

PHILIP MORRIS INTERNATIONAL



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02.05.2020

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1.0 Introduction

According to Eldridge (1970) Marketing involves measures that have the role of making a profit by highlighting, increasing and satisfying the needs and wants of people or a niche market. Cooke (1989) defines Marketing as a mechanism of exchanging the good and ideas, which generate the route of the consumption from the beginning to the final phase. Marketing has a decisive role for every business, small or big. Marketing is an Art. The Art of making people happy and at the same time, seeing them satisfied and ready to come back.

This paper's purpose is to assess the role of marketing within Philip Morris International (PMI) company. The key research is to discover the influence of internal and external marketing.

Objectives:

1. To describe the current situation of Philip Morris International (PMI) from the Marketing point of view.
2. To observe how Pestle factors are related to the company.
3. To show how 5 Porters are influencing the company.
4. To propose recommendations.

1.1 Background

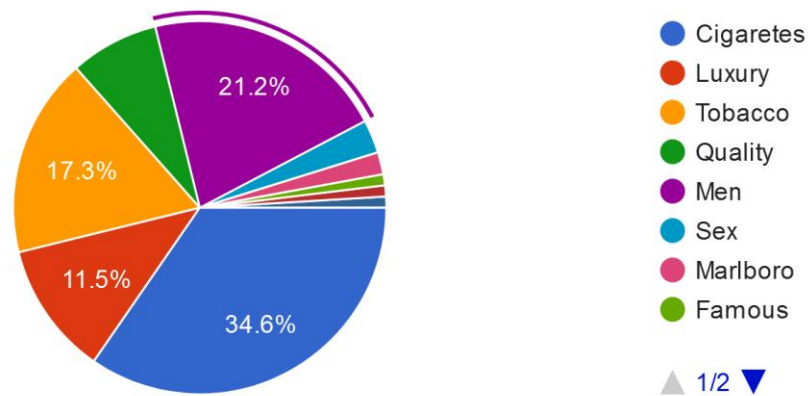
In a survey of about 100 persons, individuals were asked to write which cigarettes are the most masculine one? Most of them said Marlboro. There is not any doubt because everyone can remember the image of the brutal Marlboro cowboy (even they were designed for women). After that, people were asked to write what do they know about Philip Morris International Company (PMI) and which image they associate with it.

Figure 1. shows the answers. Again, the same thing, most of them, apart from cigarettes, have associated PMI with the image of a man.

Figure 1. Brand image

Which image do you associate with Philip Moris International?

104 responses



Source: author

The history of Philip Morris company starts in 1847. At that time, in The United Kingdom, London has opened the first tobacco store on Bond street (one brand of cigarette has this name). In this store, there was sold tobacco from South America, cigarettes from Cuba and smoking accessories. According to pmi.com PMI is a leader company in the tobacco industry which has about 73,500 of employers around worldwide, owning 58 factories around the world, being known for producing 7 from 15 most famous cigarette brands, like Marlboro, L&M, Bond, Parliament, Chesterfield, Red&White, Virginia.

Figure 2.



Source: Author

Mission: To be environmentally and socially responsible.

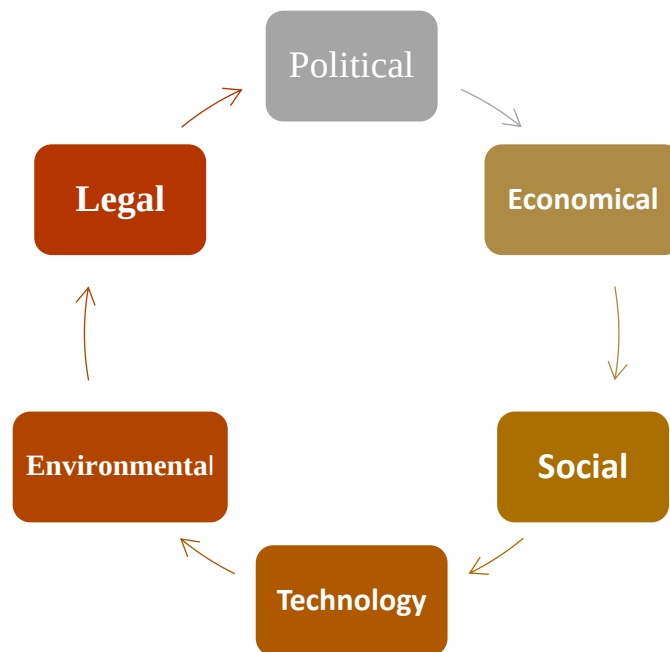
Vision: Regular cigarettes to be replaced by smoke-free products.

To sum up, Philip Morris International is a huge company that produces cigarettes, but at the same time, it is a promoter of smoke-free products. They invest a significant amount in research programs. Awareness of social responsibility and the fulfillment of the corporate mission contribute to the creation of new generation products, which could reduce the risk of smoking-related diseases.

2.0 PESTLE Analysis

According to Porter (2008) to develop a successful marketing strategy, it must take into account 5 competitive forces. These 5 forces are the win-win situation of marketing competition.

Figure 3. PESTLE factors



Source: Author

PESTLE analysis is a strategic method that can be related to any company, to develop factors that contribute or are not favourable to the company. In fact, all changes in PESTLE or Macro Environment factors can be positive or negative not just for Philip Morris, but for all tobacco companies.

Brooks & Weatherston (2000) highlighted the importance of analysing the environment in which the company develops.

2.1 Political Factor

For a company whose most profit is from cigarettes, the **political** factor is very important. It can affect the profit for the long term and is different from country to country. Being a distributor in many countries, it should always follow the politics of the country and many times it is under the risks.

The political factor is extremely essential and for the United Kingdom. An important event that took place in the political arena (the exit of the UK from the EU) could be described as political instability. If we count this situation, the political factor is unfavourable for Philip Morris. Political stability is very important for such an industry. On the other side, the UK is a country where regulations of the country are respected and intellectual property is protected. This avoids the possibility of launching fake products, under PMI brand. Also, according to Transparency International, the level of corruption index in 2019, on top of 180 countries, the UK has the

12th place. This means it has a low level of corruption and the unfair competition is very unlikely to this country. This is a favourable factor for the UK.

2.2 Economic factor

The economic factor plays a very significant role when we discuss the cigarette industry. Currency exchange, inflation rate, the interest rate can be a decisive factor. Also, the economy of the country, the labour cost, the average salary can influence the price of the product.

To compare: in the United Kingdom a pack of Marlboro cigarettes, according to numbeo.com (www.numbeo.com) is 11 pounds and in the Republic of Moldova (which is a developing country), is 1.35 pounds. This is good that the price is settled according to the economy of the country, to make it more affordable, but the quality also differs in these 2 countries.

Also, in countries like the Republic of Moldova, because of excise is high, the country is interested to sell more tobacco products and they are available for selling everywhere, markets (small or big), post office, newspaper boxes, etc. While in the United Kingdom, because the economy is not based on the tobacco industry, tobacco products are “hidden”.

A disadvantage that the PMI has in the UK is the stipulations of the Health Act, which prohibits smoking in public spaces or recreational areas (restaurants, etc.).

Besides, the UK Government has made efforts to reduce the number of smokers, and the NHS is providing support for those who want to quit smoking (a message provided on each pack of cigarettes in the UK).

2.3 Social factor

McCaul et al (2006) mention that the most well-known cause of quitting smoking, after the health one, is the social one.

Conducting marketing research, we can't avoid social factors.

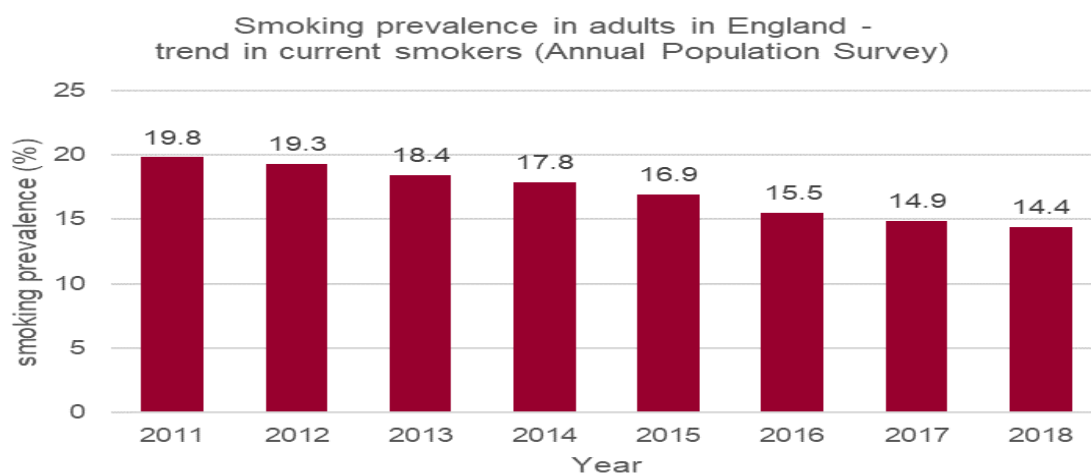
The culture, the religion, the habits and the belief of society are very important. This depends on how the message is delivered to people.

Concerning the social factor, it is worth noting the tendency to raise awareness of the harm of smoking on health. One of PMI brands, Marlboro was declared by one of the causes of deaths worldwide. To “clean” their image, PMI, according to their annual report from 2012, contributed with 38 million In about 60 countries for programs that fight poverty, Education, Hunger, domestic violence, etc.

Similarly, concerning the social factor in the United Kingdom, it is worth noting the tendency to raise awareness of the harm of smoking on health. According to Best et al. (2007), smoking is no longer so popular in society and the tendency is to quit smoking. This is a difficult challenge for the PMI, especially because is involved the WHO.

According to ONS 2019 ([ons.gov.uk](https://www.ons.gov.uk)), because of smoking awareness, the number of smokers in the UK has started to decline. Compared to 2011, the number of those who smoke has dropped by about 2 million people. In 2017, the percentage of smokers was 14.9, and in 2018, 14.4, while in 2011, the percentage was 19.3. This is a significant decline with the impact on PMI or other companies from the same industry.

Fig. 3 Smoking in the United Kingdom



Source: [ons.gov.uk](https://www.ons.gov.uk)

A big impact on social factor in the UK has the stop smoking campaigns (stoptober), lead by Public Health England. Campaigns against smoking contribute to people's negative attitude towards smoking, (Borland & Balmford, 2003) and are not favourable to PMI.

2.4 Technological factor

The technological factor, especially nowadays, has a big impact on PMI. The technology is developing very fast and all the companies should be always in trend. Philip Morris, as we know, already launched IQOS products (in the UK was launched in 2016), which it says is less harmful to the health and also, people who are addicted to smoke, are about to quite using IQOS or make them smokeless. On one hand, this is good, because in the last years the governments, NGOs, NHS, WHO are fighting for non-smoking and PMI used this possibility and gave to smokers an opportunity, but to public institutions, a way of accepting this industry. On the other hand, this affects negative PMI, because people are smoking less and a lot of them, quite smoking after IQOS, but according to PMI ([pmi.com](https://www.pmi.com)), the sales of IQOS increased. And according to ONS (www.ons.gov.uk), the number of people who use e-cigarettes in the UK increases every year. Just from 2014 to 2017 it was increased by 3%. Also, a positive factor of

the technological factor for PMI in the UK is that IQOS products don't follow the same regulations and ban as conventional cigarettes.

2.5 Environmental factor

Climate change has a significant impact on the cultivation of tobacco, an indispensable matter for the PMI.

The concern for the environment is constantly increasing, and regarding smoking, if it was a health concern, it is now in the spotlight as environmental damage. Besides the negative effects of tobacco on the environment, we can also mention the accidents (fires) that occur due to smoking (cigarettes thrown irresponsibly in the forests). Awareness of the environmental problems and increasing the population's concern about the environment has led to the PMI reviewing its list of products and proposing less harmful alternatives, investing millions in free smoking products, as well as reducing the consumption of water, methane, energy, waste, etc., and promoting recycling. This is also a unfavourable factor for PMI.

2.6 Legal Factor

As mentioned, the social factor has already set several restrictions on the tobacco industry. However, the legal factor that has set restrictions in the tobacco industry is the convention of the World Health Organization (WHO) regulating tobacco control (FCTC). Article 13 of this Convention mentions the damage of smoking on the environment, health, economy, etc. At the same time, this treaty contains the provisions in which the advertising, marketing, promotion and sponsorship of tobacco products are prohibited.

The UK is subject to this agreement and since 2002 began banning advertising and sponsorship of tobacco products. The display of tobacco products has been banned since 2015. This is one of the factors which has a negative impact on PMI.

Following the analysis of the 6 factors of the macro-environment can easily observe significant challenges for PMI in the UK, and the marketing managers have to face the changes and turn them into opportunities.

3. 0 PORTERS 5 forces

Kaplan and Norton (1996) mention that strategy is a way in which a business can make a profit. Porter's 5 forces is a way for a company to establish its position and power in the market.

Being one of the areas with the highest pressures, (the policy against smoking, the problem of health and environmental problems), PMI remains attractive for consumers, because it has a recognized name, it is a brand with history, and the prohibitions in this area make the risk for new entrants to be on a low level. Respectively, PIM only has to focus on competitors from the

same industry, brands like British American Tobacco, Imperial Tobacco, etc. The rivalry is medium, as it is a well-known brand and has quality products. These factors are positive for PMI. The negative factor that can affect PMI is the bargaining power of buyers. There are too many organizations that are anti-smoking and as it was listed before, each year, there are less and less people who are smoking.

However, the tobacco industry remains attractive, but PMI, to maintain profit, should focus more on products that do not harm health as much as regular cigarettes.

Figure 5



Source: Author

4.0 SWOT analysis

Krasniqi (2014) mentioned that SWOT analysis is a method that can identify the advantages, weaknesses, threats, but also discover the opportunities that a company could have. SWOT analysis is an extremely important tool for strategic marketing planning. With the help of this analysis, both internal and external factors, strengths, opportunities, as well as weaknesses and threats can be easily identified for PMI. Undoubtedly, being among the leaders in the field of the tobacco industry, PMI has many strengths, which allow the company not only to stay in this industry but also to prosper. PMI has a high distribution network. As it was mentioned, PMI products are distributed in more than 180 markets. According to pmi.com (www.pmi.com), PMI invests huge amounts in training its employees, which again is a strength point. PMI is a very recognized and famous brand because over the years has managed to make a positive portfolio. It also has a strong base of reliable suppliers. Also, the satisfaction of the consumers is very high, maintaining a relationship of loyalty.

Regarding to weakness can be counted smoke free policies. UK Government, NHS, WHO and other public institutions are the enemy of PMI. The regulation imposed by the UK Government (on the pack of cigarettes), as a result of the EU directive, is also a weakness of the PMI. It is difficult to advertise a product that must have standard colour and shape, no different from another product of another company. Thus, back in 2017, the UK has imposed the rule of the standard green package and with images about the harmful effects of tobacco consumption. Also ban this year's menthol cigarettes. According to Arnott (2017) switching to standard cigarette packs is one of the UK's great achievements. Obviously not for PMI.

According to Theguardian (www.theguardian.com), just in 2017, this regulation made 300000 of UK people to leave smoking.

Another weak point is the statistics that are circulating. The WHO claims that about 700,000 people die from tobacco use each year.

Opportunities for Philip Morris International are hidden in new technologies and to practice differentiated pricing strategy in the new market. This fact will keep the current customers and will attract new customers. PMI has invested in creating an online platform, so they managed to open a new distribution chain. In this way, PMI is closer to the needs and wants of customers. The PMI can also use inflation rates as an opportunity. According to ONS (www.ons.gov.uk) inflation rate in November 2017 was 3.1%, while in October 2019 it was 1.5%. so, it felled by almost 2%. The low inflation rate creates better stability on the market. Thus, it is a comfortable ground for PMI to attract new customers.

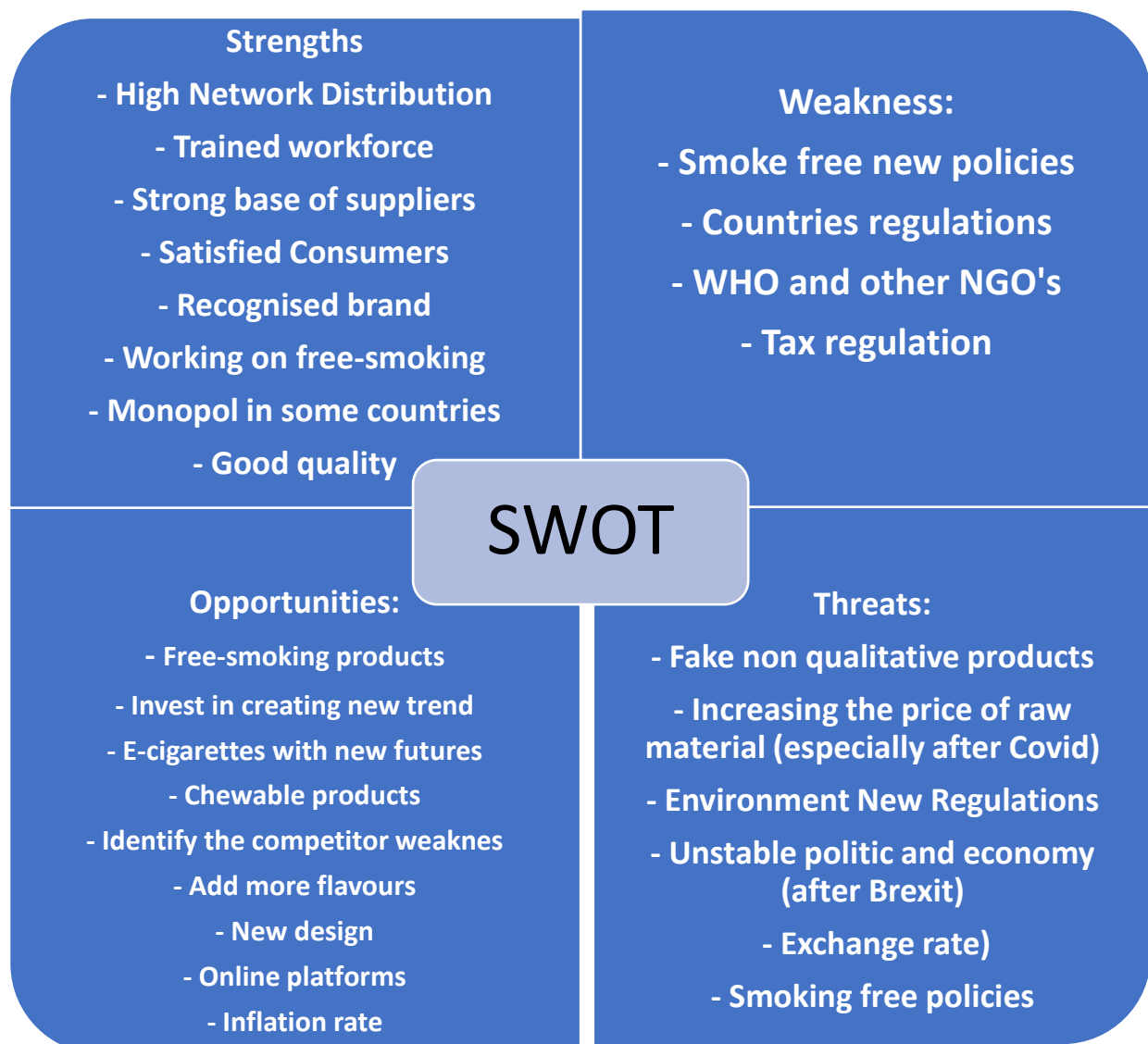
On the other hand, environmental requirements create a level playing field for companies in the tobacco industry. Thus, PMI can only identify the weaknesses of competitors and exploit them. Also, a great opportunity for PMI in the UK is the internet: online platforms, e-commerce, social media, digital marketing.

Threats. It is not excluded that after the situation of COVID -19 the price of the raw material will increase. Wages could also be affected, which could have a negative impact on the PMI. Brexit could cause economic and political instability.

A threat to PMI is also the development of new technologies. For PMI, technology is an opportunity, but coming from other players of the same industry is a long-term threat. Fake products, of poor quality, are also a threat to PMI. In 2019, according to the BBC, several million fake cigarettes entered the UK.

At the same time, new regulations could be a threat to PMI.

Figure 6



The SWOT analysis demonstrates, once again, how empowering PMI is, both in the UK and abroad. However, PMI should focus on increasing product quality, but also on bringing new products to the market that are less harmful. As for new products, PMI must expand around the globe so that they are accessible to more consumers.

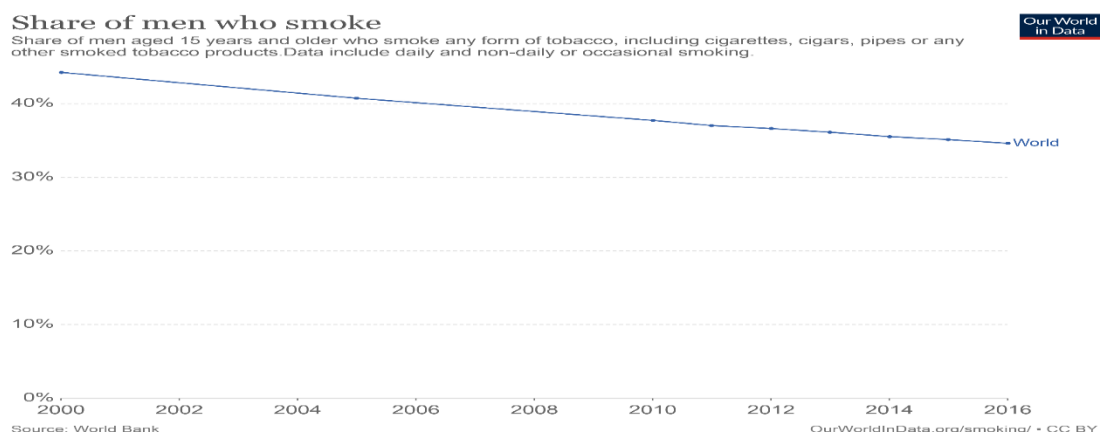
Although SWOT analysis is a useful tool in PMI analysis, however, it is not enough because it has certain limitations and overlaps. For example, there is an overlap between strengths and weaknesses. At the same time, it cannot lead to a strategy of achieving goals, but it can be used as a favourable ground to make some decisions. At the same time, SWOT is a static analysis and cannot detect changes that may occur in a competitive environment. However, SWOT can help PMI take into account opportunities, overcome their weaknesses and anticipate threats so that they can reduce them. This is favourable for the PMI, but it must be very careful that an opportunity does not turn into a threat. Understanding these factors is crucial for PMI.

5.0 Segmentation. Targeting. Positioning

PMI uses a mix of strategies, such as geographical, geographical, psychographic and variables that include the environment, income, age, gender, ethnicity, etc.

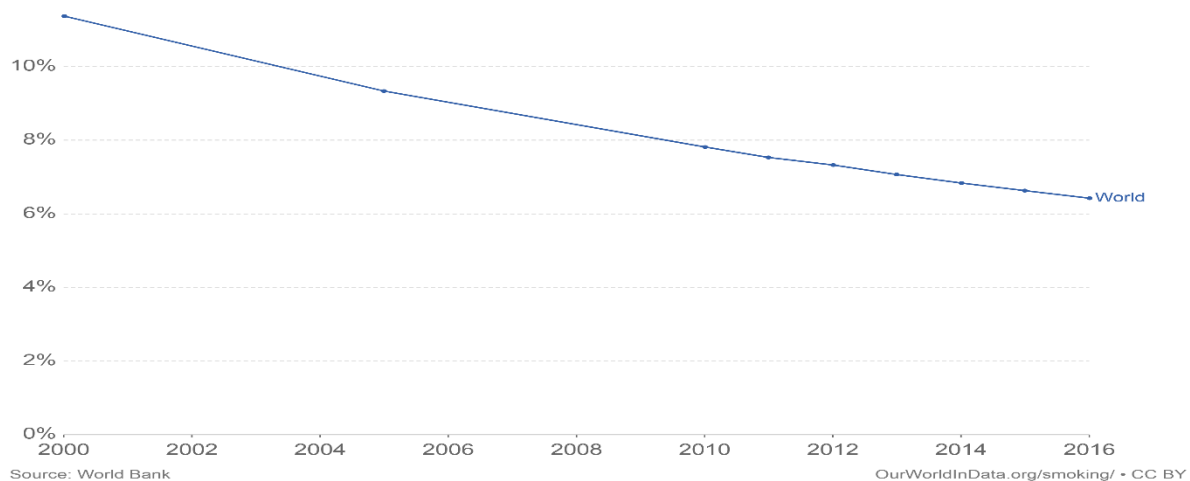
5.1 Segmentation

Regarding segmentation, for PMI it could be mentioned the Demographic Segmentation. Religion is an important factor in target marketing. As in many countries, because of religion, people prefer to smoke a hookah. In these countries shouldn't be spent too much money and effort. Gender factor has a significant role in such industry as well. Just a search on google about Data around the world can give a solution to marketing.



Share of women who smoke

Share of women aged 15 years and over who smoke any form of tobacco, including cigarettes, cigars, pipes or any other smoked tobacco products. Data include daily and non-daily or occasional smoking.



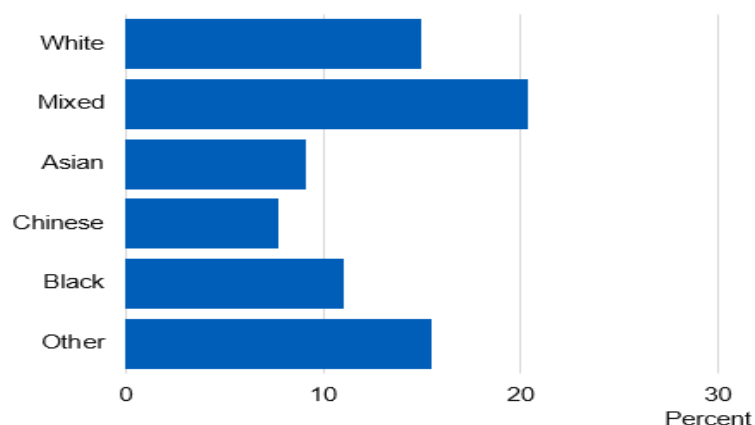
Source: www.OurWorldInData.org

According to Word Bank Data around 35 % of males and just 6% of females smoke.

While in the UK, according to NHS (www.digital.nhs.uk) in 2019, the percent of smoking males is 16.4 and females 12.6. This emphasizes the role of gender in marketing for PMI.

Geographic Segmentation for PMI also should be counted, because the smoking policies vary from country to country and what works in one country, definitely is not the same for another country, especially if they are from different continents.

In the UK, PMI should also count on ethnicity, especially in London, where, according to NHS (www.digital.nhs.uk) the biggest percent of smokers is between white and mixed ethnicity.



Source:

www.digital.nhs.uk

5.2 Targeting

Regarding targeting, PMI uses the differentiated strategy. The specific target for the company are men. As was stated earlier, there are more male smokers worldwide and in the UK as well. Even Marlboro, when in 1950 was switched from woman product to man product, the number of sales was increased.

5.3 Positioning

Benefit: brand image, including Marlboro and Parliament, created long years ago.

Association with events sponsored by PMI, through Marlboro, for example, Formula One, Grand Prix, World Rally championship. These sponsorships have made the PMI's image grow and have high visibility. Also, PMI has competitive Positioning, creating IQOS, adding more Flavours

6.0 Marketing Mix

According to Kotler & Dubois (1992) marketing is a combination of marketing variables that a company uses to influence the target market.

Marketing mix- 4P's (2)



Source: <https://yourfreetemplates.com/>

6.1 Product

PMI provides a different product from other competitors. Also, various features, sizes, and designs for the same product. For example, L&M cigarettes can be natural, strong, lights or peppermint aroma. Parliament's product is very famous as being qualitative. IQOS, the new product is a demanded one and it comes in many flavours and designs. According to pmi.com

(www.pmi.com) at the end of 2018, the company had ~9.6 million IQOS users. There was a very good marketing strategy from PMI, especially nowadays, when NGOs, environmental organizations are fighting against smoking and pollution. The strategy adopted by PMI is a competitive strategy, by providing a variety of products and flavours. Variety is a strong brand strategy utilised by PMI.

6.2 Place

PMI uses both strategies, direct through online selling and indirect, through distributors. IQOS is only available in 37 countries and this unfavourable for PMI.

Also, IQOS has special stores. As an indirect distribution, PMI uses intensive distribution, using all available outlets, supermarkets, all available stores, gas stations, which is an advantage for PMI, because, in the absence of a PMI product, the customer will choose another product of another company. The intensive distribution also gives to PMI greater coverage where customers know they will find their products. Thus, it creates brand awareness, which also leads to increased sales. At the same time, intensive distribution offers the possibility for PMI to analyse the possibilities of higher sales, to establish the most advantageous points of sales and that require increased attention. Besides, it can establish locations with lower sales and thus reduce distribution or use another strategy to increase brand awareness.

6.3 Price

Because competitor data is easy to access, PMI uses this strategy to set its prices. However, the price of PMI products is higher compared to other tobacco products of another tobacco company, but the quality is also different. For example, the average price of a pack of Marlboro cigarettes in the UK is 11.67 pounds and one pack of Mayfair (Japan Tobacco) is 10.34 pounds. PMI uses a competitive strategy regarding the price too.

6.4 Promotion

Because media advertising was prohibited, PMI is most focused on digital marketing, involving famous bloggers and hashtags. Also, collecting data from clients and sending them promotional, loyal discounts through email, phone text.

PMI uses indirect marketing to promote their products.

At the 2019 Bambi Awards in Germany, in addition to well-known brands in the automotive field, IQOS was also promoted, not directly, but indirectly. At this event, people could see non-smoking advertising (a cut cigarette and a sign of IQOS), IQOS friendly. Same thing at 2019 Milan Design Week or in some restaurants, bars, salons, etc. Also, on social media, it could be seen models from different countries promoting IQOS (digital marketing). It should be mentioned smoking in films, movies. Especially in relaxing scenes. Indirectly, they are a

provocation for smoking and hidden advertising. Banning the advertising for promotion is not favourable for PMI, but they found good channels of promotion, so, they can keep their existing customers and to address new customers.

7.0 Conclusion

This paper analysed the current situation of PMI from the point of view of marketing management. With all the impediments created by the government, PMI is a model for other companies in the tobacco industry. However, not all marketing strategies are favourable to PMI and these are opportunities for growth and development, as the tobacco industry is competitive and has good ground for growing and developing brand awareness.

7.1 Recommendations

PMI has very good marketing managers. However, to remain a leader in this industry, PMI must pay attention to market changes, new regulations and launch new products or just bring something new into the existing product. Also, increasing promotions and place distributions. PMI has a strong brand understanding and they also can use Ansoff product development strategy, bringing new products to the existing marketing.

Brand extension is another recommendation. Especially for IQOS. In the UK, according to PMI (www.pmi.com) in such a big city like London, there are just 4 stores, but they are also available online. Also, they could use marketing penetration, by using social media channels. Especially Instagram, TikTok, etc. They also, as a recommendation, can add in the price of IQOS, one little percent of money directed to environmental causes.

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