

Case study: oriflame essay sample



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Evaluation of the conclusions reached by Sven Mattsson and how those issues relate particular to the decisions of the company must make about its international marketing operations. Make recommendations for the future directions of the business. How far should the company go to increase its service to the distributors who, of course, appreciate very much having products available as fast as possible? Moving the products faster always means higher cost. How much value should be attributed to distribute convenience?

Should an inventory of the whole Oriflame product range be kept at each service centre? The choice of channels of distribution is one of the most fundamental and far-reaching decisions faced by the domestic marketer. In the case of international marketing, the decision is made far more complex by virtue of the greater number of markets in which the company is operating, their physical distance, its distributive peculiarities, and the market's probable unfamiliarity with the market and its particular legal cultural and politically characteristics.

For those companies that opt for the formal selling through trading companies or export management companies, the patterns of distribution offered by the foreign distributors generally give little scope for change. It is generally the case, therefore, that the pattern of distribution acts as a constraint within which the company has to operate in the most effective manner that it can identify.

For companies that opt for one or other forms of direct international marketing, the situation facing them does however, differ considerably in

that the firm is in the position of having to establish or modify a pattern of distribution that not only satisfies their short and long term marketing objectives, but which is also capable of fitting into the distributive infrastructures that already exist within each of the target markets. (Doole and Lowe 1997

International Marketing Strategy: Contemporary readings. Since Oriflame has been enjoying the benefits of implementing service centres, I think that Oriflame should increase its service to the distributors. This is because in order to facilitate the distributor's activity, the company has created in each country several service centres. This further improves the lead-time between order and delivery. For example, in 1994, Poland had 18 service centres; Czech Republic and Slovakia 20; Hungary 9; Turkey 9; and Greece 3.

This aim has been to give a 48-hour service turn around throughout the country, with a 24-hour service in the capital. " Our distribution strategy has proven to be very successful. As in all areas of life today, speed and accuracy are very important and this is especially true for direct selling. " The market growth of the company indicates that the company need more such centres to cope up with the demands. Should the company invest in advertising campaigns?

How important is the advertising for a direct selling company to keep the awareness high? It is worthwhile continuing when the increased media prices are taken into consideration? The company should invest in advertising campaigns. This is because advertising is the major means of communication for many companies. And advertising is the best way for consumers to be

aware of the goods and services provided. According to the article, the company did invest a considerable amount in advertising and the result was great.

But on the other hand, for many marketing managers, the international advertising programme is influenced by two sets of constraints: those that stem from factors internal to the company, including the managerial orientation to international business, and those that stem from the international marketing environment and which include the practicalities of coming to terms with the problems of language, culture differences, the availability of media, the varying nature of competition, and so on. Thus the company should be aware of such threats.

Dahringer and Muhlbacher (1999) stated that: In developing any marketing strategy, the starting point must be the identification of objectives; in other words, what is that the company is trying to achieve by means of its marketing campaign, how is it designed to interrelate with other aspects of the marketing mix, and over what time period is it designed to have an effect? However, although a statement of this nature might in many ways appear to be relatively straightforward, there are, in practice, a number of problems that need to be recognised.

For many companies operating internationally, this is often difficult largely because of the problems of conducting and co-ordinating a programme of research across a series of markets, many of which have only limited research facilities. With the correct advertising campaign, the products would have better exposure to the consumers. This eventually would

increase the awareness of the product, and customers might want to know where and how to get the products. The article states that the company invested \$45, 000 per year in each country for Public Relationship and it is planning to increase it in the coming years.

Oriflame has reach 80% awareness in Poland, the Czech Republic and Hungary. Approaches to determining the size of the advertising budget vary enormously and have long been a source of controversy. At the heart of the problem is the difficult of determining with any real degree of precision what advertising achieves and hence how cost effective it is. In the case of international advertising, these problems are compounded both by the large number of markets in which the company is operating, and by the often differing objectives being pursued from one market to another.

I think that Oriflame should carry on its advertising campaigns even though the prices have been increasing. This is because the company did benefit from the previous campaigns. And although the prices might have increased, but the quality of advertisements are improving as well. Moreover, consumers nowadays are very easily influenced by the advertisements. Consumers buy what they like to see or hear about. Should the company enlarge its product range with non-cosmetic products to increase sales and possibly to attract new distributors?

I do not think that Oriflame should enlarge its product range with non-cosmetic products to increase sales and to attract new distributors.

According to the article, there are approximately 200 products. And Oriflame has a very strong cosmetic brand image. Oriflame products are made from

pure, natural ingredients. The company believe that their customers would receive the highest quality product at reasonable price. Further more, stated by Jeannet and Hennessy (2000): although in recent years, it has become evident that an ever-increasing proportion of profits has been generated by new products.

This trend, reinforced by evidence of shortening life cycles, has in turn led to a far greater managerial awareness of the importance of new product development activity. Similar patterns have also emerged in many international markets and there appears now to be a growing belief amongst many types of company that the key to international marketing success lies in the development of innovative new products. This, in turn, is reflected in a number of recent studies which have indicated that new products with a competitive edge can lead to greatly improved export performance.

At the same time however, it needs to be recognised that overall it is still the characteristics of the company, along with its resources, that is ultimately likely to be a more important determinant of international success than the characteristics of just one or two innovative products. Instead of investing in new non-cosmetic products, I think that the company should carry on with its strategy in producing cosmetics. The company could improve their product to provide better goods and services to the consumers. This can be done by investing in Research and Development.

As Oriflame has been well known for its cosmetic products for many years, it would need a lot of planning and research in order to gain profits from new line of products which is not familiar to them. A few countries into which

Oriflame is considering expanding and where it is conducting marketing research still have high inflation rates. What kind of specific pricing and product policy would the company need to implement in order to ensure a minimum risk for its investment? International pricing decisions have for a majority of firms, become more critical and more complex.

A variety of factors have contributed to this, including increasing fluctuations in exchange rates, accelerating inflation in certain parts of the world, more intense international competition, and the rapid growth alternatives to traditional methods of pricing in the form of leasing, barter and counter trade. The overall effect of these changes has international success is likely to be by means of direct price paid to areas of non-price competition, such as higher product quality, faster delivery schedules, a more aggressive sales approach, a more detailed understanding of the market, and a more effective after sale service.

Nevertheless, despite these changing attitudes, price is of course still a marking factor of considerable importance since it not only affects revenue and profitability, but is also a major determinant of the way in which the product itself is perceived within the market place. If Oriflame is to develop a logical and co-ordinated international pricing strategy, it is essential that the responsibilities for price setting are clearly allocated and understood.

According to Gilligan and Hird (1989), there are three principle ways in which these responsibilities can be allocated. 1) by centralising all pricing decisions so that they are made by headquarters staff; (2) by decentralising them so that subsidiary staff can more easily tailor prices to local market conditions;

and (3) by developing a procedure in which decision are made jointly by head office and subsidiary staff. In general, relatively few firms pursue a policy of total centralisation, largely because of the sorts of differences in market conditions and of the difficulties of coming to terms with them from a distance. I would suggest Oriflame used the third method as Oriflame has branches in many countries.

The head office would need to come out with a standard pricing policy and allows its subsidiaries to have certain amount of pricing authority. This is to ensure that the company would have better knowledge and information about what is happening in each local branch. The head office would then evaluate each branch as individual and make necessary changes when needed Should the company go for local management or expatriates? What kind of management is needed for starting up a new, more distant sales company? What kind of management is required when the company enters into a more mature stage?

The company should go for local management. This is because according to the article, since the beginning, in 1990, Oriflame developed a local management policy. Sending expatriates to do the job, even if they had a solid knowledge and experience of both the company's products and the local culture, was never considered as an appropriate solution. In each country, the company recruits a local manager and staff spending a lot of time during interviews explaining the nature and spirit of the free market economy, the direct selling method and the Oriflame Marketing Plan.

As Oriflame is one of the main direct sales companies in many of its markets and the largest direct sales company in Scandinavia and in Central and Eastern Europe. I think that the company should carry on with the current organisational structure, which is a management style with clear defined hierarchy. Starting with one country manger followed by sales and marketing manager, financial and administrative manager and operations manager. With clear defined authorities, each manager would be able to delegate their job with ease.