



CATOLICA  
LISBON  
BUSINESS & ECONOMICS

# Digital Marketing of Socially Unacceptable Products

The Case of Fabbrica D'Armi Pietro Beretta

*May 2015*

*Dissertation submitted in partial fulfillment of requirements for the degree  
of the MSc in Business Administration, at the Universidade Católica  
Portuguesa.*

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## **ABSTRACT**

The purpose of this thesis is to outline the aspects of marketing for those products that society considers non-acceptable, in this instance marketers must operate under severe constraints.

These marketers cannot incite nonusers to become customers, they don't have access to the same media opportunities as those whose products are legit; they must fight severe public relation conflicts against advocacy groups that can be obstinate and very potent.

For better understanding the topic a practical case will be provided too see the issues the Marketing department of Fabbrica d'Armi Pietro Beretta had to face while trying to implement Google AdWords in their Digital Marketing campaign and a list of possible solution would be offered.

## RESUMO

O objectivo desta tese é o de realçar os instrumentos de marketing para aqueles produtos que a sociedade considera como não-aceitáveis de serem promovidos de forma explícita. Nestas circunstâncias, os gestores de Marketing têm que operar debaixo de restrições severas. Eles não podem encorajar os não clientes a tornarem-se clientes e não têm acesso aos mesmos canais de comunicação que os demais produtos aceites pela sociedade. Adicionalmente, defrontam-se com verdadeiras batalhas de relações públicas e legais, com grupos organizados, que não raramente têm recursos e energia abundantes.

Para que o leitor melhor perceba este tópico muito específico, foi este caso elaborado em torno da Fábrica de Armas Pietro Beretta e os diversos aspectos que a empresa tem que se defrontar ao tentar implementar uma campanha digital usando a ferramenta AdWords da Google e como tenta tornar os obstáculos.

## ACKNOWLEDGMENTS

Foremost, I would like to express my sincere gratitude to my advisor Prof. Paulo Alexandre Gonçalves Marcos for the continuous support on my Master thesis, for his patience, motivation, enthusiasm, and immense knowledge. His guidance helped me in all the time of research and writing of this thesis. I could not have imagined having a better advisor and mentor, thank you.

My genuine gratitude also goes to Fabbrica d'Armi Pietro Beretta and all the professionals that have been in touch with me in the past months, especially to Dott.ssa Silvia Preti and Dott. Paolo Buffoli whose vital information has been to base of my research.

I would like to thank Riccardo Schena, who as a roommate and good friend, was always there ready to motivate me and to share the best moments. I would never be here without his friendship. Thanks brother, viva l'Urban.

I would also like to thank my parents and my sister for believing in me. Thanks for being my pillar of strength everyday of my life and thanks for not giving up on me when I was down. I love you with all my heart.

I would love to thank all the special people that have been part of my life in the past two years abroad: Andrea, Sophia, Valentina, MarcoMezza, National Liviao, Lucrezia, la vecchia Ste and Lorenzone Pigni but also my French family Camila the Alpha and Maria Fernanda. Thanks for making every single moment together so perfect, I will never forget you!

A special thank goes to the HDU crew, thanks for making me feel so close even if I'm far far away. Thanks to my brothers Antonio, Giacomo, Riky, Simino, SimoneVecchi, Teo Partyboy, Umbino, Marchetto e Facci for making my day through our MW3 chat and thanks to Cachi e Aurelione for being my favourite tirolesoni splaffoni ciccioni.

Last special thanks goes to Sarah, thanks for being with me and support me in every decision I make but moreover thanks for your patience and the love you give me every day.

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## THE CASE

### The Beretta's Digital Marketing Dilemma

“It was a sunny day in May, suddenly the sky turned grey” sang a famous band in the 80’s and maybe this song passed by the radio when Mr Paolo Buffoli was on his way to the office in Gardone Val Trompia, Italy; But in that moment he could never realize the real meaning of that rhyming sentence.

Mr. Paolo Buffoli is the Head of the Marketing department at “Fabbrica D’Armi Pietro Beretta” the most ancient manufacturer of firearms in the world with a history that covers more than five centuries.

A company that excelled around the world being a pure representation of elegance and technology, always up to date with the newest trend and innovation in all the sectors they were present, never scared to change their core business (like in the 1850s when they focused on producing fine sport guns) or to add a new line of product.

Since they hired a new digital marketing expert they tried to take the best out of the Internet enlarging the number of prospect clients they could reach using social networks, websites, e-commerce and starting collecting data for a future implementation of a CRM software.

In the Internet era the easiest way to always be in the evoked set of a customer is to be in between the firsts five positions of the search engine’s results.

Unfortunately the industry where Mr. Buffoli is working is very sensible and most of the search engines state in their advertising policies that they are gun-unfriendly, meaning that they don’t allow, companies to advertise firearms and gun related products on their website.

When we talk about search engines we consider Google and Microsoft Bing, since they are the main players as they cover roughly the 70% [Figure 1] of the market shares, number that grows up noticeably if we filter our research excluding Far East’s Countries and sums up to 94% if we just look at “mobile + tablet” devices. [Figure 2].

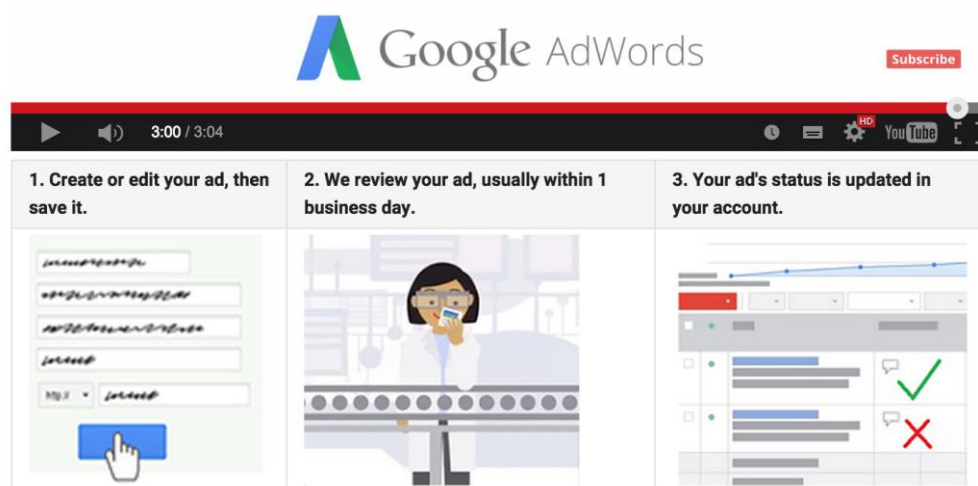
In fact there is another big player that is growing very fast: Baidu;

This search engine is ranked second worldwide and is the most used one in Asia reaching 19.82% [Figure 1] of the market in 2015, but Beretta is not interested in market the area for the moment thus we are not going to consider this website and its services.

So let's have a look at Google AdWords and Bing Ads' advertising policies [Figure 3,4]; Here is clearly stated that they don't allow the promotion of products or services that can cause damage, arm or injury.

But Beretta doesn't just sell guns and rifles, they also have a beautiful clothes collections that could be compared to other fashion brand like Barbour (famous for its outdoor classy style) and these products needs to be advertised as well since could reach also costumers not necessary related with hunting or firearms passionate.

On paper it was very easy to invest money and to take advantage of Google AdWords's services: the company just needed to budget the investment and follow the instruction provided on the website and wait for the review.



That's what they have done at first, but it did not work because in some way many products were linked to the website where Beretta was also showing pictures of firearms.

Therefore they hired an expert to examine the situation and to figure out what went wrong at first in order to edit the Ads - deleting every single reference to products that could somehow hurt the sensibility of group of people that consider Beretta's goods unacceptable - and it surprisingly worked.

The first revision at Google Italy was approved and next step would have been the reviews made by the European headquarter in Dublin, Ireland.

So that “sunny day” of May, Mr. Buffoli was waiting for the confirmation, pretty sure that after the first green light all the campaign would have gone smoothly and that the ads would have start reaching the right costumers very soon.

“But the sun suddenly turned grey” and the answer was not the one they expected; despite the huge budget<sup>1</sup>, the efforts and many attempts it turned out that it would never be possible for Beretta to advertise their product on Google.

**But how much would have the company gained in profit if the advertising campaign would have gone in a different way?**

“To estimate the economic impact of Google Search and AdWords, Google relies on two conservative assumptions. First, that businesses generally make an average of \$2 in revenue for every \$1 they spend on AdWords. Google’s Chief Economist, Hal Varian, developed this estimate based on observed cost-per-click activity across a large sample of their advertisers; his methodology was published in the American Economic Review in May 2009. The second assumption is that businesses overall receive an average of 5 clicks on their search results for every 1 click on their ads. This estimate was developed by academic researchers Bernard Jansen and Amanda Spink based on sample search log data and published in the International Journal of Internet Marketing and Advertising in 2009.

If search clicks brought in as much revenue for businesses as ad clicks, these two assumptions would imply that businesses receive \$11 in profit for every \$1 they spend on AdWords. This is because, if advertisers receive 2 times as much value from AdWords as they spend on AdWords, and they receive 5 times as much value from Google Search as they do from AdWords, then the total profit they receive is 11 times what they spend, or:

$$2(\text{spend}) + 5 \times 2(\text{spend}) - (\text{spend}) = 11(\text{spend})$$

However, clicks through search results may not be as commercially valuable as ad clicks, so Google wants to be conservative and estimate that search clicks are about 70% as valuable as ad clicks. This means advertisers overall receive 8 times the profit that they spend on AdWords, or

$$2(\text{spend}) + .7 \times 5 \times 2(\text{spend}) - (\text{spend}) = 8(\text{spend})$$

Therefore, Google estimates that for every \$1 a business spends on AdWords, they receive \$8 in profit through Google Search and AdWords.” [Google Economic Impact Report 2013].

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<sup>1</sup> Beretta did not want to quantify the information

Taking this ratio as an assumption the Marketing department of Beretta has to select another strategy that needs be as remunerative as advertising using Google AdWords, thus Mr. Buffoli gathered his team to brainstorm and find different solutions that would be profitable using a the same budget.

### **Current situation they can improve**

Beretta has been marketing its product via catalogues since the end of 19th century and kept on advertise mostly on specialized magazines, whether has always been present in the most important firearms and hunting exhibitions all around the world as well as being the main sponsor of shooting fields, competitions and Olympic Athletes.

In this sensible industry it's been 500 years that they do their best to be always positioned in the mind of the consumer as a top brand and in the last ten years they followed the strategy of many other manufacturer companies being a pioneer in using the Internet to advertise their products.

With the use of social networks, websites and E-Commerce they increased the number of costumers that could be influenced by their strategy but also the number of people that are very sensitive to the product advertised.

Being Firearms a socially unacceptable industry is sufficient that certain groups in our society consider these products unacceptable and inappropriate, and those groups are large enough or carry enough weight to influence the environment in which the products are marketed so every move is carefully planned inside the office.

Mr. Paolo Buffoli is the Head of the Marketing department at Fabbrica D'Armi Pietro Beretta since November 2011 and is facing the reality of this market since 2005.

Mr. Buffoli is managing a double marketing department: one domestic for the most important countries that has to match with the worldwide strategy, in this way Beretta can act "Glocally", i.e. the adaptation of a product or service specifically to each locality or culture in which it is sold.

### **The Digital Marketing**

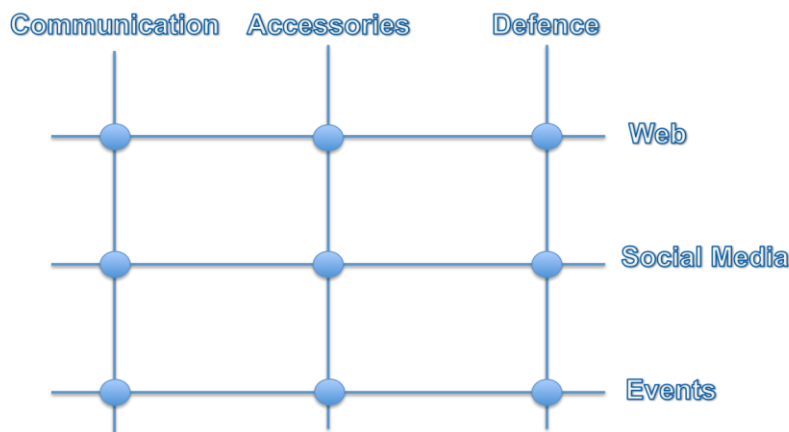
They adopted a website in a very early stage but the step of hiring a digital market expert came in 2013 moment when the company decided to invest money and time on social media. This person is in charged of the contents posted on the different pages, takes care of the analysis of views, likes, web analytics and report organic search traffics in order to identify

any changes that could indicate a problem with the search presence, such as a penalty or algorithm change that may be affecting the company's rankings, but is also a way to find the strongest and weakest points in the search optimization strategy.

In fact Hunting, Sporting, Tactical, Defense and Law enforcement are all Beretta branded.

In this way they are the only player in the market using the same logo for all kind of product, other players can compete on two maximum three sectors, enhancing the brand loyalty but very demanding on the organization point of view.

The business unit follows this matrix:



To always deliver to the customer the best communication and be sure the messages or the products displayed will not hurt the sensibility of the public they rely on a media agency (Leo Burnett Worldwide Inc.) that helps them on communication strategies and using the experience of an Industrial designer who takes care of the aesthetic side of the message they are sure to always get the best results.

Digital is a hot topic for the company right now is the present and the future that will help them to get close to the customers. Mr Buffoli's final target for Beretta is to give a coherent brand experience aside from the geographic location and the distribution channel chosen for the product. The goal of this strategy is to reach a percentage that is an 80% of global experience and 20% of a customized one.

Beretta's presence on the Internet goes from websites, social networks, newsletter, E-store

and the Beretta owners club (B-Club); Every channel aims to create engagement and helps the company in building a database in order to cluster the users and use the information in the future.

Every marketing department have 2 local meetings per week and a meeting with the worldwide headquarter every 2 weeks to check if the local strategy matches the main one.

### **Metrics – How to measure the efforts of the Digital Marketing Department**

Since websites are becoming vital in the consumer path to purchase, measuring the efficiency of digital marketing is also necessary. It is well known that every time we press the button on the mouse we provide a partial picture into the impact of digital advertising, as many users do not click on ads but still visit a website after being exposed to ads.

So what Mr. Buffoli's team should look at to have a deeper insight into the effectiveness of their digital marketing efforts?

#### **Number of New Leads**

First he should pay attention on the number of new leads, or prospect clients, the company is getting. It is critical because leads are the essence of business. And if a lead decreases today, a sale decreases tomorrow. The challenge is that a lead could be diverse depending on the kind of business, thus the company has to identify every peculiarity and tailor every goal in Google Analytics that will be relevant for the business.

If the company doesn't do that will lose money! If they would track leads every day, the decrease would have been uncovered instantaneously. In fact they will evaluate it right after, the problem would be solved and market optimized, and sales would have grown rather than decline.

#### **Conversion Rate from Leads to Sales**

Another metric that is fundamental for a company is the conversion rate from leads to sales. It measures the processes of transforming leads into sales, which could be one or multiple steps. It is crucial to track the overall conversion rate from lead to sale, and, if there are multiple steps measure the conversion rate for each one.

The daily conversion rate is sometimes above 100%. This is common and occurs when there is no uniformity between when leads come in and when they convert.

For this reason among others, it's important to view metrics on not just a daily, but weekly and monthly basis.

### **Cost Per Advertising Conversion**

For many businesses, cost per conversion is the most important advertising metric.

The company can calculate the cost per conversion dividing advertising costs by what is set as the conversion goal for ad. For instance, the number of:

- Phone calls received
- Email addresses attained
- Sales generated
- Social media shares

### **Top Converting Emails**

There are several important metrics that the company needs to consider like unsubscribe rates, open rates, click through rates, but the main one remain the total email conversion.

Top-converting emails, once identified, become business assets and should be used again in the future since the efficacy has been proven.

As we said before there are other metrics that the company should consider beside overall email conversion. For instance, if an email produce lots of sales, but also many unsubscribes, the marketing department may not want to send it again.

## OPTION 1: Improve their social media presence.

Beretta's current social networks are:



### FACEBOOK

Facebook is the biggest player in social media. Boasting an enviable user base and a sophisticated platform, Facebook is an attractive option for advertisers hoping to increase their visibility and it worked for Beretta in the USA as much as in the rest of the world.

When it comes to audience reach, Facebook is the undisputed king of the hill.

- 1 billion registered users
- 699 million daily active users

Facebook is also a strong performer in terms of the options available to advertisers for demographic targeting. Advertisers can target audiences based on:

- Location
- Gender
- Likes and interests
- Relationship status
- Workplace
- Education

Mr Buffoli knows that Facebook's side banners are less affective than promoted posts, but the algorithm of Facebook made them reach people who were very sensible to the post and it created a series of bad comments and cases of trolling that made almost worthless the investment. Thus, they decided to promote their product just on side banner ads which can reach a lower number of users but are better aiming the segment they want to reach and that

is more likeable to click and purchase on the e-commerce while not bothering sensible users.

## TWITTER

Twitter has 271 million active users considering mobile devices and desktop, but those people seem to be divided into – those who love it and use it frequently, and those who really don't understand it or comprehend the appeal.

On the other side, the first group should be an option worth to be considered by advertisers who want to target a reliable audience.

Twitter's ad formats are much more direct than those offered by Facebook and Beretta seems to prefer regular tweets than promoted tweets maybe because of the same reasons of Facebook.



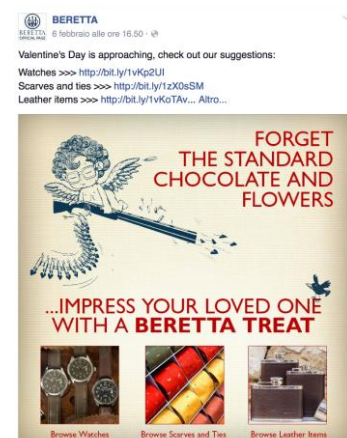
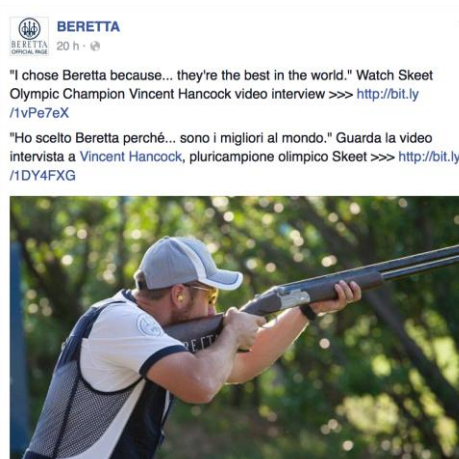
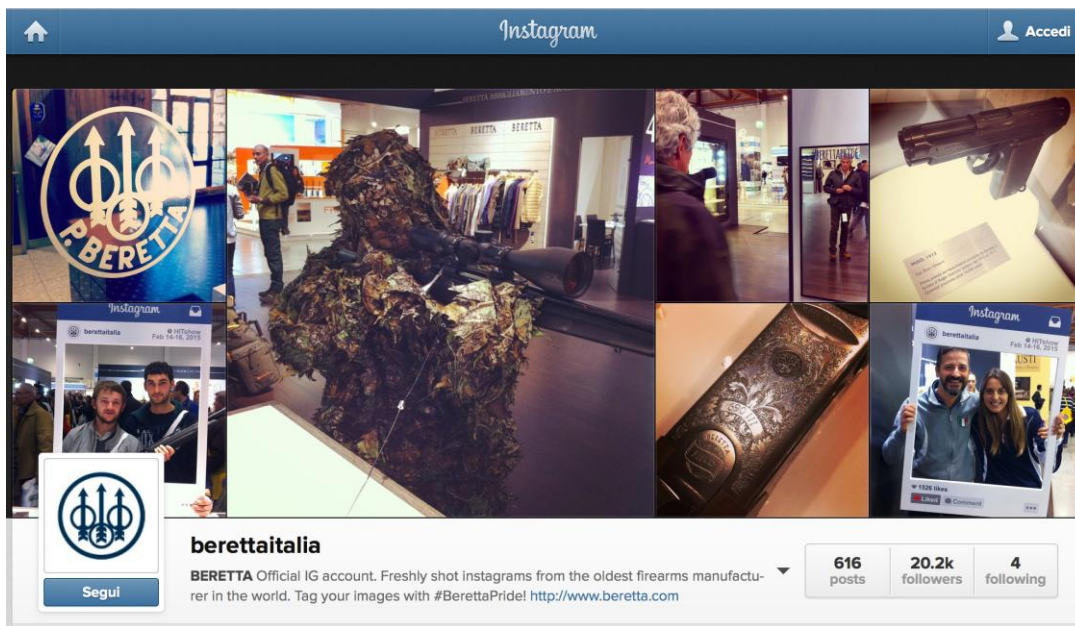
## INSTAGRAM

No matter the critics Instagram is big business for social network advertisement.

It was very popular during the first years of its creation, but after Facebook's acquisition the number of users exploited.

Instagram can reach roughly 200 million active users on a daily base but considering the platform's integration with Facebook it might be able to reach considerably more potential customers.

Instagram followers are more than 27000 at this moment users are very active on the official page BerettaItalia but also WorldOfBeretta has 13000 followers and the numbers are keep on increasing. The trend on this social network owned by Facebook is to be in total contact with the followers, whether they are in interested in guns, hunting or accessories; with the use of the hashtag #BerettaPride they create a contest involving all the Beretta owners but the trend reached just 837 posts while a more general #Beretta shows 140.901 pictures.



## YOUTUBE

The number of hours people are watching on YouTube each month is up 50% y/y, 300 hours of video are uploaded to YouTube every minute, YouTube is present in 75 countries and available in 61 languages, half of YouTube views are on mobile devices, and this revenue on is growing over 100% year on year.

Youtube is the weirdest social network in Mr. Buffoli's opinion, he cannot explain how some videos get the buzz and reach millions of views without a proper director or movie quality and other people who invest big money on the production of amazing videos sometimes they cannot even reach the thousand views.

In fact on paper, looking at YouTube's statistics, looks very easy to go viral with its more than 1 billion users and the billions of views generated everyday by normal people on the social network.

But the only video on their channel that reached more than a million of views is HUMAN TECHNOLOGY.

This video, at first, had the same amount of views as other videos on Beretta's YouTube Channel, even though it was in the top 10 of Vimeo and suddenly in 5 days it jumped to the million views.

## PINTEREST

Pinterest could be an interesting platform for advertisers in the future even if is a still a novice between social media.

Although Pinterest's user base can only count on 70 million registered and 20 million monthly active users, many Pinterest fans are highly loyal to the platform.

Pinterest has just one way to advertise called Promoted Pins but it still not the right moment to say how effective they are, since the advertising program is still in a closed beta testing phase. As such, no performance data has been made available.

According to Mr Buffoli Pinterest is the social media that is giving the lowest results maybe because is a more feminine platform or because people are not willing to share their wish to own a Beretta.

## OPTION 2: Invest in Brand new social networks

1. **Unmetric** is a social media analytics and competitive intelligence platform. The Launchpad (as they define themselves) supports customers create ideas by showing other's successful campaigns. "Rather than taking hours or days to analyze data, Unmetric can analyze your marketing efforts within a minute and compare them to main competitors. It even offers real-time alerts when contents posted by a competitor are driving more engagement than usual." (Official Website)
2. **Kenshoo** "is the only Facebook Marketing Partner with native API solutions for ads across Facebook, FBX, Twitter, Google, Bing, Yahoo, Yahoo Japan, Baidu, and CityGrid. Brands, agencies and developers use Kenshoo to automate and optimize their marketing investments. Kenshoo owns several patents and dozens of patent applications protecting its innovative technology." (Official Website)  
Is a platform allowing users to create and manage targeted social marketing campaigns. Considered breakthrough social media technology for elite marketers, Kenshoo Social analyzes data, metrics, and algorithms to detect target audiences, measure performance, and help budget money.

## OPTION 3: Customer Relationship Management software and Datacenter

In 2016 Beretta will implement a CRM software that will collect data on consumers in order to improve their direct mail marketing. This way each time a customer cashes in a coupon, enters a Beretta-sponsored contest, his name, address and other marketing information is recorded in the company's data bank. These millions of customers' names provide the firearm company with all of the usual direct-mail benefits: ease communicating directly with customers, opportunity for informed feedback, a ready-made market for new products and line extensions, and so forth. But for firearms companies, the direct-mail list now provide something more: the insurance against the time when the mass media might be shut off to them by some stepped-up level of governmental, or even social, regulation.

The Internet makes marketing more inexpensive and efficient by giving marketers the capability to target specific audience portions with very precise messages with an higher regularity and with bigger reach. Nevertheless, thanks to this adaptability and range, lots of

marketers have lost effectiveness everytime by bothering costumers with irrelevant messages, sending conflicting messages to actual clients, reducing their deliveries due to perceived noise and lacking in connecting by exposing their audience.

CRM software, like the one Beretta is planning to implement, has a new strengths in directing those marketing challenge for marketers. Before, a CRM system allowed marketers and salesmen to pay their attention on their marketing activities by excavating the system for better business intelligence. Nowadays, a CRM system is also pro-active. Instead of just recording and give an explanation to the data, CRM solutions are used to make, integrate, relate and show the data in presentations that identify arrangements, relations and sales opportunity.

How can a CRM system do all this? CRM software can now integrate externals mail quality service and internal financials systems, letting companies create a list that focus on precise clients or prospects and then putting them straight into your business software.

# **FIREARMS MARKET: WHAT TO REMEMBER**

## **How to market Socially Unacceptable Products**

It is crystal clear that for products as cigarettes, alcohol, firearms, gambling and pornography, marketers can't simply try to maximize sales and profit as they do with clothes and shampoos.

By definition, socially unacceptable products have some organized enemies, and these opposing groups are constantly in search of ways, whether through laws and regulations or through social constraints, to limit sales and innovation of those products. Therefore, the challenge for marketers in these industries is made considerably more complicated: They must still increase sales and profitability to please their companies and their stockholders, but also they must try to relax their critics.

In the category that we will consider the marketing environment is actually hostile. However, the consumers do not express this hostility, rather the opposite, the buyers and the sellers are happy with the products and enter quietly and willingly into the trade transaction. The hostility comes from the group of people in our society, large enough in numbers or in importance to make their views significant, which consider these products to be unacceptable.

Though they may be heavily controlled, these products are absolutely legal. However, certain parts of the public find them offensive, inappropriate or harmful for many reasons.

Marketers have to overcome many significant oppositions such as social, political or from the law without forgetting the marketing challenges and risks such as competitive pressures, changing economic environments, different consumer behavior, partial information etc.

Products considered unacceptable have some things in common. They are all consumer products, and they certainly illustrate the very special problems marketers experience in promoting and selling products that are regarded by some as socially unacceptable.

## **Common Elements**

### *Legitimacy*

Legitimacy means congruence between the operations of a firm, including the marketing of its products, and the values of the society in which the firm conducts its business.

The products that we are going to analyze, like the others defined as socially unacceptable, have lost to some degree their legitimacy. There is some negative reaction to these products, they are suspect, and in some measure they run against the grain of society's standards.

A sign could be when advocacy groups mount critical attacks on the industry or company in question. Sometimes, however, other businesses will try to distance themselves like in March 2002, H&R Block, a big tax preparation firm, backed away from controversial relationship with the USA National Rifle Association when anti-gun advocacy groups got wind of the arrangement and brought pressure to bear on the company through the media.

Other example of legitimacy lost could be when Pecos Bill, a popular crusty cartoon character often seen on Disney Channel, gave up on rolling, light and smoke cigarettes since Disney has excised these scenes from the cartoons.

In any case, it is absolutely critical that the marketers of these products understand what legitimacy means, why it has been lost, and how society either grants legitimacy or takes it away. Only if they grasp these changing patterns in the society around them can they hope to build effective and successful marketing strategies.

### *Legal Problems*

These products have also to face legal challenges in a way that is not even close to other industries. When some citizen become worried about an issue like underage drinking, the consequences of a new casino in town, the health problems linked with tobacco products is typical for that group to create an advocacy group to fight more actively for their cause.

If they will not be able to be completely satisfied from the firm then certainly they will try to be compensated either in a court or throughout a legislative process. In both cases, the industry is involved in legal battling. In the case of guns there are insistent demands for tight up regulations on distributions and sales, not to remark all the trial against firearms manufacturers in homicide's cases.

### *Rite Of Passage*

It is instructive to note that all of our five product categories are part of the rites of passage in our society from adolescence to adulthood.

This is officially recognized by government regulations setting minimum age restrictions on purchase or consumption of all five products. In all developed country one must be eighteen or older to buy a rifle or a shotgun, same for the purchase of cigarettes, alcohol, to gamble or access certain pornographic sites on the Internet.

As a society we know that all those products represent a risk to our health, and so we declare that are products for adults and there is a general agreement that those products and activities aren't for minors. For youngsters, however, all previous products are perceived as steps to the adulthood process; a teenager is tending to think: “ when I will smoke or drink or when I'll have a shotgun of my own, then I could consider myself as an adult and no more like a kid”

These perceptions are important because could tempt marketers to leverage to adolescent's desires during the campaign planning.

## The Marketing

When dealing with this categories and products, marketers are always facing the threat to be challenged by an advocacy group; in fact, these choices have to pass the ordinary economic tests like ROI, gaining market shares, etc., but they also have to be approved by society.

“Our five industries have to determine first the width and depth of the product line, the importance and timing of new products, managing products in the different stages of their life cycles, positioning and repositioning products, packaging, branding, and decisions on private-label products. Other marketing activities – pricing, promoting, advertising, distributing, targeting, positioning- all evolve from and are dependent upon the product or service that the organization offers. But the nature of their products – that are harmful, dangerous, and therefore socially unacceptable for many people – influences and constrains the product decisions that their marketers make. As a result, product line changes and innovations tend to adopt the “masquerade” strategy that is, pretend the product is something different than what it really is, or suffer serious social criticism if they offer substantive enhancements in the essential nature of the products.” (Kirk Davidson 2003)

In many companies, it’s normal that a product or a service offered is embraced, honored, and used. Marketers particularly believe in what they’re advertising and selling, but it is natural for everybody in the organization to be pride of what the firm is producing. The companies that are dealing with unacceptable products seem to try to distance themselves from the product they are market because of their polemic nature and because of society’s disapprobation.

## Product Management in Firearms

Looking through the catalog of rifle or shotgun manufacturer, one sees model after model with slight modifications from one to another that only a gun owner and lover would appreciate. Beretta offer bolt-action or lever-action rifles as well as Winchester, there are different calibers available in both. There are lighter weight rifles for women and younger shooters, long or short barrel, choices of woods or synthetic Kevlar, plain models or more ornate rifles with extensive etching on the magazine and bolt-action sections and various “checkering” patterns on the wood stocks. There are a variety of scopes and other sighting

devices for improved accuracy, smaller rifles, medium size guns for deer, and bigger rifles for bear or wild boar. There are three different pump-action shotgun model designed just for wild turkey shooting, two with a camouflage design and one plain, and there are shotgun models for upland fowl. The emphasis and tone of these rifle and shotgun catalogs is on sports: game hunting, trap, skeet, or just target shooting. Pictures or drawing pheasants and deer stags abound; there is a healthy, wholesome, all-American, sometimes Old West tone to the Winchester catalog. And except for animal rights advocates, few people would object.

Handgun catalogs offer the same sort of diversity: a variety of sizes, shapes, and finishes (perhaps eight choices ranging from gold plate to matte chrome to bright nickel to polished and blued). But the feelings change in handgun catalogs. There may be some references to target shooting, but for most part, these catalogs and price lists are strictly no-nonsense and utilitarian. There is a darker, more sinister feeling; for most handgun buyers, the purpose of the weapon is to defend against or to shoot people. Some firms promote this darker mood explicitly by incorporating drawings of shadowy, menacing intruders.

What this adds up to is that anti-gun advocates find little to complain about with cosmetic differentiation in a manufacturer's product line of long guns or even handguns for that matter. There is little or no criticism when the emphasis is on sport invoking the memory of Buffalo Bill and Anny Oakley. But when it comes to the serious business of making handguns better and more efficient at doing what they really created and designed to do – kill people- then the critics raise a cry of protest, and the marketers are faced with different set of problems.

In the mid 80s the US department of defense adopted the 9mm pistol, long popular in Europe, as the standard sidearm for all the armed forces, and it then quickly became the weapon of choice for law enforcement agencies, the general public, and most criminals as well. This was good news for Italy's Beretta, which won the military contract, and bad news for Smith & Wesson, whose .38 revolver lost the business. It was bad news also for anti-gun groups; all the superior product features of the 9 mm pistol that make it a deadlier, more efficient weapon – more firepower because it holds sixteen rounds instead of revolver's six, and smaller size so that it is more easily concealable and fits more readily a woman's hand – make it all more objectionable to gun critics.

“Equally, a firm’s decision to enlarge its product line by assembling or importing weapons is not just another marketing tactic to add size, power, or efficiency to the firm’s offering. This is qualitatively different than Proctor & Gamble adding a new, high-powered detergent in a giant economy size to its line of cleaners. In the firearms industry, more size, power, and efficiency add up to more death.” (Kirk Davidson 2003)

“Certainly the same problem exists for the maker of ammunition. In the end of the 1980, an unusual version of high performance bullets became known as “cop-killers” and were banned by Congress even if, as the industry points out, “No police officer anywhere had ever been killed, or even shot” with such a bullet.” (Kirk Davidson 2003)

The problem started when they enhanced the quality of the ammo that expanded very fast upon impact consequently increasing the size of the injury, causing more damages, and delivering more “stopping power”.

Another curiosity, the result of social concern about firearms, is the effect that this concern has had on the toy gun industry. In 1988, a ten year old Memphis, Tennessee, boy was shot and killed by police who mistook the toy gun he was brandishing for a Colt automatic. The resulting furor resulted in a federal law mandating that toy makers decorate their toy guns with bright neon colors or some other decoration to distinguish them from real weapons.

For children, however, the fascination is in how close to reality the toy appears to be, and so their greater enjoyment, and sometimes for their protection on the streets, they would paint out the day-glow orange with black, silver, or steely blue. In late 1994, after a Brooklyn boy was killed in much the same manner as the Memphis shooting and in response to the public outrage that ensued, Toys ‘R’ Us, one of the country’s biggest toy retailers, announced that it would no longer sell toy guns that could be modified to look like the real thing. Sears, Target, and Kmart had already discontinued the category. (Strom 1994)

## Social Screens

Numerous problems include passing the inspection of social critics. Social screens change very often but there are some concerns that repeat – particularly three – and that we can identify:

- 1) Marketers must never target their products at susceptible groups without expecting the reaction of criticism from one source or another.
- 2) Product managers' decision, in this case, should not try to increase the usage of their products. This is a massive restriction to place on marketers. If Coca Cola, for instance, introduces a brand new flavor of soft drinks, it hopes that more people will consume soda; same hope lives with the launch of a new shampoo or candies. But let Beretta introduce a new pistol model that might increase the prevalence of handguns, and these marketers can expect an inundation of criticism from advocacy groups.

The only relatively safe course is to avoid any perception of increasing the market, target only those consumers who are already using the product or service, defend one's own brand, and take market share away from the competition.

- 3) Even if it looks ironic, the third and social concern is activated when a product is made to do the job they are meant to do in a bigger, better, or more efficient manner. Specially when the product are firearms, meant to be defensive weapons with the distinct possibility of their threatening, wounding or killing some other person.

When an unacceptable product accomplishes its main goal in a bigger, better, or more efficient way, it will be contested for sure. If a new cigarette were announced that offered a greater amount of nicotine or if a cigarette will promise to young smokers a bigger social acceptance, there would be an instantaneous disapproval and of course firearms manufacturers will always be condemned by society when offering a deadlier weapon.

Therefore, the ideas of product developments take on different connotation with socially unacceptable products. A new detergent ingredient that gets your floor "even cleaner" may be a fine manifesto for a marketing campaign, but gun manufacturer must be much more prudent. Faster, better and more efficient in this category aren't the improvements that could be advertised. The result is tending to be narrow to aesthetic changes.

## Promotion Strategies: Media and Messages

Nowadays is fashionable to use the phrase “marketing communication” rather than the term “promotion”: maybe the previous term gives more gentele image, but whatever name is used, it remains an essential element in every marketing mix. And since they reach together customer and non customer, a promotional message is the most pervasive and obvious point of contact between a company and the public.

Consequently promotions are the most probable and the fastest marketing functions to trigger response.

“The harshest negative reaction from society to advertising and promotion in these industries is to prohibit or limit certain forms of it altogether, and we find this happening to some degree in four out of five industries. Cigarette advertising was banned from radio and television in 1970 and from billboards and some other forms of outdoor advertising in 1998 in the Master Settlement Agreement (MSA).” (Kirk Davidson 2003).

Some magazine refuses to print ads for firearms and, as we’ll see in the case of Beretta, most of search engine too.

The motivation for these limitations and bans is to protect some member of society, usually children, from every influence the advertisements would have. Since children are too young, in theory, to smoke or drink alcoholic beverages, the purpose is to reduce their exposure to messages that would encourage them to take up these activities. Banning or restricting ads for Beretta’s new revolutionary shotgun is meant to protect the newspapers’ readers from material they might find offensive. The reason most often given is that, “This is a family newspaper”, which can best be translated as meaning that children will be exposed to it as well as adults. The refusal to accept advertising for guns is usually based on a particular magazine’s, or in some cases an influential individual’s, biases against firearms (see google ads or Microsoft Bing policy).

Firearms are not consumable convenience goods, like cigarettes and beer, and so do not lend themselves to mass media advertising, but there is no shortage of advertising of rifles, shotguns, and handguns in the media most appropriate for them – mainly men’s outdoors and sports magazine.

## The Media

Choosing the proper media in which to promote a product is a critical part of any firm's marketing strategy. Every first-year marketing student learns that each area of the mass media has its own set of advantages and disadvantages. For example, network television offer a low cost per exposure although it has a very high absolute cost, and it offers very little opportunity for audience selectivity. By contrast, magazines offer terrific selectivity – that is, they can pinpoint very narrow groups such as clay pigeon shooters or hunting enthusiasts – but the cost per thousands exposures for magazine may be relatively steep.

For marketers of most products, selecting an effective media mix is a relatively straightforward problem of matching these advantages and disadvantages of the various media with nature of the product being marketed, the type of customers and their buying habits, the size and location of the markets, and so forth. In addition to these market or economic factors, however, the advertising managers in our five industries must base their decision on the social and legal restrictions and prohibitions mentioned above.

It is crystal clear that the marketers of socially unacceptable products do not have the same open access to media advertising as do the marketers of mainstream products. Affordability, coverage, effectiveness and other rational economic or market criteria for choosing advertising media are not the only concerns for the firms in these industries. Nonmarket factors – social, political and legal forces – also affect advertising decisions and, like it or not, become a part of the firm's marketing strategies. However, as our society grows increasingly concerned about a product category and as antagonistic advocacy groups grow in strength and numbers – in other words the legitimacy of that product wanes – a figurative noose is tightened, and marketers' decision making become more circumscribed.

As traditional media become off limits, the search begins for new promotional outlets. Blocked from the broadcast media by law and faced with growing criticism of their print and outdoor advertising as well, the tobacco companies have developed huge data banks of information on smokers for direct-mail purposes.

In mid-1995, a brand new medium emerged with intriguing possibilities for all advertisers.  
The Internet.

Of course, this new phenomenon was not originally intended for commercial purposes, but marketers were quick enough and clever enough to sniff out a potentially effective and lucrative means of communicating with customers.

## The Internet

In a relatively short period of time, the Internet has become a common and vital part of our lives. More than 3 billion people have access to the Internet, up from 40 million in 1995 (see exhibit).

**Worldwide Internet users**

	2005	2010	2013 <sup>a</sup>
<b>World population<sup>[3]</sup></b>	6.5	6.9	7.1
	billion	billion	billion
<b>Not using the Internet</b>	84%	70%	61%
<b>Using the Internet</b>	16%	30%	39%
<b>Users in the developing world</b>	8%	21%	31%
<b>Users in the developed world</b>	51%	67%	77%

<sup>a</sup> Estimate.

Source: [International Telecommunications Union.](#)<sup>[4]</sup>

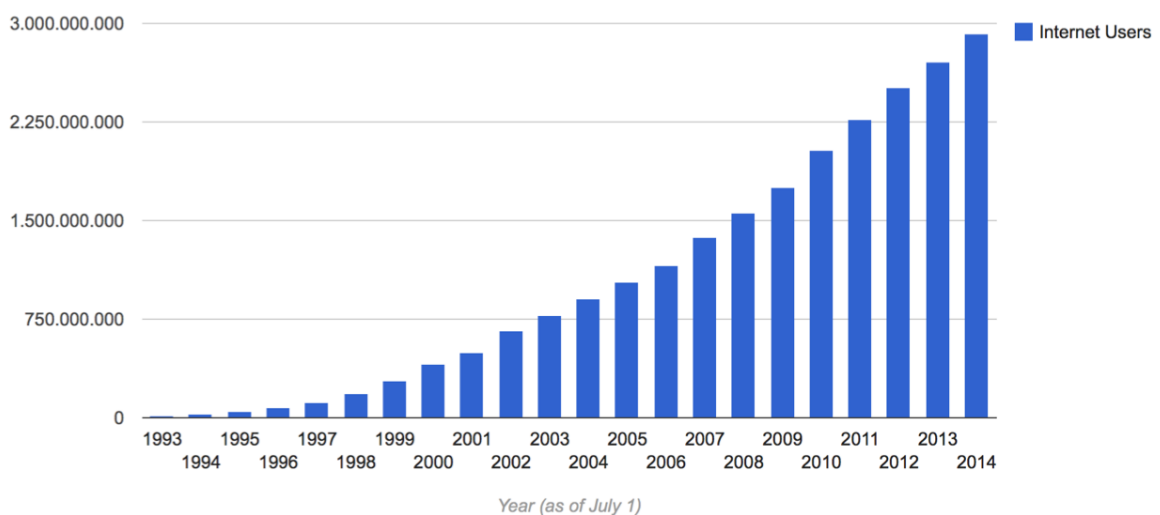
**Internet users by region**

	2005 <sup>b</sup>	2010 <sup>b</sup>	2013 <sup>a,b</sup>
<b>Africa</b>	2%	10%	16%
<b>Americas</b>	36%	49%	61%
<b>Arab States</b>	8%	26%	38%
<b>Asia and Pacific</b>	9%	23%	32%
<b>Commonwealth of Independent States</b>	10%	34%	52%
<b>Europe</b>	46%	67%	75%

<sup>a</sup> Estimate. <sup>b</sup> Per 100 inhabitants.

Source: [International Telecommunications Union.](#)<sup>[5]</sup>

**Internet Users in the World**



Given this dramatic change in our social and economic environment, it is no wonder that marketers have rushed to use the Internet in a variety of ways with varying degrees of success. Along with airline tickets, books, and music download (legal or otherwise), marketers can now sell or promote their products.

Internet offers four very advantages as a marketing tool: Anonymity, direct connection to the ultimate consumer, convenience and sophisticated database management techniques.

## Distribution

The distribution of firearms is constrained not only by social pressures and retailers' choices, but by legal restrictions as well. No individual or company can "trade" in firearms of any type unless licensed to do so by the government. While it is a simple matter for any legitimate business to obtain such a license, the government control acts as a constraint on the distribution decisions of gun manufacturers.

Gun marketers are feeling pressures as anti-guns groups continue their campaigns of making public aware of the dangers associated with the sale and ownership of guns in general. Wal-Mart gave up selling handguns in its stores in 1993, bowing to social pressure and also no longer willing to risk its name and reputation as being the seller of a gun used in a crime. The company was sued by the family of a couple slain by their schizophrenic son who allegedly used a handgun purchased at Wal-Mart. [Andrea Geblin, "Wal-Mart Stops Handgun Sales Inside Its Stores,"]

The distribution channel in the marketing of guns often includes an element not common in the distribution of most of the other products: temporary gun "show" or even flea markets. This has led to a major battle between gun control advocates and the firearms industry. To prevent criminals and ex-felons from purchasing handguns, the government now requires a waiting period between the purchase of the weapon and actually taking delivery of it – time for the purchaser's identity to be checked against Police's files to uncover past criminal records.

## Contra-Advertising

Is normal for the more prestigious firearms manufacturers to involve their costumers in free lessons in the proper and safe methods of using guns. Lately, they have encouraged their customers to use gunlocks. Whereas this is certainly not the same as encouraging customers to desist from purchasing, it is a clear recognition of the dangerousness of the product.

## Puffery

Puffery is a legal term that refers to promotional statements and claims that express

subjective rather than objective views, which no "reasonable person" would take literally. An example would be "Red Bull Gives You Wings." (Wikipedia)

In the 1940s and 1950s, tobacco used to be advertised as promoting health. Today an advertiser who fails to tell the truth offends against morality in addition to the law. However the law permits puffery (a legal term). The difference between mere puffery and fraud is a slippery slope.

“The advertising of certain products may strongly offend some people while being of interest to others. The advertising of condoms has become acceptable in the interests of AIDS-prevention, but are nevertheless seen by some as promoting promiscuity”. [ Boundless. “Issues in Marketing.”]

One of the arguments used by those who believe that puffery is acceptable is that reasonable consumers will be able to determine that puffs are opinions or exaggerations. The argument suggests that these reasonable consumers are able to recognize a puff. It appears that the Federal Trade Commission is attempting to protect the reasonable consumer and not the ‘ignorant consumer’ who cannot determine whether a puff is true (Preston, 1996).

Critics of puffery argue that, if puffery does not work, salespeople and advertisers would not use it. On the other hand, salespeople and advertisers must say that buyers do not believe puffs or, at the least, salespeople and advertisers need to say that puffs are not deceptive in order to keep the Federal Trade Commission or some other government body from trying to make puffery illegal (Preston, 1996).

## Conclusions

Of the “four Ps” of marketing – product, price, place and promotion – last one represents the greater challenge because it personifies the most fundamental conflict. The most important and ultimate purpose of promotion is to increase sales of a product, but for firearms, various groups in our society want to limit sales if not eliminate them entirely. The result of this conflict are the myriad of constraints under which marketers must labor, and the constant search for new, less obvious, nontraditional promotional tactics that the companies hope will escape the advocates’ attention, but which still accomplish the basic purpose of stimulating sales.

# QUESTIONS

## QUESTION 1

Considering the level of audience (high or low) and the level of risk of hurting advocacy groups, which of the previous solution would be the best way to invest the budget?

## QUESTION 2

Considering the issues with marketing socially unacceptable products try to come up with a new way for Beretta to increase their awareness.

## QUESTION 3

Could Beretta take inspiration from Bushmaster's campaign (figure 5,6,7, and 8) for its next campaign? What would be the main risks or advantages? Can they play the "Puffery" card?

## QUESTION 4

Which benefit is bringing the "Glocal" strategy for a global brand like Beretta?

# TEACHING NOTES

## USE OF THE CASE

This teaching note accompanies the case study titled “Digital Marketing of Socially Unacceptable Products”. This case study outlines the strategic and marketing issues faced by the Marketing department of Fabbrica d’Armi Pietro Beretta while trying to implement Google AdWords in their Digital Marketing campaign, since firearms are a very sensible products like tobacco, alcohol, gambling and pornography they had to follow normative and social rules to reach their goal and don’t hurt the susceptibility of an audience that is getting everyday more crowded.

“By definition, socially unacceptable products have some organized enemies, and these opposing groups are constantly in search of ways, whether through laws and regulations or through social constraints, to limit sales and innovation of those products. Therefore, the challenge for marketers in these industries is made considerably more complicated: They must still increase sales and profitability to please their companies and their stockholders, but also they must try to calm their critics. This is even harder when the company wants to use the Internet as medium to enhance brand awareness and loyalty.” (Kirk Davidson 2003)

While these disruptive innovations like social media and World Wide Web face uncertainties and challenges, they can also, if successful, generate more profits. Instructors can use the case to discuss uncertainties and tools to mitigate risk. Readers must think strategically about innovation and the worries associated with this product. Readers are also challenged to think about ways to mitigate risk through the use of other options. This teaching note presents some suggested answers to the discussion questions presented in the case study.

## TEACHING

This case begins by asking students to individually read and think about the case prior to class. A quick introduction to the case by the instructor may be useful before beginning discussion. The introduction should explain the Beretta commitment to innovation. The instructor may want to present the case where the company defined a budget to invest in a Digital Marketing strategy and the issues associated with their product. Students should realize that Beretta is not the only company facing uncertainties as they dare to go social. The goal of the case is not to find the right Digital marketing strategy for Beretta, but rather to understand the challenges that the manufacturer can face and how they can mitigate the risk.

Alternatively, the instructor can elicit the same information from the class by asking questions such as:

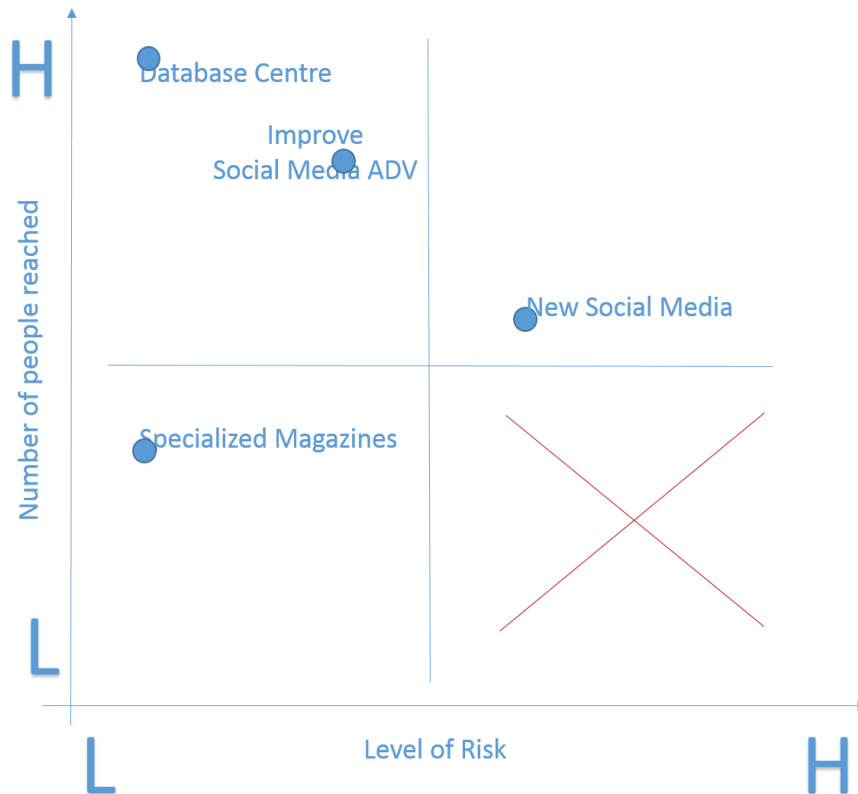
1. Describe the products designed for Business Unit Premium & Competition Guns — which issues are they struggling with while advertising them?
2. On what should they focus their attention to don't receive a bad reaction and calm their criticsers?

These questions will provide enough background to move into the discussion. Once the introduction is complete, breaking the class into teams of three to five students may be useful. The teams should discuss and summarize their answers to each of the key questions presented in the case study and choose one representative to present a summary of the team's answers to the class. The facilitator should work to move the discussion past a listing of challenges to an identification of the tools to mitigate the risk.

## ANSWERS

### QUESTION 1

The answer of this question is provided by the following Matrix:



The creation of an organized Database Centre would be the best solution for the company no matter the cost of implementation.

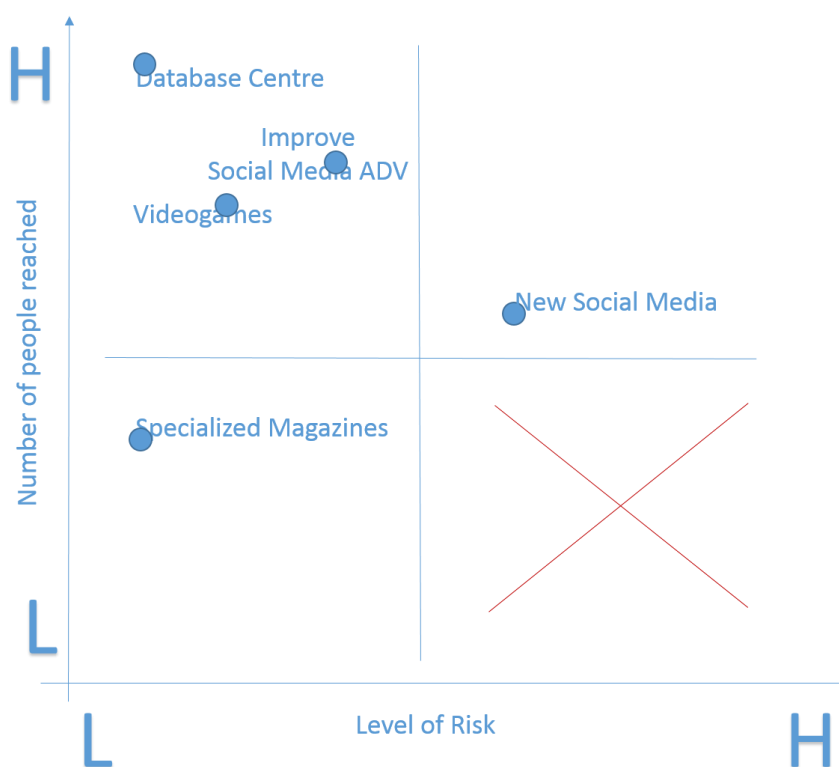
What to highlight during the case discussion:

- Usual direct- mail benefits: ease communicating directly with customers, opportunity for informed feedback, a ready-made market for new products and line extensions, and so forth.
- Reaching new costumers and avoiding the risk of bothering advocacy groups.
- Importance of mail frequency to achieve the best results.
- The insurance against the time when the mass media might be shut off to them by some stepped-up level of governmental, or even social, regulation.

## QUESTION 2

For this answer the solution could be various, but if we consider the parameters of the previous question we can see that advertising through videogames could be a good solution for Beretta since is reaching a large number of consumer whose sensibility will not be threaten. In fact, they would get in touch with Beretta's products indirectly, in this way they minimize the risk to offend any advocacy group since, if needed, they will blame the videogame, not the firearms manufacturer.

Let's see where this solution could be posted in the previous matrix:



As we can see, videogames are the way to reach a very enthusiastic target without taking the risk of receiving bad feedbacks from a sensible audience, but let's look at this strategy from another point of view providing the example of other unacceptable products:

The American confectionery company Victoria Sweets claims to have invented the candy cigarette. A thin stick of chocolate, wrapped in edible paper and designed to impersonate a roll-up, it debuted in 1915 and soon became the accessory of choice for children keen to play grown-up. Hollywood star, GI Joe, team captain: the sweet gave kids the chance try out one of the vogue props of adulthood. (Parkin 2013).

Within 20 years it was so popular that cigarette companies began to take notice. Leading brands such as Marlboro, Winston and Salem authorized their packaging designs for use on millions of candy cigarette boxes. One confectioner of the period touted the sweet's "tremendous advertising factor to coming-up cigarette smokers."

The marketing of imitation adult products to children in the hope they will blossom into customers of the genuine article is widespread. Videogames present further opportunities for manufacturers to target young people. Toyota and Nissan work with racing game developers to show off their vehicles as pristinely desirable. Nike and Adidas position their logo on virtual boots. Gibson licenses plastic versions of its guitars in the hope players will progress from the colored buttons of the peripheral to the nickel-wound strings of a Les Paul.

And Barrett, creator of the M82, a shoulder-fired, .50-caliber semi-automatic sniper rifle, hopes that the appearance of its weapon in a video game will, in time, turn young players into gun owners.

"It is hard to qualify to what extent rifle sales have increased as a result of being in games," says Ralph Vaughn, the man who negotiates deals with game developers for Barrett. "But video games expose our brand to a young audience who are considered possible future owners."

According to [Farago](#), founder of The Truth About Guns, the rise of [first-person](#), warfare-centric video games has proved the most natural and fertile territory for the industry to tap and nudge new interest in its merchandise. Titles like the popular "Call of Duty" series, [Farago](#) said, are luring new gun enthusiasts to real-world shooting ranges where they seek out opportunities to fire the same high-powered, military-style weaponry that they encounter in video games -- often under very specific brand names.

"Video games are the most effective advertisements there are for firearms," he said.

Steve Johnson, editor of The Firearm Blog has catalogued some of the many real-world guns that appear in the Activision game "Call of Duty: Modern Warfare 3" -- often with familiar name brands like Remington clearly printed on the body of the guns.

When the game debuted last year, it grossed \$1 billion in sales in just 16 days, according to the company.

Several gaming sites have also noted that firearm product placement in other games, including "Medal of Honor: Warfighter" from Electronic Arts, is common. ([Parkin](#), 2013)

### QUESTION 3

To answer this question the student should refer to the part where the market of firearms is analyzed. The main reason should be based on the fact the Bushmaster did not consider that they should never target their product at vulnerable groups without expecting the backlash of criticism from the audience; also if you think that one of the common element of socially unacceptable products is that children look at the product as it was a “rite of passage” the message advertised is getting even more wrong.

They are not targeting a defined vulnerable group but are picking on men with low self-esteem. Claiming, for instance, that you can lose your masculinity simply because you like tofu is a direct line to antagonize vegetarian groups; and what about women? Are they being discriminated because they like guns but if they buy Bushmaster’s product they will lose their femininity?

In this case the advertisement cannot be considered Puffery, since they pretend to believe that reasonable consumers will be able to determine that the campaign was just an exaggerations. The argument suggests that these reasonable consumers are able to recognize a puff. It appears that the Federal Trade Commission is attempting to protect the reasonable consumer and not the ‘ignorant consumer’ who cannot determine whether a puff is true (Preston, 1996). Is clear for everybody that is not the ownership of a gun that makes somebody a man, but there are some people who can really believe in this message because of their low self-esteem, consequently if the self-esteem is low is better don’t think about what they could do with the product.

### QUESTION 4

The student has to refer to the “current situation Beretta can improve” part, in the chapter is highlighted how Mr. Buffoli has to manage a double marketing department: a domestic one for the most important countries the company is present which strategy has to match with the guidelines of the worldwide department.

The student also have to understand what Glocalization is and WHY Beretta wants to follow this strategy, before listing the benefits this strategy is bringing.

What is Glocalization?

Is the adaptation of a product or service specifically to each locality or culture in which it is sold, it can be explained with the sentence “think global, act local. (Wikipedia)

Why follow this path?

Global marketing strategies aim to maximize standardization, homogenization and

integration of marketing activities across markets throughout the world. (Kotler, 2009)

However, global marketers must address a number of issues in their marketing strategy to ensure their brand will be successful worldwide. Examples of such issues include differences in the economic, political, social and cultural environment around the world. Most marketing activities will be more successful when adapted to local conditions and circumstances in the marketplace. In this way a pure global marketing strategy is not idyllic as it does not take locally related issues into account. Marketers need to understand how their brand is meeting the needs of customers and how successful their marketing efforts are in individual countries (Kotler, 2009). Global marketers face challenges of creating marketing and advertising programs capable of communicating effectively with a diversity of target markets. To assist in this imposing task, various frameworks have been developed to determine the degree to which marketing and advertising efforts should be either globalized or localized, or mixed or combined

A glocal strategy standardizes certain core elements and localizes other elements. It is a compromise between global and domestic marketing strategies. Glocal marketing reflects both the ideal of pure global marketing strategy and the recognition that locally related issues of marketing activities need to be considered. In other words, the concept prescribes that in order to be successful globally, marketing managers must act locally in the different markets they choose to enter. In a global strategy, the corporate level gives strategic direction while local units focus on the local customer differences. (Kotler, 2009).

#### Main Benefits for the company

- Is a way to supplement globalization and localization synergy ally and strategically;
- Is a way to remain rooted strongly in the local reality, also facing the global market;
- Gives the chance of articulating in global and local key the chain of the value (system of activities developed by the enterprise to plan, produce, sell his products or services);
- Allows Beretta to arrive in optimum way respectively to the global or the local market

## APPENDIX I - Figures

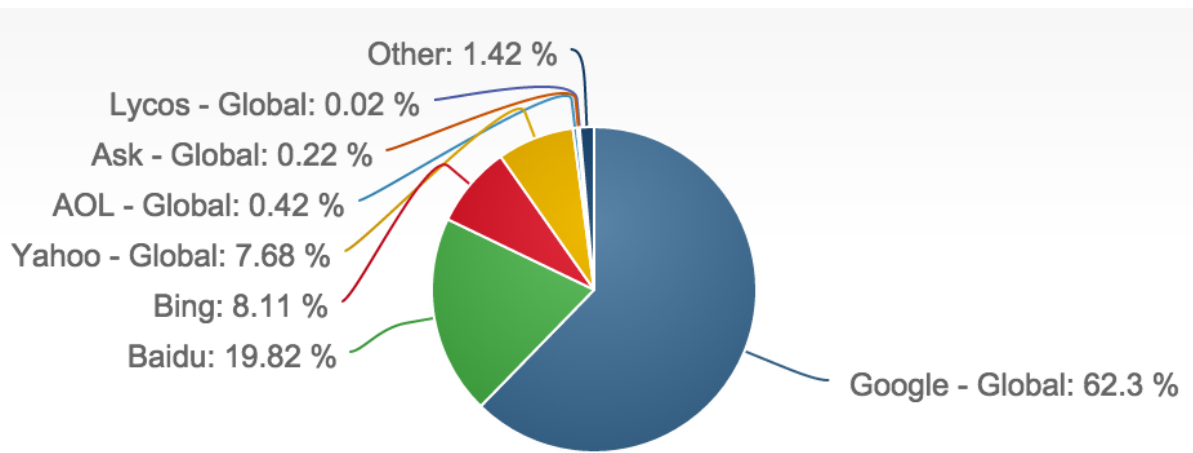


Figure 1

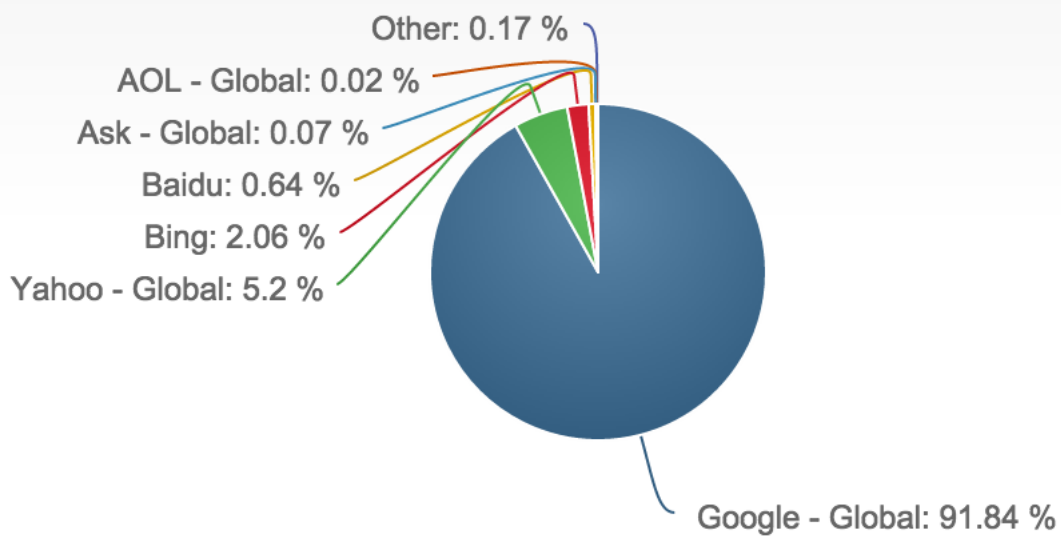


Figure 2

Weapons, knives, firearms and ammunition

Advertising is not allowed that promotes firearms or weapons whose primary use is violence. Such content includes:

- Knives as weapons
  - Knives that are positioned as weapons or whose primary use is violence, including switchblade knives, disguised knives, buckle knives, lipstick case knives, air gauge knives, knuckle knives and writing pen knives.
- Firearms, ammunition and integral parts
  - Guns capable of firing a projectile by using an explosive charge; for example, rifles, shotguns, handguns, semi-automatic or automatic guns, potentially functional replicas or antiques and blank guns.
  - Ammunition; for example, bullets and cartridges.
  - Integral parts, including magazines, stocks, trigger assemblies, hammers, pulls, firing pins, barrels, silencers and converters.
- Militia ordnance and grenades
  - Ordnance (military weaponry, ammunition and related parts), even if the item is unserviceable or has been "demilitarized."
  - Grenades, including metal military practice grenades, rifle grenades, dummy grenades, grenade launcher attachments and mines.
- Other weapons
  - Brass, plastic or metal knuckles.
  - Leaded canes, staffs, crutches or sticks.
  - Zip guns, sand clubs, saps or blackjacks.



✓ Approved example	✗ Disapproved example	Policy
<a href="#">Fantasy and Sci-fi Weaponry</a> <a href="http://www.contoso.com">www.contoso.com</a> We carry the best in replicas and historical imitations!	Get protected! <a href="http://www.contoso.com">www.contoso.com</a> Find the best switchblades, brass knuckles and more!	Advertising is not allowed that promotes functional firearms or weapons intended for use.

Figure 3

Our policy

We want to help keep people safe both online and offline, so we don't allow the promotion of some products or services that cause damage, harm, or injury.



**Guns & parts**

- ✗ Functional devices that appear to discharge a projectile at high velocity, whether for sport, self-defense, or combat  
 (Note that we err on the side of caution and apply this policy to sporting or recreational guns that can cause serious harm if misused, or that appear to be real guns.)
  - *Examples:* Handguns, rifles, shotguns, hunting guns, functioning antique guns, airsoft guns, paintball guns, bb guns
- ✗ Any part or component that's necessary to the function of a gun or intended for attachment to a gun
  - *Examples:* Gun scopes, ammunition, ammunition clips or belts

Figure 4

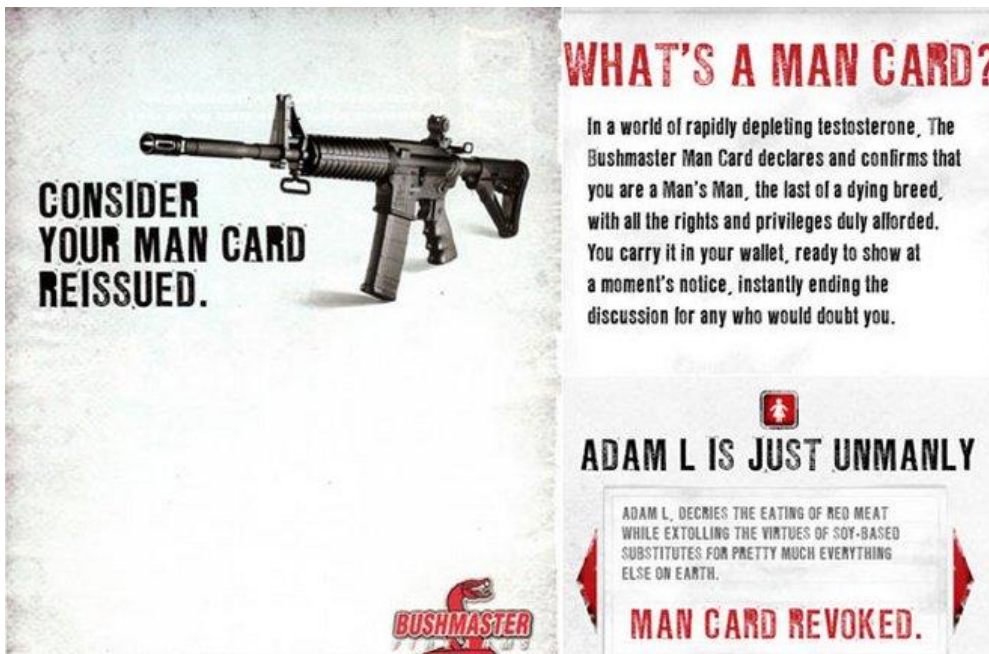


Figure 5



Figure 6



Figure 7

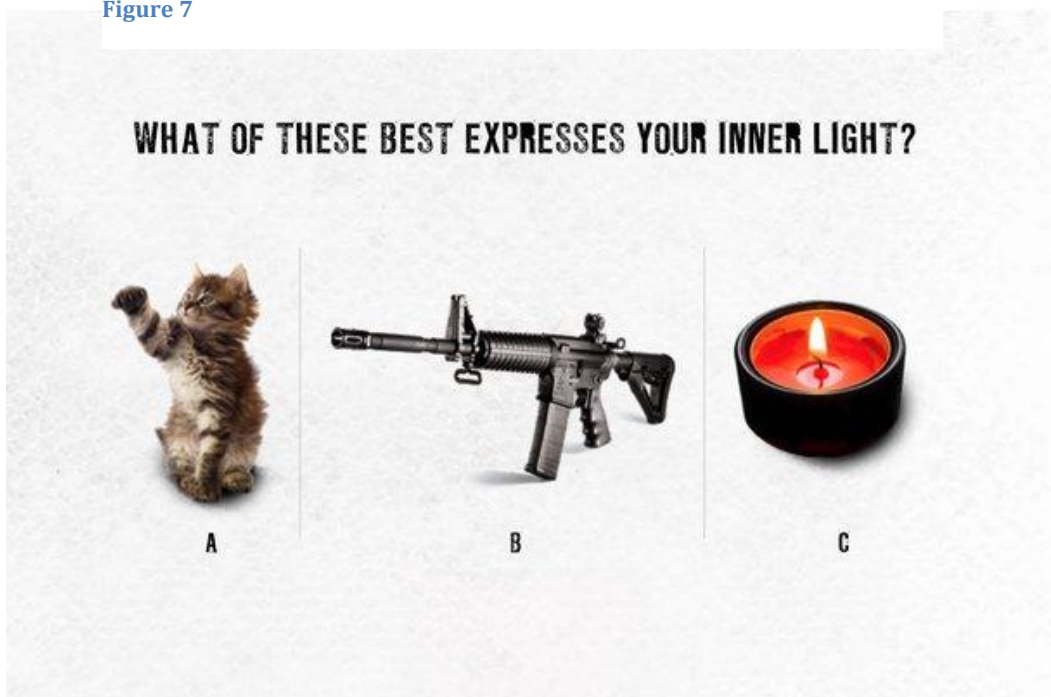


Figure 8

## **APPENDIX II – Company Information**

### **The Company**

Commonly known as “Beretta” is an Italian-based multinational firearms manufacturer. The maker of James Bond's trusty .25 caliber Beretta pistol, is the oldest manufacturing firm in the world. Amazingly, a single family has controlled the company throughout its history, which has spanned from ancient guilds to computerized robotics. In 1985, Beretta won a hotly contested bid to replace the Colt .45 in the U.S. arsenal. However, sporting arms comprise about three-quarters of Beretta's production; most of these are exported.

### **History**

Beretta has been owned by the same family for five hundred years. The Beretta company was established in 1526,[Official website] when gunsmith Maestro Bartolomeo Beretta of Gardone Val Trompia (Brescia, Lombardy, Italy) was paid 296 ducats for 185 harquebus barrels by the Arsenal of Venice.[Official Website]

### **19th Century**

Whereas previous centuries had been dominated by military production, in the 1850s Giuseppe Beretta focused the factory on producing fine sporting guns. The company was making at most 300 guns a year through 1860. Twenty years later, annual production had increased to as many as 8,000 guns a year. Beretta was also marketing, via catalog, guns made by other manufacturers, including Colt, Remington, Smith & Wesson, and Winchester.

Beretta again began making military firearms after the unification of Italy in 1861. In 1899, Giuseppe saw to the construction of the Beretta Hotel in Gardone to accommodate the many foreign visitors the world-renowned factory was receiving.

In 1918, the Beretta Model 1918 was the second submachine gun the Italian army fielded. Beretta manufactured rifles and pistols for the Italian military until the 1943 Armistice between Italy and the Allied forces during World War II. With the Wehrmacht's control of

northern Italy, the Germans seized Beretta and continued producing arms until the 1945 German surrender in Italy.

After World War II, Beretta was actively involved in repairing the American M1 Garands given to Italy by the U.S. Beretta modified the M1 into the Beretta BM-59 rifle, which is similar to the M14 battle rifle; armorers consider the BM-59 rifle to be superior to the M14 rifle in some ways, because it is more accurate under certain conditions.[GUNSMAGAZINE] After the war, Beretta continued to develop firearms for the Italian Army and police, as well as the civilian market.

In the 1980s, Beretta enjoyed a renewal of popularity in North America after its Beretta 92 pistol was selected as the service handgun for the United States Army under the designation of "M9 pistol". In the 1970s, Beretta also started a manufacturing plant in São Paulo, Brazil. A contract between Beretta and the Brazilian government was signed, under which Beretta produced Beretta 92s for the Brazilian Army until 1980. Later this plant was sold to Taurus who continues to manufacture the Beretta 92 under the name of PT92 using the same tools and labor which Beretta used without the need for a license from Beretta since their design is based on the original Beretta 92.

Beretta acquired several domestic competitors (notably Benelli and Franchi) and some foreign companies (notably in Finland) in the late 1980s.

### **Entering the United States in 1977**

Beretta U.S.A. was founded in 1977, when Beretta acquired a bankrupt gun factory near Washington, D.C., that had previously had a contract to service its products. Beretta's Model 92 nine-millimeter pistol, one of the most widely produced firearms in history, had been introduced two years earlier; this was the gun that would soon land Beretta a massive military contract and thousands of smaller deals to supply law enforcement agencies.

Beretta won a hard-fought contract to replace the Colt .45 in 1985. The U.S. military had decided to reduce the number of different types of weapons in its arsenal and wanted a new handgun that could fire standard NATO nine-millimeter rounds.

The deal raised Beretta's profile considerably in the United States. Its pistols continued to appear in Hollywood movies such as *Lethal Weapon*. Law enforcement agencies around the country began ordering the commercial version (92-F) of the Beretta Model 92 nine-millimeter handgun, appreciating its ability to fire 15 shots before reloading, versus the eight-round capacity of most large caliber pistols. Civilians also bought them; the pistol retailed for about \$600. Smaller .22 caliber pistols sold for \$200.

The brand name was extended with permission to the Beretta Sport line of high-end clothing and accessories introduced in 1988. However, the company sued five Japanese firms for manufacturing toy guns displaying its name and trademark without permission. (Beretta had licensed these to only one Japanese toy gun maker, Western Arms.) The company also faced the problem of bootleg production, such as that which had begun in the Philippines.

Ugo Gussalli Beretta became president of the company in 1993 after the death of his uncle Giuseppe. He had been managing director since 1981. In spite of the large and prestigious U.S. military handgun contract, the commercial market in America gave Beretta its fastest area of growth, rising about 30 percent a year. In 1998, Beretta added a retail outlet in Buenos Aires to its galleries in New York City and Dallas.

As the *Financial Times* noted, the very lethality of guns made them unique in the legal environment. Their very potential for harm was what made them useful. Beretta was thus the target of a few high profile lawsuits, though not on grounds of defective manufacture.

### **Expanding in 2000**

In early 2000, Beretta bought the remaining shares in Benelli Arms S.p.A., another venerable Italian gunmaker. In March of that year, it bought an 86 percent share in Aldo Uberti & Co., s.r.l., a \$15 million a year replica gunmaking business founded in 1959. With a corporate umbrella company in place to oversee its subsidiaries, Beretta Holding next acquired Sako Ltd., a Finnish maker of hunting and sports rifles, from Metso Corporation in January 2001. Sako had net sales of about FIM 150 million a year.

The best opportunities for future sporting arms sales seemed to lie in the former Soviet Republics. China and Turkey were two other emerging markets being courted. Beretta was

also supplying U.S. armed forces with a combat shotgun. Beretta had survived for five centuries by exploiting the advantages of each successive technological shift. Craftsmen in the old world style still customized and engraved Beretta's finest firearms by hand. Mastering information technology was Beretta's adaptive challenge at the beginning of the Millennium.

## **Overview**

Beretta Holding SpA, established in 1995 and headquartered in Gardone Val Trompia, Italy, is the holding company for the famous Italian industrial group and holds direct or indirect participation in the 26 companies that currently make up the group which is a recognized leader in the sector of light firearms dedicated to hunting, sporting and personal defense.

Since its inception, the number of subsidiaries has continued to grow, as a result of a prudent investment policy of strategic acquisitions, carried out to both extend and complete the product offering, and to globally consolidate the Group's direct commercial presence on the markets in which the group operates.

Beretta Holding Group has increasingly become a markedly international corporation and a global player in its sector, as a result of a growth that has led to a manufacturing presence in all five continents, but even more important thanks to a vision of the World as its natural space of action.

## **Hunting Activity**

Through its prestigious brands, Beretta, Benelli, Franchi, Sako, Tikka, Steiner and Burris the Group has become a reference point for hunting enthusiasts the world over, who are constantly looking for high quality and reliable products, characterized by strong tradition and continuous innovation to fulfill their passion.

## **Sporting Activity**

Beretta Holding Group's products, and in particular the brand Beretta in this field, represent a point of arrival in the sporting world, spanning from amateur to professional and Olympic

level, ensuring shooters access to an accurate and reliable tool that places them in the ideal position to achieve the best results in competition.

### **Clothing and Accessories**

Over the years, the Group has progressively expanded its range of products, especially developing a dressy line of clothing and accessories, characterized by the great attention to quality and technology and with items specifically tailored to the world of hunting, shooting and outdoor activities.

### **Opto-electronics**

In the last decade, the Group, through two major acquisitions of Burris and Steiner, has also entered in the field of optics, scopes and binoculars. In 2012 Beretta Holding completed the acquisition of a company specialized in the production and marketing of laser aiming devices and tactical flashlights. The combination of these three companies, active in the opto-electronic field, constitutes a division within the Group, which can leverage on strong synergies in the development of products.

### **Defense and Law Enforcement**

At the same time, Beretta Holding Group is considered a key-partner of the governments worldwide as it is a supplier of integrated solutions utilized by their defense departments and agencies involved in the law enforcement duty.

### **Today**

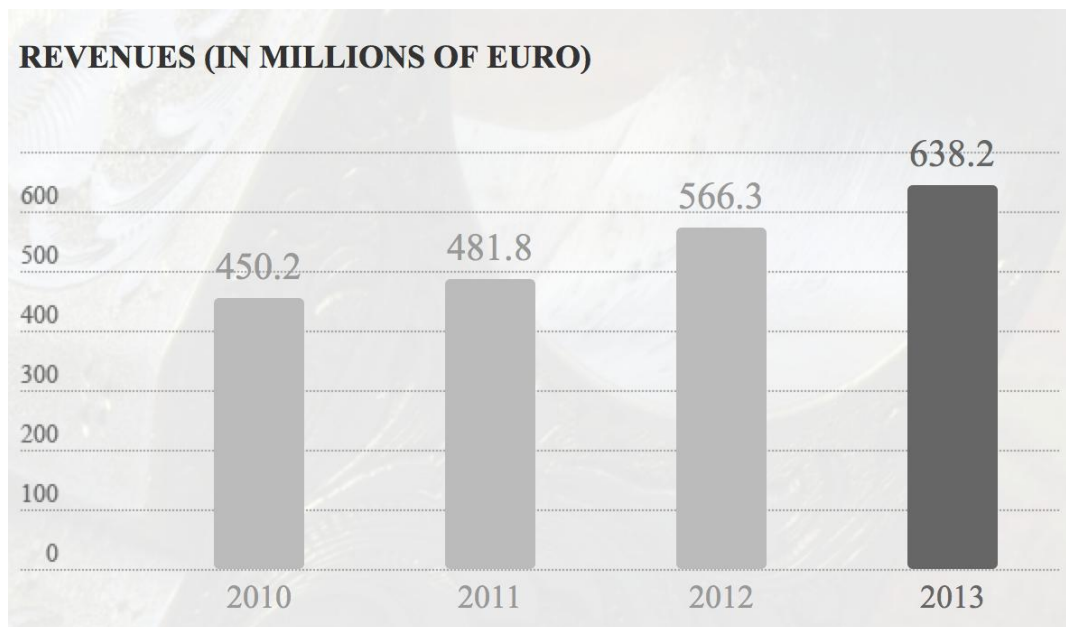
Today, the company is owned and is run by Ugo Gussalli Beretta and his sons, Franco and Pietro. The traditional father-to-son Beretta dynasty was interrupted when Ugo Gussalli Beretta assumed the firm's control; uncles Carlo and Giuseppe Beretta were childless; Ugo married into the Beretta family and adopted the last name Beretta. His sons are now direct descendants through their mother's side of the family.

Beretta is known for its broad range of firearms: side-by-side shotguns, over-and-under shotguns, hunting rifles, express rifles, assault rifles, submachine guns, lever and bolt-action

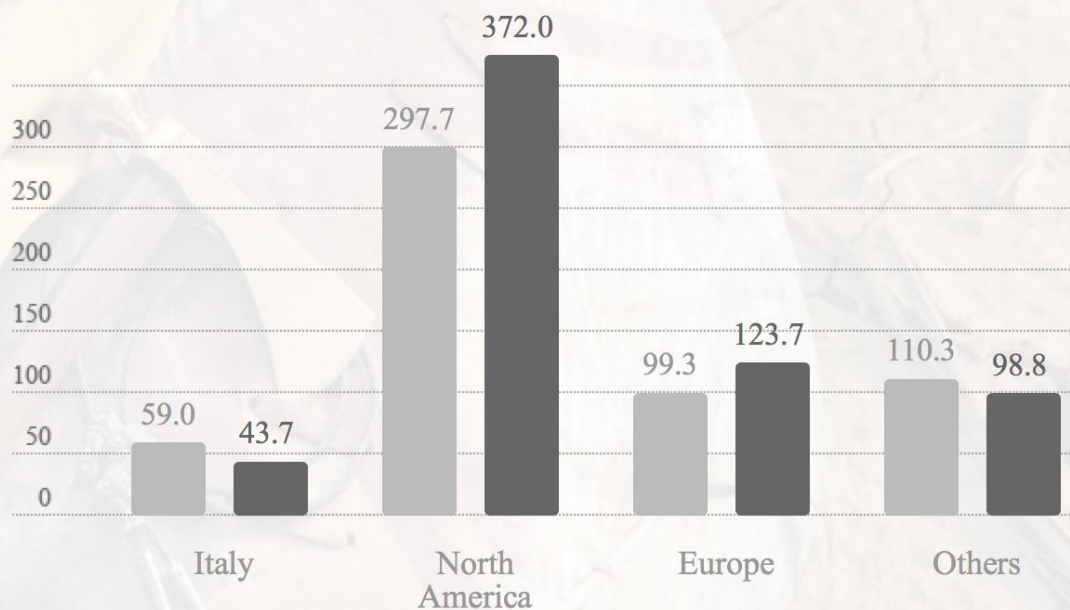
rifles, single and double action revolvers and semi-automatic pistols. The parent company, Beretta Holding, also owns Beretta USA, Benelli, Franchi, SAKO, Stoeger, Tikka, Uberti, and the Burris Optics Company.

The model Beretta 92FS is the primary side arm of the United States Army, Marine Corps and Air Force, designated the M9 pistol. In 1985, Beretta was chosen after a controversial competition to produce the M9, winning a contract for 500,000 pistols. A condition of the original agreement was domestic fabrication of the M9.

## FINANCIAL HIGHLIGHTS



## REVENUES BY GEOGRAPHIC AREA



## KEY PERFORMANCE INDICATORS

	2012	2013
Sales (in Millions of Euro)	566.3	638.2
EBITDA	105.8	114.2
EBITDA / Sales %	19	18
Net Result	48	50
Investments	18.6	26.5
Net equity	466.8	514.6
Average number of employees	2625	2970

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