

MNB3702 Discussion Class

Theme 3: Management and implementation

Chapter 17 /
Lesson 7

By Jessica Nel



Define tomorrow.

UNISA

college of
economic and
management sciences

1

Lesson 7 – Customers and suppliers of the global business (Chapter 17)

- Global world is made up of people of diverse cultures, values, norms and religions
- Marketing plays a crucial role in the global business - – building relationships with international consumers and fulfilling their needs
- Supply chain management seeks to make good on marketing's promise to these customers (Place)
- Formal and informal institutions have an effect on marketing and supply chain activities
- Both functions can provide sustainable competitive advantage (VRIO)
- B-2-B relationships and the country of origin effect

2

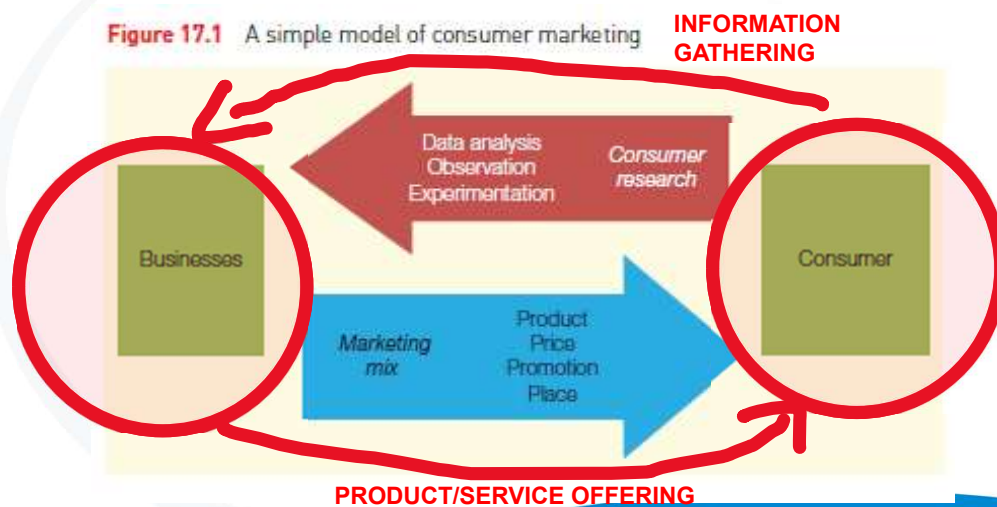
Serving diverse consumers

- **Needs vary across the world**
 - Cultural differences
 - Regulatory environments
 - Resources and income levels
- **Marketing mix needs to be customised based on these needs and the availability of media and distribution channels. Research these aspects through:**
 - Experimental adaptation
 - Survey-based research
 - Anthropological studies
- **Research reduces costs of entry and prevents language blunders**

3

Marketing mix

Figure 17.1 A simple model of consumer marketing



Source: Peng & Meyer (2019: 476)
 Watch this video: <https://youtu.be/vRTuaTg0V5c>

4

Product

- **Product**
 - The offerings that customers purchase.
 - Even for a single category (such as women's clothing or sports cars), product attributes vary tremendously.
 - For firms interested in doing business around the world, the leading concern is standardisation versus localisation.
- **Marketing segmentation**
 - A way to identify consumers who differ from others in purchasing behaviour.
- **Multi-tier branding**
 - A portfolio of different brands targeted at different consumer segments.

5

Types of market segmentation

Demographic	Psychographic	Behavioural	Geographic
<ul style="list-style-type: none"> – Age/generation – Income – Gender – Family life cycle – Ethnicity – Family size – Occupation – Education – Nationality – Religion – Social class 	<ul style="list-style-type: none"> – Activities – Interests – Opinions – Values – Attitudes – Lifestyles 	<ul style="list-style-type: none"> – Benefits sought from the product – How often the product is used (usage rate) – Usage situation (daily use, holiday use, etc) – Buyer's status and loyalty to product (non-user, potential user, first-time user, regular user) 	<ul style="list-style-type: none"> – Region (continent, country, province, neighbourhood) – Size of city or town – Population density – Climate

Attribution: Adapted from "How markets are segmented", eLearning Support Initiative, University of Minnesota is licensed under [CC BY-SA 4.0](https://creativecommons.org/licenses/by-sa/4.0/)

6

Price

- **Price**
 - The expenditures that customers are willing to pay for a product.
- **Price elasticity**
 - How demand changes when prices change.
- **Total cost of ownership**
 - Total cost needed to own a product, consisting of initial purchase cost and follow-up maintenance/service cost.

Not all consumers are highly price sensitive. Luxury products that are status symbols of upwardly mobile middle classes attain their status exactly because not everyone can afford these products.

7

Question

Can you think of a brand that charges a high price for the use of its product?

8

Promotion

- **Promotion**
 - All communications that marketers insert into the marketplace.
 - Includes TV, radio, social networks, billboards, coupons, etc.
 - Marketers face a strategic choice of whether to standardise or localise promotional efforts.
 - Standardised promotion can save a lot of money on advertising agencies and project a globally consistent message.
 - Advertising messages are culturally embedded: they are received differently in different countries.
 - Online advertising is also changing; generation Y and Z do not just buy because they see a magazine advert; they are influenced by different forms of social interaction and the internet.

9

Place

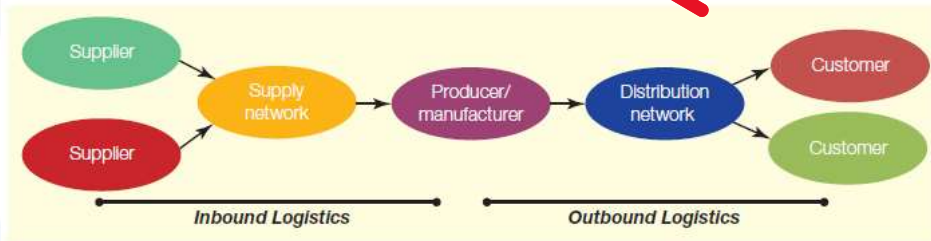
Location of purchase
Ease of transaction
Access to distribution channels
Sales force
Competitor approaches

- **Four sets of considerations come into play:**
 - Market potential
 - Entry costs
 - Strategic motives
 - Distribution channels

10

Supply chain management

Figure 17.2 Supply chain management



Source: Peng & Meyer (2019: 482)

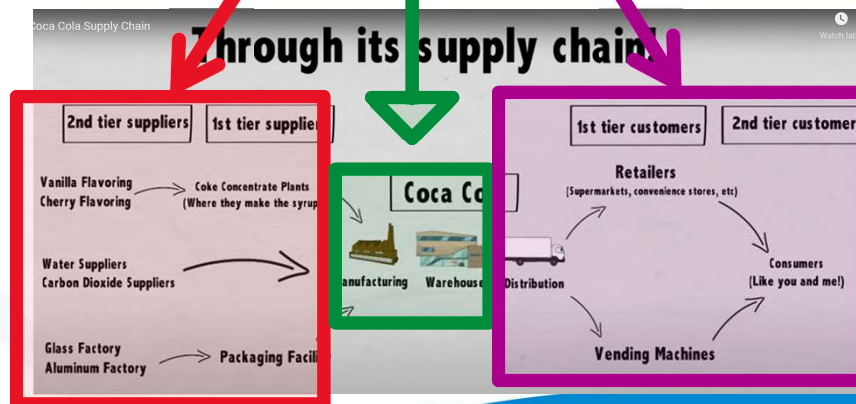
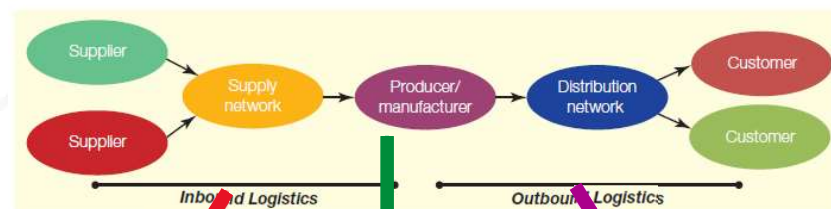
Inbound logistics

Purchasing and the coordination of intermediaries on the supply side.

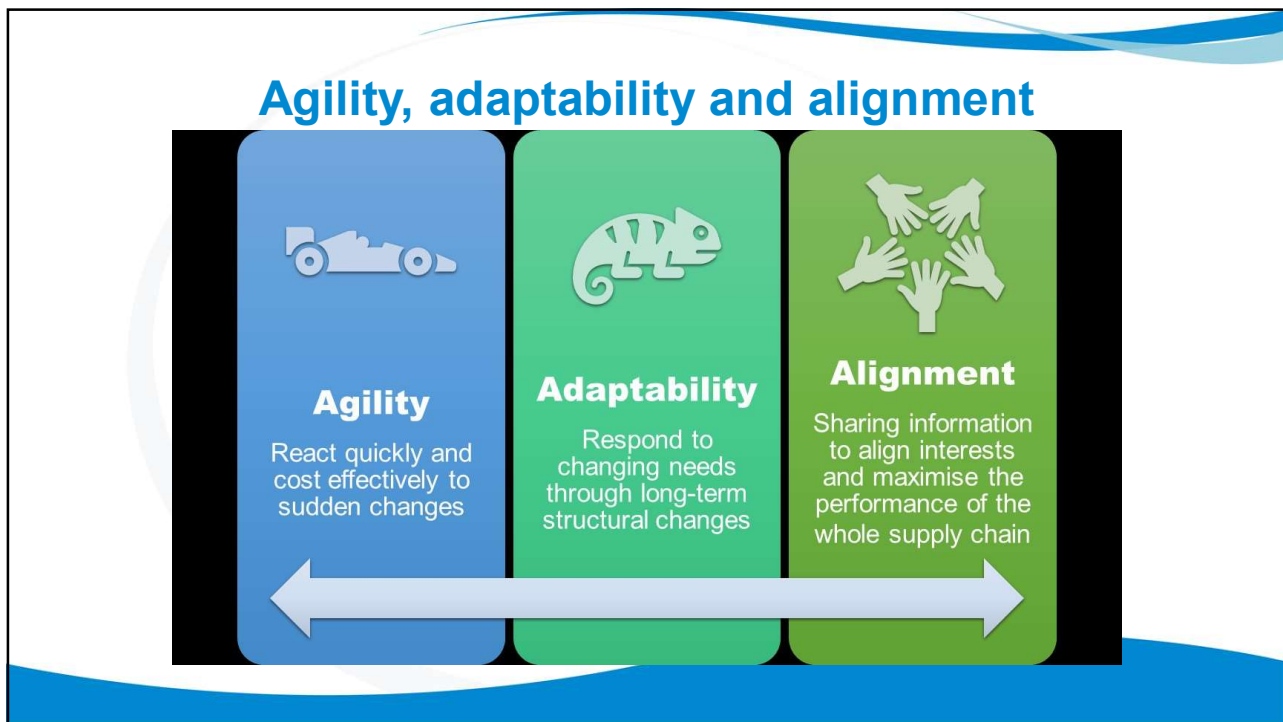
Outbound logistics

Sales and the coordination of intermediaries on the customer side

Watch: <https://youtu.be/UBSOiHUctrY>



Source: Jonathan Hu. (2016). *Coca Cola Supply Chain*. [Online Video]. 23 February 2016. Available from: <https://youtu.be/UBSOiHUctrY>. [Accessed: 4 May 2021].



13

Institutions, marketing and supply chain management

- **Marketing**
 - Companies marketing controversial products, e.g. tobacco must be particularly adept at interpreting local rules and customs
 - Other marketing constraints include standards in advertising, personal information and ownership restrictions (FDI vs online marketing).
- **Supply chain**
 - Ownership – some countries do not allow a WOS
 - Create interdependencies between firms, they themselves can become a channel for the diffusion of practices and norms.

14

MARKETING BLUNDER: H&M hoodie advertisement



Source: DispatchLIVE (2018)

15

Resource-based view

VRIO for Coca Cola's marketing and supply chain



Source: Adapted from Pratap (2017) and "VRIO Analysis" by John Morris

16

Debates and extensions

B-2-B marketing

- In B2B markets, the customer uses the product for goods, which may go through several transformations before reaching the consumer.
- First challenge is to understand the value chain that the product feeds into and how to influence the key decision-makers in the value chain, without being their direct supplier.

Three ideas that can influence decision makers:

- Relationship marketing: A focus to establish, maintain and enhance relationships with customers.
- Ingredients branding: Creating a brand identity for a component of a product.
- Lobbying regulatory authorities: Aim to influence regulatory standards.

17

Debates and extensions

Country of origin

- The positive or negative perception of firms and products from a certain country.
- Being an outsider (especially a foreigner) is often seen as a disadvantage, however sometimes this can be the opposite.
- Marketers have to decide whether to enhance or downplay such country-of-origin effects
- Some deliberately associate with a different country

CAN YOU THINK OF SOME EXAMPLES?

18

Summary Lesson 7

- Consumers come first!
- To avoid marketing blunders, managers should study consumer behaviour before deploying their marketing mix.
- Managers can enhance supply chain management by focusing on agility, adaptability and alignment (triple A).
- Don't only focus on B-2-C markets – B-2-B can be very profitable if you can influence the value chain.

19

Test yourself

GO READ "LI & FUNG: FROM TRADING COMPANY TO SUPPLY CHAIN MANAGER", IN YOUR PRESCRIBED BOOK (PENG & MEYER, 2019:494–495) AND ANSWER THE FOLLOWING QUESTION:

Apply the VRIO framework to identify and assess the marketing and supply chain resources of Li & Fung as contributing towards sustainable competitive advantage.

ASSESSMENT CRITERIA

- ✓ Identification (1/2 mark each) of the resources of Li & Fung **(2 marks)**
- ✓ Evaluate how Li & Fung's resources contribute to the sustainable competitive advantage of the company **(8 marks)**

POST YOUR ANSWER ON THE DISCUSSION FORUM

20

