UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION 2010

FULL-TIME AND I.D.E.

TITLE OF PAPER : INTERNATIONAL MARKETING

COURSE : BA 423

DEGREE AND YEAR : BCOM 4

TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS:

1. **THIS PAPER CONSISTS OF SECTIONS (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

Bad decisions at Euro Disney

Two years after Walt Disney Co. opened its new park in France, Euro Disney was losing $1 million per day, despite over a million visitors per month. What had gone wrong?

Disney was overly ambitious, and had made serious strategic and financial miscalculations. It relied too heavily on debt, just as interest rates started to rise. It assumed a real estate boom would continue, allowing it to sell some properties to pay off its debts. It made mistakes in the park itself, including cost overruns, a no-alcohol policy (in a country where a glass of wine for lunch is standard), too few bathrooms, and a mistaken assumption that the French would not want breakfast at the hotel restaurants.

The company blamed its problems on a severe European recession, high interest rates, and the devaluation of several currencies against the French franc. But it had alienated the people with whom it needed to work. Disney thought it knew best, and persistently imposed its will on others. "They were always sure it would work because they were Disney," said one French construction-industry official. Disney's European executives felt they were always playing second fiddle to corporate executives.

Disney showed its overconfidence in many ways. Executives boasted they could predict future living patterns in Paris; they predicted people would move to the east near Euro Disney. They believed they could change European habits. For instance, Europeans are more reluctant than Americans to let their kids skip school, and prefer longer vacations to short breaks. Disney believed it could change this. "There was a tendency to believe that everything they touched would be perfect," said a former Disney executive. Disney believed that what it could do in Florida, it could do in France. The perceived arrogance, and a critical press, demoralized the workforce, and initially kept visitors away.

The risky financing of Euro Disney was based on a highly optimistic scenario with little margin for error. When critics said the financial structure was far too clever for its own good, Disney's attitude was that cautious, old-world European thinking couldn't comprehend U.S.-style, free-market financing.

Eventually, the park had as many visitors as projected. But costs were way too high, and the economic environment had changed. To cover costs, park admission was set at $42.45, higher than in the United States. But Disney failed to see the warnings of a European depression. Said one executive, "Between the glamour and the pressure of opening and the intensity of the project itself, we didn't realize a major recession was coming."

Michael Eisner, chairman of Disney, vowed to make Euro Disney the company's most lavish project ever. He was obsessed with maintaining Disney's reputation for quality, but he went way over budget to do things that critics considered frivolous.

When things were at their bleakest, Disney threatened to close the park, but negotiated last-minute, favourable new financing arrangements. The crisis seemed solved, at least temporarily. Many observers maintained, however, that Euro Disney was not really in danger of shutting down—too much was at stake, for the company, its creditors, and the French government, which initially had provided road and rail networks to the park and $750 million in loans at below-market rates.

Prices have been dropped, and some costs have also been reduced by new management. Euro Disney has now recovered and is becoming financially healthy.

Adapted from Bateman T.S. and Snell S.A. (1999) .Management, Building a Competitive Advantage. 4 edition.Irwin Mcgraw- Hill

QUESTION 1

a) Identify and explain the global management orientation that caused Disney executives to make mistakes when entering France. **(10 MARKS)**

b) Discuss the other global management orientations and then explain which one should have been adopted by Disney executives when planning Euro Disney. **(20 MARKS)**

c) Explain how SRC (Self Reference Criterion) awareness might have changed Disney's choice of entry in France. **(10 MARKS)**

SECTION B (ANSWER ANY THREE QUESTIONS)

QUESTION 2

Discuss the impact of the global economic crisis on international marketing. **(20 MARKS)**

QUESTION 3

a) Identify the major regional economic organizations in the Southern African region in which Swaziland is a member and then discuss how each is of benefit to the country. **(12 MARKS)**

b) Describe what the African Growth Opportunity Act (AGOA) is, and then discuss why it is important for the Kingdom of Eswatini to be a member. **(8 MARKS)**

QUESTION 4

Explain why companies would engage in countertrade and then discuss the different types of countertrade. **(20 MARKS)**

QUESTIONS 5

a) Food is the most culturally sensitive category of consumer goods. Why then is 'fast food' gaining in acceptance around the world? **(10 MARKS)**

b) Explain why is it important for international marketers to understand the dimension of uncertainty avoidance? **(10 MARKS)**