World Trade Organization
- e) The Marketing Plan

(04x05= 20 marks)