

International Marketing

Module Code: BSB10186-6

ASSIGNMENT

Student Name: Ali Al Maskari

Student ID No: 11632

Contents

Introduction	3
Analysis of Agarwood Series from Ajmal Perfumes	4
Analysis of Sultanate of Oman as a Target Market for Agarwood	4
Ideal Modes of Entry for International Markets	5
Evaluating the Ideal Mode of International Entry for Agarwood in Oman	6
Ideal Marketing Strategies for International Market Entry.....	7
Evaluation of the Ideal Marketing Strategies for Agarwood in Oman	8
Evaluating Potential Risks and their Mitigation Strategies	9
Conclusion.....	10
References.....	11

Introduction

The core premise of every organization is to achieve maximum profitability and operational efficiency in order to fulfill its commitment to its shareholders and establish lasting brand equity of an organization and its products and services. In order to achieve this objective firms undertake strategic management, craft and implement appropriate marketing and branding strategies, design new products and services and even target markets apart from their domestic markets in a bid to acquire new consumers and achieve competitive advantage (Doole et al, 2008). This aspect of targeting an international market to enhance revenue, market share and counter domestic saturation is termed as internationalization and is a popular mode of business growth and development. Earlier only large organizations used to undertake internationalization due to the difficulties in obtaining permissions to enter new markets and the investment required however with the advent of new technologies and lowering of international trade barriers most organizations are easily able to internationalize their operations and achieve global presence.

Organizations who wish to internationalize their operations and products must conduct a comprehensive analysis of their inherent strengths and competences and whether they are ready to internationalize followed by an assessment of a suitable target market post conducting an environmental scan of the target market. Once an organization has deemed itself ready to internationalize and has identified a viable target market the next stage would be to finalize the mode of international entry from a variety of choices such as exporting, partnership, strategic alliance, franchising and foreign direct investment. Organizations must also choose an ideal entry and marketing strategies such as product standardization or adaptation, cost leadership, differentiation or hybridization. This would allow the organization and its products a seamless entry into the new market and minimize the risks and enhance the rewards. (Hatch et al, 2008)

The objective of this study therefore is to utilize the case of “Agarwood” series from Ajmal Perfumes, a leading perfume manufacturing company in UAE, and their internationalization strategy to enter the market of Oman. The scope of this study would include evaluating the ideal mode of entry for Ajmal Perfumes and their Agarwood series in Oman as well as the effects of these options. Analyzing the available marketing strategies, their effectiveness and the risks involved shall also complete the mandate of this study.

Analysis of Agarwood Series from Ajmal Perfumes

Ajmal Perfumes is a premier perfume and oudh manufacturing and retailing company in the United Arab Emirates (UAE) and has been in operation since 1976. Ajmal Perfumes has over 100 retail outlets in UAE as well as Saudi Arabia and other select markets in Asia, Europe and Africa. Ajmal Perfumes is renowned for its Oriental and Occidental oils, perfumes, oudhs and agarwood series of products. (ajmalperfumes.com, 2017)

Agarwood is a series of products which consist of scented barks of special trees found only in certain parts of India, Vietnam and Cambodia. These barks are extracted and treated to be used as incense, ingredients in specialized perfumes and also as oils for direct application in bath and beauty products. The strong essence of the product combined with its rarity and popularity amongst the Arab clientele has established the agarwood series as the premier product range of Ajmal and it is at the maturity stage in the product life cycle of the product.

Agarwood is renowned due to its unique characteristics of smell, longevity and mixing and therefore would need to be standardized in order to retain its brand personality. Furthermore the target market of Oman is very similar to the domestic clientele of Ajmal in UAE since they share cultural and linguistic as well as religious roots and therefore product standardization would be ideal for the product while it enters the new market of Oman.

Analysis of Sultanate of Oman as a Target Market for Agarwood

Sultanate of Oman is a highly stable and peaceful nation in the Middle East which is an absolute monarchy. Oman is also a rapidly developing nation with a young and vibrant population. Oman has Oil and Gas based economy but the government has initiated steps to diversify the economy of the nation and focused on the development of non oil business sectors. The per capita GDP of Oman is around \$14,982 indicating healthy disposable income and purchasing power of the 4.2 million residents. (mot.gov.om, 2017)

The social and cultural background of Oman indicates a healthy attraction towards perfumery products and oudhs thereby indicating a viable target market for Agarwood. The relaxation of business norms and encouragement to the private sector also indicates healthy trends for Ajmal and technology advancement would also help setup and business operations to be streamlined in Oman quite easily.

Ideal Modes of Entry for International Markets

Organizations who wish to internationalize their operations and target new markets for their products and services must first evaluate and identify if they are indeed ready and strategically positioned to undertake internationalization and if their products and services would find traction in the new markets. Once it has been identified that an organization has the requisite resources and competences as well as management inclination to internationalize their operations and also that their products and services are suitable for the international arena then the next logical step would be to choose the ideal mode of market entry which would meet the requirements of the organization and also allow it a seamless entry into the new target market. (Kotler, 2009)

There are many modes of international entry from direct exporting to distribution and licensing as well as franchising, partnerships, strategic alliances, joint ventures and also FDI (Foreign Direct Investment). The three most common and popular modes of international entry which are utilized by organizations are,

Exporting

Exporting is the most common and popular mode of international entry where an organization enters into an agreement with a distributor or strategic consumer in the target market and exports their products directly to these entities for sale in the target market. The freight charges are shared by the company and its distributors while the selling price is selected by the local distributor or strategic consumer. This mode of entry is usually utilized as a target market testing tool to determine the sales potential and risk factors. Though this mode of entry has limited risk yet it could lead to brand decay and reputation loss if the local agents do not market the products well or charge a premium without delivering on the promise. (Schultz et al, 2010)

Partnership

Firms with an intention of limiting their investment but also wish to target a new market for the long term prefer partnering with a local firm in the new market on a profit sharing basis. This allows the firm a local representative with relevant experience while also limiting the investment and operational risk. Firms however must conduct extensive research before choosing an ideal partner since it could lead to legal ramifications and reputation loss in the event of any conflict or litigation.

Foreign Direct Investment (FDI)

Organizations who wish to expand and own their business in the new target market usually prefer FDI (Foreign Direct Investment) since it allows them complete freedom to enter and operate in the new market. Markets where there is high growth potential, availability of resources and labor and governmental support as well as limited regulation are ideally preferred by firms for FDI. The investment and risk factors for FDIs is quite high but the potential profitability and establishment of lasting brand equity are also possible with well planned and executed direct entry into the new international market. (Keller, 2009)

Evaluating the Ideal Mode of International Entry for Agarwood in Oman

Applying the three chosen modes of entry to Agarwood's entry into Oman would help decide which option would be most suitable with maximum chances of successful establishment.

Exporting

Ajmal Perfumes could tie up with local distributors or even a local perfume company such as Al Bustan Fragrances or Al Amalia to export their Agarwood series and these companies could then market and sell these products to the end users. The benefits of this mode would be that Ajmal would be able to target a new market such as Oman with inherent attraction to oriental scents and fragrances with limited investment and risk. However on the other hand the local distributors might not give the due exposure to a highly valued product such as Agarwood leading to lower than expected sales and even lead to brand devaluation and decay. Therefore evaluating the cost versus benefit of this mode of entry it can be stated that exporting would not be an ideal mode of international entry for Agarwood into Oman.

Partnership

Ajmal Perfumes can undertake an exclusive partnership with a large perfume retailing firm such as Mustafa Sultan Enterprises or Muscat Pharmacy to enter into the Oman markets. These firms have the requisite presence and experience to market Agarwood in the right manner to the targeted audience. However these firms have their own portfolio of products which they would tend to highlight and might not give the desired prominence to Agarwood as it deserves in a

market with high potential such as Oman. Therefore Partnership would be a less than ideal mode of international entry for Agarwood into Oman.

Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) has the largest risk versus reward potential as an international mode of entry since it allows complete freedom for a firm to establish but at the same time the firm is open to any local threats and competition on its own. Ajmal Perfumes being geographically close to Oman and also sharing similar cultural, historical, linguistic and religious aspects with its domestic market of UAE would make the transition much easier. The focus of the Oman government on allowing business growth to diversify its economy and the presence of a large target audience with disposable income makes FDI as the ideal entry strategy for Agarwood in Oman. Initially the firm can setup retail presence in Oman with slowly shifting manufacturing and packing facilities to streamline its process and achieve economies of scale.

Ideal Marketing Strategies for International Market Entry

Once an organization has decided the ideal mode of international entry from the various options available then the next step would be to finalize the appropriate marketing strategies to be employed in the new market to ensure maximum exposure and customer acquisition. There are a variety of options available to a firm such as positioning, segmentation, cost leadership, differentiation. The two most ideal marketing strategies which can be utilized by a firm internationalizing its operations are, (Segal et al, 2004)

Positioning

It is essential that a firm identifies the manner in which it wishes to target the identified demographics and positions itself accordingly. Apple has positioned itself as a premium product targeting a niche segment in the consumer electronics market while Samsung has positioned itself as a functional product offering multiple price points and targeting cost leadership and differentiation. Positioning allows a firm to communicate its core values and functionalities to the target audience and establish a functional and symbolic relationship which can be leveraged to maximize revenue and patronage. (Schiffman et al, 2009)

Segmentation

It is well established that products and services need to identify their core target demographic in order to design their marketing strategies effectively. Companies which design generic marketing strategies targeting the entire market tend to spend heavily for far too little in return and therefore firms are advised to utilize segmentation as an ideal marketing strategy. Segmentation allows a firm to conduct extensive research and identify the core target demographic subset of the firm within the larger marketplace. This allows for a focused and result oriented marketing campaign which is bound to generate better results. Apple targets the niche segment where symbolic value is given prominence over functionality while Samsung targets the functional and price conscious segments to maximize its sales potential. (Vrontis,2003)

Evaluation of the Ideal Marketing Strategies for Agarwood in Oman

Evaluating the effectiveness of the ideal marketing strategies for Agarwood in Oman provides the following, (Atwal et al, 2009)

Positioning

Agarwood is a premium and high end scented bark wood, incense wood and perfumery oil and compound which are rare and inimitable. Furthermore Agarwood is very different from the other Bakhoor and Dakhoon range of incense bark woods and oils due to its unique scent and longevity. Agarwood therefore should be positioned as a premium and exclusive product which would command a higher price due to its intrinsic brand personality and character. Furthermore this positioning would allow Ajmal Perfumes to differentiate Agarwood from other similar products in the market as well as create a unique brand name which can be leveraged to create a lasting presence in the Oman market. Therefore premium positioning would accord Agarwood with an ideal opportunity to create a brand name and connection with its target audience fulfilling the objective of the firm to establish competitive advantage in the new international market of Oman.

Segmentation

Agarwood and its related products can be grouped in the Oriental scents and aroma products category and cater to Arabic sensibilities primarily and therefore would not find resonance with the entire market of Oman which is comprised of almost 38% expatriates of various nationalities. Therefore segmentation strategy would allow Ajmal Perfumes to identify the core segment that it should target for its premium Agarwood series of products. Therefore it is evident that segmentation would allow Ajmal to identify that the core target demographic for Agarwood series would be the local citizens of Oman and that marketing campaigns and promotions should be crafted keeping this segment in mind. Furthermore it is established that the local citizens of Oman have high disposable income and also value perfumery products highly so therefore this segment fulfills all the criteria for Agarwood to enter and establish itself in the local perfumery market of Oman.

Evaluating Potential Risks and their Mitigation Strategies

Every business decision whether to target a new international market or decide on an appropriate marketing strategy carries an inherent risk and needs to be carefully evaluated and tested against the potential benefit to decide whether it is acceptable and also on how to counter it. (Brexendorf et al, 2007)

Ajmal Perfume's decision to utilize FDI to enter the Oman perfumery market for its Agarwood series does have a risk of high investment, low turnover and increased competition however the proven brand equity of the product and proven expertise of the company and relative similarity of the target market to the domestic market of Ajmal along with the presence of a target audience and economic prosperity make it an ideal target.

Ajmal's decision on standardizing Agarwood for the target market of Oman and positioning the product as a niche and premium product targeting the segment of local citizens who have a high affinity towards oriental scents and have the necessary spending power does carry a risk in this climate of economic uncertainty and failure of niche products. However the proven brand equity of Ajmal and its agarwood series indicates that the brand would do well in the new market of Oman. (Gregory, 2007)

Ajmal perfumes however must also institute risk mitigation strategies such as extensive research of the target market before entry, insuring their business operations in Oman as well as devising and creating positioning and segmentation strategies which will create brand awareness and curiosity amongst the target audience. Ajmal would also need to constantly evaluate and refine their marketing strategies to overcome any slowdown in sales and also be prepared to counter new entrants and substitute products.

Conclusion

It can therefore be concluded that internationalization is a viable growth strategy provided an organization is prepared to internationalize and has the requisite resources and capabilities to enter a new market and establish its presence. In order to succeed in the international market an organization must also have a clear blueprint of the mode of entry to be employed as well as the international marketing strategy to be employed. Ajmal perfumes a renowned perfume manufacturing and retailing company from the UAE wishes to enter the lucrative Oman market which has a sizeable market with growth potential. It is recommended that Ajmal utilize the Foreign Direct Investment (FDI) mode of entry to enter Oman and market its Agarwood series of products. Furthermore Agarwood are high end products with an inherent brand equity and premium pricing and it is recommended that Ajmal position its products accordingly and also standardize the product to retain its universal appeal. Since Agarwood is purely oriental in nature it is also recommended that Ajmal utilize segmentation strategy to target the core demographic of local citizens in Oman who prefer such products and have the requisite purchasing power. These strategies and their application along with identifying the potential risks and implementing strategies to mitigate such risks would allow a firm to achieve international success and achieve global brand equity.

(Word Count: 2739)

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