Question 23 (12 marks)

XYZ Ltd produces sports shoes which are worn by elite athletes and the general public in North America. XYZ Ltd is keen to expand into Europe and Asia.

(a) What is ONE possible benefit to XYZ Ltd of using global branding as a marketing strategy? **2**

If XYZ uses global branding, then its expansion into other countries will be more successful, as customers will be more willing to buy products from a company who they believe is well known,

(b) Describe TWO physical distribution issues that XYZ Ltd will have to consider as part of their expansion. **4**

One issue will be transporting their goods between countries, which may become exceptionally expensive. This can be overcome by basing a factory which undergoes operations processes in the host countries, however this may result in a high amount of capital, from the business. Costs involved with packaging, and compliance costs involved with transporting goods globally are also issues that require addressing.

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Question 23 (continued)

(c) The management team of XYZ Ltd is deciding whether to use customisation or standardisation as its marketing strategy for the expansion. **6**

Analyse how marketing and finance would be linked in XYZ Ltd's decision to customise or standardise.

If XYZ Ltd were to take on a customised approach, their market would be much more complex and consist of a primary target market focused through researching the wider market and discovering people's perceptions and attitudes toward the products before allowing them to customise it. This would link to Finance through the varying costs of COGS, as the resources needed would differ in price for each period.

A standardised approach would consider a larger target market, and would see the product being mass produced, and mass distributed across the countries in which the company wishes to expand. Pricing and promotion strategies would be simplified, and production costs reduced, and this reflects well on the balance sheet, and this would also be represented in the gearing and very likely the liquidity ratios.

End of Question 23