Transcription Lesson 7: Place or convenience to buy

“Place” refers to the distribution of the good or service to consumers in the MNE’s host and parent countries. Placement determines the various channels used to distribute a product across different countries, taking in factors such as competition and how similar brands are being offered to the target market. The prescribed book, on page 481, brings four considerations into play for MNEs. First, the potential of the market (often estimated using the size and growth of that market from industry statistics and market research). The second is the cost of entering that market, together with the increased unit costs that come with adapting products and promotions to that market. Third, is the strategic motive. When entering a new region, an MNE might choose to start out with a test country that would be a good indication of the response they would receive from the rest of the region, allowing the MNE to correct any mistakes, and acting as a bridge for entry. Lastly, place is closely linked to the distribution decision. MNEs might use either traditional brick-and-mortar stores (hotels, for instance) or the virtual marketplace and online alternatives (such as Takealot). Decisions to sell directly to the consumer or via a distributor or partner also come into play here. The question is how easy (or difficult) it will be for the consumer to purchase from the MNE.

The place decision has moved away from a physical location, in the traditional sense, towards distribution channels that make it convenient for consumers to buy from the MNE. The aim is to make it as easy as possible. Convenience takes into account the ease of buying the product, finding the product, finding information about the product, and several other factors.

Regardless of its size or visibility, a global brand must adjust its country strategies to take into account placement and distribution in the marketing mix. For example, not all cultures use or have access to vending machines. In the United States, beverages are sold by the pallet via warehouse stores. However, in India, this is not an option. Furthermore, placement decisions must also consider the product’s positioning in the marketplace. A global luxury brand would not want to be distributed via a “dollar store” in the United States. Similarly, low-end shoemakers would likely be ignored by shoppers browsing in an Italian boutique store.

In addition to where products are placed, global marketers must consider how these products will be distributed across the different shopping venues unique to that particular country or market. Customising these placement strategies for national and local markets while retaining a strong and consistent brand image can help companies gain significant competitive advantages in the global market.

Location is key as managers need to leverage locational advantages to access markets. In lesson 2, the strategic decision of WHERE to enter when considering making a FDI in a foreign country was mentioned. The choice of location (for production sites) to access the target market and the choice of logistics system –

References: Peng, MW & Meyer, KE. 2019. *International business*. 3rd ed. Andover, United Kingdom: Cengage Learning.

discussed in the next learning outcome – are inseparable. The end goal of these distribution decisions should be convenience and accessibility for global customers.

References: Peng, MW & Meyer, KE. 2019. *International business*. 3rd ed. Andover, United Kingdom: Cengage Learning.