



ICM

MARCH 2017

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 – AZZ FOODS

AZZ Foods are manufactured by AZZ Food Industries Sdn Bhd (private limited company) in Malaysia. The company was formed in 1980 to produce a range of ready prepared meals for a local market that was becoming more aware of, and favourably disposed towards, convenience foods. All AZZ foods, then and today, are of authentic Asian culture – but with some major differences.

1. They are pre-packed ready prepared meals which require no refrigeration.
2. They contain no preservative or artificial colouring.
3. They are conveniently packed in 180g sizes to serve one to two persons.
4. They require just three minutes 'boil in the bag' to be ready for serving.
5. They are presented, not in tins, but in a convenient packet with an airtight seal – offering a long shelf life to storekeepers and customers. For many companies, new products involve the full effort and cooperation of a total management structure as well as a wide cross-section of the total work force. New products can involve large-scale investment and a higher than normal risk than many other marketing decisions. AZZ have been fortunate to provide a range of innovative food preparations that are truly 'new' to the consumer, providing a real alternative to foods which are more traditionally consumed in Asian markets.

To date consumer perception of, and rate of adoption for, AZZ Asian Foods has been most encouraging. Distribution within West and East Malaysia has achieved national coverage with retail sales made direct to supermarkets in major population centres.

Export markets have been pioneered with promising results and are targeted to outstrip the domestic market in volume terms within 12 months. Next on the agenda for international market expansion is Western Europe, with the United Kingdom as a number one priority. The criteria for this development have yet to be fully appraised – but an experimental pilot launch programme will require answers to three basic questions:

1. Is there 'real' consumer need?
2. Do AZZ have the resources and manufacturing capacity to sustain the development?
3. Is the designated market(s) large enough to generate profit?

These questions answered, the most appropriate method of market entry must be decided.

It is pertinent to observe, that even today, the range of AZZ Foods in existing markets has achieved just the early growth stage in the product life cycle, with competition only from close substitute convenience foods. Yet full product development costs have been recovered and AZZ enjoy a 25 per cent net profit to sales ratio with forecasts of 29 per cent for the next year end.

Sales promotion in domestic and export markets have been directed at creating point of sale product awareness, and to support the domestic-based and missionary sales force activity. To date there has been no above-the-line advertising, but considerable benefit has been gained from well-planned publicity.

It is expected that appointed distributors must independently fund local promotion for the range of AZZ foods they carry in current domestic and overseas markets.

Pricing strategy has been based upon a simple cost-plus full-absorption costing model and until real competition emerges net profit objectives will be achieved through this method of pricing. Within this cost-plus approach, AZZ have aimed to skim the market on the rationale of product innovation, convenience and the unique selling points mentioned previously. Until the market becomes more elastic this policy will be retained. As new overseas markets are penetrated, it is believed that this simple but effective means of pricing will be successful.

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The ultimate goal, through marketing a wide range of foods, is to ensure long-term profitability, but for their existing product offering, the subsequent stages of the product life cycle must now be considered across the mix of markets both at home and overseas.

AZZ believe that the notion of market share acquisition is mostly irrelevant because it is difficult to define 'the market' – and yet the issue of product positioning must be addressed to fulfil the requirements of an international product strategy.

A real issue to be tackled is that of product differentiation. To date all packaging carries the AZZ brand name, the name of the authentic Asian cuisine dish and instructions in Malay and English.

The European market may present different conditions. Policy on standardisation must be debated before market entry strategy is confirmed.

On the Malaysian domestic market front the sales team are driving hard to acquire stronger distribution. The main trade promotional platform is 90 days' credit for existing accounts and 'sale or return' for an experimental 30-day period for new accounts.

The perennial battle at the retail end is the pressure for profitable shelf space – shelf space among established competitors for other foods and foodstuffs. Supermarkets internationally will usually allocate the linear selling space to a 'hierarchy of brands'. AZZ have to fight hard to get prime selling space in stores.

AZZ are fully aware that the domestic Malaysian market may mature before overseas markets, but in any event are aware also for the need to plan ahead for a time when:

1. Sales will increase but at reduced rates.
2. More product lines will be needed to support the brand base.
3. Prices may soften owing to direct competitive demand.
4. More tactical promotion will be needed.
5. Retail store buyers become more discriminating about the rationalisation of the brand and the inventory kept.

Being proactive for these eventualities is of particular concern. An underlying anxiety during this exciting but turbulent time for the company is that of maintaining the working capital balances of the company. The need for growth means that growth has to be effectively financed. Tensions already exist within the company to maintain an effective cash cycle to avoid the risk of AZZ running into a liquidity crisis as a result of their programme of rapid overseas expansion.