

Marketing Mix Analysis of a Company

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Bachelor Thesis
2009



Tomas Bata University in Zlín
Faculty of Humanities

Tomas Bata University in Zlín
Faculty of Humanities
Department of English and American Studies
Academic Year: 2008/2009

**BACHELOR'S THESIS
ASSIGNMENT**
(PROJECT, ARTWORK, ARTISTIC PERFORMANCE)

Name and Surname: **Bud Batjargal**
Study Programme: **B 7310 Philology**
Field of Study: **English for Business Administration**

Thesis Topic: **Marketing Mix Analysis of a Company**

Thesis Guidelines:

Define marketing mix from theoretical point of view
Analyse the current marketing mix in BOSA Impex Co., Ltd
Possible recommendations for BOSA Impex Co., Ltd

Thesis Extent:

Supplement Extent:

Form of Thesis Elaboration: printed/electronic

Bibliography:

“Principles of Marketing” by Philip Kotler, Gary Armstrong

“Principles of Marketing” by Kurtz/Boone

“Basic Marketing” by William D. Perreault, Jr. E. Jerome McCarthy

“Basic Marketing” by Cannon/Perreault/McCarthy

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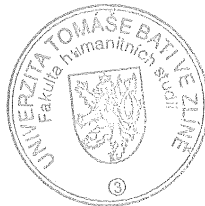
Date Assigned:

30 November 2008

Thesis Due:

15 May 2009

Zlín, 16 February 2009



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ABSTRAKT

Bakalářská práce se zaměřuje na analýzu marketingového mixu vybrané firmy. Teoretická část práce se zabývá úkoly a rolí marketingového mixu a vysvětluje jednotlivé prvky marketingového mixu. Cílem analytické části je analyzovat prvky marketingového mixu u zvolené společnosti a na základě analýz, navrhnout firmě doporučení směřující ke zlepšení současného řízení marketingového mixu.

Klíčová slova: marketing, marketingový mix, výrobek, cena, místo, propagace

ABSTRACT

The present bachelor thesis aims at analyzing marketing mix of a chosen company. The theoretical part of the work deals with function and role of marketing mix and explains each element of marketing mix. The goal of analytical part is to analyze elements of chosen company's marketing mix and based on the analysis, to suggest some recommendations.

Keywords: marketing, marketing mix, product, price, place, promotion

ACKNOWLEDGEMENTS

After three years of studying at Tomas Bata University, this bachelor thesis concludes my studies and directs me toward future accomplishments. I would like to take this opportunity to thank all the persons that have contributed to the completion of this bachelor thesis.

First of all, I would like to thank my dear parents who supported me throughout the university years and helped me get this far.

Additionally I would also like to express my gratitude to BOSA Impex Co., ltd and their General Manager, Mrs. Angarag Batjargal, for providing necessary information.

Finally, I would like to thank my supervisor, Mr. Michal Pilik who provided the necessary guidance.

DECLARATION OF ORIGINALITY

I hereby declare that the work presented in this thesis is my own and certify that any secondary material used has been acknowledged in the text and listed in the bibliography.

March 5, 2009

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INTRODUCTION

A century ago, new term marketing revolutionized the economy of the world. Since then, it has been developing rapidly and now the entire world of business is heavily dependent on marketing activities. Generally, marketing involves a wide range of approaches. Among them, the *4P's of marketing* has been the most popular and it plays important role in marketing. Therefore, having knowledge about functions of marketing mix and being able to analyze its elements are valuable ability for one's future career. Regarding these reasons I chose *marketing mix analysis* as a topic of my bachelor thesis.

The purpose of this bachelor thesis is to provide basic knowledge of marketing mix and to analyze chosen company's marketing mix based on the acquired knowledge. The present bachelor thesis consists of two parts: theoretical and analytical parts.

The theoretical part has two parts. The first part explains marketing in general in order to define the function and role of marketing mix in it. In the second part, elements of marketing mix; *product, price, place, and promotion* are explained in detail.

The main aim of the analytical part is to conduct a marketing mix analysis on a chosen company and to recommend possible actions that can improve 4Ps of the company based on the analysis. BOSA Impex Co., ltd is chosen as the company to be analyzed due to the personal contact priority. Therefore, the primary data can be achieved conveniently. This part consists of two parts. In the first part, a brief introduction and marketing environment analysis of BOSA Impex Co., ltd are provided and in the second part, the company's marketing mix is explained and analyzed.

The final product of this bachelor thesis is the recommendations that included certain ideas which will help to improve the function of 4P's of BOSA Impex Co., ltd.

I. THEORY

1 MARKETING IN GENERAL

In this chapter, marketing and its aim will be introduced briefly and related marketing concepts such as marketing strategy and marketing planning will be explained in order to give scope of the marketing concept in general. Therefore, it will be easy to understand what marketing mix is and what kind of role it plays in marketing. In addition, the theoretical part of the bachelor thesis will serve as a basis for the analytical part.

1.1 Definition and importance of marketing

“Marketing is not the art of finding clever ways to dispose of what you make. It is the art of creating genuine customer value.”

- Philip Kotler

Before talking about marketing mix, it's necessary to understand what marketing itself is. Depending on each individual, it is explained differently. For example, an ordinary person, who doesn't have any knowledge about marketing, would see it as some activities only related to advertising, although it's a much bigger concept. On the other hand, specialists in marketing see it as the core of successful business.

There are many marketing definitions, although all of them refer to one idea. According to marketing guru Kotler, *marketing is the social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.* (Kotler and Armstrong 2005, 3) From the definition, it seems that marketing can be understood as a process of finding possible needs of customers and satisfying them. As a result of this process, an organization makes profit, which is practically an organization's basic objective. On the other hand, customers remain satisfied with the offering. In short, marketing is simply “meeting needs profitability”. (Kotler and Keller 2007)

The aim of marketing lies in the previously mentioned definition which is to identify customer's needs and meet those needs so well. (Cannon, Perreault and McCarthy 2008) Moreover, McCarthy, the marketing educator said “by meeting those needs so well that the product almost sells itself.” (Cannon, Perreault and McCarthy 2008) However, in reality, a product cannot sell itself unless it is revealed to the customers. Therefore, it is clear that companies should consider marketing activities as a crucial part of their operation, and marketing activities should be planned and implemented properly.

In talking about the importance of marketing, it can be different for each individual and organization depending on their goals. For business organizations, marketing is tightly connected to their profit making process and helps to maintain their position in the market. Since world economy itself depends heavily on marketing activities, doing business without understanding marketing concepts will spontaneously lead to either failure of one's business or loss of possible profit opportunities. On the other hand, for ordinary people, it might not be as important as it is for business organizations but having basic knowledge of marketing would be a valuable life time asset for one's personal career. Furthermore, since everyone gets involved in marketing activities without knowing, it is definitely interesting to know how companies effectively lure our money and attention to them with the help of marketing.

1.2 Marketing process

It is interesting to learn about where and when the marketing first started in human history. Kotler was asked this question in one interview and answered as followings:

“Marketing started with the first human beings. Using the first Bible story as an example (but this was not the beginning of human beings), we see Eve convincing Adam to eat the forbidden apple. But Eve was not the first marketer. It was the snake that convinced her to market to Adam.” (Kotler Marketing Group 2009)

It appears to be that the first marketer on earth ever was a snake and it did a great job because irreversibly convinced consumer, Eve, and her husband Adam ended up eating the apple. Despite these fascinating facts, subsequently, another important question arises: where does marketing start and finish? From the Adam and Eve example, it seems that both the undiscovered and discovered needs and wants of human being are the starting point of marketing process. According to marketing specialists, a marketing process has five steps.

1. Understand customer needs and wants
2. Designing a customer-driven marketing strategy
3. Construct a marketing program that delivers superior value
4. Build profitable relationships and create customer delight
5. Capture value from customers to create profits and customer quality (Kotler and Armstrong 2005)

The first step of marketing process starts with the needs, wants, and demands of human being. By understanding and identifying these needs, wants, and demands, a company will decide what to offer to the market. This “what to offer” means anything that will satisfy those needs and wants including tangible and intangible goods, services, experiences, information, ideas, etc. (Kotler and Armstrong 2005)

The next step is all about selecting specific customers to serve and creating customer value and satisfaction. Now a company has something to offer to the market need but it should consider to whom it should sell its product. This can be achieved by targeting and segmenting its market. This means finding a group of customers who have common taste. However, in reality, there will not be only one company in the market to satisfy one type of need or want of customers. Therefore, in order to make customers to choose one’s offer, it should create good customer value and satisfaction by differentiating its product from other competitive products. In this part, companies create possible marketing strategy which includes the most suitable marketing mix for the target market. Marketing strategy will be explained in detail later. (Kotler and Armstrong 2005)

The third step deals with creating a marketing program. A marketing program basically means to implement the marketing strategy plan.

During the fourth and fifth steps, a company will concentrate on not only building good relationship with both its customers and market partners, but also will concentrate on creating loyal customers and capturing their lifetime value. (Kotler and Armstrong 2005)

Marketing mix decision plays important role in the second and third steps of the marketing process, which are creating customer-driven marketing strategy and building a marketing program which delivers superior value to the customers.

1.3 Marketing Strategy

Any organization has strategy at several levels such as finance strategy, human resource strategy, research and development strategy, and marketing strategy. Creating a good marketing strategy is the base marketing activity of a company and by setting proper marketing strategy, a company’s marketing goal can be achieved easily. As McCarthy mentioned in his book, “marketing strategy basically means selecting a target market and creating a related marketing mix.” (Cannon, Perreault and McCarthy 2008) Target market and the marketing mix are the basic parts of marketing strategy.

A process of selecting a right target market for one’s company starts with a market segmentation. “It is a process of dividing market into distinct groups of buyers who have

distinct needs, characteristics, or behavior and who might separate products or marketing mixes.” (Kotler and Armstrong 2005, 47) Depending on the level of each distinct group or segment’s attractiveness, a company will select one or more segments to serve. This group is called a target market or “a fairly homogeneous group of customers to whom a company wishes to appeal” (Cannon, Perreault and McCarthy 2008, 33).

The next process which comes after the selection of a target market is to think about how to satisfy the needs of this certain group of customers or what kind of product features we offer. These features are called the elements of marketing mix or “the controllable variables the company puts together to satisfy this target group”. (Cannon, Perreault and McCarthy 2008, 33)

To explain it in simple words, when a company wants to do business, they not only produce whatever it wants, but it must do market research and find the most needed or wanted product or service. Since satisfying everyone in the world or producing for the mass market is impossible to anyone, the dividing market into smaller parts based on the similarities would be the easiest way to satisfy customers’ needs. As a result of this, the company will have a goal to satisfy that certain target customers which have certain similarities. The company can satisfy their customers’ needs in many ways such as offering relatively cheap products, advertising through various media, and innovating convenient packaging for them.

From this, marketing strategy can be defined as the process of targeting the most attractive group of customers who have some similarities and satisfying their needs by offering the most suitable combination of the marketing mix elements which are product, price, place, promotion.

1.4 Marketing Plan

The marketing plan is the next step comes after the marketing strategy. It is the written form of the marketing strategy that includes pieces of information about time and the financial resource for the strategy. However, a typical firm’s real-life marketing plan contains much more detailed information. A marketing mix is one of the most important parts of the marketing strategy and furthering the marketing plan. For any company, shown below are the three pieces of information that are compulsory in its marketing plan. (Cannon, Perreault and McCarthy 2008)

- Target market and marketing mix
- Required cost
- Expected result

A company can have several marketing plans if they have different target markets. Each target market requires a different marketing mix. Therefore, a separate marketing plan for each product is needed. Blending of these marketing plans create one big plan which is called a marketing program. (Cannon, Perreault and McCarthy 2008) *Figure 1* shows a much bigger picture of the process and it seems clear that marketing mix decision process is one of the most core and crucial parts of marketing activities.

In conclusion to this chapter, marketing process can be defined as follows: A company splits up the market into segments depending on their similarities and chooses one or more segments as a target market. Then it makes a decision on what kind of marketing mix it should offer to its target market in order to satisfy its needs. This decision toward a target market is called a marketing strategy. A marketing plan is developed by adding time and financial details to the marketing strategy and putting it down onto the paper. The implementing process of marketing plan is called marketing program.

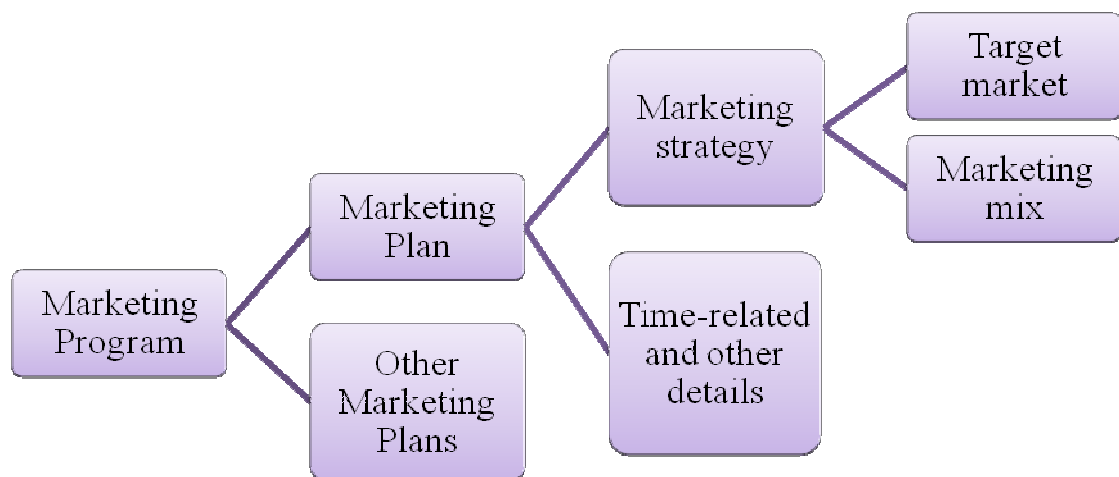


Figure 1: Elements of a Firm's Marketing Program (Cannon, Perreault and McCarthy 2008, 43)

2 MARKETING MIX

The aim of this chapter is to give an understanding of what marketing mix elements are and to clarify characteristics and role of each element.

After a firm chose what kind of customers it wants to appeal, it has to go through many obstacles and make a lot of decisions in order to deliver the product to final consumers. In other words, there will be thousands of factors that will both positively and negatively affect a firm’s marketing activity. Some of them are controllable and some are not. The factors which are controllable are called marketing mix. The factors that a firm cannot control can be marketing environment. Competitive, political-legal, economic, technological, social-cultural environments are included in marketing environment. (Kurtz and Boone 2006) In this case, a firm tries to create a market mix that fits into the marketing environment rather trying to control them.

Historically, E. Jerome McCarthy, the former marketing professor at the University of Michigan, first suggested the classification of marketing mix elements in the early 1960s. He divided the variables, that a firm can control by itself, under four groups; Product, Price, Place (distribution), and Promotion. (Dager 2009) And these are known as the 4 P's of Marketing. Since then additional Ps such as People, Packaging and Positioning have been introduced, although, in general, these 4Ps included those Ps under its name. The concept of marketing mix has been used favorably since it was first introduced because it made the marketing easy to handle and organize. *Figure 2* shows the variables that each element of marketing mix covers.

Marketing Mix			
Product:	Price:	Promotion:	Place:
Physical good	Objectives	Objectives	Objectives
Service	Flexibility	Promotion blend	Channel types
Features	Level over product	Sales people	Market exposure
Benefits	life cycle	Advertising	Kinds of middle men
Quality level	Geographic terms	Sales promotion	Kinds and location
Accessories	Discounts	Publicity	of store
Installation	Allowance		How to handle
Instructions			transporting and
Warranty			storing

Product lines			Service levels
Packaging			Managing channels
Branding			

Figure 2: Elements of Marketing Mix (Cannon, Perreault and McCarthy 2008, 36)

2.1 Product

Product is the first element that a firm must consider from all four marketing mix elements. The remaining three elements; price, place, and promotion are considered only after a firm creates a product.

Different books define product differently. Some see it as a general name for all the things that can be offered to a customer. The others assume that it refers to only tangible goods. Yet, in this piece of work, a product represents any tangible or intangible need-satisfying offering. As Kotler defined, “a product is anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, persons, places, properties, organizations, information, and ideas” (Kotler and Keller 2007, 148). In addition, a product must not be only one of them but also a blending or a combination of two or several of them. A good example would be a book. A book is definitely a physical good that we can touch and own but on the other hand, by reading the book we get information, idea and we get some degree of experience as well.

Based on observation, it seems that many marketers and successful businessmen tend to advise that having a right product is the key to success. Like Lee Iacocca, the former Ford President once said that “*When the product is right, you do not have to be a good marketer.*” However, today’s fast-paced world will not give any chance to a firm to have a “right” product for a long time. In a market full of powerful and fast competitors, any company will not be able to maintain its product unique and right. Therefore, companies must continually add customer value to their product.

In order to increase the customer value, marketers add certain features to the product at certain levels. According to what mentioned in Kotler’s book, market offering or product is planned at three levels; core benefit, actual product, and augmented product. Each product level is created by adding values to the basic product. The core benefit is the first level and it is the basic benefit that customers purchase. At the second level, by developing product features, the core benefit is turned into an actual product. An actual product is a product that has certain features such as quality, design, packaging, and a brand name. Lastly, an

actual product becomes an augmented product when a marketer adds a set of attributes and conditions to it. (Kotler and Armstrong 2005)

From what is mentioned above, it seems clear that a firm should try to find possible ways to make their core benefit into augmented product. However, sometimes a single product is not enough to meet the needs of target customers even it was an augmented product. Therefore, a firm offers several products which can be similar to each other or offers completely unrelated product. For example, let's imagine that a firm's marketing offering is an ice-cream and having only one type of ice-cream will definitely not lead to success unless it is an extremely unique ice-cream. Therefore, it is necessary for the firm to expand its ice-cream flavors in order to attract more customers who have various taste preferences. This certain activity is called a product assortment and it is the set of all product lines and individual products that a firm sells. (Cannon, Perreault and McCarthy 2008)

Another thing that must be mentioned here is a product mix of a firm. A product mix has four important dimensions. Width, length, depth, and consistency are the means of a product mix. The width of a product mix shows how many different types of fields the firm is involved in. Whereas, the length of a product mix reveals the number of products a firm sells and the depth refers to the variations in each product. Lastly, consistency refers to the products relation to the final use, requirements of product, distribution channels etc. (Kotler and Armstrong 2005) These terms will be clearer when it is explained along with the products of the chosen company in the analytical part.

2.1.1 Product classification

Most marketers agree on the concept that all products are generally divided into two groups depending on who will be their consumer: consumer products and industrial products. Although, in some sources, additional classification includes a product's durability and tangibility.

Consumer products are marketing offerings which customers buy for their personal purpose or products that can be immediately used. In other words, it is a product meant for end users and some marketers call it B2C (business to customer) product. It is classified into four groups according to consumers buying habit or the concept of how they perceive the product and shop for it.

- Convenience products are the products purchased frequently and customers spend less time, effort, and money in order to buy them.

- Shopping products are products not that frequently bought but when it comes to purchase it, it requires some time and effort.
- Specialty products are product that customer really wants and makes a special effort to find it and brand identification and unique characteristics are important to them.
- Unsought products are products that consumers do not know if these types of products ever exist and they do not search for this type of product. (Kotler and Armstrong 2005)

Industrial products are products that can be used in further production process and bought by business units, not by final customers. It is also called B2B (business to business) product. There are three groups of industrial products:

- Materials and parts consist of raw and manufactured materials and parts.
- Capital items are long-lasting products that help manufacturer's production or operation. Installations and accessories are part of capital items.
- Supplies and services are the short-term products that have features of supplement and service. (Kotler and Armstrong 2005)

2.1.2 Additional features of a product

A product without additional features will not go far in our highly competitive market. Branding, packaging, labeling, warranties, and guarantees can be offered as additional feature to the product. Branding means the use of a name, term, symbol, or design – or a combination of these to identify the product. It includes the use of brand names, trademarks, and practically all other means of product identification. (Cannon, Perreault and McCarthy 2008, 248) Brand names make the process of buying and selling easy. From the firm's point of view, it makes selling easy and requires less effort from marketing managers because for the customers, brand product stands for quality, trustworthiness and other positive feelings and they do not hesitate to choose the product. On the other hand, customers feel safe about what they are purchasing.

Packaging is originally for protecting the product but nowadays it has more duties. Packaging involves promoting, protecting, and enhancing the product. (Cannon, Perreault and McCarthy 2008, 248 - 257)

Good packaging makes a product easy to store and use. It can make the product stand out from similar products. A warranty explains what the seller promises about its product. (Cannon, Perreault and McCarthy 2008, 257) Some use warranties to improve the appeal

of their marketing mix. For example, 90-day warranties, refunds or replacements, and repairing services can be included in warranty. One of the common guarantee types is to compensate the loss of a customer if the quality of the good or service could not match their expected level.

2.1.3 Product life cycle and strategy

Products have a life like human beings and go through certain stages during its existence. However, not all products are able to pass them all. Keeping the product alive as long as possible is one of the main objectives of marketing. In order to do that, a firm's marketing mix must be changed according to each stage's characteristic. Therefore, marketers take various activities which are aimed at prolonging the product life-cycle.

A product passes through four basic stages from the moment it was born until its discontinuation. These stages are introduction, growth, maturity, and decline. *Figure 3* shows product life cycle as a graph.

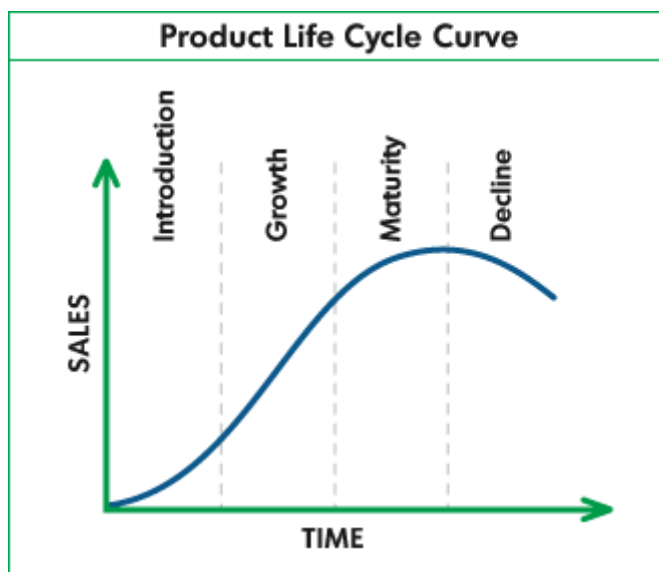


Figure 3: Product life cycle curve (Spencer 2009)

In the introduction stage, it requires great attention on promotional activities even if the product is very distinctive because nobody is aware of the product until they are told. High promotional cost and low sales are the main negative characteristics of this stage. During the growth stage, industry sales grow fast and the product gains the attention of customers. As a consequence, other competitors enter into the market by offering similar product. The maturity stage starts when a firm's sales grow rapidly and competition gets tougher at the same time. In the decline stage, sales will decline. Consequently, the firm's

profit will fall and it comes the time of new product replacement. (Cannon, Perreault and McCarthy 2008)

According to law of nature, everything on earth gets older unless it's immortal. Unfortunately, there has been no sign of immortality in our life time. Therefore, every product is expected to reach its decline stage. Since it's impossible for the company to create ever-green product, the only way left is to extend its length of life as long as possible. As for the human beings, they try to slow ageing by adopting healthy life style, purchasing extra supplemental products and even having plastic surgery, whereas the product life cycle can be extended with the help of certain activities that are mentioned below.

- Increasing usage frequency of the product, increasing the number of users,
- Finding new uses
- Changing package sizes, labels, or product quality.

The first type of strategy extends the product life cycle by increasing the frequency of use. For example, a university can offer summer courses to the students during summer break so that it will have alternative income. The second strategy focuses on increasing the market share by gaining more new customers who have never purchased the product. Therefore, one particular product which is in its decline stage can be in its introduction stage in other country. Finding new *users* is the main idea of the second strategy whereas the core concept of the third strategy is to find new *uses* of the product. Lastly, by simply changing product's packaging, labels and quality level, product life cycle can be lengthened. (Kurtz and Boone 2006)

2.2 Price

According to Kotler, price is one of the most adjustable elements and it can be modified easily compared to modification of product features, distribution channels and promotional activities. Price is what a customer must give up to get the benefits offered by the rest of a firm's marketing mix, so it plays a direct role in shaping customer value. (Cannon, Perreault and McCarthy 2008, 456) In simple terms, it is the amount of money that a buyer pays for the product.

The price is determined by a number of factors including costs, demand in the market, and price of competitors. Moreover, companies should follow a certain price setting process in order to set the most favorable price. Firstly, it should define its price objectives and then create a suitable pricing strategy that will help the company achieve its price goal.

Finally, it should adjust the price if there is geographical pricing, psychological pricing, etc.

2.2.1 Price objectives

Before setting the price, a firm must consider what kind of pricing objectives it should go for. It seems that all company sets a price which is intended for getting maximal profit. Yet, pricing objectives varies from company to company depending on their overall organizational goal, marketing objectives and other related factors. It means that not all firms aim at profit maximization. According to marketing textbooks, a firm can set a price aiming at three basic objectives. The terms for these objectives differ from each other depending on who wrote the book even though they refer to identical things. Besides these term differences, the general idea is; some companies set their price for achieving maximal profit, some of them aim at an increase in their market growth or aim at creating respect in the market by setting a higher price.

The first type of pricing objective is a profit – oriented or profitability objective and it has two subordinate objectives; profit maximization and target return objectives. The former is about setting a price in order to get as much profit as possible and setting a high price. Also, a low price can lead to maximum profit. The latter one refers to setting satisfactory profit as an objective. The second type of pricing objective is sales – oriented objectives. Some firms believe that maximum sales would spontaneously lead to high profit. Therefore, the set a minimum profit level and focus on increasing its market share in the market. The status quo pricing objective is the third type of pricing objective. This objective is mostly adopted by a firm which has its aimed profit level and market level. The price tend be stabilized and non-price factors are taken in account seriously. (Cannon, Perreault and McCarthy 2008)

2.2.2 Pricing strategy

In order to achieve the previously mentioned pricing objectives, a firm must create a proper price strategy.

There are three types of pricing strategies (Kurtz and Boone 2006);

- Skimming,
- Penetration, and
- Competitive pricing.

Setting comparably higher price than the competitors is the main concept of the skimming pricing strategy and it is mostly used when introducing new product into the market. This type of pricing strategy is recommendable for highly distinctive products. If a firm has a product that already exists in the market and has a lot of substitutes, a penetration pricing strategy is the one strategy that would be recommended by marketers. By offering relatively low price which is penetrating price will help the firm to attain customers and make its product recognized. Competitive pricing is another option for the firm to adopt as a pricing strategy. When there are many competitors in the market, a firm sets its price by matching with other competitors' prices and tries to distinguish itself by focusing on other marketing mix elements. (Kurtz and Boone 2006)

As mentioned before, many external and internal factors must be taken in account during the price setting process. The customers' demand, the cost function, and competitors' prices are the most major considerations in setting price. (Kotler and Keller 2007) In other words, firstly, a company must make research on demand in the market. Typically, demand and the price are inversely related. Secondly, a firm's internal cost functions must be carefully examined. Finally, the person who is responsible for pricing must consider competitors' prices, costs, and price change reactions from customers.

2.2.3 Price adjusting

Depending on the competitive situation, a firm adjusts its basic list price according to the variety of factors. These factors can be related to geographical differences, the time of deliveries, guarantees, etc. There are five types of pricing policies that help the company to adjust the price: geographical pricing, price discounts and allowances, promotional pricing, differentiated pricing and product-mix pricing (Kotler and Keller 2007).

If company operates in different location and countries, it should adjust the price considering shipping costs, exchange rate, and lack of cash payments. As for the price discounts and allowances, prices can be adjusted according to early and late payments, and purchase volumes. Promotional pricing includes special event pricing, warranties, and psychological pricing. Differentiated pricing involves activities like offering different price for different individuals like price for students, and seniors. If a company offers more than one product, it should consider the facts that each product's demand differs from another. Therefore, each product requires specific pricing policy. (Kotler and Keller 2007)

2.3 Place

Place is often referred as a distribution channel by marketers. “Place is the activity of making goods and services available in the right quantities and locations, when customers want them.” (Cannon, Perreault and McCarthy 2008, 290) A place can be any physical premises like supermarkets, stores, groceries, as well as virtual places like internet shops.

2.3.1 Types of distribution channels

A company should choose a distribution channels that are suitable and efficient for its business. A company can sell its products either directly to the customers or through wholesalers, retailers, and other agents. Typically, there are two types of distribution channels: a direct marketing channel and an indirect marketing channel. “Direct marketing channel is a marketing channel that has no intermediary level. Indirect marketing channel is a channel that contains one or more intermediary level.” (Kotler and Armstrong 2005, 364) *Figure 4* shows possible distribution channel that a company can select.

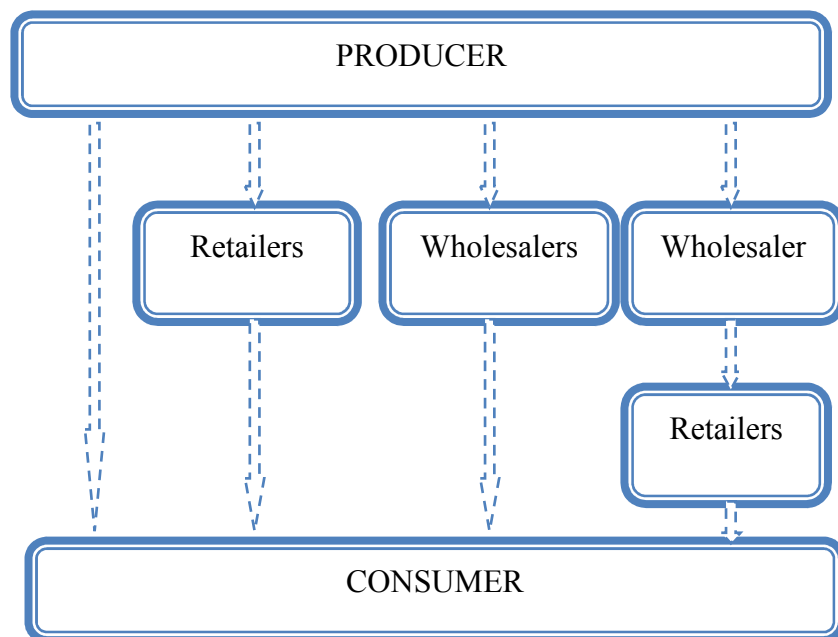


Figure 4: Distribution Channels (Kotler and Armstrong 2005, 364)

2.3.2 Retailing and wholesaling

As mentioned above, a company has two choices when it comes time to choose its distribution channel. One possibility is to sell the product directly to the final customers. The other is to sell them with the help of intermediaries like wholesalers and retailers. “Retailing covers all of the activities involved in the sale of products to final consumers.”

(Cannon, Perreault and McCarthy 2008, 337) It can be large supermarket channels or an individual trader. On the other hand, “wholesaling is concerned with the activities of those persons or establishments that sell to retailers and other merchants, or to industrial, institutional, and commercial users, but do not sell in large amounts to final consumers.” (Cannon, Perreault and McCarthy 2008, 355)

2.4 Promotion

As thinking about marketing as a whole, the first word that comes to mind is advertising. From the customers’ point of view, advertising is the most visible activity from all the activities that are being accomplished by a company. Advertising is so commonplace in the United States that an average person may encounter from 500 to 1,000 advertisements in a single day. (Robbs 2009) However, in reality, promotion involves not only advertising but also other promotional activities such as sales promotion, public relation, personal selling and direct marketing. Generally, “promotion is the function of informing, persuading, and influencing the consumer’s purchase decision.” (Kurtz and Boone 2006, 482)

Each of four elements of a marketing mix has some objectives and the promotion does, too. Informing, persuading, and reminding (Cannon, Perreault and McCarthy 2008) are the three basic objectives of promotion. Firstly, the informing objective aims at telling customers that a certain product exists in the market so that customers get aware of the product. The second objective is to make the customers buy the product by persuading them. Lastly, once the product is familiar to the customers, a company should think about promotional activities that will help remind the customers about the product.

2.4.1 Promotion mix

A company can achieve promotion objectives through certain methods. There are many different promotional methods. In general, those promotional methods are divided into three groups: personal selling, mass selling, and sales promotion (Cannon, Perreault and McCarthy 2008). Each promotion method has its own advantages and disadvantages. Therefore, it is better to take them in account in combinations.

It can be seen from the name that personal selling is about having face-to-face or one-on-one interaction with the customers through salespeople. It involves direct spoken communication between sellers and potential customers. (Cannon, Perreault and McCarthy 2008) The main advantage is an immediate feedback from the customers. Yet, personal selling requires a lot of effort and money.

On the other hand, mass selling is the opposite method of personal selling. “Mass selling is communicating with large number of potential customers at the same time.” (Cannon, Perreault and McCarthy 2008, 370) There are two forms of mass marketing: advertising and publicity.

- Advertising is the main form of mass selling. “Advertising is any paid form of non-personal presentation of ideas, goods, or services by an identified sponsor.” (Cannon, Perreault and McCarthy 2008, 370) Nowadays most media types such as television, radio, internet, cinema commercials, and newspapers are used for advertisement. Specially, internet promotion has become one of the effective ways of promoting one’s business. Websites, banner ads, interstitials, search engines, mass emails are the common types of internet promotion.
- Publicity is any unpaid form of non-personal presentation of ideas, goods, or services.

Sales promotional activities can be aimed at consumers, at middlemen, or at a firm’s own employees. Sales promotions aimed at final users can be contests, coupons, samples, sponsored events. Price deals, promotion allowances, and trade shows are the sales promotion for middlemen. And, lastly, a company can implement a sales promotion for their employees or its own sales force by organizing contests, bonuses, meetings, and trainings. (Cannon, Perreault and McCarthy 2008)

2.4.2 Promotion budget

Budgeting promotional activities involves one of the most complicated and difficult decision making process. Typically it is not easy to measure the outcome of promotional activities for any company. In addition, the costs of promotional activities are different for various businesses. For example, for the pharmaceutical companies, 20% of sales budgeted on promotional activities is primarily from advertising, while for Ford and Toyota, it is less than 1%. (Advertising Budget 2009)

John Wanamaker, the father of modern advertising, once said that “*I know that half of my advertising budget is wasted, but I’m not sure which half*”. However, it is challenging to set a proper promotion budget, there are still some ways to do it since almost everything is measurable in our era. Companies set their promotion budget based on many factors such as their previous experiences and observations. “The most common method of budgeting for promotion expenditure is to compute a percentage of either past sales or sales expected in the future.” (Cannon, Perreault and McCarthy 2008, 390)

Conclusion to Theoretical Part

To sum up the theoretical part, putting the right product in the right place, at the right price, at the right time are considered to be the core activities of marketing. In other words, by creating a certain product that satisfies particular group of people, putting it at some place where those people often visit and pricing it at the level which the same people think it is worth for the product is the key to successful business. However, during the process of bringing a product to a customer, a firm has to deal with a lot of variables and make various choices and decisions that fit for each variable. The variables that a firm can control are generally called marketing mix and McCarthy classified them in four categories which are product, price, place, promotion. A firm satisfies its target market using these variables by altering them properly.

Product is all about what a firm offers to the customers. Product appearance, function, packaging, warranty, guarantee and other product related aspects are included in product decision process. A firm should combine other variables which are price, place, and promotion according to product life cycle. Each cycle requires different strategies.

Price is the money that customers have to pay for purchased product. Price is considered one of the marketing mix elements because firm can adjust or change price in order to attract customers. When setting a price, a firm must look at three important factors: demand in the market, cost function and competitors' price. By considering these three factors, it can set the right price. Pricing decisions must differ along with the product life cycle.

Place covers channels, distributions, and intermediaries. It is basically about bringing a product to the target customers. A product should reach its target customers fast and safe from the manufacturers.

Promotion involves advertising, personal selling, public relations. These tools are related to communicating and attracting the target customers to the product. Promotional activities are considered to be the most visible one from the 4Ps of marketing.

Lastly, by creating a marketing mix that satisfies target customers, a firm will be able to achieve its strategic goal successfully and will improve the current performance.

II. ANALYSIS

3 INTRODUCTION OF COMPANY

BOSA Impex Co., Ltd is a Mongolian food items importer. In 2003, BOSA Impex Co., Ltd was established in order to supply domestic customers with a variety of food items consisting of mainly confectionaries and beverages. Currently, BOSA Impex Co., Ltd imports a wide range of confectionaries, beverages, cookies, coffees, teas and other food items from foreign countries including Singapore, Malaysia, Vietnam, Turkey, Argentina, Germany, Czech Republic, and Hungary.

BOSA Impex Co., Ltd has a hierarchical organizational structure. *Figure 5* illustrates the structure of the company. In total, it has 32 employees and one marketing manager who works for the marketing department. BOSA Impex Co., Ltd prepares its business plan annually and a marketing plan is included in it. Marketing manager prepares a monthly marketing plan after discussing it with the general manager and other department heads.

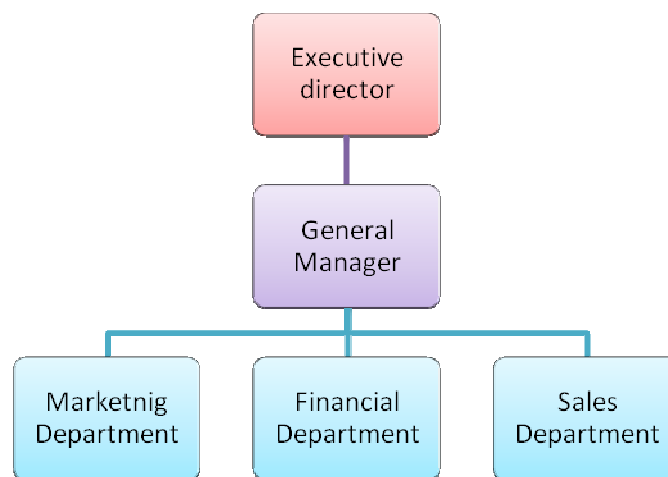


Figure 5: Structure of BOSA Impex Co., Ltd

Mission of BOSA Impex Co., Ltd

The mission of the company is to become the leading supplier and to provide customers with carefully selected, high quality food products imported from all around the world.

3.1 Overview of the economy

Since BOSA Impex Co., Ltd is a Mongolian firm, it's essential to give fundamental information about the former and current economy of Mongolia.

Mongolia was one of the communist countries and the whole economy was strictly controlled by the government. As the USSR collapsed, Mongolia as other communist

countries abandoned the centrally planned economy and adopted the market economy. Since then, it has existed as a democratic country.

However, recently, it has been severely affected by the current global financial crisis. The inflation rate has been volatile during last three years.

3.2 Situation analysis

It is necessary for any company to constantly analyze its marketing environment. By analyzing its marketing environment, the company will be able to adapt itself to any change and to gain competitive advantage in the market. Moreover, a firm will be able to create suitable marketing mix for the target customers. There are internal and external marketing environments. Internal marketing environment includes customers, the company, and competitors whereas external marketing environment is much broader and includes competitive, political-legal, economic, technological, social-cultural environment. (Cannon, Perreault and McCarthy 2008) Therefore, the goal of this section is to briefly analyze the *external and internal* marketing environments of BOSA Impex Co., ltd. From now on BOSA Impex Co., ltd will be referred as BOSA Impex.

External marketing environment:

- Political-legal environment: Political-legal environment became very favorable after the democratic revolution of 1990s for any business in Mongolia. However, bureaucracy is the main problem of doing business, and there seems no pressure on changing it from the government.
- Social-cultural environment: 94.9% (The World Fact Book 2008) of the population comes under one ethnic group which is called Mongol. Therefore, the company does not have to deal with a variety of ethnic groups. Furthermore, there is a possibility of reducing company's income tax from the government if the company spends money on well-being of the society. Yet, it happens rarely.
- Economic environment: As for the economic environment, there are many factors that can influence BOSA Impex's operation negatively. Firstly, global financial crisis has direct effect on BOSA Impex because it imports products from abroad. The second negative factor is inflation rate in Mongolia because the inflation rate has been increasing continually since 2004. The graph shows the inflation rate fluctuation from 2000 to 2008.



Figure 6: Inflation rate in Mongolia (Index Mundi 2008)

There was a sharp increase in inflation rate between 2004 and 2005. From 2005 to 2007, it decreased slightly but last year it increased significantly. Inflation is at 18.2% for the first 2 months of the year 2009. (Badrakh 2009) The increase in inflation rate means decrease in the purchasing power of the customers. Consequently, the sales amount of any business including BOSA Impex will decrease as the purchasing power of customer decreases.

- **Competitive environment:** According to BOSA Impex's competitor research, there are six other firms in the market that have the same operation as BOSA Impex which means they import food items. Although they all import food items, they vary according to their product mix. As there is no detailed information on how much market share each firm has, we can only assume that there must be a tough competition between these seven firms including BOSA Impex.
- **Technological environment:** Development of technology is one of the important factors in BOSA Impex's operation. The development in IT makes communication much easier for the company communicating with foreign companies.

Internal marketing environment:

One of the most important analyses that can assess and reveal the internal marketing environment is SWOT analysis. A good SWOT analysis helps the company focus on a

strategy that takes advantage of the firm's opportunities and strengths while avoiding its weaknesses and threats to its success. (Cannon, Perreault and McCarthy 2008)

The following SWOT analysis captures the key strengths and weaknesses within the company, and describes the opportunities and threats facing BOSA Impex.

Strengths:

- *Offers wide range of confectionary products* – BOSA Impex imports over 400 types of food products and around 80% is confectionaries.
- *Has strong relationship with local supermarkets and retailers* – Even though BOSA Impex has been operating not for a long time, it successfully established a good relationship with the local retailers.
- *Has close relationship with foreign suppliers* – As a result of having been a trustworthy client since its establishment, BOSA Impex is able to receive various discounts and credit offerings from its suppliers.

Weaknesses:

- *Operates in limited geographical area* - distributes the product only in the capital city.
- *Relatively narrow product mix* – as compared to limitless consumer products, a product mix of BOSA Impex covers only a little part of it.
- *Limited financial resource* – frequently, there occurs a shortage of cash when it comes financing an immediate payment.

Opportunities:

- *Expanding product mix* - Gaps exists in the market that can be filled with new types of products. The company has plenty of opportunities to expand its product mix.
- *Establishing new distribution channels* – it has a chance to expand across all over Mongolia entering new regional markets.

Threats:

- *Competition from local importing companies* – there are six other food importing companies in the market. It makes the situation more competitive.

- *Exchange rate fluctuation* - the payment is made in a foreign currency. Therefore, exchange rate fluctuation has a direct influence on company's cost. BOSA Impex uses USD as its primary currency for payment to its suppliers with the exception of Germany, which requires Euro for payment. The graph below shows the exchange rates between the Mongolian Tugrug (MNT) and the US Dollar (USD) between 10/24/2008 and 4/20/2009.

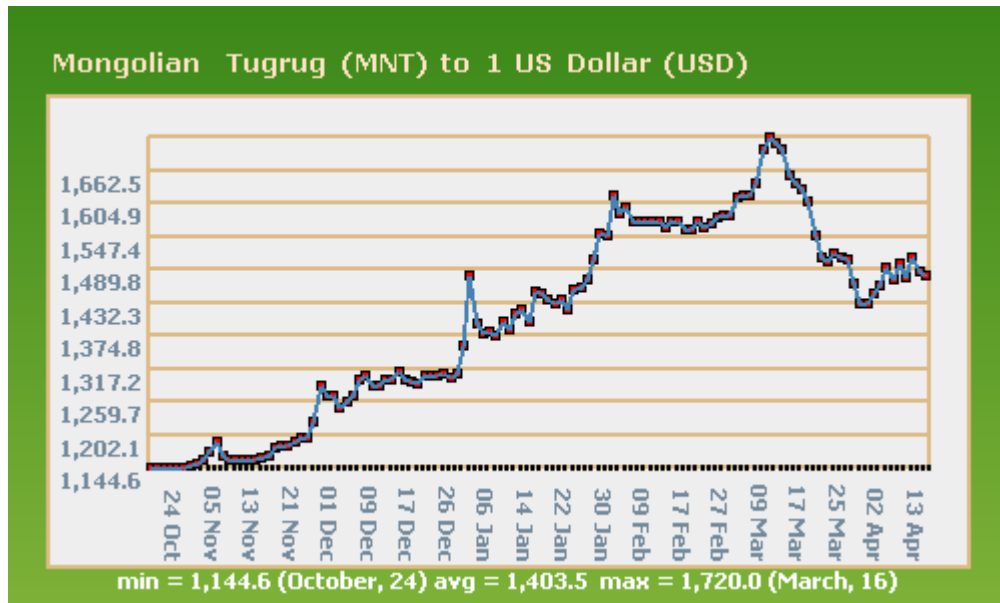


Figure 7: Exchange rate between MNT and USD (Exchange Rates 2009)

It can be seen from the graph that exchange rate between MNT and USD fluctuated during the last year. Although the exchange rate started to fall since March 2009, the overall trend has been upward.

- *Effect of financial crisis* – Current financial crisis might make suppliers increase their product price and it is the main reason of decrease in the purchasing power of its customers.

From this SWOT analysis, the BOSA Impex has plenty of opportunities that can be implemented and the current financial crisis and exchange rate fluctuation seem to be the main threats. As for the strengths and weaknesses, it seems that the company has an access to solve the problems that are mentioned in weaknesses like limited geographical area and product mix. Moreover, the company should maintain its current strengths and try not to lose them.

4 MARKETING MIX OF THE COMPANY

The analysis of BOSA Impex's marketing mix is based on attained knowledge from the theoretical part and the information came from BOSA Impex, mainly from its 2008 marketing plan.

As mentioned in the theoretical part, a marketing mix is a broader concept of what a firm offers to the target customers. Therefore, firstly, it's essential to mention target customers of BOSA Impex. The basic reason to focus on some specific target customers is so that you can develop a marketing mix that satisfies those customers' specific needs better than they are satisfied by some other firm. (Cannon, Perreault and McCarthy 2008) The target market of BOSA Impex differs according to its product lines. For example, for alcoholic drinks, the target market of the company excludes the customers under the age of 18. Generally, the main goal of BOSA Impex is to provide its food items to all people who fall into three different groups of income in the country: lower middle, middle, and upper middle income classes.

4.1 Product

BOSA Impex imports over 400 types of food products including mostly confectionaries and beverages. Lately it has been importing vegetable oil and pickled-cucumber. The total list of import products is shown in Appendix 1. The product mix of the company covers candies, cookies, biscuits, chocolates, chewing gums, vegetable oil, non-alcoholic and alcoholic drinks, preserved and half-processed foods.

The company's well known brands in the Mongolian market are "Ye Ye" - instant coffee, Owl - ice lemon tea, Butter Toffees - chewy candies, Mr. Pops - lolly pop, Bon o Bon - chocolate, Cloud9 - chocolate, Nips, Torley - champagne, Parklane and Beбето - jelly candies. BOSA Impex imports these well-known and other food products from many countries. The suppliers of the company and the types of product are shown in the Table 1.

The advantages that distinguish the company's product mix from others are:

- well-known brands
- wide range of products choice
- high quality – relatively low price

Table 1: Suppliers of BOSA Impex (Internal Source of Company)

COUNTRY NAME	COMPANY NAME	PRODUCT TYPES
Singapore	OWL international Pte Ltd	Coffee/tea
Malaysia	Jark Trading Enterprises	Candies
Vietnam	Cai lan oils&fats industry	Vegetable oil
Turkey	Kervan Gida corporation	Jelly candies
Czech republic	Grupo bimbo	Candies
Germany	Quickbury	Cookies/biscuits
Argentina	Arcor S.A.I.C	Candies
Hungary	Henkell & Sohnlein	Wine/champagne

The company is expanding its volume of import year by year. The total amount of import was \$3.2 mil in 2006, \$5.6 mil in 2007, and \$6.1 mil in 2008. *Figure 8* shows mentioned increase.

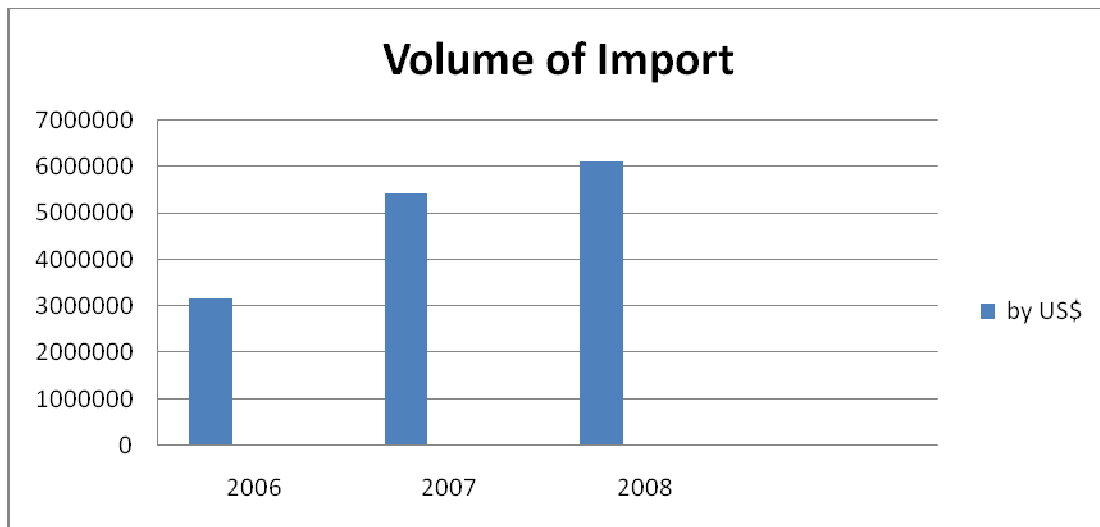


Figure 8: Volume of Import (Internal Source of Company)

The dramatic increase from 2006 to 2007 in import volume is due to the broadened product range by importing vegetable oil and pickled cucumber from Vietnam. This action can be considered as a good move. The reason is consumption of vegetable oil has a tendency to increase continually in the future because vegetable oil is used daily by typical Mongolian families. According to the monthly bulletin of statistics of Mongolia, Mongolia imported vegetable oil worth of \$1.8 mil in 2007 and it increases up to \$1.9 mil in 2008.

BOSA Impex reserves a certain amount of products in order to avoid a supply shortage. *Figure 9* shows the amount of reserves of each product by percentage.

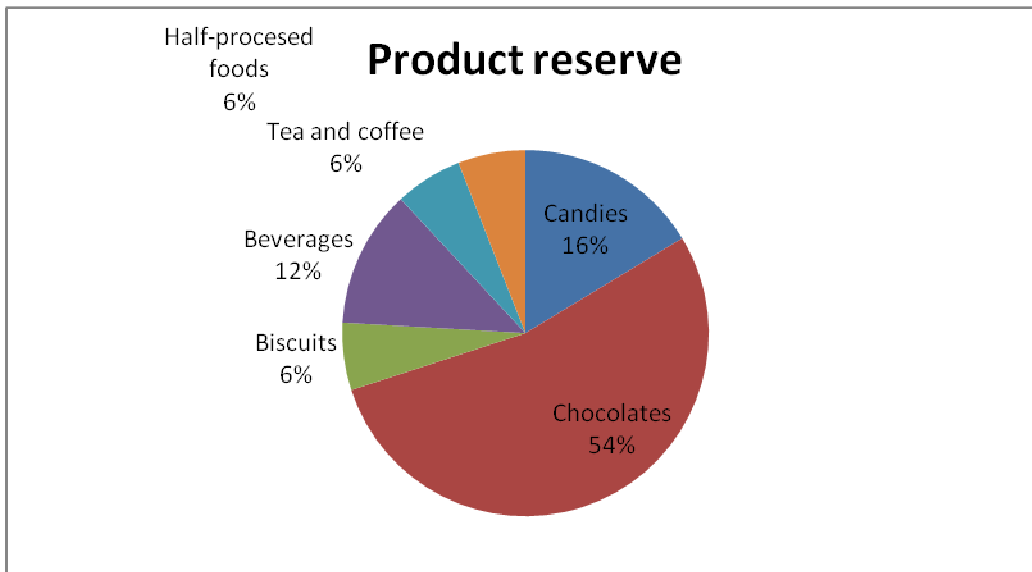


Figure 9: Product Reserve 2008 (Internal Source of Company)

From the graph, it seems obvious that the company mainly reserves chocolate and candy in greater amounts than any other product. 54% of the company’s total reserve is chocolate and 16% is candies. The size of each product reserve is directly connected to BOSA Impex’s sales of each product. *Figure 10* illustrates the detailed sales information of each product in 2008.

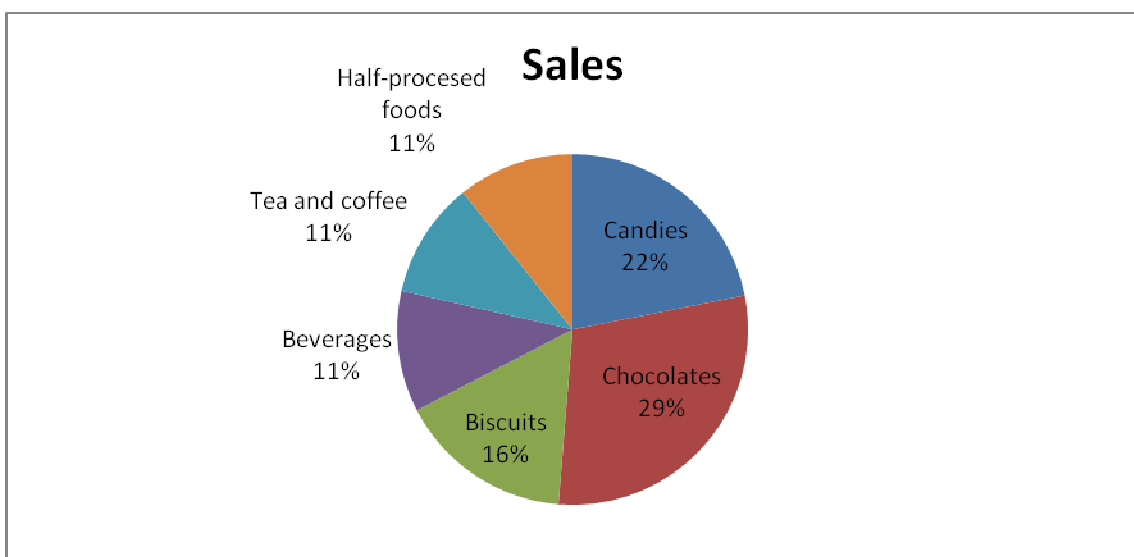


Figure 10: Sales by percentage 2008 (Internal Source of Company)

It can be seen from the diagram that chocolate and candy are sold more than any other products. 29% of the total sales were chocolate and 22% of total sales were made by selling candies. This means that the sales of these two products form half of the total sales. The main reason is chocolates and candies are more well-known than the other products.

Analysis

Based on this product information, it seems clear that BOSA Impex chose food items as their major offering to the market. As it does not offer any service along with the product, its marketing offering can be defined as a pure, tangible good. Furthermore, its product type belongs to a consumer product, precisely, a convenient product.

As mentioned in the theoretical part, a firm's product mix includes width, length, depth and consistency. As for the BOSA Impex product mix, it imports over 400 types of foodstuff. It has 8 product lines or product widths which are hard candies, soft candies, chocolates, cookies, coffee and tea, chips, and alcoholic drinks. Product length can be seen clear from the list of products. To mention one here, BOSA Impex imports different types of soft candies with up to 26 types; such as Bebeto, Parklane, Butter toffees and etc. As for the product depth, Bebeto has six different jelly sweets under the name of Bebeto; such as Crazy Frogs, Fizzy Cola, and Funny Bears.

What BOSA Impex sells is mainly confectionaries which are products that can be highly affected by seasonal and occasional factors. In other words, during the holidays, customers tend to purchase more compared to the rest of year. Therefore, the company should consider the holidays during the year and be certain of sufficient product reserve. Mongolia has seven public holidays and four of them involve a massive purchase of confectionaries which are New Year's Eve, White Moon (known as the Chinese New Year) , and Children's Day. Recently, Valentine's Day and Halloween have become popular among youths, which also involve a lot of chocolates and sweets.

The incident that BOSA Impex started to import vegetable oil can be explained as followings: it tried to expand its market by introducing a relatively different product other than confectionaries. It pursued the opportunity of Product Development or Diversification, which are two of the four opportunities that a firm can pursue.

It is obvious that the current global financial crisis affects customers all around the world and their buying behavior. There is a tendency in customer behavior to give up luxurious consumptions and stick to the basics. According to Maslow's need hierarchy, food is the one of the basic human needs. When it comes bad times, customers tend to

decrease their consumption of foodstuff but never completely stops buying them. Therefore, the company should expand its product mix by importing foodstuffs that are more frequently used by customers than confectionaries. Specially, preserved and frozen vegetables can be the next options.

4.2 Price

BOSA Impex has several product lines as mentioned in Product section. BOSA Impex does not produce products but imports them. Therefore, it does not have to consider each product line's price. It is already made by the suppliers. The company adds costs, taxes and expected profit to the supplier's price. Shown below is the formula that reveals how the company sets its basic list price.



Figure 11: Basic Price List

In order to give clear understanding, each element will be explained below.

Price of suppliers: This is the price which suppliers offer to BOSA Impex and it is relatively constant. However, the raw material price that is used by suppliers can change due to the foreign exchange fluctuation and other factors that have influence over this price. Furthermore, supplier's price can be decreased depending on the each supplier's trading terms. For example, some suppliers offer discount if BOSA Impex increases its amount of purchase.

Transportation cost: BOSA Impex cooperates with several transportation companies of Mongolia that offer international transporting service. Transportation companies offer a freight rate in each route and the freight rate also heavily depends upon external factors such as oil price, inflation, etc. All transportation companies give door-to-door service to BOSA Impex.

Import tax: As for the import tax of Mongolia, it is 10, 75% of sum of supplier's price and transportation cost. VAT is 5% and the import tax amount can be seen clearly from the following formula. $\text{Import tax} = (\text{supplier's price} + \text{transportation cost}) * 15, 75\%$

Handling cost is the cost related to on-loading and off-loading activities of products and other additional costs related to customs clearance.

Expected profit: The company's expected profit differs according to each product line. Generally, it varies from 15% - 25% of the final price.

However, all products are priced according to the previously mentioned formula; the company offers different prices for different business units. In other words, the price differs according to the members of the distribution channel. *Figure 12* shows price types that BOSA Impex offers.

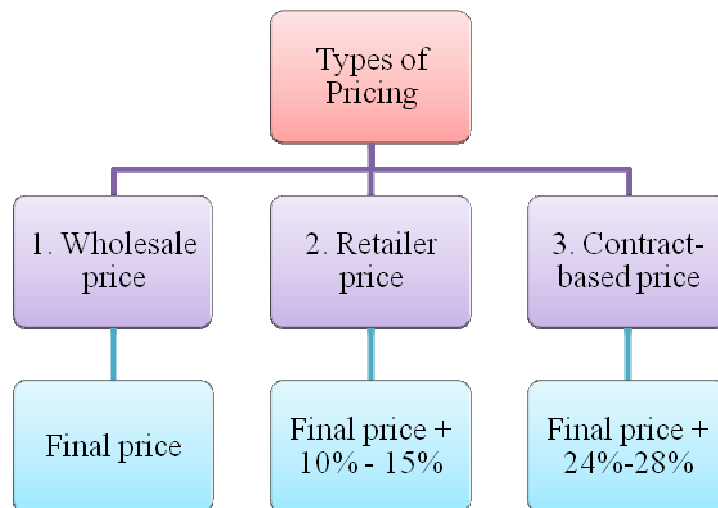


Figure 12: Pricing types of BOSA Impex.

The company offers three types of prices: wholesale price, retailer price, and contract-based price.

The wholesale price: This price is intended for wholesalers. There are six wholesalers which BOSA Impex works with and these six wholesalers must use the final price for the selling because they resell the products to other retailers. In order to maintain the basic list price at the original level, the company offers 2-8% sales promotion to the wholesalers.

Retailer price: As for the retailers, the company offers a price which is 10-15% higher than the wholesale price. The company has six salespeople and they distribute the products through various supermarkets. These supermarkets often pay the money to the company

when the products sold. It means they don't pay immediately when they receive the product. Therefore, the price for retailers is higher than final price.

Contract-based: The last type of price which BOSA Impex offers is a contract-based price. The contract-based price is 24-28% higher than final price. The contract-based price is a price that is set after discussing it with the cooperating company. This type of price is higher than the final price because certain terms such as late payment possibilities are included in the mutual agreement. The company has a special cooperation agreement with Nomin Holding which is one of the biggest supermarket chains in Mongolia.

Analysis

Based on the formula of how BOSA Impex calculates its final price, it seems that the company's price objective is profit-oriented, precisely a target return price objective. All the basic costs are counted in the final price which reveals that the company has a cost – based pricing strategy. This cost – based strategy is at the core level of pricing and the final price is administered according to the position of distribution channel members such as the wholesalers and retailers.

However, it is important to compare BOSA Impex's price with six other competitors' price, price comparison was not possible to make because of insufficient information about other competitor companies. Moreover, a competitor for each product differs because these six companies do not have the exact same product mix as BOSA Impex's. Some of them import fewer types of products and others have more. For example, all the five competitors import beverages along with the confectionaries, whereas only two of them import pickled-cucumber. This means that for beverages, the company has five competitors and two competitors are for the pickled-cucumber.

For the pricing policy of the company, it is better for the company to stick to the current pricing policy rather than initiating a dramatic change in the price. The financial crisis in the country has affected every business in the country. Therefore, it is better not to try to seize the competitors' market share by cutting price. If the company needs to increase its current price due to any reasonable cause, the change must be made slowly.

4.3 Place

For BOSA Impex, the distribution channel is one of the most important factors that will help its product to stay closer to the customers. Therefore, the company sells its product both directly to the customers and through intermediaries. BOSA Impex has a warehouse

which is located in the capital city Ulaanbaatar. From this warehouse it distributes the products all over the city and directly sells the products at its warehouse. *Figure 13* shows the distribution channel of BOSA Impex. It has four types of distribution channels.

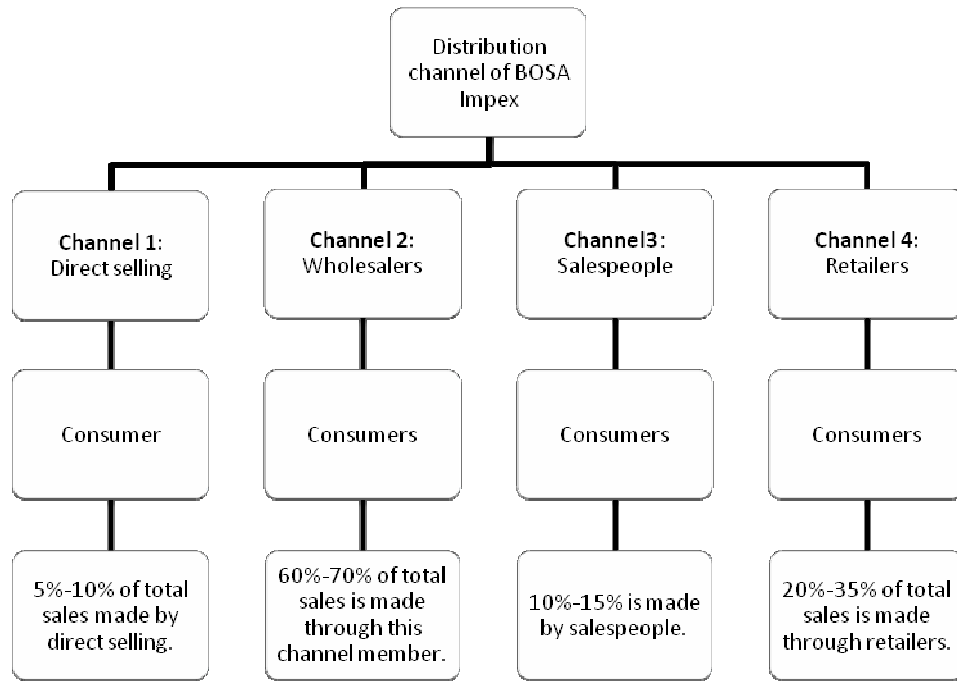


Figure 13: Distribution channel of BOSA Impex.

Channel 1: BOSA Impex also involves a direct selling in its distribution channel. It operates 3 small stores at its warehouse centre which is closely located to the company’s head office. One salesperson works in each store and is counted as a company employee.

Channel 2: Mongolia has one centralized wholesaling market in Ulaanbaatar city which is called “Narantuul”. There are many wholesalers of different consumer products and all retailers and salespeople buy from these wholesalers and distribute the products all over Mongolia. BOSA Impex has a special cooperation contract with six wholesalers at this market. The company supplies the products each month according to wholesalers’ order and every wholesaler must pay the total amount of payment within 25th to 30th of every month. This distribution channel is the most important one for the company because 60-70% of total sales made by this channel.

Channel 3: BOSA Impex has six salespeople who own a small store. They are also counted as company employees and their salary is 2.5% of total sales amount monthly.

Channel 4: There are a number of chains and single supermarkets across Ulaanbaatar city. BOSA Impex has a cooperation agreement with 35 companies which handle retailing

business. This cooperation agreement has 2 types: pay by sales and pay by total amount. In the pay by sales category, trustworthy companies that have been successfully cooperating for long time with BOSA Impex are included. These companies can order products as much as they want and pay based upon their monthly sales. BOSA Impex pays 2-4% of sales promotion to those companies. New or small-sized companies are included in the second category. These companies have certain amount of limit on their stock and required to complete the payment at a certain time, usually at the end of month. Sales promotion will be 1-3% depending on sales amount.

Analysis

For positive points about the distribution channel, it seems that BOSA Impex uses all the possible channel members beneficially. It not only cooperates with the local wholesalers and retailers to distribute its products, but also owns a small store next to its warehouse where customers can directly purchase the product. Direct selling enables the company to sell more compared to selling the product only through intermediaries.

The negative point about its product distribution policy is that BOSA Impex operates only in the capital city Ulaanbaatar. However, merchants from other regions are able to buy from wholesalers in the capital city; this process adds more cost to the final price of the product when product reaches to the final customer. If the company has subsidiaries in other cities that are close to regional merchants, the company has an increased opportunity for its total sales. There are three possible cities where BOSA Impex can operate: Darkhan, Erdenet, and Choybalsan. These cities can be seen from *Figure 14*.



Figure 14: Map of Mongolia (The World Fact Book 2003)

These cities are not so far from the capital city and by expanding its operation to these cities; BOSA Impex will get one step closer to the other regional customers. These three cities are counted the biggest three cities after Ulaanbaatar even though the difference in population is huge. This information can be seen from the Table 2 below.

Table 2: Population of cities (The World Fact Book 2008)

City Name	Inhabitants (est. 2008)
Ulaanbaatar	1,008,738
Erdenet	86,866
Darkhan	74,300
Choybalsan	38,150

The total population of all three cities is 165,016 which equals around 16% of Ulaanbaatar inhabitants. Therefore, BOSA Impex should see it first as a potential new market, second, as a gate to other regions.

4.4 Promotion

BOSA Impex has a very active policy on promotion. It plans its promotional activities monthly. According to company’s marketing plan 2008, BOSA Impex focuses on two major promotional activities.

1. Necessary promotional activities
2. Seasonal and occasional promotional activities.

Necessary promotional activities: The main goal of necessary promotional activities is to remind the company's existing product to the customers as there are many similar or substitute products coexist in the market. Its most well – known products are “Ye Ye” coffee, Cloud9, Bon O Bon, Butter toffees, Nips, and Beбето and the company carries out certain promotional activities on each product. For example, every year BOSA Impex holds a computer game competition which is known as “Secret of Success” among youths under the name of Cloud9. Moreover, it runs commercials on TV and radio once per season.

Seasonal and occasional promotional activities include activities such as promoting slow-selling products, occasional and seasonal promotion activities (during the holidays), and other promotional activities that are needed such as sponsorships, supporting charity events, etc.

Generally, the promotion mix of BOSA Impex can be divided into five groups: personal selling, sales promotion, public relations, advertising, and sponsorships. *Figure 15* illustrates the promotion mix of BOSA Impex.

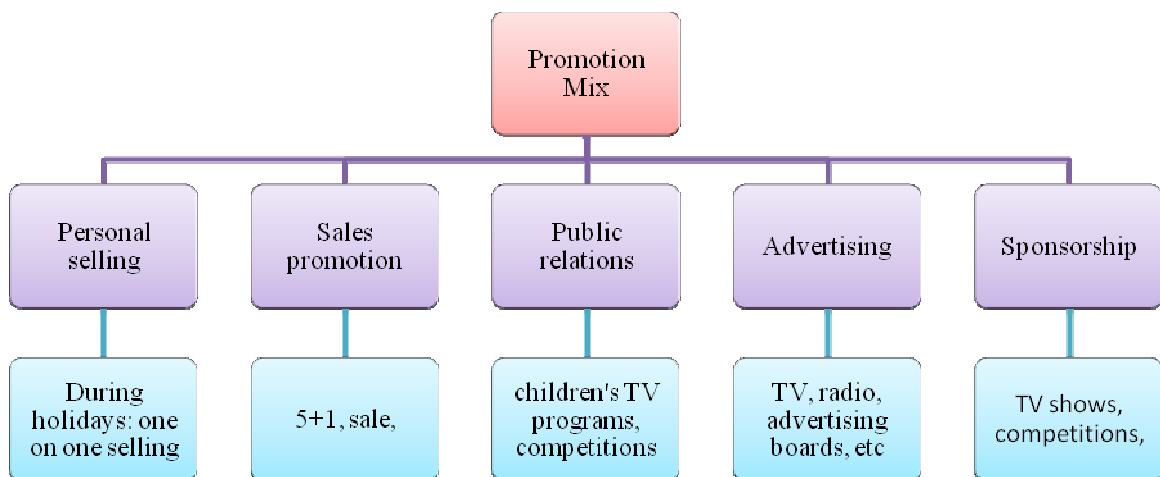


Figure 15: Promotion Mix of BOSA Impex.

Personal selling: During the holidays, salespeople from the company work in the streets of Ulaanbaatar and personally sell the product along with explaining and giving information

about the products. Typically, personal selling takes a lot of effort and money. Therefore, personal selling is taken in account only during certain holidays.

Sales promotion: The company's sales promotions are aimed at both final customers and intermediaries. For customers, it implements a lot of activities such as 5+1 sales promotion for new products, the tasting of Bon a Bon, etc. For the intermediaries, BOSA Impex offers certain percentage of sales promotion.

Public relations/sponsorship: BOSA Impex sponsors many TV shows, and programs. Moreover, it not only sponsors other activities and competitions that involve the youths but also organizes many competitions by itself. For example, there are painting competitions, creative competitions like "What can you do with the candy packaging?" which young people create something by using packages of BOSA Impex's confectionaries.

Advertising: Small monthly newspapers are distributed through retailers and wholesalers. TV commercials, commercials on billboard are frequently used for promotional activity.

As for the promotion budget of BOSA Impex, the company spends 10% of its sales income on promotional activities. The monthly promotional cost is around \$1000-\$2500 per month.

Analysis

From the above mentioned facts, BOSA Impex equally focuses on all elements of its promotion mix and promotional activities are implemented all year round. As a result, customers will be continually reminded about the products. The majority of BOSA Impex's promotional activities are focused on youths.

In examining its promotion mix, one thing was missing: internet promotion. Nowadays, more and more people have access to the internet and it has become a part of young people's everyday life. The internet users in Mongolia has been increasing and the below shown graph illustrates the number of internet users since 2001.

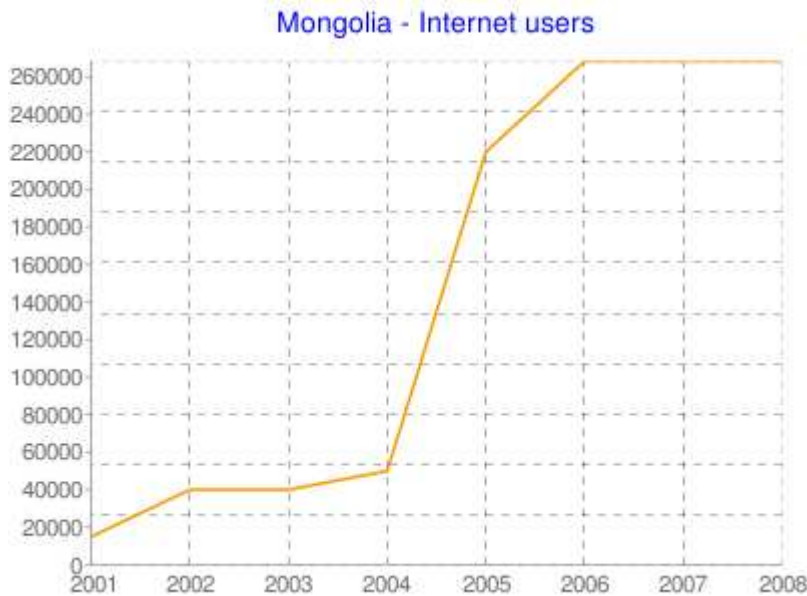


Figure 16: Internet users (Index Mundi 2008)

As it can be seen from the graph that number of internet users have started to increase dramatically since 2004. It means BOSA Impex should have considered internet promotion earlier. According to the graph by 2008, 268300 persons or one out of four persons in the capital city have frequent access to the Internet. Therefore, BOSA Impex should connect its promotional activities to the Internet. Currently, BOSA Impex does not have personal website and it is essential for the company to have one in near future. Additionally, the price for placing ad on a web page is definitely cheaper than placing it on TV. For example, cost of placing banner ads on www.olloo.mn which is one of the most commonly used websites in Mongolia varies from \$10 to \$40 depending on the attractiveness of the place for one day. Promotional activities that involve internet can be placing banner ads on common websites, mass emailing and holding cyber competitions such as a best blogger competition or a Photoshop usage competition etc.

Another possible effective promotion for BOSA Impex is to create a unique cartoon character or hero like the McDonald's clown. This type of promotion has been successful in the history of marketing. Even though the cartoon character Popeye the Sailor was not created by a business to promote its product, it increase the purchase of spinach in the USA. As for BOSA Impex, the main consumers of confectionaries are youngsters and they are influencing families' purchase decision more than ever. Therefore, a special cartoon character would immediately attract them. The name possibly could be "BOSA the Hero" or any other name that will remind the customers about the company. Furthermore, the

company can create short cartoons with the created cartoon character for kids and this character could visit schools and kindergartens during the holidays and become known among kids and students.

Lastly, BOSA Impex carefully concentrates on promotional activities during the public holidays. Specially, the public holidays that involve large consumption of confectionaries should be the main promotional target of BOSA Impex. There are seven official public holidays in Mongolia and during four of them people consume more confectionaries than any other times. In addition, Valentine’s Day, Halloween and the First Day of School which is on 1st of September are considered potential profitable period for the companies that trades confectionaries. BOSA Impex should focus on the potential holidays that are shown in *Figure 17*.

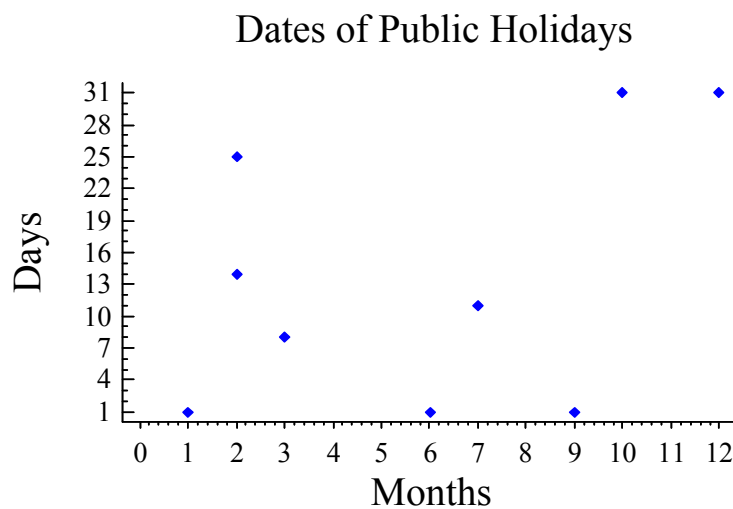


Figure 17: Dates of Public Holidays

Potential holidays:	June 1 – Children’s Day
January 1 – New Year	July 11 – “Naadam” traditional holiday
February 14 – Valentine’s Day	September 1 - The First Day of School
February 25 (differs according to lunar calendar) - Mongolian New Year	October 31 – Halloween
March 8 – Women’s Day	December 31 – New Year’s Eve

From the Figure, it can be seen that during eight out of twelve months has at least one holiday and consequently, the demand of the confectioneries is relatively high during these holiday times. Therefore, BOSA Impex should do special promotional activities for these holidays in order to make customers to choose its products.

CONCLUSION

The marketing mix analysis of BOSA Impex Co., Ltd was conducted based on information from BOSA Impex Co., Ltd and attained knowledge from theoretical part. In addition, a brief situation analysis, which analyzed external and internal marketing environment, was made in order to give additional information about BOSA Impex Co., Ltd.

According to the situation analysis of BOSA Impex Co., Ltd, external marketing environment seemed quite favorable except the influence of current financial crisis in Mongolia which made inflation rate unsteady. SWOT analysis was chosen as a mean to reveal the company's internal marketing environment. Exchange rate fluctuation is considered as the main threat to the company's normal operation and BOSA Impex's trustworthiness and wide range of product choice are the strengths to be mentioned.

The result of marketing mix analysis of BOSA Impex Co., Ltd and recommendations are introduced below.

The product types that BOSA Impex imports are mainly confectionaries and the company has been trying to make a change in its product mix by importing new types of products such as vegetable oil and pickled cucumber. Compared to characteristics of existing products of BOSA Impex, these types of products are relatively different. Demand of products like sweets and chocolates are easily affected by external factors and customers tend to purchase confectionaries unevenly throughout the year. Yet, demand of the products like vegetable oil is comparably constant because it is used daily. From this, it seems that:

- Firstly, BOSA Impex should make research on importing food products that are used more frequently than confectionaries however it is difficult to make change in its product mix, and
- Secondly, it should maintain its current product mix, specially the products that are well-known in the local market

As for the pricing policy of BOSA Impex, it carries out cost-based but profit-oriented pricing policy. The price differs according to the members of distribution channel except wholesalers. There can be a possible threat that the supplier companies can increase the exporting price as a result of global financial crisis. Therefore, BOSA Impex should:

- Avoid making dramatic price change in a case of increase in supplier's price. It should make the change slowly over the time in order not to lose its current customers.

BOSA Impex uses retailers and wholesalers to distribute its products through out the capital city Ulaanbaatar and also directly sells to the final customers. There seemed necessity to:

- Expand its geographical coverage gradually by starting from the closer cities. When doing this, it is not necessary for the company to create a whole new store but only need to cooperate merchants who owns stores.
- Moreover, BOSA Impex should maintain the good relationships with the current distribution channel members as there are several competitors in the market who ready to seize its market share.

BOSA Impex seemed that it gives a great attention on promotional activities. The promotion mix of BOSA Impex seemed almost complex and it uses all possible tools to promote its products. Yet, promotional activities through internet appeared to be poor. From these facts, BOSA Impex should give more attention on:

- Usage of different promotion field which is an internet promotion. Considering the facts that the number of internet users is growing fast and majority of them are youths, BOSA Impex Co., ltd should take internet promotion in account as soon as possible.
- Regarding the fact that main consumers of confectionaries' are mostly children, the company should create a special cartoon character in order to attract them whole year round.

Lastly, BOSA Impex is a relatively young company and has a bright future to go further. Therefore, the company should maintain its current achievements and seek for further accomplishments.

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LIST OF ABBREVIATIONS

B2C – business to customers

B2B – business to business

USD – United States Dollar

MNT – Mongolian Tugrug

USA – United States of America

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Table 1: Suppliers of BOSA Impex

Table 2: Population of cities

APPENDICES

P I List of Products

Product names	Subcategory
Butter toffees 90 gr	Black cherry
	Hazelnut
	Chocolate
	Coffee
Butter toffees 150 gr	Chocolate
	Milk
	Coffee
	Chokko
	Chokko mint
Sour bears	
Lovely fruits 100gr	
Bebeto 25gr	Crazy frogs
	Fizzy cola
	Funny bears
	Fruit garden
	Teethos
	Zoo
Parklane 100gr	Progees
	Sharks
	Wormees
	Crizzly bears
Parklane 100gr	Pillars
	Apple rings
	Strawberry dreams
Parklane 200gr	Safary
	Ocean
	Party mix
	Hidden chickens
Nips	
Chocolates	
Cloud 9 75 gr	Handy pack
Cloud 9 180gr	Buddy pack
Cloud 9 300 gr	Party pack
Bon O Bon 510 gr	
Bon o Bon Suave 810 gr	
Cookies/Biscuits	
Biscuits 250 gr	
Biscuits 400gr	Young family

	New festival
	Spring time
Biscuits 500gr	Polo
	Mixed cookies
	Micola
	Shlunder
	Big family
	Festival
	Bossner
Peanut cookie 200gr	
Peanut cookie 170gr	
Hazelnut cookies 200gr	
Rainbow cashew chips 135gr	
Selection shortbread 175gr	
Shortbread choc, milk 140gr	
Spritz cookie 350gr	
Shortbread 400gr QB	
Tea rings 350gr	
Selection 400gr	
Wafer selection, lemon 300gr	
Wafer strawberry vanil 125gr	
Alufoil choco 300gr	
Cream cake	Tiramisu
	Strawberry
	Chocolate
	Custard
Cream cake	Strawberry
	Chocolate
	Custard
Animal cracker	mapple
	Cheese
	salt
Coffee and tea	
Êîâ Ye Ye 20 gr	
Lollypops	
Lollypop - Mr.Pop's Evolution	Grazy
	Evolution
	Lemon cola
	Blue berry
Lollypop - Big big Pops	Uva
	Morango
Chips	
Fruit banana	

Banana	
Bitter grout	
Pine apple	
Mix fruit	
Half-processed and preserved food	
Vegetable oil	Simply 1l
Jam	Àrcor 390gr*12
Preserved fruits	Peaches 820 gr
Wine/Champaigne	
Istvan Eteki Chardonnay	Sauvingnon
IstvanPazmandi Cabernet Sauv	Cabernet
Champaigne	Torley