Postgraduate Diploma in Marketing
December 2019 Examination
Managing Global Marketing (MGM)

Date: 19 December 2019

Time: 1300Hrs – 1600Hrs
Duration: Three (03) Hrs

Total marks for this paper is 100 marks.

There are two parts in this question paper. All questions in Part One are compulsory.

It includes a mini case.

Part Two includes 6 Essay Type Questions. Answer 03 questions from this part.

Instructions to candidates

1. State your Registration Number on the front cover of the answer book and on each and every additional paper attached to it. Your name must not appear anywhere in the answer book or answer scripts.

2. Always start answering a question on a new page.

3. You are reminded that answers should not be written in pencil or red pen except in drawing diagrams.

4. Answer the questions using:
   - Effective arrangement and presentation
   - Clarity of expression
   - Logical and precise arguments
   - Clear diagrams and examples where appropriate

5. Illegible handwriting and language errors will be penalised.
PART ONE

Answer all questions

Question 01: Case Study

The world’s best-known cosmetics companies are setting their sights on a lucrative new market segment: the emerging middle classes in countries such as Brazil, Russia, India, and China. For example, the Chinese spent $10.3 billion on cosmetics and toiletries in 2005; that figure has doubled in the last few years. Not surprisingly, marketers at L’Oréal, Procter & Gamble, Shiseido, and Estée Lauder Companies are moving quickly. William Lauder, president and CEO of Estée Lauder, calls China a “$100 billion opportunity.” Noting that there is no “one-size-fits-all” ideal of beauty, cosmetics marketers pride themselves on sensitivity to local cultural preferences.

“You can’t just import cosmetics here. Companies have to understand what beauty means to Chinese women and what they look for, and product offerings and communication have to be adjusted accordingly. It’s a lot harder than selling shampoo or skin care.”

- Daisy Ching, regional group account director for Procter & Gamble, Grey Global Group

Market research is critical to understanding women’s preferences in different parts of the world. According to Eric Bone, head of L’Oréal’s Tokyo Research Centre, “Japanese women prefer to use a compact foundation rather than a liquid one. Humidity here is much higher and the emphasis is on long-lasting coverage.” Armed with this knowledge, L’Oréal devotes more development time to compacts rather than liquids. The researchers have also learned that the typical Japanese woman cleanses her face twice a day.

In China, L’Oréal and its competitors have an opportunity to educate women about cosmetics, which were banned prior to 1982. Each year, L’Oréal observes and films 6,000 Chinese women applying and removing makeup. Alice Laurent, L’Oréal’s skincare development manager in Shanghai, says, “In China, the number of products used in the morning and the evening is 2.2.” At its Shanghai Innovation Centre, L’Oréal is also studying how to incorporate traditional Chinese medicine into new product lines.

L’Oréal offers a wide range of products in China, including both mass-market and premium brands. The company pursues a localization product strategy, with more than 80 percent of its Asian products developed specifically for the region. L’Oréal’s Lancôme luxury brand is typically sold in exclusive shopping districts that have upscale shops and luxury malls. L’Oréal has also capitalized on the opportunity to target a new demographic: Chinese men. The Chinese market for men’s skincare products is growing much faster than the market for women’s skincare. Many of the purchases are made by women during shopping trips when couples go out together. Increasing numbers of Chinese men view appearance as a key to success, with skincare products playing an important role in male grooming.

Although mass-market cosmetic lines are exhibiting slow growth, the demand for luxury cosmetics is growing rapidly. This is especially true outside of China’s main metropolitan centres. Consumers in Tier 1 cities such as Beijing and Shanghai have the highest incomes, but these cities represent only about 9 percent of China’s population. As these markets become saturated, L’Oréal and other cosmetics marketers are targeting Tier 2 provincial
capitals such as Nanjing. Tier 3 cities such as Zhenjiang are typically prefectural centres; China has approximately 260 such cities, with a combined population of more than 200 million people. An additional 300 million people live in Tier 4 and Tier 5 cities. Stéphane Rinderknech, a L’Oréal general manager based in China notes that, “Three-quarters of China’s urban population live outside Tier-One and Tier-Two cities and they account for two thirds of retail sales.”

Estée Lauder’s focus is on expensive prestige brands such as Estée Lauder, Clinique, and MAC, which are sold through upmarket department stores. Like its competitors, Lauder is achieving growth in China by targeting new cities. As a company spokesperson explained, “More of Estée Lauder’s growth is expected to come from expansion and awareness-building in tier-two and three cities as tier-one cities begin to mature.”

One research analyst cautions that Estée Lauder’s targeting and positioning may be too narrow for China. According to Access Asia, Estée Lauder “is in danger of becoming too exclusively placed at the top end of the market and it may have to reposition itself more in the mass market to compete for a larger part of the Chinese market.”

Estée Lauder’s Carol Shen disagrees with that assessment. She views her company’s brands as aspirational. “Chinese consumers are price sensitive but at the same time are willing to invest in products that are relatively expensive versus their income levels because they are so confident about the future,” she says. Shen’s views are shared by other industry leaders. As CEO William Lauder explains, “The Estée Lauder brand in China is exploding right now because it represents aspirational luxury but at a price that’s much more affordable than Louis Vuitton.” Nicolas Hieronimus, president of L’Oréal Luxury, concurs: “We’re not in the super-premium luxury world. We are not selling €10,000 watches, but €300 creams at best.”


a) Referring to the above case study, discuss the importance of global market segmentation for a company in the global cosmetics market. (08 Marks)

b) Describe the possible market research techniques global cosmetic giants could practise in Japanese and Chinese markets. (08 Marks)

c) Explain different segmentation and targeting strategies used by different players in the global cosmetics market as mentioned in the case. (12 Marks)

d) Assess Estée Lauder’s Strategy for China. (12 Marks)

(Total 40 Marks)
PART TWO
This part includes SIX (06) Essay Type Questions
Answer THREE (03) Questions

Question 02
a) “A Senior manager of a well-known international company, is in a view that there is no difference between international marketing and global marketing”. Respond to this argument, by highlighting the differences between the two. (08 Marks)

b) “Culture can be identified as one of the most critical aspects that global marketers need to pay their attention. Right understanding regarding the culture leads to success while not responding to cultural implications leads to blunders in the global marketplace”.

By using appropriate examples, discuss the validity of the above statement. (12 Marks)
(Total 20 Marks)

Question 03
a) Briefly describe four (04) strategies for smaller local firms to compete with powerful multinationals. (08 Marks)

b) Identify and briefly explain possible political risks any global / international player operating in the Sri Lankan market is likely to encounter. Suggest suitable strategies to overcome such political risks. (12 Marks)
(Total 20 Marks)

Question 04
‘Sereen Foods PLC’ is a well-established biscuit and confectionary manufacturer operating in the Sri Lankan market. Having identified market opportunities in the global marketplace, Board of Management of Sereen has decided to expand its operations globally. Initially, it expects to expand its operations to Indian market. However, right now, the company is not in a position to do a huge investment in this new move. Also, India has put some restrictions on 100% foreign owned investments.

a) Suggest and briefly explain two (02) suitable market entry strategies for ‘Sereen Foods PLC’ to enter to the Indian market. (08 Marks)

b) Discuss the three aspects ‘Sereen Foods PLC’ need to examine to understand the Indian market. (12 Marks)
(Total 20 Marks)
Question 05
a) “Standardization versus adaptation is a widely debated topic in global marketing. Some are claiming that standardization is superior while others are claiming that adaptation is superior”. Discuss the validity of the above statement by using appropriate examples.

(08 Marks)

b) ABC Plantations (Pvt.) Ltd. is a leading tea manufacturer and marketer which offers few tea brands targeting Sri Lankan market. Currently, the company is in a view of developing a tea brand focusing on the global marketplace. Advise ABC Plantations regarding branding decisions the company need to take to develop an appealing tea brand.

(12 Marks)

(Total 20 Marks)

Question 06
a) “Right distribution strategies are also playing a significant role in the success of global marketing strategies”. Briefly describe the factors global marketers need to consider when selecting distribution channel members.

(08 Marks)

b) “During last ten years, it is observed that global consumers’ media consumption (usage) has changed significantly”.
   I. Do you agree with the above statement? Justify your answer.

(06 Marks)

II. Under the above context, what are your suggestions for marketers who wish enter to the global marketplaces.

(06 Marks)

(Total 20 Marks)

Question 07
Write brief descriptions on four (04) of the followings.
   a) Group of seven (G 7)
   b) High-context culture
   c) Global theme approach
   d) Transaction risk
   e) Polycentric orientation

(Total 20 Marks)

(Total 60 Marks)

(Total 100 Marks)

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