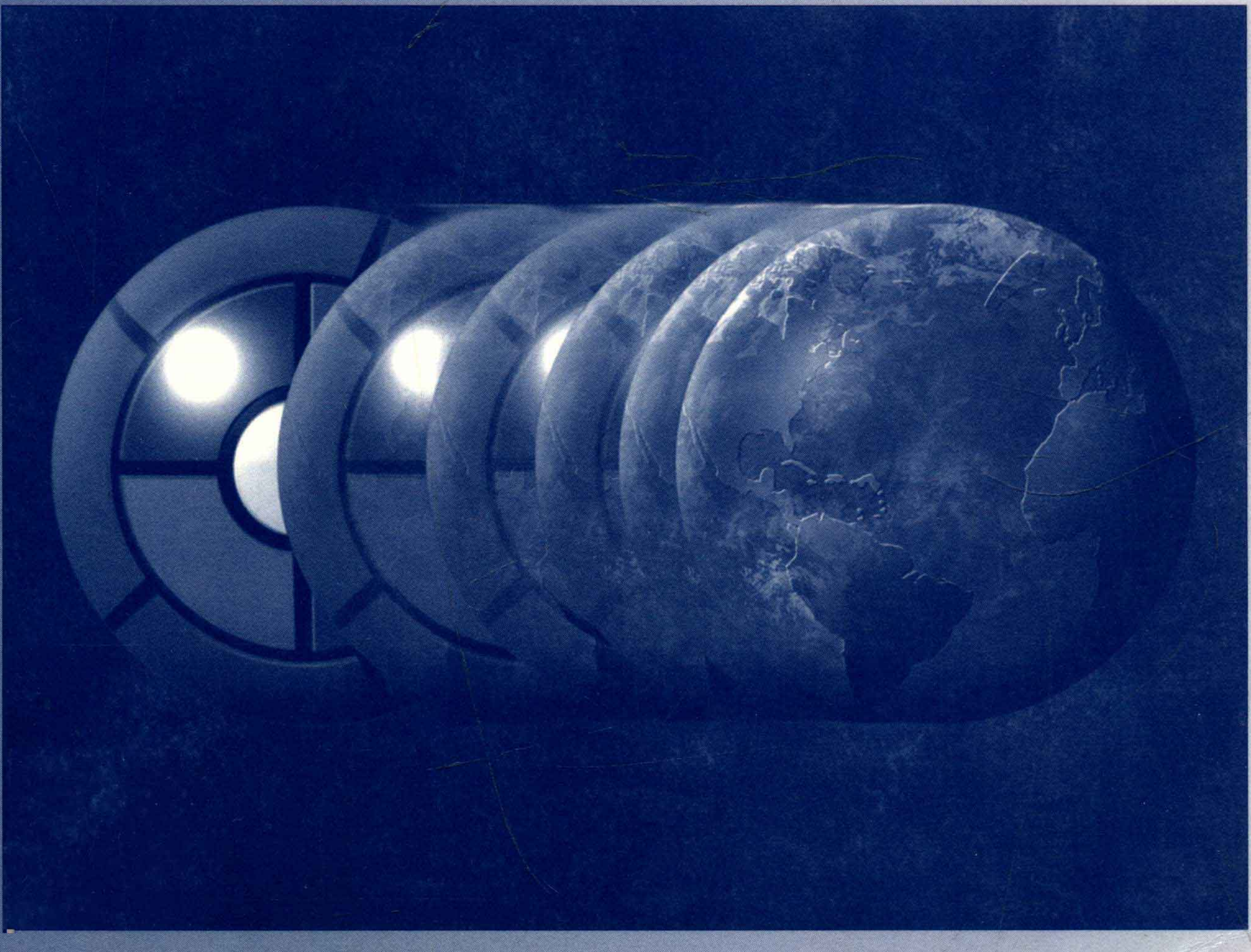
Applications in Basic Marketing

Clippings from the Popular Business Press

1996-1997 Edition

William D. Perreault, Jr.
E. Jerome McCarthy



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William D. Perreault, Jr.
University of North Carolina

and

E. Jerome McCarthy
Michigan State University

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Preface

This is the seventh annual edition of *Applications in Basic Marketing.* We developed this set of marketing "clippings" from popular business publications to accompany our texts—*Basic Marketing* and *Essentials of Marketing.* All of these clippings report interesting case studies and current issues that relate to topics covered in our texts and in the first marketing course. We will continue to publish a new edition of this book *every year.* That means that we can include the most current and interesting clippings. Each new copy of our texts will come shrink-wrapped with a free copy of the newest (annual) edition of this book. However, it can also be ordered from the publisher separately for use in other courses or with other texts.

Our objective is for this book to provide a flexible and helpful set of teaching and learning materials. We have included clippings (articles) on a wide variety of topics. The clippings deal with consumer products and business products, goods and services, new developments in marketing as well as traditional issues, and large well-known companies as well as new, small ones. They cover important issues related to marketing strategy planning for both domestic and global markets. The readings can be used for independent study, as a basis for class assignments, or as a focus of in-class discussions. Some instructors might want to assign all of the clippings, but we have provided an ample selection so that it is easy to focus on a subset which are especially relevant to specific learning/teaching objectives. A separate set of teaching notes discusses points related to each article. We have put special emphasis on selecting short, highly readable articles—ones which can be read and understood in 10 or 15 minutes—so that they can be used in combination with other readings and assignments for the course. For example, they might be used in combination with assignments from *Basic Marketing,* exercises from the *Learning Aid for Use with Basic Marketing,* or *The Marketing Game!* micro-computer strategy simulation.

All of the articles are reproduced here in basically the same style and format as they originally appeared. This gives the reader a better sense of the popular business publications from which they are drawn, and stimulates an interest in ongoing learning beyond the time frame for a specific course.

We have added this component to our complete set of **P**rofessional **L**earning **U**nits **S**ystems (our **P.L.U.S.**) to provide even more alternatives for effective teaching and learning in the first marketing course. It has been an interesting job to research and select the readings for this new book, and we hope that readers find it of true value in developing a better understanding of the opportunities and challenges of marketing in our contemporary society.

William D. Perreault, Jr. and E. Jerome McCarthy

Acknowledgments

We would like to thank all of the publications that have granted us permission to reprint the articles in this book. Similarly, we value and appreciate the work and skill of the many writers who prepared the original materials.

Linda G. Davis played an important role in this project. She helped us research thousands of different publications to sort down to the final set, and she also contributed many fine ideas on how best to organize the selections that appear here.

The ideas for this book evolve from and build on previous editions of *Readings and Cases in Basic Marketing*. John F. Grashof and Andrew A. Brogowicz were coauthors of that book. We gratefully recognize the expertise and creativity that they shared over the years on that project. Their fine ideas carry forward here and have had a profound effect on our thinking in selecting articles that will meet the needs of marketing instructors and students alike.

We would also like to thank the many marketing professors and students whose input have helped shape the concept of this book. Their ideas—shared in personal conversations, in focus group interviews, and in responses to marketing research surveys—helped us to clearly define the needs that this book should meet.

Finally, we would like to thank the people at Richard D. Irwin, our publisher, who have helped turn this idea into a reality. We are grateful for their commitment to making these materials widely available.

W.D.P. and E.J.M.

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Marketing's Role in the Global Economy and in the Firm

New breed CEO markets locally – worldwide

'It's like the United States has 500 states'

By Martha T. Moore
USA Today

When Gillette CEO Alfred Zeien was planning the 1993 launch of the company's SensorExcel razor, there were good business reasons to introduce it first in Europe.

For one thing, there were more salespeople available there to push it. And the European market needed a shot in the arm. But the third reason, to Zeien, was the deciding one: Europe isn't Boston, where Gillette is headquartered.

"I was trying to make a point," Zeien says, "Why should we do it in our home market first?"

In fact, Zeien and CEOs like him are trying to do away with the very notion of a home market. They're pushing their corporations to evolve from multinational companies to global ones — erasing the distinction between domestic and international operations, and allowing ideas and people to move across borders in all directions.

Globally-minded CEOs are a distinct breed. They're comfortable in many cultures and adamant about national diversity in management. And they have spent time and energy developing ideas about what it means to be global and how to make their companies become so.

They're also still in the minority even though most CEOs of major U.S. corporations probably realize they might need to broaden their horizons. And they're playing catch-up to Japanese and European competitors, who have been thinking and acting globally for 20, 30, even 40 years — and capturing markets because of that attitude. "There are precious few, particularly in the United States," says Victor Loewenstein of headhunter Egon Zehnder International.

"The global mindset, which is one of downplaying countries and focusing on the world as a marketplace, is really a stretch for most managers," says Allen Morrison of the American Graduate School of International Management. He cites Percy Barnevik of Swiss-based Asea Brown Boveri and IBM Chairman Louis Gerstner as global-thinking CEOs. "These are people who have thought long and hard... about being globally integrated, and having a common approach to business practices around the world. They are in the distinct minority."

"You find a lot of companies that say, 'Our business is global,' but then in their lexicon they talk about 'international' sales," says Roberto Goizueta, CEO of Coca-Cola, which reaps 80% of its profits outside the USA. "A (U.S.) multinational tends to view the U.S. as its base and export from there. A global company produces locally and markets locally around the world."

Zeien makes the analogy of opening for business in another state. "If we were a New England company and we decided to go national, we would tend to replicate what we had in New England" in new locations. 'A global company just goes one step further.... It's like the United States has 500 states instead of 50."

Easier said than done, of course. U.S. companies are moving to a global outlook long after competitors in Europe, where small home markets almost immediately dictate that companies look beyond their borders. Companies such as Swiss-based Nestle have long operated globally. And some U.S. companies, especially new technology companies, think globally from the beginning. "New technology companies are born global," says Rosabeth Moss Kanter, Harvard Business School professor and author of *World Class: Thriving Locally in the Global Economy.*

For older, bigger U.S. companies, becoming global is a long evolution, even with a CEO pushing hard for change. General Electric, for example, has sold products in foreign markets since the beginning of the century. But today, just over one-third of its revenue comes from foreign markets — and that's a big jump from 17% eight years ago. GE has "become more internationalized and increasingly they're thinking global," says David Joys of executive recruiter Heidrick & Struggles. "But they operate still like a large, well-run multinational rather than a truly global business."

One thing CEOs such as Zeien see as crucial in developing a global company is diversity of management. Many are multinational and multilingual themselves. Ford CEO Alex Trotman, whose "Ford 2000" plan reorganized the company along global lines, was raised in Scotland and lived in Europe before first coming to the U.S. in 1969. Zeien is a first-generation American.

Chrysler COO Robert Lutz, who was raised in Switzerland, compares having lived in one country to having only one TV channel. "You think this is the way the television world is." Even extensive travel — and many CEOs are on the road constantly — isn't the same. "Trips are not enough. You've got to have lived and worked there to absorb the cultural differences, the legal structures, the way people's minds work," Lutz says.

Such leaders want similarly multicultural troops. In fact, the demand for international expertise is a new twist on the push for management diversity. Goizueta judges how global a company is "by how many different accents I can detect when I visit that company's headquarters." Coke's 15 top managers include eight born outside the USA. At Gillette, only three of the top 12 operating executives are American. By comparison, all but one of the GE's top 15 executives are Americans, and only five, not including CEO Jack Welch, have been posted abroad. "They're a pretty American company in their manage-

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ment team," Kanter says.

"Sending somebody overseas doesn't mean they're going to necessarily have global brains, and just because they haven't been overseas doesn't mean they don't" think globally, argues GE spokesman George Jamison. Nonetheless, international experience is a growing priority for GE managers, he says.

Indeed, at global companies, willingness to go to a foreign market is virtually required. "You'll never get ahead in this company if you don't take on international assignments," Zeien says.

But leading a global company requires a CEO with more than a knack for languages. "You can find plenty of global managers out there, people who have lived in 30 countries and can switch from German to French to Italian," Morrison says. "There's a difference between finding those people and finding global leaders." What's beyond truly global CEOs' well-stamped passports:

▶ They know how to make money. That, of course, is a requirement for all CEOs, global or local, who want to keep their jobs. "I don't care how good your global ideas are, if you cannot demonstrate that you know how to make money, you're going nowhere," Morrison says.

▶ They can handle the tension between global strategy and local autonomy. "The people from country to country are always going to argue for more uniqueness," Kanter says.

At Coke, each brand of soft drink has a carefully defined identity that is supposed to remain consistent around the world, even though advertising and marketing varies by country. "You have to provide the executives (and) divisions out in the field with a clear sense of direction. If they don't know where they're going, you don't want them to get there very fast," Goizueta says. But beyond that, hands off. "As long as what they do with Sprite in Country X falls within the (brand) personality of Sprite, the country manager has a great deal of latitude."

Global CEOs "are more comfortable with complexity," Kanter says. A traditional organization, which simply separates international operations into its own unit, "is a lot neater and a lot simpler." At a truly global company, "there's no division called 'international.' " Instead, global companies tend to have complicated structures — created by the CEO — in which product managers and regional managers overlap.

Of course, while CEOs may begin to be judged on their global ambitions, they are also increasingly harshly judged by the stock market. And the market, Zeien argues, is too often biased against global expansion. Some institutional investors cast wary eyes at earnings from abroad because they're supposedly subject to higher risk.

That discourages globalization, with its opportunities for high revenue, in favor of cost-cutting at home, Zeien says. "Sure, we had a Mexico hit a year ago" when the peso was devalued, "but we had enough good things going on other places to make up for it." The risk in foreign markets lies mostly in failure to diversify enough internationally, he says. In other words, be global and local — not in between.

Execs with Global Vision

It's not enough anymore for CEOs of major corporations to know their home markets. They also have to be able to work in markets around the world. What skills are needed to be a global CEO? Here's a look at three leading executives:

Roberto Goizueta, *Coca-Cola*

Born: Havana, Cuba, Nov. 18, 1931
Speaks: English, Spanish, Portuguese
Global outlook: Since becoming CEO in 1981, has taken Coca-Cola into 50 countries. The company now operates in nearly 200 countries.

Alex Trotman, *Ford*

Born: Middlesex, England, July 22, 1933
Speaks: English, French, German
Global outlook: Last year overhauled Ford's worldwide structure into four product-focused centers, eliminating separate regional organizations.

Alfred Zeien, *Gillette*

Born: New York City, Feb. 25, 1930
Speaks: English, German, French
Global outlook: In 1993, launched the flagship product SensorExcel in Europe, not the USA, despite objections from within the Boston-based company.

Sold on the Job

Retailing Chains Offer A Lot of Opportunity, Young Managers Find

They Can Advance Rapidly, But Be Demoted Rapidly If They Fail to Produce

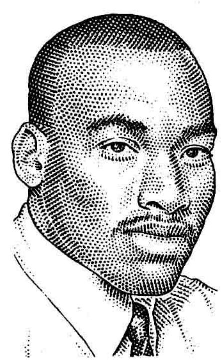
At 25, Running a Wal-Mart

By KEVIN HELLIKER
Staff Reporter of THE WALL STREET JOURNAL

GREENWOOD, Miss. – For his wife's 22nd birthday this month, Michael Quinn didn't buy the dining-room set she wanted. He didn't buy her anything. The Wal-Mart discount store he manages was scheduled that week for its annual inventory audit, and with that hanging over him he wasn't about to make a big purchase.

"If inventory came out really bad, I was afraid they would ask for my keys," Mr. Quinn says.

That's a heavy concern, but the very weight of it helps explain the devotion Mr. Quinn professes for Wal-Mart Stores Inc.: How many other companies would place so much responsibility in the hands of a college dropout just turned 25?



Michael Quinn

"It amazes me that I'm in charge of a business that has sales of $22 million a year and more than 200 associates," he says. As he walks "the racetrack" – the main aisle circling his store–associates (or employees) twice his age greet him as "Mr. Mike." Including bonuses, his earnings this year will probably reach $75,000–triple his age–in a town where luxury apartments rent for $350 a month. "My parents used to say I made a big mistake dropping out of college," he says. "They don't say that anymore."

In what amounts to a 1990s version of seeing the future in "plastics," career experts are advising young people to try retail. As a result of discounters' explosive growth, thousands of managers must be hired or promoted each year to run new superstores ranging from Wal-Mart, Home Depot and Target to Circuit City, Phar-Mor and Computer City. Besides quick advancement and pay that can run well into six figures, these jobs offer front-line positions in what may be America's fiercest commercial war.

Managers' Key Role

"All of our studies show that the winners in any given market are the retailers with the best store management since most stores offer the same products," says Richard Feinberg, director of the Purdue University Retail Institute. "This means that at a very young age, these managers can make a difference."

Adds Don Shinkle, a Wal-Mart vice president: "Some people might say the three most important things in retailing today are store manager, store manager and store manager."

These jobs are attracting college standouts as well as dropouts. After obtaining a master's degree in economics from England's Cambridge University, Randy Rients shocked his friends by turning down an investment-banking firm's offer and joining Target as an assistant store manager. Five years later, at 29, he earns well over $100,000 a year managing a huge SuperTarget employing nearly 500 people. "He saw a great opportunity where the rest of us didn't," says Robert Crawford, a former college roommate and now a Quaker Oats Co. sales manager.

A Job Shunned by Many

Of course, the very idea of retailing – a profession traditionally viewed as low-class – remains anathema to many. In blue-collar environments, selling hammers doesn't have the same macho image as swinging them. At colleges, dreams of success rarely involve peddling to penny pinchers. "The whole point of going to college is to avoid jobs like retail," says Robert Gregg, a 34-year-old Dallas lawyer.

But as opportunities shift, so do attitudes. Union blue-collar jobs are dwindling. Professions such as law are overcrowded. And cutbacks at prestigious corporate giants such as Citicorp and AT&T Corp. seem never-ending. By contrast, Dayton-Hudson Corp.'s Target chain plans

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to hire 1,000 college graduates next spring, up from 500 this year, and other retailers are doing likewise. "We're just going to keep ramping it up," says Sue DeNuccio, Target's vice president of personnel.

Little wonder that college business schools are deciding that retailing is suddenly worthy of academic interest. Universities from Florida to Utah are establishing centers for the study of the field – and are inviting big discounters to come recruit. "These days, Wal-Mart and Kmart are two of the biggest recruiters on some college campuses," says Leonard Berry, director of the Texas A&M Center for Retailing, which this summer placed 92 students in retailing internships.

As graduation from the University of Missouri approached this spring, Scott Bauer says he never bothered to complete the information packets he received from Sprint Corp. and Xerox Corp. "I wanted to go where the opportunity and action are," says Mr. Bauer, a management trainee at the Wal-Mart here.

Fresh out of school, a 22-year-old typically undergoes a few weeks of training – Target has a formal "business college" – and then gets a department within a store. "Twelve weeks out of school, they can have 20 employees under them and responsibility for an $8 million-a-year department," Target's Ms. DeNuccio says.

Starting pay is good. College graduates joining Wal-Mart's management-trainee program earn $25,500. That is higher than the offers a bank and finance company made to Steve Boyd, a spring graduate of Mississippi's Delta State University who just joined Wal-Mart. Likewise, Home Depot Inc. gave Christine Mosca, a communications graduate of the University of New Hampshire, a salary "much above" the "low 20s" offer she says she received in her intended field, advertising.

Moreover, advancement can be quick. Target's management trainees can become managers of small stores in as little as three years, at an annual salary of $50,000 plus bonuses. Larger units, such as combination grocery and general-merchandise stores known as SuperTargets, pay a base salary of more than $100,000 plus bonuses of as much as $40,000.

Besides salary, these jobs offer a lot of autonomy: Mr. Rients, the SuperTarget manager in Omaha, Neb., says he and his boss, who is located in Minneapolis, speak only once a week.

Opportunities for Advancement

Store manager is hardly the top rung. Above that position are district managers, regional vice presidents and regional senior vice presidents. Tom Sands, who became a Target store manager at 24, quickly negotiated the next three steps to become a regional senior vice president by age 31. "You can just imagine his salary," Target's Ms. DeNuccio says.

Nor is advancement limited to one's first company. To fill rapidly multiplying management jobs, discounters are hiring corporate recruiters to raid the competition. About 90% of all clients of Kenzer Corp., an executive-search firm based in New York, are retailers seeking managers. Mr. Rients, the SuperTarget manager, says he has been called at home by people representing three different competitors, including Wal-Mart. "They ask, 'Are you happy? Do you want to talk?' "

However, success and satisfaction are hardly guaranteed. The opportunities for quick advancement won't last forever; in years to come, the market for discount retailing seems likely to become saturated, narrowing the chances for promotion.

Even in the best of times, some managers will find the rewards of retailing limited. Much of the creative work – deciding which products to buy, how to price them, where to place them and how to advertise them – is done at headquarters. The high turnover among part-time hourly workers and the constant promotion of assistant managers to other stores force store managers to spend long hours interviewing and training new workers.

And although logistical challenges are many, intellectual ones are few. Mr. Rients spent much of a recent day plotting and implementing personnel changes but also, from time to time, walking the store to pick up trash and find items for customers. "I can't say that my economics background is something I use a whole lot at Target," he concedes.

Commitment Needed

Tremendous commitment is required. Besides workweeks averaging about 60 hours and often reaching 80, managers must be willing to relocate so frequently that retailers discourage home buying. In eight years, Wal-Mart has moved Mr. Quinn seven times.

Moreover, the pressure to expand sales and profits is unrelenting. Indeed, the demand for new managers comes not only from the addition of new stores but also from the demotion of managers who fail to deliver. Mr. Quinn's rise from assistant manager to manager came at the expense of an older manager who was "busted down." Since then, Mr. Quinn says, he has watched the same fate befall two friends who were promoted to manager around the same time he was. "The bottom line is, if you don't keep performing, you don't last," Mr. Quinn says.

While that policy keeps him worried, he doesn't disagree with it. Indeed, his record at Wal-Mart supports the notion that new managers can make all the difference.

After joining Wal-Mart as a part-time clerk and bathroom cleaner while in high school, Mr. Quinn switched to full-time and became an assistant manager at age 19 and a manager at 23. In one year managing the 41,000-square-foot Wal-Mart in Ferriday, La., he reduced its inventory losses to 0.82% of sales from 3.2%, for annual savings of about $150,000. He also raised the store's profit margin above 5% – the percentage needed to win a year-end profit-sharing check for his employees, who had gone without one for years.

His success in Ferriday won him a bigger challenge–the nearly twice-as-large Greenwood store. Its employees hadn't received a profit-sharing check since 1990, the last year that its margin reached 5%. And its previous inventory audit revealed a loss of 1.3% of sales – 0.2 percentage point beyond what Wal-Mart deems acceptable. Under pressure to improve, its previous manager quit.

A Tough Start

After starting in January, the 24-year-old Mr. Quinn hardly went home for two months. "Day or night, I never drove by the store without seeing Mike's truck there," says his boss, District Manager Tom Underwood. It helped that Mr. Quinn's wife, a nurse, worked nights; she wasn't sitting home alone.

Convinced that happier employees would produce lower inventory losses–which come from theft as well as sloppy paperwork – Mr. Quinn tried boosting morale by working 16-hour days and performing the lowliest chores. "Before him, I'd never seen a manager unload trucks or gather shopping carts out in the parking lot," says Jeanette Vance, a five-year customer-service manager here.

He also spent weeks revamping the system for getting merchandise off loading docks and onto shelves. Previously, unopened boxes had spilled out of the back room and clogged the aisles, with one season's merchandise sometimes failing to reach the shelves before the next season arrived. Besides contributing to inventory losses, that delay made the store messy.

Fixing that problem made the store more attractive to employees and customers alike. "It's neater–there used to be boxes piled up in the aisles," says Lucille Taylor, a mother of three who shops here.

Mr. Quinn raised vigilance against theft – and found it difficult to enforce Wal-Mart's prosecution policy against a 55-year-old female employee caught stealing apparel. "My mother is 55," he says. Nevertheless, he adds, "I have to wonder, 'How much had she been stealing?' "

His seriousness and devotion win respect. "A lot of people here fear him, but there's no reason to if you do your job," says Pam Buck, who runs the garden center.

He has had some setbacks. Last February, his first full month, sales slipped 15% because an ice storm the previous February had closed nearly every other store in town, boosting Wal-Mart's sales that month by 25%. "At that point, I was thinking maybe I wasn't the right person for the job," he recalls.

Posting Gains

After that, however, came steady improvement. Monthly sales gains hit the high single digits. The store's profit margin increased to 6%; that pace, if maintained through January, would produce a $400 profit-sharing check for each employee. District Manager Underwood recently declared this store the best-looking in his six-store area.

Yet, as of Aug. 10, one question remained: Had inventory losses – a sure indication of weak management – been reduced? The auditors needed only one day to determine that the answer was yes – by 0.3 percentage point, or $40,000 a year, to below the companywide goal. When Mr. Quinn announced that result before opening the next day, employees cheered.

But the pressure never lets up. In a televised message from headquarters that day, Wal-Mart Regional Vice President Don Bland called any store manager posting less than double-digit sales gains "a major-league wimp."

With his own sales up only 7% so far this year, Mr. Quinn murmured, "I guess that makes me a wimp."

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His immediate boss, Mr. Underwood, doesn't think so. "He's done a great job with that store. He's a gentleman who could go far."

And Mr. Quinn is already looking ahead. "In two or three years, I'd like to be running a Supercenter," a store nearly three times the size of this one, he says. "I think there's some chance I could be a district manager before the age of 30."

Hollywood Heads *East*

China's two-edged sword is opportunity--tinged with risk and procedural headaches.

By T.L. Stanley

Ever-jovial Big Bird and some of his Muppet buddies beam from television sets to millions of viewers, Disney's animated *Hunchback of Notre Dame* shows at the new multiplex, and goods emblazoned with Bugs Bunny's mug sell at specialty stores. Just outside town, a theme park draws hoards of families. It's a typical scene from middle America. And to Hollywood entertainment companies, it's also a peek over The Great Wall into the not-so-distant future. Movie studios, television production companies, consumer products divisions and theme park developers are forging their way into China, hoping to become part of the landscape of the world's most populous country.

Following the lead of their packaged-goods and fast-food brethren like Procter & Gamble, PepsiCo and McDonald's, entertainment companies are vying for access to China's 1.2 billion consumers, most of whom are receptive to advertising and increasingly brand conscious. Western products reach about 200 million Chinese consumers who are snapping up everything from Cheetos and Coke to Pert and Pledge. Most attractive about the country, aside from the sheer size of its consumer base, is an emerging middle class. It also is one of the last virgin territories--along with a few other Pacific Rim countries, India and the Middle East--in the global marketplace.

"We're all starting from a level playing field there," said George Jones, president, worldwide licensing, Warner Bros. Consumer Products, which now has six joint-venture Warner Bros. Studio Stores spread across Hong Kong, Japan and Singapore. "We view it as a tremendous opportunity."

Along with potential, however, come pitfalls. Though economic reform is reshaping the country, U.S.-based companies still must deal with a lumbering bureaucracy and strict government controls on foreign businesses. The marketplace is vast, but its distribution systems are arcane, some of them state-run monopolies.

The first, and most basic, problem is finding a way to get the product in front of the consumer. In the movie industry, studios must navigate the China Film Ministry, which decides how many foreign films may be shown, when, and for how long. The governmental agency favors homemade movies, stocking the country's theaters with 200 Chinese films a year and only 60 imports. Just 10 of those, including Paramount's *Forrest Gump* and *Clear and Present Danger*, Fox's *Speed* and *True Lies*, came from the U.S.

Though Chinese turn out in numbers for American films, their enthusiasm does not dictate a film's run. They may be shown for a few days, then pulled for a Chinese film by the government.

"There's a future, but there's not much of a present," said Larry Kaplan, svp and general manager of Disney's Buena Vista International, which released *The Lion King* earlier this year in about a dozen cities in China. Even though it was a successful run for the internationally-popular animated film, Kaplan said the process was not without its stumbling blocks. After 16 months of negotiation, China Film officials agreed to screen the film, but gave Disney marketers only a few weeks' notice before the movie was scheduled to be in theaters. Promotions and advertising that normally take six months or more to create had to be pulled together in a fraction of that time. Because the entertainment infrastructure is poor, the film was shown in a few hundred theaters, the only ones deemed

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technologically advanced enough to handle the picture and savvy enough to understand profit-sharing with the studio. While exhibitors take a cut of box-office receipts, so does the government in the form of taxes, in ever-changing amounts, execs said.

Though Chinese movie-goers turn out in large numbers for American films, their enthusiasm for a movie often does not determine its run. Studio execs said their movies may be shown for as little as a few days, then at the whim of the government, be taken out of theaters and replaced with a Chinese film.

"There are no real rules as yet or strong enough case studies," said a Paramount Pictures exec. "Each time a film is released, it's like you start all over again."

Action films with special effects and high-tech gadgetry, by far the most popular with movie-goers, face tough scrutiny from the state board, which often asks that cuts be made. Studios must be diligent about safeguarding their intellectual properties, mainly because piracy is rampant. But getting a foothold is worth the trouble. Disney is trying to secure a distribution deal for next summer, likely for one of its action films, and already is working to get *The Hunchback of Notre Dame* into Chinese theaters. The animated film premieres in the U.S. next summer.

In part to appease the government, some Hollywood studios are considering making films on location specifically for the Chinese market, and at the same time, distributing Chinese films in the U.S. Producing television programs tailored to the Chinese market may be the only way for U.S. entertainment companies to ensure a long-term presence in the country. Already, American syndicated TV shows are available to the 221 million television households throughout China, a number that is growing by 10% a year (40 million households have cable, expected to jump to 60 million in the next five years).

"The stations now are heavy on local programming, with international content bought as filler," said Simon Twiston Davies, editor of a broadcast and telecommunications newsletter called *ASIAcom* based in Hong Kong. "And as the economy continues to grow, local programming will get better and content from the U.S. and other countries will become more niche."

To stake out a place in the market, the Children's Television Workshop, with underwriting from General Electric and co-production by Shanghai Television, will put a Chinese version of *Sesame Street*, called *Zhima Jie*, on the air every weeknight beginning in 1997.

"What really works is local product," said Steve Grieder, executive producer of Channel (V), a 24-hour-a-day music network based in Hong Kong. The channel is part of the Star TV satellite broadcast service that skyrocketed in viewership when it tailored its format to each of the 53 countries it covers. "The Chinese audience likes American films, mainly action films, because it's a two-hour event, it's dubbed and there's more action than dialogue," Grieder said. "But TV is a different medium where familiarity and comfort are vital. They want to see characters they can identify with."

Universal Studios, Viacom's Paramount Parks and other theme park developers, after watching the success of Disneyland Tokyo, are exploring the Pacific Rim for new sites. In a joint venture, Universal plans to build a theme park in Osaka, Japan, and is eyeing Shanghai for possible expansion. United Artists Theaters, the largest chain in the world, may build China's first multiplexes. Execs from Hollywood studios' licensing and merchandising arms said they are following the lead of their film and television divisions, which first introduce consumers to the properties.

"Lots of properties haven't had wide exposure because they haven't been on television there as they have been in other parts of the world," said Warner Bros.' Jones. "That groundwork comes first." Jones, who worked as a retail executive for 22 years, importing apparel from China before joining Warner Bros. Consumer Products, said he and others entering the Asian country need a thorough understanding of the media there and the most effective way to reach the consumer.

"You can't just go in and make the assumption that the same thing that works for you in Western Europe or the rest of the Pacific Rim will work in China," he said. "You can't do it on auto pilot. You need a well thought-out strategy."