

Week 12 & 13

The Global Marketing



Place and Promotion

Place

- Distribution choices are the least flexible choices in the marketing mix
- International challenges
 - Lack of familiarity with distribution channels
 - Use of intermediaries means relinquishing control



Channel Design: The 11 C-Factors

- Customers
- Culture
- Competition
- Company
- Character
- Capital
- Cost
- Coverage
- Control
- Continuity
- Communication



Place, Distribution, Channel, or Intermediary

There are six basic 'channel' decisions:

- Do we use direct or indirect channels? (e.g. 'direct' to a consumer, 'indirect' via a wholesaler).
- Single or multiple channels.
- Cumulative length of the multiple channels.
- Types of intermediaries (see later).
- Number of intermediaries at each level (e.g. how many retailers in Southern Spain).
- Which companies as intermediaries to avoid 'intra-channel conflict' (i.e. infighting between local distributors).

Place, Distribution, Channel, or Intermediary

Selection Consideration - how do we decide upon a distributor?

- Market segment - the distributor must be familiar with your target consumer and segment.
- Changes during the product life cycle - different channels can be exploited at different points in the PLC e.g. Foldaway scooters are now available everywhere. Once they were sold via a few specific stores.
- Producer - distributor fit - Is there a match between their policies, strategies, image, and yours? Look for 'synergy'.
- Qualification assessment - establish the experience and track record of your intermediary.
- How much training and support will your distributor require?

Place, Distribution, Channel, or Intermediary

Types of Channel Intermediaries.

- There are many types of intermediaries such as wholesalers, agents, retailers, the Internet, overseas distributors, direct marketing (from manufacturer to user without an intermediary), and many others. The main modes of distribution will be looked at in more detail.

1. Channel Intermediaries - Wholesalers

- They break down 'bulk' into smaller packages for resale by a retailer.
- They buy from producers and resell to retailers. They take ownership or 'title' to goods whereas agents do not (see below).
- They provide storage facilities. For example, cheese manufacturers seldom wait for their product to mature. They sell on to a wholesaler that will store it and eventually resell to a retailer.
- Wholesalers offer reduce the physical contact cost between the producer and consumer e.g. customer service costs, or sales force costs.
- A wholesaler will often take on some of the marketing responsibilities. Many produce their own brochures and use their own telesales operations.

2. Channel Intermediaries - Agents

- Agents are mainly used in international markets.
- An agent will typically secure an order for a producer and will take a commission. They do not tend to take title to the goods. This means that capital is not tied up in goods.
- However, a 'stockist agent' will hold consignment stock (i.e. will store the stock, but the title will remain with the producer. This approach is used where goods need to get into a market soon after the order is placed e.g. foodstuffs).
- Agents can be very expensive to train. They are difficult to keep control of due to the physical distances involved. They are difficult to motivate.

3. Channel Intermediaries - Retailers

- Retailers will have a much stronger personal relationship with the consumer.
- The retailer will hold several other brands and products. A consumer will expect to be exposed to many products.
- Retailers will often offer credit to the customer e.g. electrical wholesalers, or travel agents.
- Products and services are promoted and merchandised by the retailer.
- The retailer will give the final selling price to the product.
- Retailers often have a strong 'brand' themselves e.g. Ross and Wall-Mart in the USA, and Alisuper, Modelo, and Jumbo in Portugal.

4. Channel Intermediaries - Internet

- The Internet has a geographically disperse market.
- The main benefit of the Internet is that niche products reach a wider audience e.g. Scottish Salmon direct from an Inverness fishery.
- There are low barriers to entry as set up costs are low.
- Use e-commerce technology (for payment, shopping software, etc).
- There is a paradigm shift in commerce and consumption which benefits distribution via the Internet.

Promotion

- Promotion mix includes
 - Advertising
 - Personal selling
 - Publicity
 - Sales promotions
- Mix will depend on
 - Target audience
 - Company objectives
 - Product or service being marketed
 - Resources available

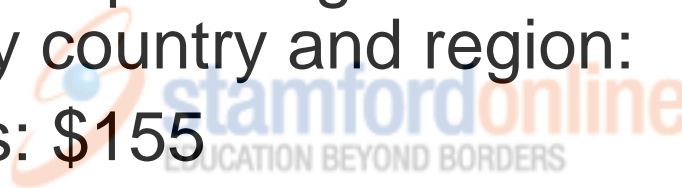


International Advertising

- Media strategy
 - Which media reach your target market? May be much different from the U.S.
 - Media regulations vary by country
- Promotional message
 - Why would the target consumer buy the product? Emphasize those attributes
 - How is the product positioned? Ads should be consistent with positioning
 - Rational versus emotional appeals
 - Be very sensitive to cultural considerations

International Advertising (cont.)

- Ad literacy of target audience
 - Is audience used to connecting ad images and ad messages?
- Annual per capita spending on advertising varies tremendously by country and region:
 - United States: \$155
 - Canada: \$53
 - Europe: \$42
 - Asia and Pacific: \$4
 - Latin America: \$3
 - Middle East: \$1
 - Africa: 50¢



Additional Promotion Tools

- Personal selling – often used...
 - In early stages of international expansion
 - For high-cost products
 - For industrial goods (example: an ingredient)
- Publicity/Public Relations
 - To earn public understanding and acceptance
 - Anticipate or counter criticisms
 - Portray as good citizens of host country

Sales Promotions

- Covers all promotions except for advertising, personal selling, and publicity
- Includes:
 - Coupons
 - Free samples
 - Consumer education
 - Product demonstrations
 - Point-of-purchase materials
 - Discounts
 - Direct mail
 - Prizes and giveaways



Public Relations (PR)

- Public Relations is defined as 'the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its publics' (Institute of Public Relations).
- It is relatively cheap, but certainly not cheap. Successful strategies tend to be long-term and plan for all eventualities. All airlines exploit PR; just watch what happens when there is a disaster. The pre-planned PR machine clicks in very quickly with a very effective rehearsed plan.



Trade Fairs and Exhibitions

- Such approaches are very good for making new contacts and renewing old ones. Companies will seldom sell much at such events. The purpose is to increase awareness and to encourage trial.
- They offer the opportunity for companies to meet with both the trade and the consumer. Expo has recently finished in Germany with the next one planned for Japan in 2005, despite a recent decline in interest in such events.

Sponsorship

- Sponsorship is where an organization pays to be associated with a particular event, cause or image. Companies will sponsor sports events such as the Olympics or Formula One. The attributes of the event are then associated with the sponsoring organization.
- The elements of the promotional mix are then integrated to form a unique, but coherent campaign.

Summary

<i>Product Decisions</i>	<i>Price Decisions</i>	<i>Distribution (Place) Decisions</i>	<i>Promotion Decisions</i>
<p><i>Brand name</i> <i>Functionality</i> <i>Styling</i> <i>Quality</i> <i>Safety</i> <i>Packaging</i> <i>Repairs and</i> <i>Support</i> <i>Warranty</i> <i>Accessories and</i> <i>services</i></p>	<p><i>Pricing strategy</i> <i>(skim,</i> <i>penetration,</i> <i>etc.)</i> <i>Suggested retail</i> <i>price</i> <i>Volume discounts</i> <i>and wholesale</i> <i>pricing</i> <i>Cash and early</i> <i>payment</i> <i>discounts</i> <i>Seasonal pricing</i> <i>Bundling</i> <i>Price flexibility</i> <i>Price</i> <i>discrimination</i></p>	<p><i>Distribution</i> <i>channels</i> <i>Market coverage</i> <i>(inclusive,</i> <i>selective, or</i> <i>exclusive</i> <i>distribution)</i> <i>Specific channel</i> <i>members</i> <i>Inventory</i> <i>management</i> <i>Warehousing</i> <i>Distribution</i> <i>centers</i> <i>Order processing</i> <i>Transportation</i> <i>Reverse logistics</i></p>	<p><i>Promotional</i> <i>strategy (push,</i> <i>pull, etc.)</i> <i>Advertising</i> <i>Personal selling &</i> <i>sales force</i> <i>Sales promotions</i> <i>Public relations &</i> <i>publicity</i> <i>Marketing</i> <i>communication</i> <i>s budget</i></p>