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Eastern University, Sri Lanka
Faculty of Commerce & Management

Final Year Second Semester Examination in BBA /Specialization in Marketing
Management

2011/2012 (June 2014) (Proper)

MKT 4063 International Marketing

Answer all questions

Time: 03 Hours

Q1. Read the following case study and answer the questions given below.

**PLANET RALPH: THE GLOBAL MARKETING STRATEGY OF
POLO RALPH LAUREN**

Polo Ralph Lauren (PRL) is a highly successful US company. The thirty-fifth anniversary of the company has been covered in glowing terms across the globe. For example, Ralph Lauren was interviewed for the prestigious British broadsheet, The Sunday Times, followed by a lecture at The British Museum in London. Vogue magazine profiled Lauren as “The Man Behind the Mega-Brand” while making the cover of both GQ (as a Man of the Year) and Architectural Digest. Time magazine presented Ralph Lauren as “A Bronx Cowboy in Europe,” outlining Lauren’s rise from Bronx kid Ralph Lifschitz to world-famous designer Ralph Lauren.

Today’s world of luxury in fashion

The primary customers for luxury products tend to be women aged between 30 and 50 in the upper income brackets, where the household earns over \$100,000. In the USA, this categorization accounts for over fifteen million households. In the upper-middle category (with household incomes of \$75,000 to \$100,000), there are an additional twelve million households. However, in what has come to be termed the “democratization of luxury,” people in all income brackets want to participate in the luxury market, even if that means buying nothing more than a \$4 chai latte at Starbucks, or a \$20 scarf at Gucci. Ralph Lauren recognized this when he described the desire for luxury as “aspirational.”

The Polo Ralph Lauren concept

PRL is a family-controlled company, in that its Chairman and CEO is designer and founder Ralph Lauren. However, the company is quoted publicly on the New York Stock Exchange. The company derives its revenues from three sources:

retail, wholesale, and licensing. The retail segment operates over 236 outlet and full-price stores, including the magnificent flagship stores in Manhattan, London, Paris, Boston, and Brussels. Retail sales contributed almost \$1 billion to revenue in 2002.

The wholesale segment consists of two units: Polo Brands and Collection Brands, with each unit selling its own discrete brands to department and specialty stores, and to PRL owned and licensed retail stores. This segment is responsible for the majority of the corporation's net sales (almost \$1.2 billion in fiscal year 2012). The licensing segment accounts for almost 10 percent of total sales, generating revenue from royalties through licensing alliances, whereby the licensee is granted the right to use the company's trademarks in connection with manufacturing and sale of certain products in specific geographical areas. As a result of a corporate strategy of increasing its global presence, PRL acquired its Italian licensee, Poloco S.A.S., thus allowing for greater integration of its European wholesale operations.

The Polo Ralph Lauren strategy

PRL intends to grow by brand extension and by globalization. In its brand extensions, the company aims to expand by "creating luxury and lifestyle brands that inspire people to live their dreams." The company has developed apparel labels which segment the upper end of the luxury market into Purple Label, Women's Collection and Black Label, and in its home furnishings division it has developed the Ralph Lauren Home collection. At a lower price point, Polo Blue Labels have been developed, and will be distributed exclusively in PRL stores in the USA, and in specialty stores in Europe, Asia, and Australia. In arrangements with its licensees in department stores, the company has developed Lauren for women and Lauren bedding and bath products. The recently acquired Club Monaco concept (formerly a fifteen-category Canadian company) has been rationalized to three categories of men's, women's, and accessories.

This brand extension strategy has required, and will continue to require, a very large advertising budget. The company uses a combination of television and multi-page magazine advertising, intended to illustrate the luxurious aspect of the brands. Advertising expenses in 2012 amounted to almost \$80 million, or approximately 4 percent of net sales.

The global strategy

Based on a belief that there are enormous opportunities in Western Europe the company has plans to open new Ralph Lauren stores in Europe through the next several years. Similarly, development is planned in Asia, specifically in Japan, Hong Kong, and Korea, these latter countries being managed by licensed partners.

Currently, the USA accounts for almost 73 percent of company sales. Europe and Japan represent approximately 10 percent each, and Canada, Korea, Australia, and other small markets account for the remaining 7 percent of sales. Thus in the past Lauren has relied heavily on US sales. Much of this has come from department stores.

Questions:

1. Illustrate the importance of Brand Extension Strategy in international marketing environment.

(Marks 04)

2. Considering the facts in this case-study describe the term 'Cultural Similarities', with an example.

(Marks 05)

3. Will the PRL form of lifestyle marketing that can be succeed globally? Support your argument.

(Marks 06)

4. In your view which brand would present the best global opportunities for PRL? Briefly explain your answer.

(Marks 07)

(Total 22 Marks)

Q2. i) Public sources of market information are numerous. What are the public sources of information? Describe them with example.

(Marks 04)

ii) International companies have several options in financial institutions that have the capability of dealing in international finance. Briefly explain International Marketing Financial Sources with examples.

(Marks 06)

- iii) International Product Life Cycle (IPLC) theory has the potential to be a valuable framework for marketing planning on a multinational basis. Explain the IPLC stages with suitable example.

(Marks 08)

(Total 18 Marks)

- Q3. i) 'Many different factors come into play when setting prices for the same product in different countries'. Describe the major influential factors with suitable examples.

(Marks 04)

- ii) 'To enter into a foreign market a manufacturer has a number of strategic options, each with its own strengths and weaknesses. Many companies employ multiple strategies'. Briefly analyse this statement with examples of your own.

(Marks 07)

- iii) 'Hofstede's Cultural Dimensions – the most comprehensive study of how values in the workplace are influenced by culture'. Describe the four primary dimensions to assist in differentiating cultures.

(Marks 07)

(Total 18 Marks)

- Q4. i) 'Attitude is the learned tendency to respond to an object in a consistently favourable or unfavourable way'. Identify few properties of attitudes.

(Marks 05)

- ii) 'To advertise overseas, a company must determine the availability of advertising media'. Briefly discuss the advertising media that are available and the advantages of international advertising.

(Marks 08)

- iii) 'Global structures have grown out of competitive necessity'. Describe the basic types of global structures that are available with suitable example.

(Marks 09)

(Total 22 Marks)

- Q5. i) 'Country of Origin influences the consumers'. Give your justification for your statement with example.

(Marks 03)

ii) Differentiate licensing from franchising. And briefly explain the advantages and disadvantages of each with suitable examples.

(Marks 05)

iii) 'A company is subject to the risk of doing business internationally'. Briefly explain the challenges of International Marketing.

(Marks 06)

iv) Briefly describe the importance of packaging and explain the factors that should be considered when going for 'Global Packaging'.

(Marks 06)

(Total 20 Marks)