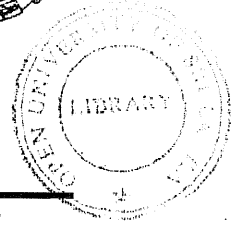


THE OPEN UNIVERSITY OF SRI LANKA
 COMMONWEALTH EXECUTIVE MASTER OF BUSINESS/PUBLIC
 ADMINISTRATION PROGRAMME
 FINAL EXAMINATION- 2009
 INTERNATIONAL MARKETING – MCP 2613
 DURATION THREE (03) HOURS



DATE: 07.03 2009

TIME: FROM 9.30 A.M TO 12.30 P.M

INSTRUCTIONS

01. Answer FOUR (04) questions in all including question No. 01(one).
02. Write legibly and to the point.

01. Carefully read the case below and answer the questions given at the end of the case, using your knowledge about the importance of understanding the global marketing environment.

Euro Disney (A)

Based on the company's success in the United States and Japan, Eisner, chairperson of Walt Disney Company had vowed to make Euro Disney located outside of Paris, the most Lavish project that Disney had ever built. Eisner was obsessed with maintaining Disney's reputation for quality and he listened carefully to the designers who convinced them that Euro Disney would have to brim with detail to compete with the great monuments and cathedrals of Europe. Eisner believed that Europeans, unlike the Japanese, would not accept carbon copies. Construction of the park alone (excluding the hotels) was approaching \$ 2.8 billion. In developing Euro Disney Eisner had learned from some of the mistakes made on other projects. For example, in Southern California. Disney let other companies build the hotels to house visitors and in Japan, Disney merely collected royalties from the park rather than having an equity ownership stake.

The company's annual report for 1993 said that Euro Disney was the company's ".....first real disappointment" since Eisner had taken over in 1984. Eisner's defense had been to publicly blame the performance on external factors including the severe European recession, high interest rates and strong French franc.

The initial 30 year business plan for Euro Disney was done in the typical detailed and methodological Disney fashion. Over 200 locations in Europe were examined before selecting the site just outside Paris, with Paris being Europe's biggest magnet for tourism. A huge potential population could get to Euro Disney quickly.

European Population proximity to Euro Disney

Population (millions)	Time to Euro Disney
17	2- hour drive
41	4- hour drive
109	6- hour drive
310	2- hour flight

European vacation habits were also studied. Whereas Americans average 2 to 3 week's vacation, French and Germans typically have 5 weeks' vacation. Longer vacations should translate into being able to spend more time at Euro Disney.

The French government was spending hundreds of millions of dollars to provide rail access and other infra structure improvements. Within 35 minutes potential visitors could get to the park from downtown Paris. The opening of the Channel Tunnel in 1993 would make the trip from London 3 hours and 10 minutes. While the weather in France was not as warm as that in California or Florida, waiting areas and moving side walks would be covered to protect visitors from wind, rain and cold. Tokyo Disney had been built in a climate similar to Euro Disney and the company had learned a lot about how to build in a climate similar to Euro Disney and the company had learned a lot about how to build and run a park in a climate that was colder and wetter than those of Florida and California.

The attractions themselves would be similar to those found in the American parks, with some modifications to increase their appeal to Europeans. Discoveryland , for example, would have attractions based on Frenchman Jules Verne's science fiction: theatre with a 360 – degree screen would feature a movie on European history. The park would have two official languages, English and French: a multilingual staff would be on hand to assist Dutch, German, Italian, and Spanish visitors. Basically, however, Euro Disney's strategy was to transplant the American park. Robert Fitzpatrick, a U.S. citizen with extensive ties to France and the chairperson of Euro Disney felt “ it would have been silly to take Mickey Mouse and try to do surgery to create a transmogrified hybrid, half French and Half American.”

Other aspects of the American parks would also be transferred to France. These include Main Street U.S.A. and Frontierland, as well as Michael Jackson's Captain EO 3D movie. Like the American parks, wine and other alcoholic beverages would not be served.

Fitzpatrick's greatest fear was “...that we will be too successful” and too many people would come at peak times, forcing the park to shut its gates.

Euro Disney was just the cornerstone of a huge real estate development planned by Disney in the area. Initially, the area was to have 5,200 hotel rooms, more than are available in the entire city of Cannes. The number of rooms was expected to triple after a second theme park opened in the area. Subsequent phases of the plan also included office space that would rival the size of France's largest office complex, La Defence in Paris. Other plans showed shopping malls, golf courses, apartments, and vacation homes. Key to the plan's financial success was that Euro Disney would tightly control the design and build almost everything itself and then sell off the completed properties at a large profit.

The Japanese experience

Tokyo Disneyland had been open about 11 years and had been drawing larger crowds than the U.S. parks. Located less than 10 miles from Tokyo, the park drew over 16 million visitors from

throughout Asia in 1993. Tokyo Disneyland is a near replica of the American original. Most of the signs are in English, with only occasional Japanese; the Japanese flag is never seen but variations on the Stars and Stripes appear throughout the park. A Tokyo University Professor wrote that the “Japanese who visit Tokyo Disneyland are enjoying their own Japanese dream, not the American dream. In part, this is because the park is so sanitized and precise in how it depicts an unthreatening, fantasy America that it has become totally Japanese, just the way that Japanese want it to be. “It has been compared to the Japanese garden , which is a controlled and confined version of nature that becomes more satisfying and perfect than nature itself. The Japanese Disneyland, some, say, outdoes the American parks because it is probably cleaner due to the Japanese obsession with cleanliness.

Tokyo Disneyland opened in 1983, a period in which the Japanese economy was especially strong. During that time period, the United States was perceived as a model of an affluent society. At the same time, as a result of its growing affluence, Japan was starting to feel part of world culture. Tokyo Disneyland became a symbol of for many people of Japan’s entry into world culture. Notoji, the Tokyo University Professor Further commented “...the fakeness of (Tokyo) Disneyland is not evident because (the Japanese) only had fantasy images of the things before” while “ Europeans see the fakeness because they have their own real castles and many of the Disney characters come from European folk tales.”

Euro Disney problems

While attendance was initially strong at the park, the length of the average stay was considerably different than at the U.S. parks. Europeans stayed in Euro Disney an average of 2 days and night, arriving early in the morning of the first day and checking out early the next day. By comparison, the average length of the visit in the United States was 4 days. In large part, this was because the American parks in Florida and California had multiple parks in the immediate areas, while there was only one park at Euro Disney.

Attendance at the park was also highly seasonal, with peaks during the summer months than European children had school vacations and troughs during non vacation periods. Unlike American parents who would take their children out of school for vacations, European parents were reluctant to do this. Europeans were also accustomed to taking one or more longer vacations, while Americans favoured short mini- vacations.

Revenues from food were also significantly lower at Euro Disney compared with the other parks. Three of the reasons that had been identified just after the park had opened were related to misunderstandings about European lifestyles. The initial thinking was that Europeans did not generally eat a big breakfast and, as a result, restaurants were planned to seat only a small number of breakfast guests. This proved incorrect, with large numbers of people showing up for fairly substantial breakfast and, as a result , restaurants were planned to seat only a small number of breakfast guests. This proved incorrect, with large numbers of people showing up for fairly substantial breakfasts. This problem, too, had been taken care of by reducing the prices at the fast food restaurants. At the U.S.

parks, alcohol was not served, in keeping with the family oriented values. The decision not to serve alcohol at Euro Disney failed to account for the fact that alcohol is viewed as a normal part of daily life and a regular beverage with meals. This error, too, was rectified after it was discovered.

Revenues from souvenir shop sales were also considerably below those in the other parks, particularly Tokyo Disneyland. In Japan, great value was placed on purchasing a souvenir from the park and giving the souvenir as a gift to friends and family upon one's return home. Europeans were far less interested in purchasing souvenirs.

In the initial design of the project, it was assumed that Europeans would be like Americans in terms of transportation around the park and from the hotels to the park attractions. In the United States, a variety of trains, boats, and tramways carried visitors from the hotels to the park. Although it was possible to walk, most Americans chose to ride. Europeans, on the other hand, chose to walk rather than ride, leaving the vehicles significantly underutilized. While not directly affecting revenue, the capital as well as ongoing costs for this transportation were considerable.

It was also assumed, given the automobile ownership statistics in Europe, that the majority of visitors would drive their own cars to Euro Disney and that a relatively small number of tourists would arrive by bus. Parking facilities were built accordingly, as were facilities for bus drivers who would transport passengers to the park. Once again, the initial planning vastly underestimated the proportion of visitors who would arrive by bus as part of school, community, or other groups. Facilities for bus drivers to park their buses and rest were also inadequate. This, too, was a problem that was initially solved.

Given the location in middle to northern Europe and the fact that there were only about six months of temperate weather when it was truly pleasant to be outside, the park was clearly sited in a location that did not encourage visitors on a year-round basis. Although accommodations were made, the fact that off season visits had to be heavily discounted and promoted to groups to get even reasonable attendance still represented a major problem that needed to be corrected. Whether through pricing changes or the development of other attractions or other marketing and promotional vehicles, attendance in the off-peak months had to be increased.

The location east of Paris rather than to the west, was also something that could not be rectified. It was reported that this was again related to overconfidence on the part of the initial planning team., which thought that even though most Parisians who would visit the park currently live west of the city, the longer - term population growth would be in the east. Consequently, it was felt that the park should be built in the east. Again, they noted, Disney executives disregarded the initial advice of the French.

Disney did not understand the differences in U.S. versus European labour laws. In the United States, given the cyclical and seasonality of the attendance at the parks, U.S. workers were scheduled based on the day of the week and time of year. This provided U.S. management with a high degree of flexibility and economy in staffing the park to meet peak visitor demand. French labour

laws, however, did not provide this kind of flexibility and, as a result, management could not operate Euro Disney as efficiently and labour costs were significantly higher than the U.S. parks.

Among the mistakes in pricing were charging \$ 42.25/day for admission to the park compared with a \$ 30 daily fee for the U.S. and Tokyo parks. Hotel prices were set similarly, with a room costing \$ 340, equivalent to a top hotel room in Paris. Inside the park, food prices were also too high.

[Extracted from, Global Marketing Management (Keegan,2008,pp115-119)]

- (i) What did Disney do wrong in the planning for Euro Disney?
(20 marks)
- (ii) What recommendations would you make to Disney to deal with the problem of Euro Disney ?
(20 marks)

(Total 40 marks)

02 You are a manager of a garment producing organization. For the past few years the company was offering its products only to the local market. Recently the company has decided to move to foreign markets considering its excess capacity. Now you are appointed the Manager of International Operations and has been assigned with a project to help the company in the decision of selecting suitable market/s.

Explain how you would carryout this exercise, using examples where necessary.

(Total 20 marks)

03. Briefly explain two of the methods available for an organization to enter a foreign market, highlighting the pros and cons of each such method.

(Total 20 marks)

04. (i) Briefly outline the basic steps of the marketing research process.
(05 marks)

(ii) Explain the above process using a hypothetical example of your choice.
(15 marks)

(Total 20 marks)

05. 'Multinationals', 'International firms', 'Global firms' and 'Transnationals' are four types of international organizations.

(i) Briefly explain how they differ from one another. (10 marks)

(ii) Briefly explain the characteristics a firm should possess for it to be called a "transnational". (10 marks)

Total 20 marks)