

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
SUPPLEMENTARY EXAMINATION 2008
FULL-TIME AND I.D.E.

TITLE OF PAPER : INTERNATIONAL MARKETING
COURSE : BA 423
DEGREE AND YEAR : BCOM4
TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS: 1. THIS PAPER CONSISTS OF SECTION (A) AND (B)
2. SECTION (A) IS COMPULSORY
3. ANSWER ANY THREE (3) QUESTIONS FROM SECTION B
4. THE TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS FIVE (5)

**NOTE: MARKS WILL BE AWARDED FOR GOOD
COMMUNICATION IN ENGLISH AND FOR ORDERLY
PRESENTATION**

THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL INVIGILATOR HAS
GRANTED PERMISSION

SECTION A (COMPULSORY)**READ THE FOLLOWING CASE AND ANSWER THE QUESTIONS BELOW****Has Nike stubbed its toe in Asia?**

Nike, the world's largest athletic-shoe maker, is well known for its use of Asian contractors to outsource manufacturing processes. According to Phil Night, the company's CEO, all contractors must follow applicable laws in their countries and must meet the requirements laid out in Nike's code of conduct. Despite the ' efforts to be a good global citizen, Nike has come under increasing scrutiny over the past few years about the labour practices used ' by its contractors in Asia.

In China, for example, human rights groups have complained that contractors (in two factories) employ children as young as 13, require them to work 72-hour weeks, and don't meet China's minimum-wage requirements. Nike executives have denied these allegations and have stated wages in those factories are nearly double the minimum wage. In addition, all workers are required to be at least 16 years old, the legal minimum. Nike did its own investigation of these issues, and because of this, some observers still don't buy its story.

In response to these concerns, Nike asked international accounting firm Ernst & Young to conduct ongoing audits of labour practices used by its contractors in Vietnam. According to the Ernst & Young report, the standard workweek in Vietnam is eight hours a day, six days a week, or 48 hours a week. The maximum allowable overtime is 200 hours per worker per year. Workers receive 150 percent of their regular wage for overtime hours. Employees generally make about \$40 per month (average basic salary in Vietnam is \$45 per month). Salary and overtime are typically paid on time. Health insurance and taxes are withheld properly, and safety regulations are generally followed appropriately. In those cases where Ernst & Young has found problems, Nike has taken immediate steps to correct the situation. Most recently, Nike has investigated criticism over labour practices in four of its contractors' factories in Indonesia. While Nike has over 50 factories in Indonesia, four were found to be in violation of the company's code of conduct, which includes a provision that contractors pay the minimum wage set by the government. Indonesia increased the minimum wage by 11 percent in April 1997 but allowed companies to seek exemptions. The four contractors in question had received exemptions, but Nike said that under its

policy, the contractors must pay the full minimum wage. To reinforce the importance of this policy, Phil Night announced the move at the company's annual shareholders' meeting. It was the first time Nike had fired contractors for non-compliance with the company's code of conduct.

Sources: "Nike Cancels Pacts with Indonesia Plants over Wage Polk *The Wall Street Journal*, September 23, 1997, p. A6; and "Nike Reluctant to Disclose Third-Party Audit of Vietnam Subcontracted Factory," *PR Newswire* November 7, 1997. •

QUESTION ONE

a) What strategic reasons does Nike have for partnering with foreign contractors? What other approaches might they take to globalization? **(20 MARKS)**

b) What responsibilities does Nike have in controlling the labour practices of its foreign partners? **(10 MARKS)**

c) Should labour practices, safety and health policies, and so forth, be the same for foreign contractors as they are for United States contractors? **(10 MARKS)**

SECTION B (ANSWER ANY THREE QUESTIONS)**QUESTION 2**

Differentiate a low-context culture from a high-context culture? Give an example of a country that is an example of each type, and provide evidence for your answer.

(20 MARKS)

QUESTION 3

a) What criteria should global marketers consider when making product design decisions?

(15 MARKS)

b) How can buyer attitudes about a product's country of origin affect marketing strategy?

(5 MARKS)

QUESTIONS 4

What are keiretsu? How does this form of industrial structure affect companies that compete with Japan or that are trying to enter the Japanese market? **(20 MARKS)**

QUESTIONS 5

a) Explain the difference between high-tech product positioning and high-touch product positioning. **(5 MARKS)**

b) Identify the five basic segmentation strategies international marketers can use, giving examples for each one. **(15 MARKS)**