



LIUC

International Marketing

9th of December, 2019

Università

**Have a seat with your
teammates**

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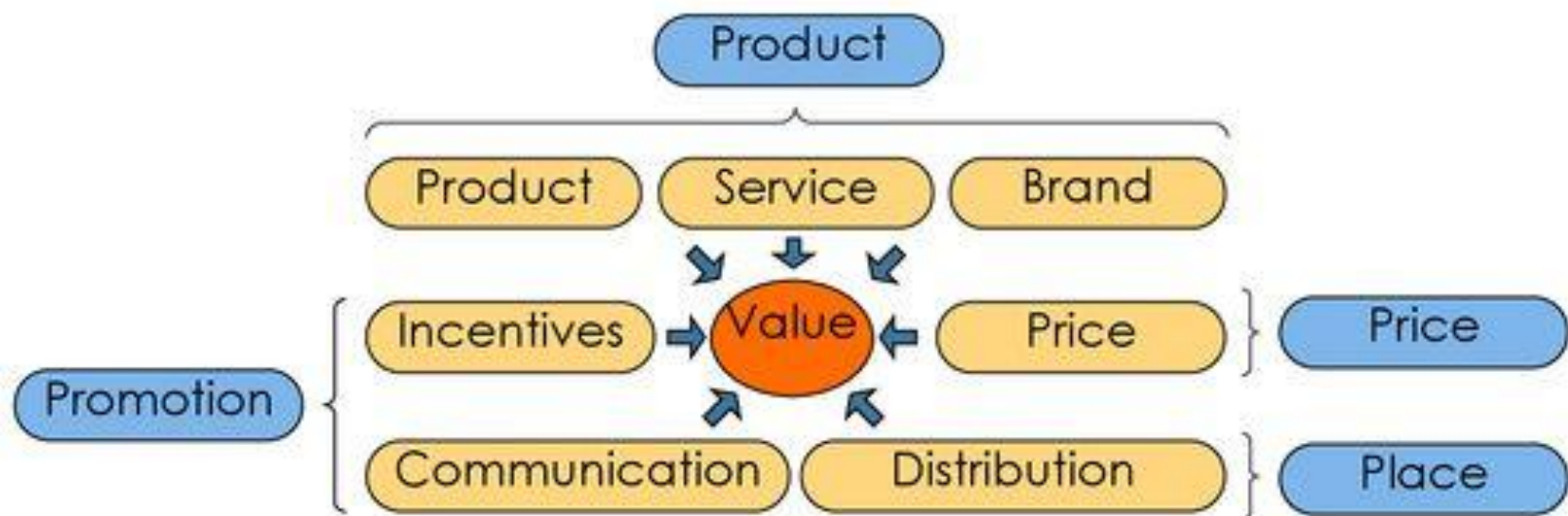
Contents of the session



1. Pricing exercise *peer reviewing* and price recap
2. Price Escalation
3. Bundling
4. Alternative strategies for global offers

Learning Objective

Identify, analyze, and discuss products, services, and global pricing alternative strategies



Pricing exercise review



Notice:

Take notes
because solution
slides won't be
shared



Pricing exercise review

GOAL:

Set the price for a 4 units RFQ considering the data

Pricing exercise review

What is an RFQ?



Pricing exercise review

RFI? And RFP?

Request For Information: RFI

- Customers ask for technical solution for a need or problem

Request For Proposal: RFP

- Once customer knows how to solve a problems ask for a preliminary proposal

RFI → RFP → RFQ

Nowadays customers' directly ask for RFQ

Pricing exercise review

RFQ:

Stands for “Request For Quotation”

- Meaning that we have to place a tailor made offer of product or service with detailed terms of supply, payment and delivery time with a final price for certain amount of items we sell. Normally it's our best bid to get the business

Pricing exercise review

What is the true economic
value (TEV) generally
speaking?



Pricing exercise review

Marketers assess **TEV** by using-cost structure **study the underlying economics**, the performance of competitors' products and the relative advantage (or disadvantage) offered by the offer. TEV has two major components:

TEV= cost of the customer's best alternative + value of the performance differential

If best alternative is 0 → TEV= value of the performance differential of our offering

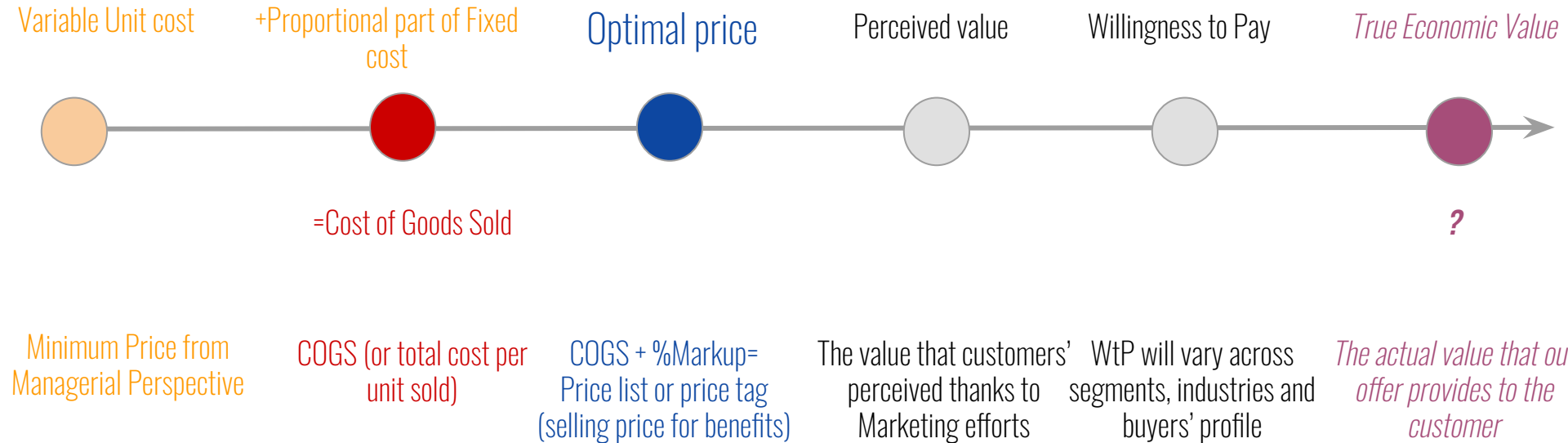
Pricing exercise review

How many approaches can we take for pricing the Marcallo S.p.A. device?

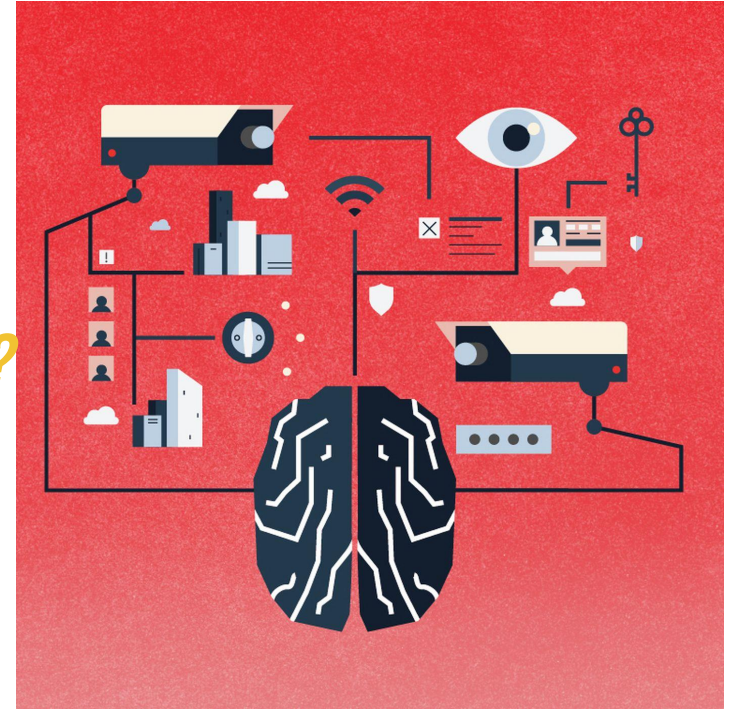
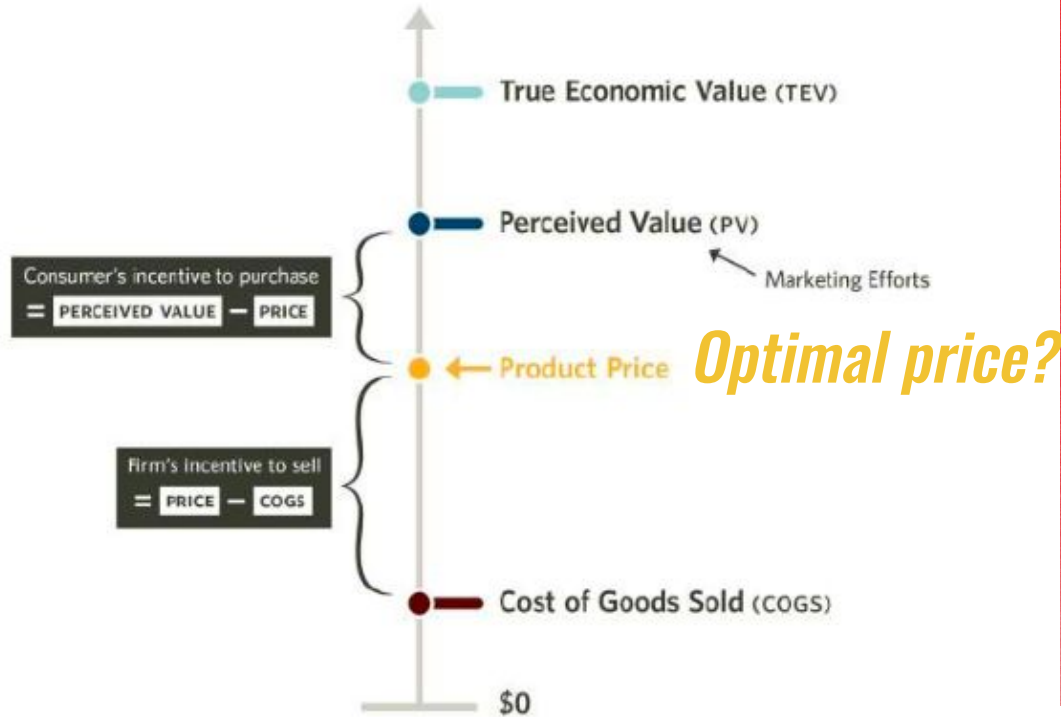
1. **Cost-based pricing:** considering the company's costs →
price=costs+markup
2. **Competitive pricing:** using rivalry prices for benchmarks
3. **Customer pricing:** based on customer willingness to pay for the company's offering

Pricing exercise review

Price Range for proper price setting and management



Pricing exercise review



Pricing exercise review

What could be the minimum price for each unit?

The minimum price could be *any over the direct variable cost* because once we cover variable costs every cent. is helping to pay fixed costs:

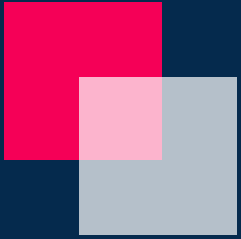
- Best escenario is cover 100% of COGS + % price mark-up
- However, covering (for instance) 100% of variable cost + 5% of fixed costs is better than cover 0% of fixed costs



Pricing exercise review - takeaways



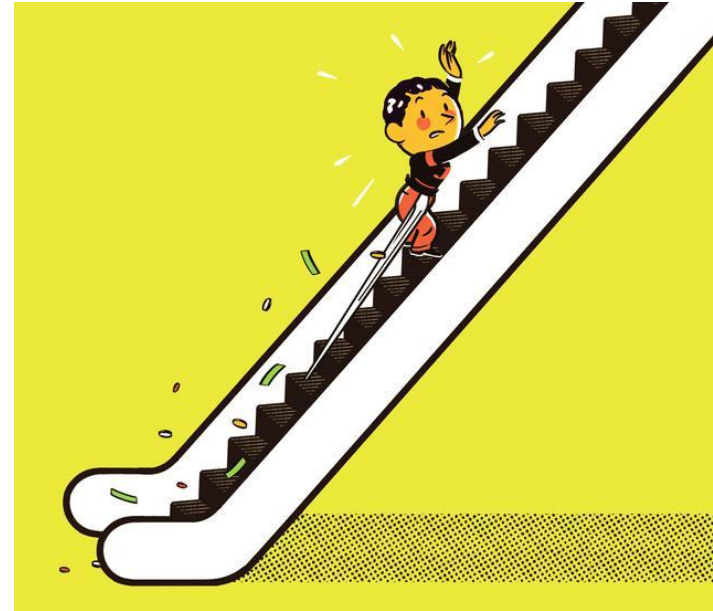
1. We must use the same units
2. We consider always competition (if any) and industry non-written rules
3. If there is no competition price it high to take advantage *while it lasts*
4. TEV and willingness to pay are the superior limits of price range (order will vary from one case to another)
5. Any price over direct variable costs of selling is better than no sales at all from business perspective
6. Psychological price factors matter both at B2C and B2B
7. Leave room for *negotiate* on pricing, considering a winning for the customer in the price range
(Reading all materials before addressing the tasks always pays-off)



1. Price Escalation

1. Price Escalation

Price escalation is referred to price increase a foreign-sourced product, mainly driven by logistics, taxes, and channel margins that are added in the process of exportation and implementation of international marketing strategies in other countries



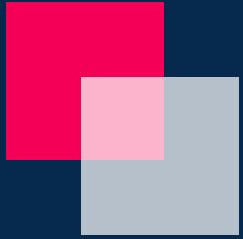
1. Price Escalation

Transfer pricing (aka intercompany price or interco) is coming from “controlling” approaches to costing yielding to CECO’s (center of costs: where controlling assigns the costs) and CEBE’s (center of benefits: where controlling assigns the benefits of a SBU, affiliate or company activity)

Interco’s are prices set to move goods between companies belonging to the same group

FOB: free on board meaning delivered in transportation vehicle (plane, boat, etc)





2. Bundling and unbundling price

2. Bundling price

New research: bundlings are often successful only if the consumer is given the option of buying the same products separately (remember brains do decision making by comparison).

“BUNDLING IS PERVASIVE IN SEVERAL MARKETS, AND IT WORKS IN MANY CASES”

- Vineet Kumar, 2012

Customers appreciate bundles even at places like McDonald's, where they can purchase burgers, fries, and drinks cheaper in a bundle—known as an Extra Value Meal—for cheaper than the products would cost if purchased individually.

All kinds of products are sold in bundles. Microsoft Office is sold as a bundle of computer software, including Word, Excel, and PowerPoint. Cable companies offer their channels in bundle packages.

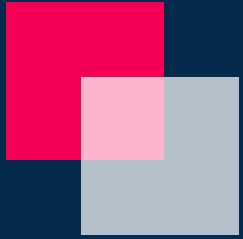
2. Bundling price

New research:

- Bundling *creates value through the homogenization* effect
- Bundles *attract some segments of consumers to advance their purchases*, and others to enter the market when they might not have otherwise
- *Sales diminish in the absence of mixed bundling*, and that consumers who had purchased bundles may not always purchase pure single offers, even though single products may be cheaper than bundles
- Bundling are *especially convenient for products with low or zero marginal costs* (MC is the increase or decrease that a company incurs when producing one additional unit)

2. Bundling price





3. Factors crafting global strategies for offer alternatives

1. Main factors crafting global alternatives

1. Function or need the offer (product/service) serves:

- The offer itself (product and/or service) defined in terms of the problem it solves or the need it addresses, considering also the “utility”. How the offer delivers value for both customers and the company.
- Marketing utility is a function of:

What customer needs → *form*

Where client has to consume it → *place*

When they want to use the product → *time*

And how end-users → *possession* of the goods or consumption of the service

1. Main factors crafting global alternatives

2. Target Market:

- Defined as the conditions where our offer is going to be consumed or used considering the customers needs and preferences to buy the offer, also considering purchasing power of each market or targeted segment.
- Proper segmentation criteria change from one market to another, even inside the same country (demographic, economic, ...)

Dans le cas d'une éventuelle ingestion, consultez immédiatement votre médecin et prenez l'emballage avec vous.
Dans le cas d'une intoxication ou d'une consommation involontaire, contactez immédiatement le centre antipoison (070/245.245).

Ingrédients : Eau, Olivates de potassium, Glycerine, Alcohol dénaturé, Chloride de potassium , Tocophéryl acétate, Melaleuca alternifolia (Huile essentielle de Tea Tree en microcapsules patenté par Dr. Pilar Mateo).

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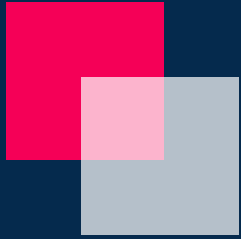
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health, and more 

1. Main factors crafting global alternatives

3. Adaptation costs

- Adaptation costs consider not only the marketing-mix direct costs but also cost of offer implementation at country or region level
- Some adaptation only imply communication costs for a region, country or a set of countries (cluster) when the CAGE distance is short: ie products in South West Europe



4. Alternative strategies for going global with your company offer

4. Alternative strategies for going global

A) “Coffee for all”: 1 product, 1 message worldwide

- + Economies of scale
 - + Requires smaller marketing skills
 - + Less marketing effort
-
- No Marketing Strategy at all (STP)
 - Positioning issues, no targeting neither emotional engagement
 - Risk of no BEP



4. Alternative strategies for going global

B) Product Adaptation: companies consider customer's needs and adapt to them applying "glocalization" principle (product marketing development adapted to be sold at country level)

- + Economies of scale
- + Boost market product acceptance and customer satisfaction
- + Marketing skill are implemented at both strategic and tactic level
- Requires multinational capabilities
- Not affordable for SMC generally (Small Medium Companies)
- Implementation (roll-out/deployment) is key as Strategic Marketing



4. Alternative strategies for going global

C) Product development (invention): companies create new products tailor made to customer needs

- + Customer satisfaction and improved loyalty
- + Greater market success odds
- + Higher margins
- + Improves company brand

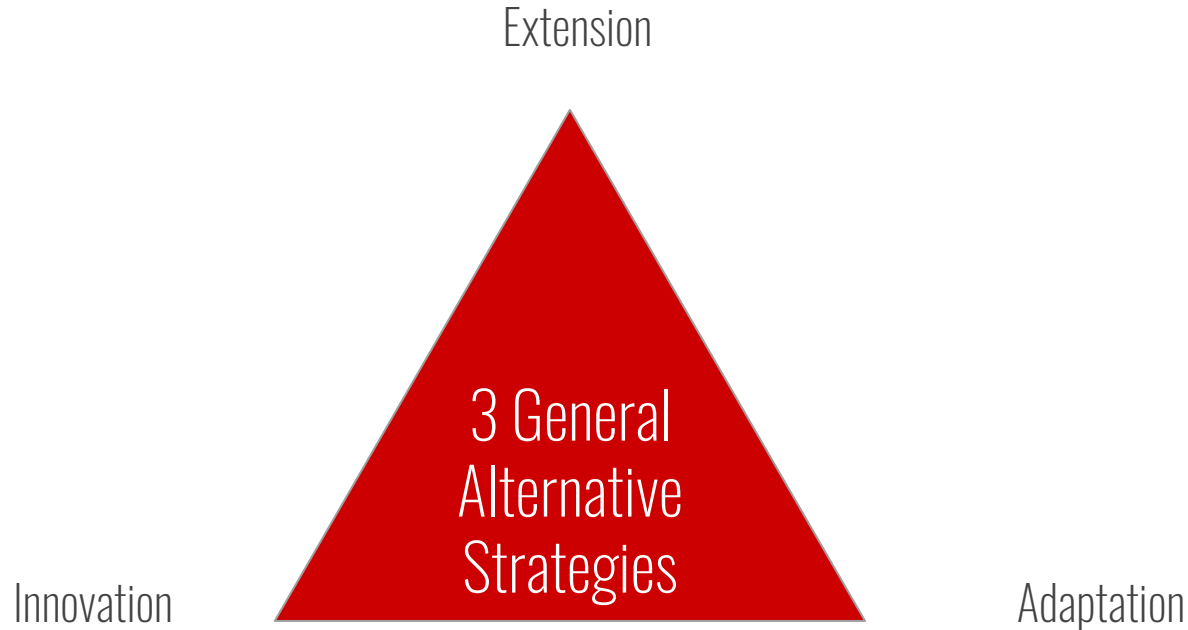
- Boosted R&D resources are required
- Not affordable for many companies → innovation requires a specific company culture to success!

4. Alternative strategies for going global

C) Product development (invention):



4. Alternative strategies for going global



Adapted and updated by Prof. Antonio González Ph.D. from Keegan, W. J. (1969). Multinational Product Planning: Strategic Alternatives. *Journal of Marketing*, 33(1), 58–62.

A map of Europe is centered on the slide, with its outline filled with a complex, multi-colored pattern of orange, brown, and white, resembling a nebula or a textured surface. The background is a dark, starry night sky with numerous bright stars and some faint, wispy clouds of light. The text is overlaid on the map and sky.

An example of international product adaptation
Launching a welding gas in South West Europe

4.2 Example of international offer adaptation

Marketing-mix adaptation for
international offer adaptation in
Italy, France and Spain



4.2 Example of international offer adaptation

	Product	Brand	Services	Channel	Price	Incentives	Communication
Italy	Identical prod. features	Compact	No services	Indirect channel	183 €/UN	No incentives	Language adaptation Landing page Distributors training
France	Identical prod. features	Compact	Call center	Direct channel	212 €/UN	No incentives	Language adaptation Landing page
Spain	Identical prod. features	Compact	Services through distributors	Hybrid channel	145 €/UN	Both direct sales force and distributors	Language adaptation Landing page Distributors training Sales force training



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La nueva oferta de Air Liquide que se adapta a todas sus necesidades de soldadura, tanto en su taller como en sus trabajos en instalaciones de clientes.



4.2 Example of international offer adaptation

Highlights:

- **Product** technical features were the same addressing same customer needs from marketing research
- **Brand** was the same “Compact” taking advantage of short CAGE distance and addressing same customer core needs (mobility, productivity and ergonomomy) all in one packaging
- **Services** to “augment” the core product were different considering channel capabilities, “persona analysis” and distribution network (channel) specific demands
- Going to market through **channel** was completely different considering channel and country organizational capabilities
- **Pricing** was tailor-made considering COGS (total costs including channel), competition and Perceived Value
- **Incentives** and **communication** were left free to local adaptation while maintaining global framework

Remember:
We r selling

24/7!

Thanks for
your attention



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