

Imperial tobacco company analysis



Introduction

International business is a term used to collectively describe all commercial transactions (private and governmental, sales, investments, logistics, and transportation) that take place between two or more nations. Usually, private undertake such transactions for profit; government undertake them for profit, as well as political reasons.

Multinational corporations (MNC) are the primary players today in the world's most dynamic industries and the driving force behind the global economy. Multinational corporations, once made vulnerable to the expropriation of property or blockage of funds, and forbidden to trade with hostile countries and to buy and sell freely the latest high technology and scarce commodities, are now more likely to guide foreign policy than follow it. Every year, the financial flows of international organizations such as the World Bank and the International Monetary Fund (IMF) diminish in importance relative to the hefty direct and portfolio investments that private investors pour into emerging markets. Many forces, from technology to political ideas, are keeping the global bullet train of consumerism and privatization running.

About the company

The company chosen to research is Imperial Tobacco (Imperial). The Imperial Tobacco Company was created in 1901 through the amalgamation of thirteen British tobacco and cigarette companies comprising W. D. & H. O. Wills of Bristol (the leading manufacturer of the time), John Player & Sons of Nottingham and 11 other independent family businesses, which were being threatened by competition from the United States in the form of James

Buchanan Duke and his American Tobacco Company. In 1902 the Imperial Tobacco Company and the American Tobacco Company agreed to form a joint venture: the British-American Tobacco Company Ltd. [2] The parent companies agreed not to trade in each other's domestic territory and to assign trademarks, export businesses and overseas subsidiaries to the joint venture. American Tobacco sold its share in 1911 but Imperial maintained an interest in British American Tobacco until 1980. Imperial Tobacco's corporate headquarters are in Bristol, England. The Company is listed on the London Stock Exchange and is a constituent of the FTSE 100 Index.

The marketing mix, which consists of the '4 P's'; product, price, place and promotion, has been extended to the '8 P's'. This is due to the effect of globalization, which has been used to better accommodate specific aspects of marketing. The elements which have been added are process, people, profit and packaging/physical evidence. The marketing mix was designed as a simple way to focus on the main elements of marketing for a business and to create a marketing strategy either at business, product or campaign level. The marketing mix was designed as a simple way to focus on the main elements of marketing for a business and to create a marketing strategy either at business, product or campaign level. By utilizing the P's, a MNC can gain competitive advantage over competitors by meeting the customer wants and needs profitably.

Product

Imperial is focused on manufacturing high quality tobacco products. The portfolio for Imperial consists of international strategic brands, which cater to

a variety of international target markets, such as Davidoff, which is sold in over 100 countries worldwide and is particularly strong in Taiwan, Greece and the Middle East, Gauloises Blondes which is a key mid-price brand and can be found in markets worldwide and is an important addition to Imperial Tobacco's international cigarette portfolio. Also, the global brands are complemented by regional and local brands, for example, Classic, a regional cigarette brand in the value segment. It is the number 2 volume brand in Ukraine and also performs well in Turkey. There is also Excellence, which is a well-established cigarette in the sub-Saharan Africa region. The US also is a targeted market of Imperial, with the brands Sonoma and USA Gold being distributed. Lastly, targeting the lower income bracket customers, Imperial developed Windsor Blue, which operates in the economy sector of the UK cigarette market. Thus Imperial has targeted markets worldwide, varying taste and price to gain a higher segment of the market. A major competitor for Imperial is the mega-company British American Tobacco Company (BAT). They are the world's second largest quoted tobacco group by global market share, with brands sold in more than 180 markets. With over 300 brands in BAT Company's portfolio, they hold robust market positions in each of our regions and have leadership in more than 50 markets. Some of their successful brands are du Maurier (Canada and Trinidad), Craven A (Jamaica) and Black Allen (Germany).

Price

Price is the generating element amongst the 4 Ps. The price of Imperial's products, both for the UK, as well as other countries are suited to do one purposeful thing, satisfy the specified target market profitably.

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In the UK, the price of the fine cut tobacco, Drum is £2. 85 for a 12. 5 gram pouch and a 25 gram pouch is £5. 37. Windsor Blue goes at £1. 75 for a 12. 5 gram pouch and a 25 gram pouch goes for £4. 75 for a 25 gram pouch. In the Caribbean, More cigarettes are sold. They are not a famous brand but they sell for £3. 25 (TT \$42. 25) for a 12. 5 gram pack.

As mentioned, BAT is the main competitor in the industry. They offer their brands to both the UK and the Caribbean as well. In the UK, they market the brand Dunhill. A 12. 5 gram pouch sells for £3. 10 while a 25 gram pouch sells for £6. 15. In the Caribbean, duMaurier sells for £1. 54 (TT \$20. 00).

Place

Imperial products reach customers worldwide from their different subsidiaries. Their main method of distribution is indirect, where intermediaries are used. Imperial products are sold in over 160 countries worldwide. Within these countries, there exist over 100 intermediaries in each country, which would supply Imperial's economy brands, including super markets, other retailers, different wholesalers, vending machines, clubs, bars and pubs. That's more than 16, 000 middle men, which proves that Imperial uses the method of intensive distribution.

However, for the higher end tobacco products, Imperial may choose to use selective distribution, as they are more premium and those products are only for a specific segment of the market. Such products would also be marketed in certain countries, such as Germany, France, the US and Spain.

Promotion

Imperial uses different forms of promotion to create awareness in the customers for their products and peak their interests. Promotion also helps create that desire for a certain product and finally the purchase. The three main concepts of the promotional mix that Imperial may use are advertisements, sponsorships and sales promotion.

Advertisement

Imperial uses a high degree of advertisement to create awareness and transfer information to the target market. The degree of advertisement would vary with different countries and cultures. Some countries are more technologically advanced than others. For instance, in India, the cigarette brand Benson & Hedges is advertised via flyers, low-budget television ads, radio, billboards and newspapers. However, in the UK, high-tech advertising is utilized in the form of electronic billboards, internet, blimps and subways.

BAT uses similar advertising methods, for the brand Wills, which is distributed in both the UK and in India. The methods of advertising for both Imperial and BAT are similar, due to the fact that cigarettes and tobacco products sell to the same markets at relatively the same price.

Sponsorships

John Player Specials (JPS) is a brand manufactured by Imperial. JPS has always been associated with the Lotus Formula One team, and Norton motorcycling racing team. JPS also sponsored the Forsythe Championship Racing team in Champ Carracing until tobacco advertising in automotive series was banned in 2004.

The tobacco brand Winfield, which is manufactured by BAT Australia, sponsors a different sport. They sponsor rugby as well as golf. Winfield has been the title sponsor for the New South Wales Rugby League premiership from 1982.

Sales promotion

Both companies, Imperial and BAT, do the same type of sales promotion for their brands, as there is little that can be done to pull persons to buy a product with negative externalities. However, they still offer giveaways, where customers get free items with their purchases. Recently, BAT brought out the new giveaway where winners were getting a trip to London. Imperial are yet to retaliate with a giveaway of their own.

It can be noticed that both Imperial as well as the competitor BAT have similar promotional techniques. This is so, as the tobacco industry has no real positives other than giving back to society in the form of money and giveaways.

People

Customers

The target market for Imperial products would consist of adults (persons over the age of 18 in most countries). The products are segmented for taste, income social class and choice. (Mild to light cigarettes, expensive such as Drum, while cost effective, as the Windsor Blue, cigars such as Golden Virginia fine cut tobacco, and lastly, the wide product portfolio that Imperial has, with products internationally sold to satiate the choice of customers.

What Imperial does

- Produce high quality products
- Work in partnership with our customers to deliver the right product at the right time and at the right price
- Provide high standards of customer support
- Stand up for the freedom of our consumers to enjoy our products.

Employees

The Board of Imperial Tobacco Group PLC, which meets at least five times a year, currently comprises a Non-Executive Chairman, a Non-Executive Deputy Chairman, seven Non-Executive Directors and four Executive Directors, with a clear separation of the roles of Chairman and Chief Executive to ensure an appropriate balance of power and authority. Imperial ensure that employees understand the corporate strategy and business goals, and how each and every one can contribute to the overall success.

Imperial values individuality and hard work, looks after its people, creating opportunities for them to develop both individually and as part of a team treats each worker with respect, fairness and understanding Has developed a culture based on openness, trust and integrity; encouraging genuine two-way communication through constructive and honest debate, and placing emphasis on building relationships and sharing information.

Process

This is the procedure, mechanisms and flow of activities by which services are consumed (customer management processes) are an essential element of the marketing strategy.

The final products for Imperial are consumed by adults and are B2C products. Tobacco products are consumed via smoking. The target market is informed of the product via advertising, or word of mouth. Tobacco products contain nicotine, a drug that induces addiction. Before a consumer uses the products of Imperial, there is a certain process that has to be undertaken. First the customer would decide on wanting a certain brand and product. After making the choice on which product to purchase, the buyer would then receive a bill showing the product and the price allocated, which would be received by the customer and paid for. This process would be continued most likely when the consumer wished for more products.

Physical evidence

This refers to the material aspects of a product. For Imperial, this may refer to the packaging, such as the packets, which carries the company's logo. Imperial's webpage also uses the color red, which is their main color. The brochures, and invoices handed out by Imperial also may be evidence of theirs, as their logo would be imprinted on the bill/brochure.

Future recommendations

Imperial is a company that is doing well in the tobacco industry, but some recommendations can be made, so that more can be achieved.

- Further increase the volume of cigarettes made, to achieve even a greater market share, revenue and profits.
- Develop new products, to gain new market share and higher profits. Such products could be a new brand of cigarettes, or going into the new market of snus.
- Increase means of promotion, as presently, the company is lacking in substantial promotion, thus consumers would be unaware of their existence, and possibly their successful brands.
- Setting up other subsidiaries in lesser developed countries, as to increase strength in the market, as well as to create employment and be helpful to other countries environment and people. (Corporate responsibility).

Conclusion

Imperial has well utilized its marketing mix to gain overseas growth. It has made itself one of the most successful MNCs to date as they have not faltered in maximizing the concepts of the marketing mix.

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