

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
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Course Name	International Marketing	Course Code	MKT 403
Max. Time	1 hour	Max. Marks	20 MM

INSTRUCTIONS: Attempt all the questions.

Q1. Based on the analysis of the reading below “In Tokyo, Abercrombie Misses Its Mark” answer the following question.

International Marketing success requires not only comprehensive fact finding and preparation but also an ability to understand and fully appreciate the nuances of different cultural traits and patterns. How did Abercrombie get everything so wrong? Is it ignorance or arrogance? 10 marks

In Tokyo, Abercrombie Misses Its Mark



Abercrombie & Fitch, Ginza | Source: Fashionsnap.com

TOKYO, Japan — After several years of “will they or won’t they” speculation, American casual fashion retailer Abercrombie & Fitch finally opened its first retail store in Japan this past December. The 11-story shop in Tokyo’s upscale Ginza neighborhood is just steps away from Uniqlo’s flagship store and Swedish fast fashion brand H&M.

As with every big retail opening in Tokyo, the first day of sales saw long lines of customers and swift business. The rumored haul: ¥50 million (or about \$550,000). Even without the benefit of an opening party or major press event, Abercrombie was able to rely on a small group of Japanese fans who had previously bought the brand's products as souvenirs on trips to Hawaii or the continental United States.

But the big question is, will Abercrombie be able to win over new fans in Japan and replicate the unbelievably successful Japanese market entries of other mass fashion brands?

So far, the signs do not look good.

At the moment, Japan is in the midst of a low-price fashion boom. The only profitable brands are chain retailers like Uniqlo, H&M and Forever21, and the cheap domestic labels in the Shibuya109 shopping building. Yet remarkably, Abercrombie & Fitch made the decision to charge Japanese consumers nearly double its American prices.

In a poll of first-day A&F shoppers in Nikkei's Marketing Journal, 61.7 percent of people found the prices "a bit high" while 18.3 percent declared them "too high." Less than one-fifth of consumers thought the prices were on target. Once upon a time, American retailers made huge margins by setting higher prices in Japan, but today, gouging the Japanese consumer simply doesn't work. Consumers are too smart for that.

Furthermore, most multinational apparel companies have found success in Japan by working with local partners to adapt their messaging, communications and brand image to fit the mature and sophisticated Japanese consumer. In contrast, Abercrombie & Fitch is pursuing an intensely American retail and marketing strategy that may alienate the vast majority of their potential sales base. The strategy is adequately well-done in terms of basic presentation and architecture, but their new Ginza store, in particular, clashes with Japanese fashion and shopping culture in almost every possible way.

For instance, most foreign retailers in Tokyo employ an exclusively Japanese staff, who behave according to the expectations of Japanese consumers, but Abercrombie & Fitch decided to make the brand experience so "American" that they have almost nobody working the shop floor who would be perceived by customers to be authentically Japanese.

Remarkably, the staff greets shoppers in English, rather than Japanese. Indeed, the best a Japanese consumer can hope for is a *kikoku shijo* – a returnee from overseas – who can at least speak the local language. While most Tokyo shoppers may like imported, international goods, they do not want to be forced to surface their rusty English during a commercial transaction.

The staff also fails to follow widely recognized principles of Japanese politeness. They are boisterous and many sing and dance along with the songs piped through the Ginza store, making the relatively cramped sales space feel even more claustrophobic for consumers.

To make matters worse, many of the male staff members have their chests exposed. Sex appeal may be a big part of the brand's charm in the United States, but this particular masculine ideal of a "ripped chest" is completely out of sync with current Japanese fashion culture and the constant presence of half-naked men is off-putting to the Japanese customer – especially when crammed into tight spaces like elevators.

Successful brands in Japan use their shop floor staff as brand leaders and styling mannequins to show consumers how the clothes look on real Japanese people. At this, A&F also fails.

Like its American stores, Abercrombie's Ginza flagship also reeks of strong American-style cologne – this, no less, in a country that's famously perfume-adverse. Indeed, back in 2005, perfume critic

Chandler Burr wrote a New York Times magazine piece called “Display It, Don’t Spray It” on the universal Japanese distaste for strong cologne and perfume. Yet A&F seems to pump its signature cologne through the ventilation system in a way that permeates the entire experience — and whatever you were wearing at the time for days after. Of course, many successful Japanese brands incorporate scent into their retail experience, but subtlety is the key. The smell should not carry with the customer.

But it doesn’t stop there — there are practical challenges as well. Visitors to A&F’s Ginza store complained in TV reports that they could not adequately judge the color of certain products in the store’s extremely dim lighting, which is designed to feel like a late 1990s New York dance club. And, the elevator only goes to the 7th floor, forcing female shoppers to walk up flights of stairs to reach the women’s department in the store’s upper reaches.

Finally, possibly the most fundamental problem with A&F’s Ginza store is that it offers consumers few options for integrating the brand into his or her own life. The clothing screams the letters A&F at a time when Japanese consumers are looking for much more subtle branding on their apparel.

It’s interesting to note that the most popular luxury handbag at the moment is made by Miu Miu and looks much less openly branded than those made by competitors like Gucci and Louis Vuitton. While at the high street level, as we’ve seen with the success of Uniqlo, young Japanese consumers are increasingly looking for brands that offer them ways to create their own individual styling. A&F, on the other hand, offers no room for adaptation. You are forced to either buy into the entire package or buy nothing.

At the moment, Tokyo fashionistas are obsessed with classic Ivy League style and heritage American brands like Red Wing. But despite these areas of opportunity to connect with the current tastes of local consumers, A&F has made no attempts to style or merchandise its “fratboy” clothing to fit the current fashion ecosystem in Japan. In contrast, Gap has gotten very good at this in recent years — enabling the company to market their merchandise to Japanese consumers who are not necessarily Gap fans.

Q2. IKEA has just opened their first store in Hyderabad, India. IKEA will have to manage political risks, govt. relations and alliances in India.

(5+5=10 marks)

- i. What are the various political causes of instability that can affect the international markets?
 - ii. What measure IKEA should take to lessen political vulnerability?
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