Slide 1  Module 3 – The market : Macro-environment analysis 2’

T  Good… (morning, afternoon, evening). How are you today?

S answer(s)

T  Good. Thank you.

Click to next slide.

Slide 2  The market – Types of structures 5’

T  Now, let’s start today’s session on the market. We are going to analyze the macro-environment with a concrete example later in this module. Before we do so, can you please define what a market refers to?

S  A market is a place where the seller(s) of a product or service (supply) can meet with the buyer(s) of that good or service (demand) so that a potential transaction can take place between both parties.

Click to insert answer.

T  Now, let’s look at the different types of structures that can exist when we speak of a market.

Click to insert grid and numbers
For each number below, you are going to define the appropriate type of market structure. For each type of market structure, you are going to give an example of a relevant industry related to that type of market structure. For number 1, what type of structure involves many buyers who can only buy from one seller?

S  Monopoly. (or help and ask to repeat)

Click to insert answer.
T Can you give me an example of an industry that you know of that corresponds to a monopoly?

S Intel micro-chips = Intel is the only supplier of computer processing units for most manufacturers. *(or help and ask to repeat)*

**Click to insert answer.**

T For number 2, what type of structure involves many buyers who can only buy from few sellers?

S Oligopoly. *(or help and ask to repeat)*

**Click to insert answer.**

T Can you give me an example of an industry that you know of that corresponds to an oligopoly?

S French mobile phone operators = There are only 4 operators: Orange, SFR, Bouygues, and Free.

**Click to insert answer.**

For number 3, what type of structure involves many buyers who can buy from many sellers?

S Perfect competition. *(or help and ask to repeat)*

**Click to insert answer.**

T Can you give me an example of an industry that you know of that corresponds to a perfect competition?

S French bakeries = There are thousands of bakeries from which all consumers can buy their bread.

*If different but correct answer,: Well,you’re right, but I chose this example because I like French bread very much/ I ...*

**Click to insert answer.**

For number 4, what type of structure involves many sellers who can only sell to few buyers?
S  Oligopsony.

Click to answer.

T  Can you give me an example of an industry that you know of that corresponds to an oligopsony?

S  Cocoa industry = There are only 3 companies worldwide that buy cocoa beans from all producers.

Click to insert answer.

For number 5, what type of structure involves many sellers who can only sell to one buyer?

S  Monopsony.

Click to answer.

T  Can you give me an example of an industry that you know of that corresponds to a monopsony?

S  National defence aircraft industry = Each national government is the only buyer of military aircrafts from many sellers.

Click to insert answer.

T  Well done.

Click to next slide.

Slide  3  The market – Perfect competition

T  Now, let’s focus on a market which reflects perfect competition.

Click for box 1.

T  Do you have an idea about what factors to consider for a complete analysis of the external environment of a market structure involving perfect competition?

S answer(s)
Good. Let’s see what factors we need to analyze when we speak of the overall market. What can you tell me about these factors in box # 1?

First, we need to analyze whether a market is attractive, meaning that its size in volume (number of units) and in value (Euros/dollars) should be important enough so that there is enough room for us to enter (and not too small = already crowded). Also, it should be a market that is growing (+ evolution) and not shrinking (- evolution) or stagnating (= evolution). Ideally, it should be a market that is in a developing phase (Phase 1 = introductory, 2 = developing, 3 = mature, 4 = declining) and not in a declining phase. Next, we need to analyze how competition is doing, that is, what are the competitors’ markets shares, whether they are gaining or losing market share, and in what stage their product’s life cycle is (Stage 1 = launching, 2 = developing, 3 = maturity, 4 = decline).

Good. Now, let’s see what factors we need to analyze when we speak of the micro-environment. What can you tell me about the factors in box # 2 with respect to competitors?

We need to analyze:
- What type of consumers they target, that is, who they sell to.
- How they position their products/services (eg. low, medium, or high-end image).
- What type of products/services they sell (eg. low, medium, or high-end quality).
- At what price do they sell their products/services (cheap, average, expensive prices).
- In which type of outlet they distribute/sell their products/services (off-trade, on-trade).
- How they promote their products/services (sales promotions, in-store tastings, trade shows).

Good. Now, let’s see what other factors we need to analyze when we speak of the micro-environment. What can you tell me about the factors in box # 3 with regards to distributors?
We need to analyze:
- The scope of their geographic coverage (local, regional, national, international).
- What type of outlets they have (off-trade, on-trade).
- What their positioning is in terms of image (eg. low, medium, or high-end image).
- What their pricing policy is (cheap, average, expensive prices).
- What are their terms of sales, that is, do they pay immediately, or 30 days after delivery, etc.

Good. Now, let’s see what other factors we need to analyze when we speak of the micro-environment. What can you tell me about the factors in box # 4 regarding consumers?

We need to analyze:
- Their socio-demo-geographic profile (job/revenues, sex/age group, live in urban/rural area, etc.)
- Their exposure to media (TV/Radio/Press/Cinema = Which one do they watch/listen/read/see, how frequently, and how long per day/week/year, etc.) to see where we need to advertise to reach them.
- What are their buying habits (eg. Place = where do they buy their Coca Cola or Coke, size = in what format do they buy them such as small Coke cans or large Coke plastic bottles, quantities = in which quantities do they buy their Coke each time, frequencies = how frequently do they buy Coke)
- What are their consumption habits (eg. Context = do they buy Coke for drinking with a meal or after doing sports, quantities = do they consume in small or large quantities, frequencies = how frequently do they consume Coke)

Good. Now, let’s see what factors we need to analyze when we speak of the macro-environment this time. In other words, what factors do we need to consider if we want to open a subsidiary or sell in a new market such as France in case we are a foreign company. What can you tell me about the factors in box 5?

We need to analyze:
- Political factors such as the country’s political stability or taxation level.
- Economic factors such as economic growth rate or labour costs.
- Social factors such as population growth rate or level of education.
- Technological factors such as Internet access or online shopping.
- Environmental factors such as pollution issues or recycling policy.
- Legal factors such as intellectual property protection or product labelling requirements.

Click to next slide.

Slide 4 Defining and assessing its market – Colas in France

T Now, let’s use a concrete example so as to see how we can define and assess a market. Let’s pretend that you want to launch a new cola brand in France.

Click to box 1 with question.

T In which category of beverages is the cola going to compete?

S Non-alcoholic beverages or soft drinks.

Click to box 2 with question.

T Good. What is the size of the soft drinks market in France in volume and in value?

S (No need to know market figures.) It’s a huge market. Almost everyone in France drinks colas. It’s a cheap drink that everybody can afford to buy and consume frequently.

Click to box 3 with question.

T Good. Is the French market increasing, stagnating, or decreasing? Why?

S It’s always increasing as the French population is also increasing...

Click to box 4 with question.

T Good. In which growth stage is the French market: Developing, maturity, or decline? Why?
S It’s at the maturity stage as sales are just slightly increasing each year...

Click to box 5 with question.

T Good. What are the main existing cola brands?

S Coca Cola, Pepsi Cola, Virgin Cola, regional cola brands...

Click to box 6 with question.

T Good. What are the strengths and weaknesses of these brands?

S Coca Cola = Most known brand in the world, Pespi Cola = On-going challenger...

Click to box 7 with question.

T Good. How would you call your cola brand?

S answer(s)

Click to box 8 with question.

T Good. What color would you use for packaging?

S answer(s)

Click to next slide.

Slide 5 Defining and assessing its market – Competitors 5'

T Good, now let’s talk about competition.

Click to picture 1 and question.

T Can you tell me which beverage(s) compete with your cola product?

S Soft drinks, fruit juices, water, other cola brands...
Click to picture 2 and question.

T What about these international cola brands?

S answer(s)

T (If student has not already mentioned regional cola brands in France, then ask him/her if there are any other brands he/she can think of. Otherwise, click to picture 3 and question.)

Click to picture 3 and question.

T Do you know any of these regional cola brands from France? How do they taste compared to international cola brands?

S answer(s)

Click to picture 4 and question.

T Please compare international and regional cola brands for all of the following questions. Who are your main direct competitors?

S answer(s)

T Which consumers do they target?

S answer(s)

T How do they position their cola?

S answer(s)

T At what price do they sell their cola?

S answer(s)

T Where do they sell their cola?

S answer(s)

T How do they promote their cola?
S answer(s)

Click to next slide.

Slide 6   Defining and assessing its market – Consumers

T  Good. Now, let’s talk about your consumers.

Click to picture 1 with text.

T  Can you tell me what type of consumers you would target? In other words, what would be their profile in terms of age group, level of revenues, position (job)?

S answer(s) in terms of age group, level of revenues, type of position they hold. There can be more than one targeted consumer group.

Click to picture 2 with text.

T  Can you tell me what type of media do you think they are exposed to? Based on your answer, tell me where and how you would advertise to reach them?

S answer(s) in terms of type of media (TV/Radio/Press/Cinema = Which one do they watch/listen/read/see), how long per day/week/year, and how frequently, etc.

Click to picture 3 with text.

T  Can you tell me about their buying habits? Where do they buy your cola? In what size? In which quantities? How frequently?

S answer(s) in terms of type of place (where do they buy their cola), size (in what format do they buy them such as small cans or large plastic bottles), quantities (in which quantities do they buy them each time), frequencies (how frequently do they buy them)

Click to picture 4 with text.

T  Can you tell me about their consumption habits?
In which context do they consume your cola? In which quantities? How frequently?

S answer(s) in terms of context (they buy my cola for drinking with a meal or after doing sports or for mixing with alcohol for a cocktail), quantities (they consume in small or large quantities), frequencies (how frequently they consume it)...

Click to next slide.

Slide 7  Performing a PESTEL analysis – PE factors

T Good. Now, let’s pretend that you are a foreign company that produces this cola brand. You are going to need to analyze whether it would make sense to open a factory in France for producing the cola brand locally. You are going to have to perform a PESTEL analysis so as to look at all the macro-environment factors that might influence your decision. Can you just remind me what PESTEL stands for?

S P stands for political factors.
E stands for economic factors.
S stands for social factors.
T stands for technological factors.
E stands for environmental factors.
L stands for legal factors. (or help and ask to repeat if necessary)

Click to box 1.

T Good. Can you name some political factors to take into consideration?

S answer(s)

Click to answers with text.

T What can you tell me about these different factors in France?

S answer(s)
Good. Can you name some economic factors to take into consideration?

What can you tell me about these different factors in France?

Good. Can you name some social factors to take into consideration?

What can you tell me about these different factors in France?

Good. Can you name some technological factors to take into consideration?

What can you tell me about these different factors in France?
Click to next slide.

Slide 9  Performing a PESTEL analysis – EL factors  5'

Click to box 1.

T  Good. Can you name some environmental factors to take into consideration?

S answer(s)

Click to answers with text.

T  What can you tell me about these different factors in France?

S answer(s)

Click to box 2.

T  Good. Can you name some legal factors to take into consideration?

S answer(s)

Click to answers with text.

T  What can you tell me about these different factors in France?

S answer(s)

Click to next slide.

Slide 10  Gathering market information – Formal sources  5'

T  Good. Now, let’s talk about market data in order to further analyze if it makes sense to penetrate the cola market in France. What are some formal sources for gathering information on the cola market in France? Before you do so, can you tell me what the difference between a formal and an informal source is?
A formal source is a source which has been published and which is reliable. An informal source is a source which has not been published yet and for which we need to check the reliability of the information. (Then, let the student name some formal sources.)

**Click to picture 1.**

T In what type of press could you find some market information?

S answer(s)

**Click to picture 2.**

T What kind of database could also provide some market information?

S answer(s)

**Click to picture 3.**

T On what type of websites could you find some market information?

S answer(s)

**Click to picture 4.**

T What kind of market information could patents provide?

S answer(s)

**Click to picture 5.**

T What about the competitors’ brochures and catalogs?

S answer(s)
Good. Now, what are some informal sources for gathering information on the cola market in France?

S answer(s)

Click to picture 1.

What kind of meetings can help to gather market information? What kind of information can we get?

Meetings with suppliers, distributors... Information on competitors’ products, prices, promotions...

Click to picture 2.

What type of conference can help to gather market information? What kind of information can we get?

Conferences on the soft drinks industry... Information on packaging trends, consumption trends...

Click to picture 3.

How can trade shows help to gather market information? What kind of information can we get?

Exhibitors’ (competitors’) displayed products, listening to private conversations... Information on products’ quality, competitors’ future plans...

Click to picture 4.

How can the sales force help to gather market information?

Conversations with distributors, conversations with sales representatives from competitors, in-store price checks...

Click to picture 5.

What kind of market information can we gather on the field?
In-store price checks for products’ prices, in-store displayed products for products’ quality, conversations with consumers for image perception...

Click to next slide.

Slide 12 Gathering market information – And then what? 5’

T Good. Now, let’s go over what we have done so far today.

Click to diagram with boxes 1 – 3.

T Can you tell me what we accomplished so far today?

S We defined our market and assessed our needs for information
We performed a PESTEL analysis of the macro-environment
We identified various sources for gathering market information

Click to answers of box 1.

S interact(s)

T Good. Can you tell me what are some objectives for processing market information? And why?

S To validate the information gathered from various sources by verifying its veracity. Then student(s) answer(s) why.
To present the information in a meaningful way to end-users (marketers, sales force…) based on their specific needs. Then student(s) answer(s) why.

Click to answers of box 2.

S interact(s)

T Good. Can you tell me what type of information we can distribute to various end-users?

S To Senior Management = Economic outlook report…
To Marketing = Consumers / competitors profiles…
To Sales Force = Dashboard with key performance indicators…

Click to answers of box 3.
Good. Now, let’s finish the session.

**Click to text and box with text.**

Pretend that you have to write a short memo to a colleague, who unfortunately missed this session, describing the key points that you we have covered together. Take a couple minutes to write a couple lines

Good. Now, let’s go over what you wrote.

Good. We are done for today. Thank you for your attention and see you next time.