Characteristics of foreign target market marketing essay

International investors willing to capture the growing business opportunities in Africa and especially in Kenya have to make that decision to enter a specific country based on thorough research and homework. The products and services must be tailored to the needs of the market and if necessary must be adapted to the local culture (Jonah, 2006). Many companies have failed in their entry into emerging markets without the understanding that their home markets are not the same as the destination markets. Those who have been successful understand that consistency and the functionality of their products or services, low margins and adaptable products and brands are the ones that succeed in the local market (Chattopadhyay and Dawar, 2004). This paper looks at strategies to introduce stag beer into the Kenyan maket.

Introduction

This paper looks recommends a marketing mix for stag beer into the Kenyan market. The paper justifies the adapted marketing mix by examining and taking into account the differences in the market and recommends strategies to introduce stag beer into Kenya. For Stag Beer to be successfully introduced into the Kenyan market, an analysis of the Kenyan market, the local company, the marketing mix and a pestel analysis will be needed. This paper is an analysis of the above.

Background

Carib Brewery (St Kitts & Nevis) Limited, is St Kitts – Nevis' leading alcoholic beverages Manufacturer. The company manufactures and distributes the following products: Carib Lager, Stag Lager, Skol Lager, Guinness Stout, Mackeson Stout, Royal Extra Stout, Vita Malt, Giant Malt, Smalta, Ting

Grapefruit beverage, Peardrella, Cidrella, Ginseng Up and Juicy Beverages. The company has been successful in the local market and has become the leading brewery in the Caribbean islands employing over 2000 people. Leveraging on its strengths in marketing and distribution; research and development; brands and financial management; as well as acquisition experience, the company is providing key resources and assets strategic directions for its foot its commitment to grow and strengthen its core businesses so as to provide sustainable earnings to shareholders through geographical expansions.

In this part of the paper we will take each of the marketing mix elements separately and discuss how Carib Brewery can use them to introduce stag beer into the Kenyan.

Product

Stag beer is one of the world's finest beers, It was launched in 1892 and is enjoyed in more than 60 countries across the globe including Europe, USA, Latin America, Australia and the Middle East. The distinctive taste of stag Beer is favoured by the modern man of today. Stag Beer is synonymous with self-progression, manliness and social engagement.

Price

Price is the amount of money charged for the product or service, the sum of values that consumer exchange for the benefits of having or using the product or service. The pricing of Stag beer has always been kept on a bit higher side as compared to the existing domestic beers. The company cashes in on its international image and with its higher pricing policy it is targeting niche segment of the market.

Place

The company has breweries in all the continents that it operates in and also has a presence in 60 countries. The company also has an online marketing system. Any consumer can go to their online shop and get their beer home delivered. It also has some tie-ups with large department stores like for retailing its Beers.

Promotion

The company does aggressive advertising in all of its affiliated outlets and pubs, the company also has branded clothing and accessories that it uses to promote itself.

Characteristics of Foreign Target Market

Hofstede (1984) affirms that society in collectivism countries such as Kenya expects organizations to look after them like a family member. Therefor the company has to look for ways for them to look at the Kenyan population as part of the organisation. Kenya, a high feminine country is given a low masculinity ranking. In celebrations like marriages, baptisms and funerals are given a lot of importance (Blunt, 1983), therefore the company has to employ its marketing mix to emphasise on this aspect of stag beer.

PESTEL Analysis

Political

The scenario of Kenya is very different from rest of the world. Any company venturing into the Kenyan market will have to study the political environment here. The rules and regulations for selling beer are different so the company has to be very specific when targeting its consumer.

As the advertisement of liquor is banned in Kenya, stag beer has to cash on its international image to boost its sales in the domestic market.

Economic

The economy of Kenya is changing. There is a rise in per capita income and as a result the disposable income of people specially living in urban cities is also increasing rapidly. The company has to realize this potential and thus target only the urban cities of Kenya in their early stage to penetrate the market.

Social

Kenyan is mostly Christians with 27% of the population Protestant while 26% are Roman Catholic. Around 19% of the population follow local native tribal beliefs and 6% are Muslims. It is a country of diverse and rich cultural traditions, seeks to cultivate and develop those traditions to ensure that its valuable cultural assets are not irretrievably lost and that social cohesion is not undermined in the process of change to newer ways mind-set and lifestyle of people where Kenyans love their beer almost as much as their dancing and there’s a thriving local brewing industry

Per capita income is rising, but at the same time the gap between the haves and have-nots is also widening. Though we hope that this gap will be narrowing in the near future, but the scenario is a bit bitter right now.

Technological

Importing beer attracts heavy taxes from the government resulting in higher prices of the same. Therefore to increase the base in the Kenyan market, it is advisable to set up a plant in Kenya itself.

Environmental

Environmental factors include the weather and climate change. As the climate here is generally warm, the company needs to increase its promotions during summer time.

Legal

The company should be very careful about the steps it takes because of the political environment which could land it in trouble.

Currently East African Breweries Ltd (EABL) controls about 95% of bottled beer market in Kenya, about 30% share in Tanzania and around 60% market share in Uganda. The other major player in the bottled beer market in the region (Uganda and Tanzania) is SAB Miller of South Africa, which controls over 60% of the Tanzanian market and about 30% of the Ugandan market (EPZ, 2007).

The market prospects within East Africa region are expected to rise as the sector focuses on innovation in the businesses and working with the respective governments in trying to reduce excise duty that is currently considered very high. Kenya is self-sufficient in beer and barley and has remarkably invested in all the East African countries commanding the highest market share within the region. High excise duties charged on beer makes the sub-sector one of the main revenue earners for the government. EABL is currently one of the highest corporate taxpayers with annual turnover of Kshs. 28. 9 billion and employs more than 1600 people across the region (EPZ, 2007).

The sub-sector has undergone tremendous changes and currently Kenya is one of the world's leading producers of quality beer having won various international award competitions on various brands of locally produced beer. The only major market player in the sector has been EABL though Castle Breweries Ltd of South Africa had ventured into the Kenyan market but opted out after sometime, citing problems in sourcing barley locally and the import duty charged by the government (EPZ, 2007).

Beer market growth is flat in all the three states due to economic hardships that have continued to affect beer industry, coupled with high taxes, stiff competition from other beverage sub sectors and low consumer spending.

EABL currently enjoys trade monopoly in formal sector beer. Currently, branded beer accounts for 40% of alcohol market though it faces stiff competition from cheap spirits and illicit / traditional brews. There has been a reduction in beer sales volumes by more than one million hectolitres in the past decade. According to EABL half-year results, beer sales volumes went down by 4% while spirit sales volumes showed some gains during 2003, which indicates beer market shift to spirit or other cheap alcoholic beverages principally because of sale price considerations.

Among key brands of beer available in the Kenyan market are Tusker Lager, Pilsner Lager, Tusker Export, Tusker Malt, Pilsner Ice, Pilsner Ice Light, Allsopps, White Cap, Citizen, and Guinness Stout.

Literature Review

In the process of internationalization, one of the most complicated issues that marketers have to manage is to explore the answer for the question whether the organization should apply domestic strategies to international markets (standardization approach), or whether marketing strategies should be designed to suit each individual market (adaptation approach) (Hollensen 2008). Some of the advantages for standardisation include: industrial products for which technical specifications are important, lower costs as a result of economies of scale in production, marketing and R&D, similarity of customer tastes and consumption patterns across different markets that have analogous income levels and economic growth, centralization of authority for establishing policies and allocating resources, standardization strategy followed by competitors and foreign and domestic markets for a product are in same stages of development (Czinkota & Ronkainen, 2000).

On the other hand the advantages of the adaptation of the marketing mix include: Services and consumer products which are more susceptible to be influenced by individual tastes, favors adaptation, higher cost of implementation, variations in consumer purchasing, differences in government regulation, e. g. products' technical standards, local content laws and tax policies, independence and autonomy of national subsidiaries, which may develop their own products, adaptation strategy followed by competitors and polycentric orientation.

Originally developed by Japanese business circles in the 1980s (Ohmae, 1990, Robertson, 1995), " glocalization" refers to the process whereby global corporations tailor products and marketing to particular local circumstances to meet variations in consumer demand. Glocalization has been described as a process: " the creation of products or services intended for the global market, but customized to suit the local culture" (The Word Spy, 2002). According to John Stanley, IBM-Europe's director of marketing and services, as quoted in Peak (1991), " glocalization" is not where you do business, but how you do business. And the " how" is often thought to be a meshing between the guest multinational firm and the host local company. Glocalization is sometimes reported to be areaction to globalization, or a reinforcement of cultural identity at the local community level. In terms of what the word means in the marketing sense, glocalization means that companies have to deal not only with worldwide considerations, but also, very expressly, with the specific rules and conditions of each country in which they operate. Glocalization represents the need for multinationals to be global and local at the same time. Put simply, whereas globalization is a move toward centralization, glocalization is a move toward decentralization.