MARCH 2016

INTERNATIONAL MARKETING STRATEGY – PRE-ISSUED CASE STUDY & GUIDELINES

Important notes for candidates regarding the pre-issued case study

The case study is designed to assess knowledge and understanding of the International Marketing Strategy syllabus in the context of the relevant case study. The examiners will be marking candidates' scripts on the basis of the questions set. Candidates are advised to pay particular attention to the mark allocation on the examination paper and to plan their time accordingly.

Candidates should acquaint themselves thoroughly with the case study and be prepared to follow closely the instructions given to them on the examination day. Candidates are advised not to waste valuable time collecting unnecessary data. The cases are based upon real-life situations and all the information about the chosen organisation is contained within the case study.

As the case represents a real-life situation, anomalies may be found in the information you have before you. Therefore, please state any assumptions you make that are reasonable when answering the questions. Remember, you are going to be tested on your overall understanding of the case issues and your ability to answer the questions that are set in the examination.

In order to prepare for the examination, candidates will need to carry out a detailed analysis of the case material ahead of the examination. Candidates will have sufficient time during the examination to answer all the questions, but this means that detailed analysis should have taken place before commencing the examination. The examiners are looking for clear evidence that candidates have a good understanding of the case and can use the relevant course ideas from the syllabus to answer the questions.

The copying of pre-prepared 'group' answers, including those written by other third parties, is strictly forbidden and will be penalised. Thus, questions will demand analysis in the examination itself and individually composed answers are required in order to pass.

Candidates are only allowed to take their analysis into the examination room which should be no more than TWO pages (four sides) of A4. These notes should be attached to the answer script at the end of the examination and returned.

A copy of the pre-issued case study material will be available in the examination. Candidates are NOT permitted to take into the examination the downloaded case study or any other notes. Candidates should not attach any other additional information in any format to their answer script. Any attempt to introduce such additional material will result in the candidate's paper being declared null and void.

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INTERNATIONAL MARKETING STRATEGY
CASE STUDY – CADBURY SCHWEPPES

Why did Cadbury Schweppes choose Poland as its point of entry into the Central and Eastern European confectionery markets? Because there was a number of significant developments taking place there.

The Central and Eastern European countries can be divided into two groups: those which fell originally within the Soviet Union, and others. The key difference is that the countries within the latter group only had communist regimes for 45 years and free enterprise still existed to some degree.

The four most advanced countries within this group were Poland, Hungary, the Czech Republic and Slovakia, of which Poland had the largest population and percentage of private sector business, as well as a strong consumer market. It also had good prospects for investment, offered a skilled labour force and faced neither ethnic strife nor border disputes.

Having developed a stable parliamentary democracy and signed an association agreement with the European Union, Poland recognised that to shed its former communist image and face market forces with a proactive, commercial approach would require major changes in its culture and attitude. One way in which it could do this was to encourage development in Poland by its European partners, and Poland already had a good relationship with the UK, which has a Polish community of some 150,000.

These rapidly changing political, economic and social factors were key influences in Cadbury Schweppes' decision to enter Poland's developing market. Another strong factor was that, despite Poland having, at that time, one of the largest confectionery markets in Central and Eastern Europe, none of Cadbury Schweppes' major international confectionery competitors had established strong businesses there.

Although the Company could have taken a 'wait and see' approach (running the risk of missing a vital opportunity to develop an early market lead), it decided that there were sufficient indicators to justify an investment in Poland.

Cadbury Schweppes had three 'route to market' options to consider in order to respond to Poland's market needs. The options were:

- export from other Cadbury Schweppes' companies
- acquire or form a joint venture with a local Polish company
- establish its own factory locally

When Poland first left the communist regime the government pursued a policy of open trade which resulted in a flood of imports. To protect local industry the Polish government established import duties which were particularly high on goods such as confectionery.

Under these conditions, exporting to Poland was not an economically viable option to Cadbury Schweppes. Cadbury Schweppes evaluated the leading Polish confectionery companies to assess their suitability for acquisition or joint venture. However, several problems, such as over-staffing or lack of investment, were found to be common across all of them.

So, having rejected the first two options, Cadbury Schweppes decided to explore local manufacture as the most appropriate route into the Polish market.

Although the confectionery market in Poland was known to be large, market research was conducted to determine whether that market would be suitable for Cadbury Schweppes' products.

Tastes in confectionery vary the world over and Cadbury chose to manufacture products from its existing range which would particularly suit the Polish taste. It also decided to manufacture a range of budget-priced products under the name of Piasten, Cadbury Schweppes' brand in Germany.

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Having identified the product range and its acceptability to Polish consumers it was then possible for Cadbury Schweppes to forecast the potential sales which could be achieved in Poland.

This information, together with estimates of the costs involved in setting up and running the manufacturing operation, enabled the Company to determine that the project was financially viable. In 1993 Cadbury Schweppes took the decision to invest more than £20m in building a factory and developing a new confectionery business on a greenfield site in Poland.

Cadbury Schweppes began by visiting Poland to evaluate sites in several locations to improve its understanding of the Polish infrastructure and administration procedures, and to assess the general employment situation and skills availability.

The decision to develop a greenfield site at Kobierzyce, near Wroclaw in south west Poland, was based on a number of criteria:

- overall cost
- geographical location
- climatic conditions
- availability of mains services
- access to highways and trunk roads
- distance from competitors
- large regional population

A further factor was people. Cadbury Schweppes would be joining a local community and would work closely with the local mayor and his staff at Kobierzyce, who welcomed the new investment.