

Swot and marketing analysis of philip morris international marketing essay



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SWOT analysis helps one to fine out the strengths, weaknesses, opportunities and threats of an organization or a company. Strength and weakness are internal to organization whereas opportunities and threats are external. Strength and weakness both related to internal environment of organizations but opportunities and threats are the outsiders and can be evaluated using PESTLE analysis. The followings are the Strengths, weaknesses, opportunities and threats of Philip Morris International.

Strengths:

Strong finance: The Company has a base of strong financial situation.

According to its corporate website, its operating income in 2008 was \$10, 284 million, and its net earnings were 6, 890. There was an increase as the same for the year 2007 was \$8, 894 and 6, 038 respectively.

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Well established Brands: The Company produces famous brands like Marlboro, L&M, Chesterfield, Philip Morris, Parliament and Virginia Slims. When the product establishes itself as a brand there is a less need of spending money on its promotion.

Strong manpower and employees: The Company boasts of more than 75,000 employees throughout the globe from different culture and ethnicity. With the variety in their workforce there is a variety of ideas and concepts, which can be beneficial for the survival in the global environment.

Strong Management team: the company under the chairmanship of Mr. Louis C. Camillieri has a strong and efficient management team. David Bernick, a senior Vice president and General counsel is university of Chicago, law graduate, André Calantzopoulos, chief operating officer, Kevin Click, chief information officer and Doug Dean, research and development make the strong management team of the company.

Leading Markets: The Company boasts of leading 11 markets out of the top 30 international markets. That is equivalent to occupying 33% of total top market shares. This is one of the strength of the company.

These are the basic strengths of the company, a strong financial condition with plummeting profits, well established brand names of the product, skilled, well trained and diverse work force, a strong leading management team and the huge share in top international markets.

Weaknesses:

As far as a weakness of the company is concerned the litigations seem to be the only weakness. Government policy on the promotion and sale of tobacco related product stops the company from aggressive marketing and promotion of its products. It is the weakness of the company.

Opportunity:

Increasing tobacco market: Although anti tobacco activists are raising their voices against the production and distribution of tobacco, the tobacco market is still lucrative. It raises billions of pounds as revenue to the government as well as the producers.

Advantage of globalization: Globalization offers the company an opportunity to take an advantage of cheap labour cost and cheap production cost offered by third world countries. Factories established in China, Nepal offers the company cheap production of its products hence huge profits.

Mergers and collaborations: The Company tied its knot with Altria and it recently announced its partnership with fortune Tobacco Corporation. These kinds of mergers and collaboration offer the company an opportunity to expand its market share.

Threats:

Anti Tobacco activists: The Company has remained a most controversial company because anti tobacco activists have always criticized the tobacco company for being responsible to the death resulting from smoking. For example, activists in Philippines raised their voices against the merger of

fortune Tobacco Corporation with Philip Morris. They have feared this merger can draw more smokers in Philippines. ([http://www. abs-cbnnews. com/business/02/25/10/anti-tobacco-group-expects-intensified-marketing-philip-morris-deal](http://www.abs-cbnnews.com/business/02/25/10/anti-tobacco-group-expects-intensified-marketing-philip-morris-deal) 25/03/2010)

Government legislations: The governments' rule of banning the sales of tobacco related products to people below certain age limits and other rules related to smoking ban on public places can reduce the sales of tobacco.

For example research in UK shows that number of smokers has reduced after smoking ban in public places and after the age limit for the sale of tobacco has been set.

Public Awareness: People are more aware about the consequences of tobacco consumption because of the advertisement of anti tobacco activists. This has resulted in the reduction of sales in many markets.

Strength and weaknesses are considered as internal factors whereas opportunities and threats are considered as External factors. Basically strengths and weaknesses of an organization are related to people, resources, innovation and ideas, marketing, operation and finance, whereas opportunities and threat are associated to the factors that organizations find hard to control sometimes. They are political, economic, social, technological, legal and environmental environment in which the organization exists.

Now let's examine the external factors of Philip Morris International.

Political environment:

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(<http://www.executivehm.com/media/media-news/infographics/091117-EHM-Smoking.png>, on 25th April 2010)

The details above show that by the year 2009 there are 44 countries with active smoking ban. The data also shows that more than 1 billion people are protected by smoke free laws. These laws mean reduction of sales for the company. The company can either promote its products in these markets or have their sales restricted by severe laws. For example, they do not allow people below 18 to buy cigarettes in England and Wales. They have increased the age limit from 16 1st of October 2007. Politicians are always trying to seek public favour and by introducing laws like smoking ban and binge drinking ban or increasing tax for products like these they are trying to catch public sentiment. These kind of political activities are although favourable to general public, they are not at all favourable for a company like Philip Morris, whose revenues are based on the sales of its tobacco related products.

Economical: There is not much difference to Philip Morris International due to the recession. Its profits did not plummet heavily even though the world was hit by economic downturn. Following table show its financial data.

(in millions of dollars except per share data)

2009

2008

% Change

Net revenues

\$62, 080

\$63, 640

(2. 5)%

Cost of sales

9, 022

9, 328

(3. 3)

Excise taxes on products

37, 045

37, 935

(2. 3)

Gross profit

16, 013

16, 377

(2. 2)

Operating income

10, 040

10, 248

(2. 0)

Net earnings

6, 342

6, 890

(8. 0)

Basic earnings per share

3. 25

3. 32

(2. 1)

Diluted earnings per share

Source: Philip Morris Webpage

Sociological: Being criticized as a main contributor of smoking related deaths in the World, Philip Morris International has to do a lot to cope up with the sociological issues. Therefore their social responsibility activities are directed to these five areas of society, extreme poverty and hunger, environmental sustainability and living conditions in rural communities, domestic violence, and disaster relief. The company has spent billions of pounds for charity purpose to restore its tarnished image.

Legal: Philip Morris had to suffer heavy loss due to several legal proceeding that it had to go through as people blamed of killing people. It has a history of being sued by people, distributors or companies. For example, '16 wholesalers filed legal action in a federal court in Tennessee claiming that Philip Morris's wholesale leaders program 2003 constitutes ' price discrimination and attempts to monopolize.' (Financial Times of London, 8th July 2003.)

To cope up with these kinds of legal issues, the company has its own legal department that deals with all the legal issues associated with the company.

Environmental:

Environment is a hot topic in present day world. The problem of thinning of ozone layer or the global warming draws the attention of each and every organization. Most of the organizations have designed their social responsibility programme associating themselves with the environmental issues. Philip Morris international too has done the same. They have set up performance goals for their energy use, water use, and waste water discharge, waste to be sent to landfills and waste to be recycled. The following table show their goals.

Source: Philip Morris website can be accessed at http://www.pmus.com/en/cms/Responsibility/Reducing/Reducing_Our_Environmental_Impact/default.aspx, on 26th March 2010.

Competitive analysis using Porter's 5 Forces model.

Michael E. Porter of Harvard Business School developed a framework for the industry analysis and business strategy development. According to him an attractive industry has all the forces he has developed works for the overall profitability of the industry. The five forces of Porter are,

Competitive rivalry

Threat of substitute products

Threat of new entrants

Bargaining power of customers

Bargaining power of suppliers

In case of Philip Morris, he too has competitive rivalry. He occupies 15.6 percent of the total market share. The rest is occupied by his competitors. It is for the same reason, Philip Morris is focussed on promoting new products. To beat its competitors, it has developed a strong social responsibility plan along with modification of its products. The launch of smoke free cigarettes can be considered as a product of competitive rivalry.

Threat of substitute products: Philip Morris is quite free from the threat of substitute products. It has always maintained the standard of its products and priced them reasonably. This has lessened the chances of acceptance for the substitute products that are available in the market.

Threat of new entrants: Philip Morris is famous for its cigarettes. No one in the world is unaware about Marlboro. It is a reputed brand name in the field

of tobacco industry. But a reputed brand gives Philip Morris an advantage. It is almost free from the threat of new entrants. The reason for this is, cigarette smokers have a strong loyalty to their brands. So, although there is a constant arrival of new products, they do not affect the market share of Philip Morris as it has endorsed its product with heavy promotions and established all of its products as a Brand.

Bargaining power of the customer: Bargaining power of the customer does not seem to affect the company. The reason behind it is, the perceived value of Philip Morris products is quite high because they are heavily promoted through media. They have a brand image and are free from the bargaining power of the customer. Moreover most of the customers of tobacco trade are loyal to the products they are used to, and are ready to pay whatever amount of money they are asked to pay. So Bargaining power of the customers doesn't seem to affect the company.

Bargaining Power of Suppliers: Bargaining power of supplier affects every company. Philip Morris too is affected by it as it follows strict rules concerned with Fair trade. Moreover it has launched special benefit package to its suppliers. It helps the children of its tobacco supplier with education facilities and other general benefits. It is doing this just to reduce the effects of bargaining power of its supplier.

Conclusions:

Whatever progress the company made is not just a coincidence. The company did not lose much of its profits even in the economic downturn. The reason behind this can be summarised as the proper knowledge of the <https://assignbuster.com/swot-and-marketing-analysis-of-philip-morris-international-marketing-essay/>

strength and weaknesses of the company and summoning all pertaining questions related to its external environment. Its commitment to follow all legal requirements of the government, introducing chewable tobacco instead of smoking ones, commitment to environmental conservations and billions of pounds spent on charitable purposes are activities to keep the external environment favourable for the company.

Task 2

Phillip Morris and global political change:

Any multinational company that has operations throughout the world has to acclimatize themselves with the political scenario of the concerned country. Politics is stable only in few countries that too limited to the few developed countries. Moreover, as Philip Morris is concerned with producing tobacco related products, it is affected by any kind of political change that occurs in the country.

By global political change we understand the political changes that occurred in the world. For example, the First World War, when ended in 1919 brought a lot of changes in the world. Similarly the end of Second World War too brought a lot of changes. One of the biggest changes was the start of cold war between the USA and the Soviet Union.

The cold war divided the world into two halves, the capitalists and the socialists. Socialists denied the products of capitalist world to enter their countries, whereas the same thing applied to the capitalists world. Philip Morris thus could not expand his business to Russia and other socialist countries until the cold war was about to end. Philip Morris was able to <https://assignbuster.com/swot-and-marketing-analysis-of-philip-morris-international-marketing-essay/>

penetrate the Russian market in 1977 when the socialist country was about to accept some change.

Similarly, global terrorism has also affected the policy and decision making of the company as tobacco can be smuggled to developed countries where they have higher prices from the least developed or developing countries. It is said that terrorist have sometimes made tobacco as one of the source of funding to backup their activities. Philip Morris thus has set strict restrictions so as its products are not smuggled. Moreover its factories located in different part of the world restrict its products from being smuggled as they have their own identification number on them.

Recession that recently occurred in the world can be the after-effects of the political upheavals in the world. Or economic activities and political change have interdependence. So recession in a way can be seen as an effect of wrong political decisions in terms of economic activities. Philip Morris dealt with it quite perfectly. According to statistics, ongoing earnings of Philip Morris rose by 11% as it coaxed solid gains in its food business and continued to find new market for its cigarette. (<http://www.thestreet.com/storycomments/10007704/1/philip-morris-ignores-recession.html>, on 27th March 2010)

Question that present days political leaders are raising is the phenomenon of climate change. Global warming is a big problem and politicians throughout the world are trying to solve it out through joint efforts. All the countries are imposing their own kind of rules and regulations to reduce carbon emission and help in the reduction of global warming. Philip Morris can help in the

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reduction of carbon emission by investing in third world developing countries for example in the generation of electricity, or other sources of energy which can reduce deforestation and emission of carbon dioxide in the air.