

# Strategic analysis for philip morris

Business



An example of generic investment comes from Philip Morris in France, a country with a confused approach to limiting tobacco consumption. On the other hand, cigarette advertising has become entirely forbidden, to be replaced by vigorous antismoking campaigns from the ministry of health. On the other hand, high tobacco taxes are a major source of revenue, which may be why government regulations oblige tobacco stores to accommodate smokers with long opening hours and a complete assortment of the 350 brands available in France. This creates a merchandising challenge for tobacconists, many of which are very small shops because the government wishes to ensure that rural smokers have spatial convenience.

Jeanne Polles is sales and marketing director for Philip Morris in France. She explains, “Tobacconist shops are cluttered, not always very clean, and set, under the new laws, it is the only place we have left to talk to our consumers.” The supplier’s solution is to give competency training in the form of a free half-day seminar on the importance of merchandising to any and all tobacco shops. Philip Morris sales reps provide the training, and the seminar is designed not to have the same feel as their once-a-month sales visit. This training is almost entirely generic and, therefore, benefits Philip Morris’s competitors. The focus is merely to convince tobacconists of the seemingly obvious argument that better merchandising and shelf placement boozes sales.

Anyone who has been in a typical French tobacco store can attest that the argument is not always obvious to the shopkeeper. But Philip Morris persists.

Philip Morris makes no special effort to protect this generic investment from free riding. However, in the process, the firm does try to create two

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idiosyncratic assets. One is an improved relationship between tobacconists and Philip Morris sales rep. The other idiosyncratic investment is the advice in one of the merchandising lessons.

“ More people will come in if they [the tobacconists] put Marlboro in the window. ” This is a credible statement that does not detract from the persuasive power of the training. This is an advantage of being a leading firm when making a largely generic investment upstream and downstream.