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## 1.0 Introduction

### 1.1 Adamjee Lukmanjee Pvt Ltd

Adamjee Lukmanjee Pvt Ltd is a large trade house in Sri Lanka established in 1985 specialized in exporting coconut products such as desiccated coconut, coconut oil, virgin coconut oil, coconut milk, copra etc. to the Middle East countries. The company majorly operates in the business to business market and is focusing on the production of organic food products due to the increasing demand. The company targets on virgin coconut oil (VCO) to be exported to the European market and is already exporting to Middle East.

### 1.2 International Market – Finnish Market

The company focuses on entering the Finnish food market in Europe by exporting virgin coconut oil as there is a positive environment in the country for new market entrants in the organic food sector. Many people are looking for natural healthy oil to be used and therefore virgin coconut oil could perform as a better organic product. There is a strong growth in the Finnish organic food products sector and the sale has grown by 1.7% in 2017 (ProLuomo, 2018). As per the country's trade groups the highest market share in the organic food sector is for oils and eggs.



Figure 1.1 Organic market in Finland 2011-2017

European countries are concerned on healthy organic food culture, which is a major reason the company focuses on expanding their business to the Europe to obtain more benefits out of that culture.

### 1.3 Product Description

Virgin coconut oil is a main product in the organic food sector which has garnered much demand from consumers due to its health benefits. Sri Lanka is famous in international markets for best virgin coconut oil which would have another positive impact on the company when entering the Finnish market. Virgin coconut oil is extracted from fresh coconuts using a special mechanical process which does not subject to any heat or chemicals which is the major reason for its demand.

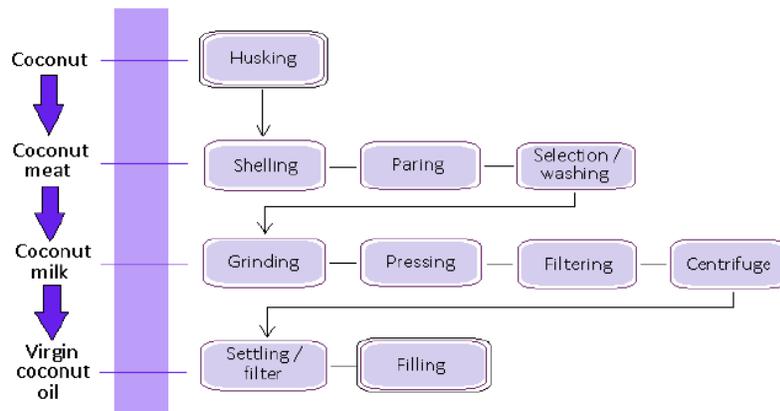


Figure 1.2 Virgin Coconut oil production process

### 2.0 Standardization or adaptation in International Product Management

International marketing could be defined as the process of management responsibility in identification, anticipation and satisfaction of customer requirements across international boundaries (Ruwanpathirana, 2016). In this regard, when the internationalization decision has been taken, the main concerns arise related to product modification. Czinkota and Ronkainen (2007) emphasizes that a company has four options in approaching an international market as outlined below.

1. Selling the product as it is in the international market place
2. Product modification for different regions and countries
3. New products for foreign markets
4. Designing one flexible global product

The companies who have decided to enter international market face the challenge of whether to follow standardization or adapt the elements of the marketing mix (Ruwanpathirana, 2016). Furthermore, he defines product standardization as a uniform representation of every aspect of the product such as the materials used, quality, name and packaging regardless of the country or the region. This is challenging for a company as standardization or adaptation affects its operations, research and development, production, procurement, finance and the marketing mix. In addition, standardization or adaptation depends on the company's opinions on different cultures which could be defined as ethnocentric, polycentric or geocentric.

Standardization is also described as a practice of having identical qualities and characteristics for a certain product which could be used as a one size fits all approach (Keegan & Green, 2015). Overall, there are both advantages and drawbacks of standardization as outlined herewith.

2.1. Analysis on Advantages and Disadvantages of Standardization related to the target product

Advantages of Standardization	Disadvantages of Standardization
<ul style="list-style-type: none"> <li>• <b>Quality control guaranteeing uniform customer experience</b></li> <li>• <b>Reduction of cost</b></li> <li>• <b>Effective marketing</b></li> <li>• <b>Avoid dependence from suppliers</b></li> <li>• <b>Ensures brand safety as changes and differences expose brands to risks</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Loss of uniqueness</b></li> <li>• <b>Loss of responsiveness</b></li> <li>• <b>Unsuited to some aspects of business</b></li> <li>• <b>Stifles creativity and response time</b></li> <li>• <b>Lack of adaptation</b></li> </ul>

Table 2.1 Advantages and Disadvantages of Standardization

Keegan and Green (2015) highlights that the issue of standardization is a long standing controversy among many businessmen and academics which dates back to 1983. Professor Theodore Levitt has advised companies to follow standardization with high quality global products and market them internationally utilizing standardized advertising, distribution and pricing methods. Later business practitioners showed that it is global marketing the key to success but it should not be solely based on standardization. The best example drawn was Coca Cola which gained worldwide success who attempted a different approach by achieving global localization as they had the skill to think globally and act locally (Kenichi Ohmae, 1990).

Albaum and Duerr (2008) states that the main advantage of standardization is that the implementation plan would be the same in every location hence it needs less preparation time and reduces costs. Nevertheless there is high possibility that it would not be suitable for all the international markets and such issues may cost more financial damage than proper preparations before entering the market. Past research has stated that standardization increases performance outcomes but present theories suggest that in the globalized world combination of both standardization and adaptation should be regarded on a given market (Loukakou et Membe, 2012).

Virgin Coconut oil is a consumer good and therefore it cannot depend entirely on standardization as there is a cultural factor involved. In addition, it also depends on economic conditions of the target market and also the product must cater to the local tastes (Czinkota & Ronkainen, 2007). Even though the company already exports to the Middle East, the same product cannot be exported to the Finnish market as there are differences in the target market, climate, consumer requirements, product certifications etc. Thus it is crucial that adaptability is included in the product around a standardized core considering the local needs to develop the product and market it accordingly in order for it to be successful in the Finnish market.

### 2.1.1 End market prices for virgin coconut oil in the Finnish Market

The average retail price of virgin coconut oil ranges from 16 to 25 euros which is affordable by average Finnish customer (Pro Luomu, 2018). It has been noted that such organic products are being used by consumers in a daily basis. Furthermore, trade specialists have affirmed that by 2020 organic food products would increase much more than the current rate which would create a better environment to the product. Therefore, it is important the average retail price to be considered when entering the Finnish market.

### 2.1.2 Possible entry channels

In Finland, virgin coconut oil is being traded in a small volume both in the oil format and as butter due to the cold climate. If standardization was followed and sent in the liquid form it would be a disadvantage as the end user may not be interested in buying. It is also being used in the Finnish market as a cosmetics ingredient in luxury soaps, make up removals, creams. Gels etc. Hence it would be beneficial for the company to focus on that sector and obtain benefits out of the demand.

### 2.1.3 Labelling and packaging

The Finnish consumers are interested in products that have the Joutsenmerkki or Fair trade sign as they are fond of environment friendly products which is a cultural aspect of the country (export.gov, 2018). The fair trade is perceived to be an important characteristic by the Finnish people and that is why they are more interested in buying products that have the fair trade sign on it. Thus if the company could adapt to such requirements there is high possibility the product may succeed in the Finnish market.



There are several packaging requirements by Finland to take care of the consumers' health and safety which the company must adhere to when entering the Finnish market.

### 2.1.4 Certification requirements for virgin coconut oil

Finland which belongs to the European Union has strict requirements for virgin coconut oil unlike in other regions of the world. If the product complies with such requirements and certifications, the consumers are more willing to buy the products (CBI Ministry of Foreign Affairs, 2016).

### 3.0 Analysis on Standardization vs. Adaptation in the International Market

Claessens (2015) shows that the Product Life Cycle includes four stages such as the introduction, growth, maturity and decline and there are distinct characteristics for the each mentioned stage. Therefore, it is important to know what marketing strategies to be used in each stage in order to maintain the product life cycle properly.

#### 3.1 The four product life cycle stages (PLC)

When a product is launched, there will be instances the sales might grow, times the sales would be static and other instances they would decline as well. The characteristics of the product life cycle stages support in explaining the sales development which could be observed over the lifetime period of a product. Moreover, this particular model assists in determining the necessary marketing activities needed for the securing of the products future in the market (Claessens, 2017).

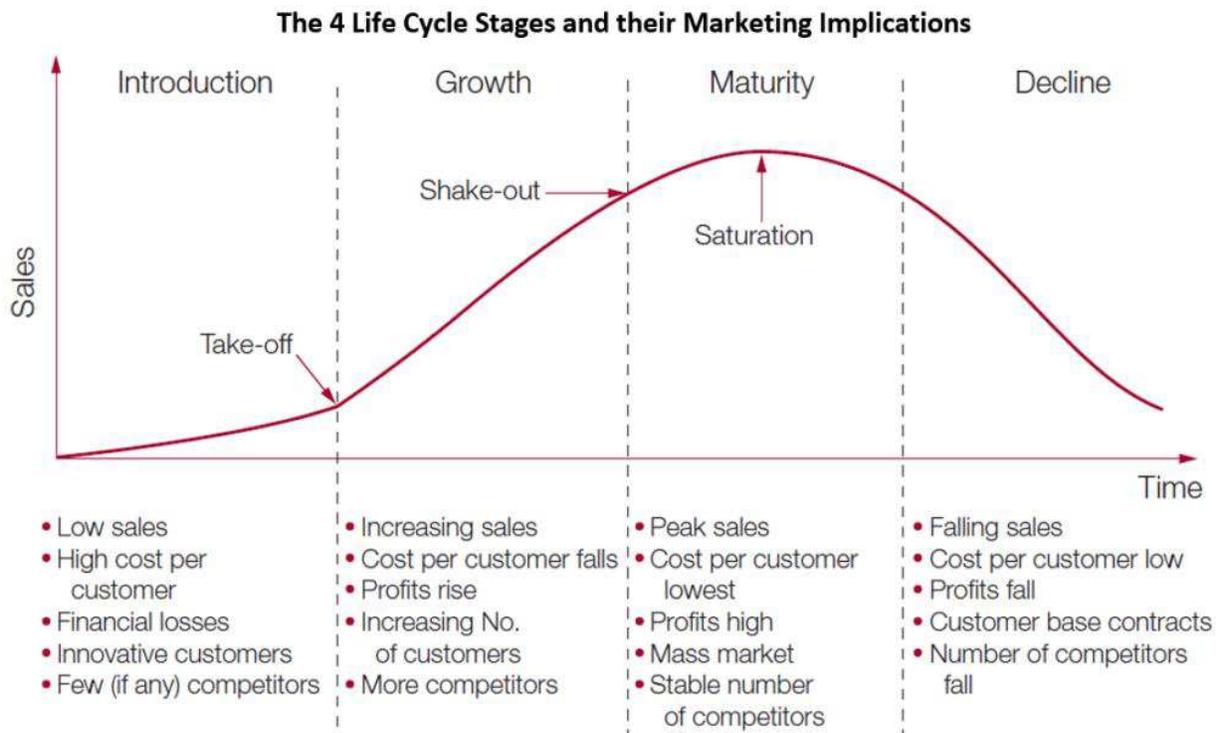
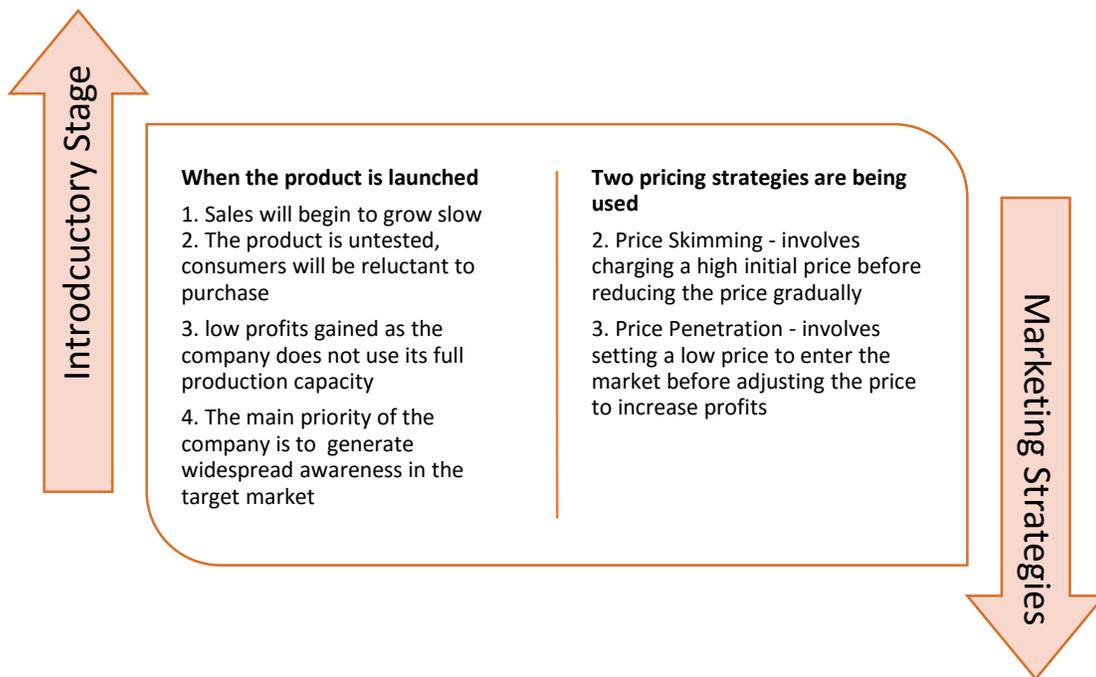


Figure 3.1 The Four Life Cycle Stages and their characteristics

Introduction stage is identified as the initial step of commencing sales and introducing the product to the international market. This would consume more time for distribution, awareness programs, increasing the products to consumers and markets (Soltani, 2012). In addition, Claessens (2015) highlights the introduction stage takes a lot of time and the sales growth become rather slow. As shown in the above diagram the profits during this stage are negative due to the low sales and also there is a lot of high distribution and promotion expenses involved as well. Therefore, Adamjee Lukmanjee company would have to spend much money to attract distributors, to build their stock and also for promotion activities to make consumers aware on the new production and get them to buy it.

During the introduction stage the company has to focus on selling to consumers who are innovators and are most ready to buy the product. The main objective of the company during the introductory stage should be to create product awareness in the Finnish market. Solitani (2012) emphasizes that since the market is not ready for the product improvements in the introductory stage it is advisable for the company to produce basic versions. Furthermore, as per the introductory stage it is better if the company could follow selective distribution focusing on the most important distributors. Advertising should focus on building product awareness among consumers with high sales promotion. When the company follows these product life cycle strategies they will be ready with the virgin coconut oil product for the next stages.



Characteristics of the Introductory Stage	
Sales	Low Sales
Costs	High Cost per Customer
Profits	Negative
Customers	Innovators
Competitors	Few

Strategies to be used in the Introductory Stage	
Product	Offer a basic product
Price	Use Cost plus
Distribution	Build selective distribution
Advertising	Build product awareness among early adopters and innovators
Sales Promotion	Use heavy sales promotion to entice trial

Table 3.1 Characteristics and Strategies used during the introductory Stage

Factors encouraging standardization	Factors encouraging adaptation
<ul style="list-style-type: none"> <li>• Efficient method to reduce costs and increase quality</li> <li>• Rapidly increases production, streamline distribution, decrease raw material costs, reinforce product branding</li> <li>• Economies of scale in production</li> <li>• Economies in product R&amp;D</li> <li>• Economies in marketing</li> <li>• Global Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Differing use conditions</li> <li>• Government and regulatory influences</li> <li>• Differing consumer behavior patterns</li> <li>• Local competition</li> <li>• True to the marketing concept</li> </ul>

Table 3.2. Factors encouraging standardization and factors encouraging adaptation

## 4.0. Market Research in International Marketing

Market research has improved over the past years as the companies have learnt of its importance to a business organization and it is mandatory for an organization to have knowledge about market researches and the means to use it to gain profits. In addition, market research could be defined as “the systematic process of planning, collecting, analyzing and reporting of data related to a particular marketing situation that a company is facing at a certain period” (Kotler et al, 2013, 113-114). Furthermore, the data and information provided by a market research would help in solving marketing challenges faced by business organizations. (Shatanawi et al, 2014). A company could identify its target market using market research and how the consumers may embrace a certain product or a service before it is launched. Market researches could be conducted either by the company or a third party. McDonald (2002) states marketing research should be used as acquisition and processing of primary and secondary data information on customers’ attitudes and behavior and also about the demand on the product.

Van and Fok, (2009) proposes the following as the purpose of marketing research

- To understand markets
- To identify changes in particular markets
- To understand customer needs
- Reduce risk and uncertainty
- Forecast market trends
- For marketing decisions

### 4.1. Advantages and challenges faced in International Market Research

Market research helps the company to focus on marketing strategy to be used on potential customers that prefer the product. Such timely information would reduce the risks doing business in the international market and helps to embrace new opportunities. Further, market research assists in identifying current challenges in the markets and the market research will provide a proper strategy to be developed by the business (Shatanawi et al, 2014). For example, to sell virgin coconut oil in the Finnish market, it is important to identify whether there is a demand for virgin coconut oil in Finland and whether the customers are willing to afford for that particular price and willing to pay more for organic or fair trade products. Nevertheless, international market researches often will have to face more issues as well. The company may have to deal with diverse markets in a non-familiar country which has different cultures, customs, and a different level of economic development (Kotler et al, 2013).

#### 4.1.1. Benefits of International Market Research

- International market research supports in strengthening the business as it provides a better perspective and understanding on the potential market, business opportunities, target audience (Turquoise, 2016). It would prepare the business for expansion and identify the market's readiness for the new products.
- After conducting a market research, a company could minimize investment risks which is of critical importance for a company. The market research will understand about the customer base and behavior which would help the company to set realistic targets.
- To identify strengths, threats, weaknesses and opportunities for the product
- Market research facilitates strategic planning which would assist the company when taking marketing decisions on price, product, distribution, media channels etc.
- Provide revenue projections

#### 4.1.2. Challenges in International Market Research

- One of the major challenge is that most of the countries do not have search services and the research companies mostly work in a limited number of countries. Even when the secondary information is available, it has to be verified through numerous sources (Gramotina, 2018). This would be a challenge to Adamjee Lukmanjee (Pvt) Ltd as the research companies work majorly caters into bigger markets than Finland. In addition, organization researchers' will have to deal with the cultural differences. Such obstacles may raise additional research costs.
- Since marketing research is not an accurate science it would provide us inaccurate information as well. For example, analytical tools of marketing won't be able to provide precise idea on consumer behavior as it is a delusive area (Rai Technology University, 2012).
- Provide unrealistic expectations
- The data providers may not be strategic advisors
- Incorrect data analysis and incorrect reporting
- International market research would be very expensive

## 5.0. Applications of Market Research

Marketing research could be applied into two broad areas such as strategic and tactical (Rai Technology University, 2012). Strategic market research would be focusing on forecasting, segmentation, identifying target audience, forecast sales and positioning identified strategies. On the other hand, tactical research would be focusing on product testing, advertising research, promotional activities, pricing research, logistics and distribution activities. It is recommended to Adamjee and Lukmanjee (Pvt) Ltd to follow more tactical market researches in order to business decisions.

5.1. Types of Market Researches the Company should focus are as follows:

- Market Research – This would cover aspects such as nature, size of the market, market segmentations, and economic aspects, identify obstacles etc.
- Sales Research – Identify sales methods, territories with more potential
- Product Research – strengths and weaknesses of already existing products, product quality improvement
- Packaging Research – recent trends in packaging, focus on environment
- Advertising Research – identify advertising trends and to understand effective advertising measures
- Business Economic Research – Focus on loss and profit forecasting



Figure 5.1 Main areas of Marketing Research

## 6.0. Conducting a Successful Market Research in the International Market

Balmer & John (2001) describes that market research assists the company in understanding the market, customers, competitors and industry trends and such high quality research would provide information on targeting new customers as well. Adamjee & Lukmanjee (Pvt) Ltd would be successful in identifying demand for its product after conducting a successful market research in the international market.

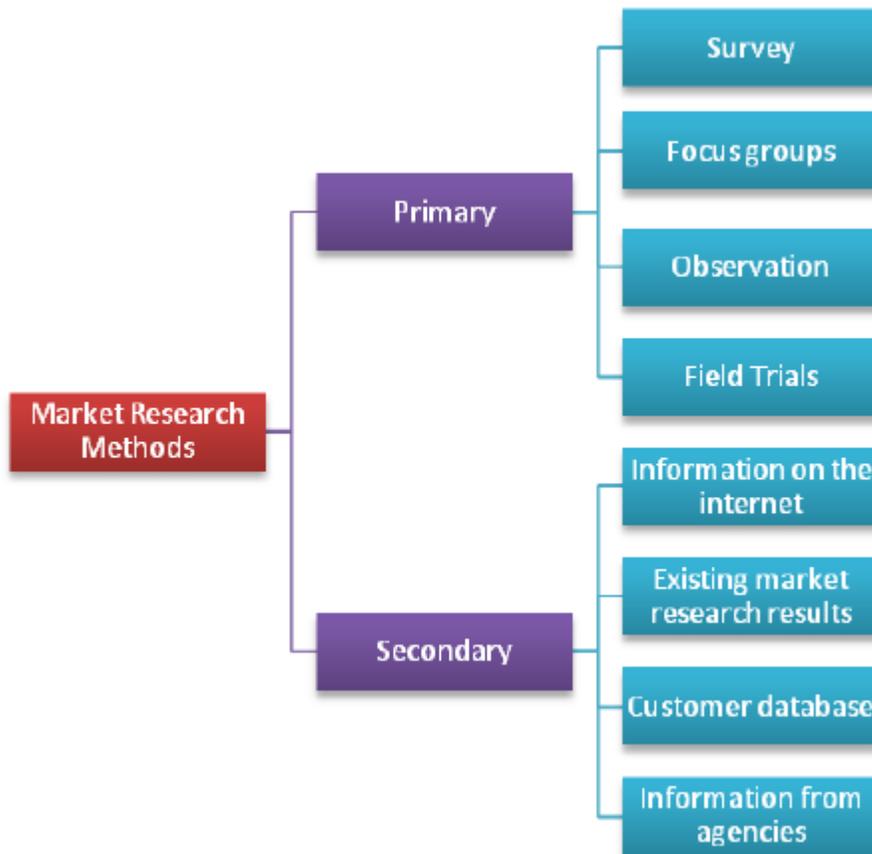


Figure 6.1. Market Research Methods

Adamjee & Lumanjee (Pvt) Ltd could begin their research using secondary data using external sources of information such as commercial data services. The countries in Europe often offer free information via government agencies, associations and business publications. Moreover, there are secondary data reports and analysis given by outside suppliers. Furthermore, the researchers could utilize online commercial database services such as LexisNexis, ProQuest etc. which are highly informative and also reliable (Kotler et al, 2013). In order to maintain the accuracy of the market research, the company will have to compare data using different resources for the market research to be used for decision making. Since this is an international market research, it would be difficult for the Sri Lankan company to gather primary data information without hiring an international market research company in Finland. Nevertheless, if a primary data gathering would be used, the company will have to follow the below mentioned methods.

<b>Research approaches</b>	<b>Contact methods</b>	<b>Sampling plan</b>	<b>Research instruments</b>
Survey	Mail	Sampling unit	Questionnaire
Interview	Telephone	Sample size	Mechanical instruments
Observation	Personal	Sampling procedure	
Experiment	Online		

Figure 6.2. Primary Data Gathering Methods for the Market Research

## 7.0. Recommendations to the Client Organization

Adamjee & Lukmanjee (Pvt) Ltd will have to follow the below mentioned steps when conducting market research in the International Market.

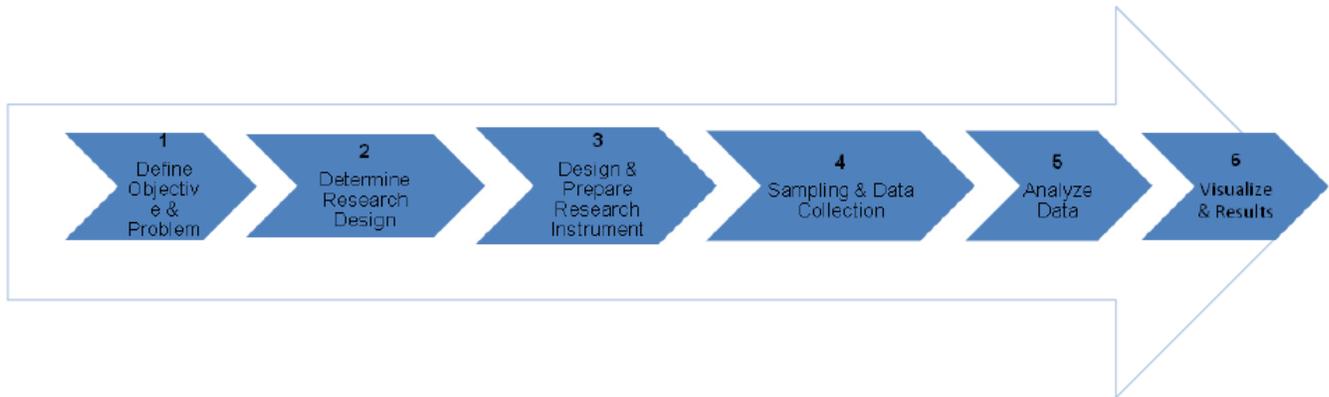


Figure 7.1. Steps of Market Research

The company will have to define the primary goals of conducting a market research and then determine the research design. The type of research, duration and a design will have to be thought of before conducting a market research. Afterwards, the company will have to work on collecting data that will help them in information gathering. At the end, the company will be able to take market decisions and come up with possible solutions to overcome any issues related to the product with the market research report analysis (Shatanawi, 2014).

Since the economy is drastically competitive with time, it is crucial for the business organizations to have knowledge on preferences and concerns of the customers. Therefore, market research cannot be no longer ignored as it provides you the strategic measures on increasing customer satisfaction, to comprehend factors affecting the business and to increase the performances in markets.

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