

# Global marketing assignment

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The company has been proactive in outlining competitive strategy, increasing the product profile and entering newer markets at the right time.

The marketing function is defined as the function in the business that identifies customer wants and satisfies them in the manner that provides them maximum returns. All over the world, marketing is used as a tool to develop new markets, to create the need for the product and these efforts translate into increased sales for the organization (Peter, 2007).

Traditionally, a company has to go through five stages to become a global company.

Domestic marketing introduces the product to the country's market. Exports start once foreigners start demanding the product. When the company believes that they have sufficient market across the country and beyond for them to start their penetration in those markets, international marketing starts taking place. International marketing tends to be fruitful when export marketing reaps profits and time barriers, cultural differences hinder the development of competitive edge in the foreign markets (Paul, 1997).

Multinational strategy is then adopted.

In multinational strategy, the company benefits from the economies of scale and is marketing its product across countries (Douglas, 2002). This is the position through which Shell is at. Shell's Multinational Marketing Strategy and Performance: When it comes to performance, the company has been striving to achieve brilliance in their products and functions, so that they remain the winner. Their excellent business performance is rooted in history and till today they have been able to maintain a standard. Although some

hiccup In their way to excellence have hampered the growth, they have emerged as winners in the long run.

The asses and asses mark the era in which the company was supplying one seventh of the OLL products to its markets. They had been proactively In anticipating the demand for energy and take specific measures to ensure they are well versed with the newer trends that would set in their industries. For example, in the asses, the company ventured into gas supply as a source of energy as oil prices were hiking. Their exploration Investment In the North Sea provided them with massive oil and gas reserves. The result was that they began the supplier of half of Britain's gas requirements.

At this time, they ventured into metal and coal, the alternate forms of led to the development of the company. As their consumer became user-friendly, they moved towards strategies to implement more environmental friendly operations throughout their company. All this while, they have been proactively foreseeing the trends in consumer wants and the needs of the economy and acting accordingly. Selling unleaded petrol brought them a leadership position in the whole world. Such an act brought an intangible aspect to the brand as the brand was now perceived to be a caring brand, one that cares for the environment and the people.

Such a marketing tactic at the time when environmentalists were ringing warning bells regarding high energy consumption ND global warming was a great move. They focused on green marketing and providing environmental friendly solutions to their customers, bringing an edge over their competitors and hence enjoyed the leadership position. The company revised its

Business principles in 1997, so that stakeholders better appreciate the initiatives that were taken by the company for the society and the environment. This was also done to ensure sustained development and growth and lowering of costs through improved efficiency.

The Royal Dutch Group of Companies had exceeded performance expectations, when cooking at the bigger picture. Over the course of the years, from asses to asses, the company has been proactively venturing into different areas of energy production, meeting consumer demands and working with the environments, maintaining their position in the market. However, a slump came in their otherwise shining performance when the scandal of overstating their oil reserves came in the lime light. Shell's performance, when compared to its peers in the market, was better than the average.

In fact it was greater than the weighted average of the competition's return on capital employed. The peak of this return was in 2000-2001 when the RACE increased to 22%. This shows that the assets employed in the company were providing returns greater than those of its competitors. However, in 2002, the slump in the RACE is translating into a lower PEPS for the stockholders as well. There is a marked difference between the Earnings per share from the year 2001 to the year 2002. The MIS-reporting of oil reserves by the management of Shell lead to the slipping of the company's rating of triple A to AAA plus.

The lowering reserves should be a concern for the company as their main products were dealing with oil reserves. Cutting development spending of

exploration had drastic effects on the company's performance in 2001. The company had artificially increased the net profit of the organization by reducing the costs of exploration. This had a negative effect on the development of oil reserves for the company. The scandal of over-statement further aggravated the situation for the company. This was probably the biggest hiccup that the company has ever had in its life.

The company's act of over-statement was a shock for all. It was tarnish to the image management and operational structure again and made the necessary changes so hat the company could stand up again. To please the stakeholders, a number of managing directors were employed to ensure the flow of work. The company, answering to the popular criticism that they always hired from within the group, announced the appointment of a finance director from outside the group. Shell also started taking measures to replace the reserves of oil, something it was not doing before and was a cause of concern.

All these actions were taken to ensure to the stakeholders that the company would do loads to appease them and to maintain its image in the world. Although such hiccup take time to be forgotten, Shell took proactive measures of a simplified board, improved accountability and decision making power and leadership in the company, to renew the trust between themselves and the stakeholders. The Mis-Statement of Reserves: Shell's Public Image Tarnished: A corporate scandal involved unethical behavior and allegations on people working on behalf companies.

It may be an accounting fraud or operational fraud etc[2]. Shell PL had been successful in maintaining its corporate image and its profitability for many decades. The proactive measures that were taken by the management gave Shell a strategic position in the global market. However, the scandal of over-statement of oil reserves was a shock for all. When the company's first admitted its conspiracy which was confirmed by a subsequent report that was presented to the world, it startled everybody. The company's stock jolted and completely hampered the corporate image of the company.

It was alleged that the top directors of the company had been lying to the stakeholders. Such a negative act would release negative sentiment towards the public. The governors were lying to the public, developing a lack of trust in the stakeholders. The goodwill that was generated over the years, maintained by the business and ethical performance of the company, was brought down the drain with the development of this news. The head of exploration had also admitted that the as much as 2.3 billion barrels of oil had been over-stated and may not be with the company anymore.

This was a serious threat to the company's sustainability as it also brought down the reserves of the company, increasing the overall risk of the company. Such a mal-practice also revealed a lack of accountability in the management of the company. A massive cut in IL reserves after reviewing the actual amount of oil reserves present in the company led to dropped ratings of the company. Standard and Poor's dropped the rating of the company from triple A to AAA plus. The chairman of the supervisory board at that time, Dad Jacobs, said they believed that the structure of the company had provided them with great opportunities in the past.

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However, with the recent events unfolding it would be appropriate to look into the matter and review the management structure in such a way that accountability increases[3]. For a brand like Shell, this was a recipe for disaster. There was speculation that people had started calling Shell as the new Enron. Although the level of deceit was lowering consumer confidence in the company. There stockholders demanded compensation for the treachery that had happened. About \$352. 6 Million was paid as compensation to non-US shareholders[4].

The company also paid around mum I-J pounds as fines to the SEC, as they had breached the rules that had been set by the commission for the reporting of oil reserves of oil companies[5]. However, many of these payments were made as a promise to compensate those who were involved, without putting forward any admission or negation of the findings put forward. In multinational companies, the corporate image of a company is like an intangible asset that is developed with the help of years of good will development through various methods (Charles, 1996).

Shell had been providing exceptional results to all its stakeholders, keeping in line with the environmental friendly attitude. Their cost- efficient and environment- efficient methods led to the development of the company as one of the biggest oil companies in Britain and all over the world. Even the company's stock was soaring high due to the trust that the stockholders put into the many. When such news comes regarding a well-reputed company, it is bound to be disastrous for the corporate image, profitability and popularity of the company.

Similar was the case with Shell; their image had been tarnished by such an act and it would take years and years of exceptional hard work to re-build the corporate image that the company once had. Another dilemma that was brought forward was that Shell was not replacing 60% of the oil it was taking away from the environment. This was another serious threat to the image of the company as it was mandatory to replace the natural resource with their resources in order to restore balance. Such acts consequently inflated the profits of the company and thus the PEPS soared high before slumping.

One aspect of the problem that should not be forgotten was cutting down on exploration costs. This was done in the history of the company when exploration spending was reduced in 1998, which led to decreased oil reserves with the company. Developmental costs when reduced, work against the company. The company has been able to regain some of the lost image by taking measures to counter the crisis that had risen. In order to please the stakeholders, about \$2 billion took was brought back from the stakeholders to increase the earnings for the stakeholders.

The revision of the business principles, compensation and fines payments to the stakeholders and re-vamping the management has brought the company back on track. The Future for Shell: When the news of the MIS-reporting of oil reserves had surfaced, it had seemed that the company was in line to become the next Enron. However, due to the calculated efforts from the management, the company was able to survive from the scandal; One of the biggest marketing strategies of the company was to develop the investor inference back onto the company.



Buying back the share of the company showed increased confidence in the operational capability of the company. Such an action showed that the company had cash flow at hand to embark upon such a settlement. A number of investments were given up to raise the capital for this action. The investments which were disposed off included a share stake in Sinopec, which was a Chinese oil company, a refinery in Delaware and an exploration asset in Angola. This sent a positive signal through to the stakeholders regarding the confidence of the management in the business.

When it comes to the management, the company has announced that they would be hiring a finance manager that would be from outside the group, eliminating some allegation that said that the company hired for top positions from amongst the group. This increased the accountability in the group and diversified the management portfolio of the group, further improving confidence. Another management decision was to merge the two separate businesses together. This has been proved to be vital in improving the management structure and accountability of the company.

Dad Jacobs had said that this was in minds of the people in the management and they would look into any matter that would help them achieving investor satisfaction. The measures that the company took, such as settlement of claims, buying back shares to improve PEPS, management re-vamping strategies; all have been instrumental in re-building the image of the company that was lost. The future for Shell is secured by the actions that have been taken by the management over the years to restore the consumer and investor confidence.

These acts have been through compensation payment to the stakeholders, fine payments to the concerned authorities, entering agreements with foundations helping and upgrading the environment etc. If the entire numbers of settlements that have been paid over the years are collected, the cost of the scandal would prove to be a massive amount of \$600 million. These settlements include the US and the non-US investor settlements[6]. In 1997, the company revamped its Business principles, including a dedication to sustainable development.

Their commitment to this was the distributing the required energy without damaging the environment and threatening natural systems. Their commitment to the cause of green marketing has won them laurels in the form of investor and consumer confidence. Such a strategy should be adopted as all over the world, there is increased awareness relating to the cause of environment. Already, the oil companies are questioned for hampering the natural resources of the world. Dedication to green marketing would help the company negate these allegations to a certain extent.

All in all, the marketing strategies that have been adopted by the company have been effective enough to boost the sales and reputation of the company after the mishap. All the efforts that have been taken have paid off. Company wants to keep their image positive in the minds of the investor. Their dedication to oil and gas exploration should continue, in order to ensure a sustainable level of oil reserves for the company. The company's dedication towards betterment is evident from the formal written diversity standards that are being followed by the group.

HER systems integration, monitoring the performance of the company, increased communication between all, and achieving strategic plans and objectives with the help of systems and resources; this is the way Shell is maintaining its competitive advantage and corporate image in the economy today. Conclusion: The company has been able to maintain its corporate image after the downfall of 2003. The multinational corporation has employed sound marketing techniques to increase profitability efficiency.

They have not forgotten the environment in their quest to become the biggest oil companies in the world. With these practices and further improvements in their systems as and when necessary, they would be able to sustain their position in the market. Their proactive approach towards business and marketing will lead them into the future as victorious.

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