MMS - III
Marketing
International Marketing.

29-10-2010,

IM 03

Roll No.:
Total No. of Questions: 7
Duration: 3 Hours

Total No. of Printed Pages: 05
Maximum Marks: 60

Note: Q.1 is Compulsory (Case Study: 20 Marks)
Solve any 4 Questions from Q.2 to Q.7 (10 Marks Each)

Q.1: Case Study 1: Global Product Strategy of Philips

Q.2: (a) What should be the strategy of export pricing in the Indian context?
(b) ABC Co. is manufacturing a cycle component. It is producing at Present 375,000 units. It's maximum capacity is 500,000 units. An importer from West Germany has offered to buy 100,000 units at Rs.10.50 per unit.(Regular Selling Price -- Rs.12.90 per unit)
The standard cost sheet per unit is as follows:

Direct Materials	Rs.2.40
Direct Labour	Rs.5.00
Variable Overhead	Rs.1.50
Fixed Overhead	Rs.2.40
Total Cost	Rs.11.30

(i) Would you advice the company to accept the order?
(ii) Would your advice be different if the offer called for 250,000 units in place of 100,000 units?

Q.3: Discuss the protectional and promotional aspects of packaging for international markets. What are the problems faced by Indian exporters in this connection?

Q.4: Explain marketing Plan elements for export with suitable example.

Q.5: What is a Letter of Credit? How does it help in financing foreign trade? Explain the operation of a Letter of Credit.

Q.6: Explain the various terms of payment used in foreign trade. As an Exporter, which one would you consider as the most secure? Why?

Q.7: "Credit is a major weapon of international competition, but it involves Risks." Discuss this statement suggesting how these risks can be reduced.

Case 21 — GLOBAL PRODUCT STRATEGY OF PHILIPS

Royal Philips is the world's third largest consumer electronics firm, following market leaders Matsushita and Sony. The Philips brands include Philips, Norelco, Marantz, and Magnavox. The company was established in 1891 in Eindhoven, in the southern region of the Netherlands, primarily as a manufacturer of incandescent lamps and other electrical products. The company first produced carbon-filament lamps and, by the turn of the century, it had become one of the largest producers in europe. Later, the company diversified into many other areas, such as electronics, small appliances, lighting semiconductors, medical systems, and domestic care products, among others. The company headquarters moved to Amsterdam in the 1980s, but its lighting division continues to occupy the center of Eindhoven.

Around the early 1900s, Philips started to diversify its offerings to radio valves and X-ray equipment, and later to television. Later in the century, Philips developed the electric shaver and invented the rotary heads, which led to the development of the Philipshave electric shaver. Philips also made major contributions in the development of television pictures, its research work leading to the development of the Plumbicon television camera tube, which offered a better picture quality. It introduced the compact audiocassette in 1963 and produced its first inegrated circuits in 1965. In the 1970s, its research in lighting contributed to the development of the PL and SL energy-saving lamps. More recent Philips innovations are the Laser Vision Optical Disc, the Compact Disc, and Optical Telecommunication Systems.

Philips expanded in the 1970s and 1980s, acquiring Magnavox (1974) and Signetics (1975), the television business of GTE Sylvania (1981), and the lamps division of Westinghouse (1983). Currently, Philips operates in more than sixty countries, with more than 186,000 employees, and is market leader in many regions for a number of product categories—for example, lighting, shavers and LCD displays.

In the 1990s, Philips carried out a major restructuring program and changed from highly localized production to globalized production; this change translated into a more efficient concentration of manufacturing—from more than 100 manufacturing sites to 36, and to 14 sites for production; Juarez and Manaus in Latin America; Bruges, Dreux, and Hasselt in Western Europe; and Beijing, Suhzou, Shenzen, and Chungli (all in China) in Asia.

Another important change was the appointment of Gerard Kleisterlee as president of Philips and Chairman of the Board of Management in 2001. Kleisterlee has been seen as a Philips man, following a traditional Philips career path that had been embraced by company employees until the 1980s. He was trained locally, at the Eindhoven Technical University, in electronic engineering, and he has worked with the company for three decades. According to Martien Groenewegen, former research and development engineer with Philips, Kleisterlee is perceived by present and former employees as taking the company back to its original path to success. In fact, in a recent interview, Kleisterlee mentioned that the company is presently concentrating on its initial core activities with a focus on its key areas of profitability, this is a different type of restructuring from earlier attempts, when the company pursued "wrong activities". Mr. Groenewegen contends that the perception among employees and the industry is that Philips, under Kleisterlee's leadership, will have a strong product orientation and that it would support an environment in which product innovation will constitute a primary focus of the company. That has been, historically, Philips' proven path to success.

Philips offers consumer products, such as communications products (cordless phones, mobile phones, fax machines), electronics (Flat TV, Real Flat TV, digital TV, projection TV, professional TV, DVD players and recorders, Super Audio CD, VCRs, satellite receivers, CD recorders/players, home theatre systems, Internet audio plaers, shelf systems, portable radios, clock radios, PC monitors, multimedia projectors, PC cameras, PC audio, CD rewriteable drives, DVD drives, among others); home and body care products (vacuum cleaners, irons, kitchen appliances, shavers, oral healthcare products) and lighting products. Its professional products include connectivity, lighting, medical systems (such as magnetic resonance imaging, ultrasound equipment, X-rays), semiconductors, and other products, such as security systems, manufacturing technologies, automotive products, broadband network, and so on.

Among Philips' competitors are Matsushita, Sony, Hitachi and Thomson. Matsushita Electric Industrial is the world's number one consumer electronics firm. In North America, Matsushita makes consumer, commercial and industrial electronics (from juke-boxes to flat-screen TVs) under the Panasonic, Technics, and Quasar brands. Matsushita sells consumer products (which account for 40 per cent of sales) such as VCRs, CD and DVD players, TVs and home appliances. It also sells computers, telephones, industrial equipments (welding and winding machines, medical equipment, car navigation equipment), and electric motors. The Matsushita group includes about 320 operating units in more than forty-five countries. Its products are sold worldwide, but Asia accounts for more than 70 per cent of sales.

Sony is another competitor whose Play Station, Home Video Game System account for nearly 10 per cent of the company's electronics and entertainment sales. Sony, the world's second largest consumer electronics firm after Matsushita, also makes several other products, including semiconductors, DVD players, batteries, cameras, Mini-Disc and Walkman stereo systems, computer monitors, and Flat-Screen TVs. The company's TVs, VCRs, Stereos, and other consumer electronics account for more than 65 per cent of sales. Sony's entertainment assets include Columbia TriStar (movies and television shows) and record labels Columbia and Epic. The company also operates insurance and finance businesses.

Hitachi, another large player in the consumer electronics industry, is a leading manufacturer of both electronics components and industrial equipment. The company manufactures mainframes, semi-conductors, workstations, elevators and escalators, power plant equipment, and also metals, wire, and cable. Hitachi produces consumer goods, such as audio and video equipments, refrigerators, and washing machines. Similarly to Philips, Hitachi is focusing on developing Internet-related businesses and expanding its information technology units, which account for more than 30 per cent of sales.

Finally, Thomson Multimedia is another major competitor and leading manufacturer of consumer electronics (which account for nearly 80 per cent of sales), including TVs, Video Cameras, Telephones, Audio Products, DVD players, and Professional Video Equipment. Thomson Multimedia also produces displays and TV components. Its products, which are sold in more than 10 countries include brands such as RCA in the United States and Thomson in Europe. Almost 60 per cent of the company's sales are in the US.

Philips' primary mission is to "continually enhance people's lives through technology and innovation.". This philosophy is also reflected in its tagline "Let's make things better," launched in 1995. Philips focuses on the multisensory impact of its products and their power to create memories and spur emotions to touch people's lives on a very personal level; Philips also aspires to be the world's leading eco-efficient company in electronics and lighting.

While Philips is a household name in European markets, the company continues to struggle to spread brand awareness in the United States. As recently as 1996, the Philips brand was virtually unknown in the United States, compared with competitors Sony and RCA; the brand was associated with milk of magnesia, petroleum, on screwdrivers. After spending millions to build brand awareness, Philips has successfully achieved recognition among consumers in the U.S, as a brand that makes excited products that improve people's lives. In 1998, for example, Philips spent $100 million in advertising, sponsorships, movie tie-ins, and retail promotions worldwide to boost brand awareness. In the same year, Philips embarked on its Star campaign in an attempt to create a more human, imaginative, and seductive brand image. Using dynamic state-of-the-art products, the Philips campaign was able to reach consumers on a very personal level, thus gaining their trust, loyalty, and brand preference. The campaign resonated very well with its target market: well-educated, independent, and carefree consumers.

Another venue for communicating with its target market is Philips' five-year sponsorship of the U.S. Soccer Federation as of June 2001. This sponsorship is also expected to help Philips reach more of its young target consumers and more female consumers. Philips thus has 30 second air spots on ABC and ESPN during soccer broadcasts, as well as a presence on stadium billboards, and logo visibility on all training kits; and the Philips branded goal cameras are highly visible.

Apart from the need to generate awareness in the US markets, Philips also recognizes the need for consolidation and consistency across all of its marketing communications worldwide. To this end, Philips awarded its $600 million account in media buying and planning to the Aegis Group's Carat International. With Carat's help, Philips is attempting to create a consistent brand experience that will give all products a shared look and feel and will demonstrate a deep understanding of the customer.

Because more consumer-focused and more brand-centric in its marketing efforts, expanding beyond its traditional television and print communications to direct marketing and more unconventional media.

Create a total marketing package, which will resonate well with the US consumer and therefore lead to increased US sales.

Engage in extensive direct marketing and Internet marketing, this is especially possible given Philips' alliance with AOL Time Warner.

QUESTIONS

1. Use the standardization versus adaptation arguments to support Philips' strategies worldwide. What are some of the advantages of its new standardization strategy?
2. Offer suggestions to Philips regarding the strategies that it can use to create a unified, resonant global brand.
3. Some may argue that Philips is a pan-European brand that is trying to make inroads into the U.S. Critically evaluate this statement.