

An International Conference

# **Go Global: Food Processing & Safety**

**International Marketing Strategies  
of Smaller and **Growing** Asia-  
Pacific Agro-food Companies**

**Louie A. Divinagracia**

**Smaller (and Growing) Asia-Pacific Agro-food Companies**

# **International Marketing Strategies**



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# Presentation Outline

- World & Asia-Pacific Food Markets
- Global Agro-food Companies
- Trends in Asia's Food Consumption
  - Growing Smaller Agro-food Companies
    - Adaptation Strategies
    - Supplier-Buyer Relationships
    - Customized Products and Services
- Lessons Learned & Challenges

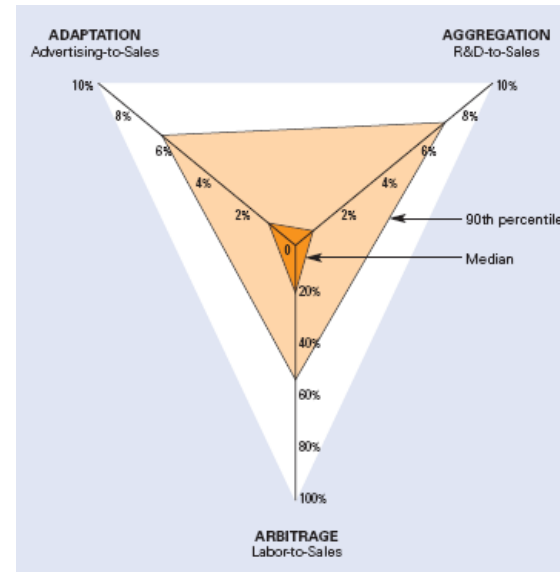


# Objectives of the Study

- present international marketing strategies generally pursued by smaller agro-food firms in the Asia-Pacific rim that have grown into global players
- describe supplier-buyer relationships
- explore market prospects of customized food products and services that offer novelty and uniqueness
- present entrepreneurial challenges

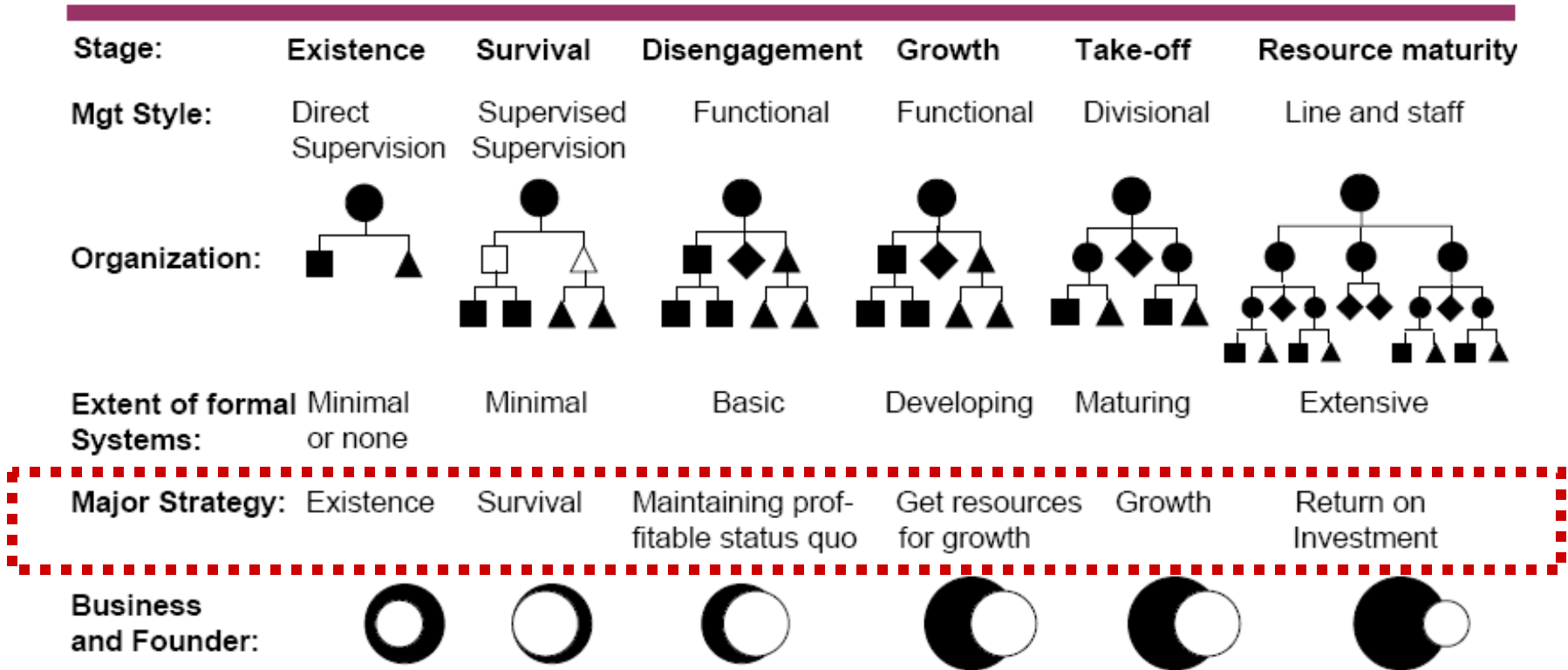
# Study Approach & Framework

- exploratory study that utilized a purposive sample of agro-food companies that have grown to become global players
- focused on the strategy dimension of the enterprise development stage construct
- adopted Ghemawat's "AAA Triangle" framework



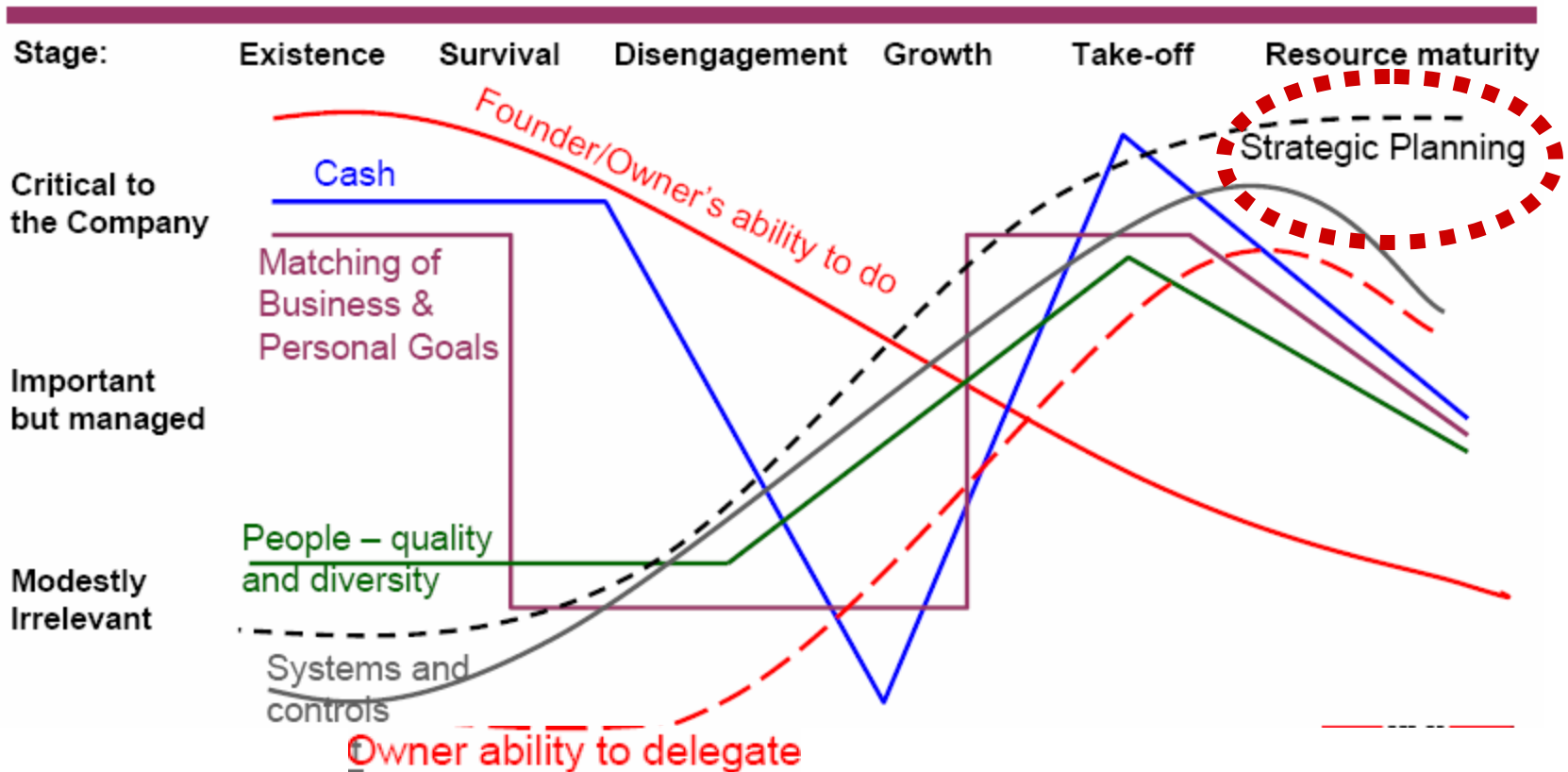
# Construct

# Enterprise Development Stages



Sources: Neil & Virginia (1983); Ecole Polytechnique Federale de Lausanne (2005)

# Operationalizing the Construct Enterprise Development Stages



Sources: Neil & Virginia (1983); Ecole Polytechnique Federale de Lausanne (2005)

# Framework Elements of Ghemawat's “AAA Triangle”

	ADAPTATION	AGGREGATION	ARBITRAGE
<b>Competitive Advantage</b> Why should we globalize at all?	To achieve local relevance through national focus while exploiting some economies of scale	To achieve scale and scope economies through international standardization	To achieve absolute economies through international specialization
<b>Configuration</b> Where should we locate operations overseas?	Mainly in foreign countries that are similar to the home base, to limit the effects of cultural, administrative, geographic, and economic distance		In a more diverse set of countries, to exploit some elements of distance
<b>Coordination</b> How should we connect international operations?	By country, with emphasis on achieving local presence within borders	By business, region, or customer, with emphasis on horizontal relationships for cross-border economies of scale	By function, with emphasis on vertical relationships, even across organizational boundaries
<b>Controls</b> What types of extremes should we watch for?	Excessive variety or complexity	Excessive standardization, with emphasis on scale	Narrowing spreads
<b>Change Blockers</b> Whom should we watch out for internally?	Entrenched country chiefs	All-powerful unit, regional, or account heads	Heads of key functions
<b>Corporate Diplomacy</b> How should we approach corporate diplomacy?	Address issues of concern, but proceed with discretion, given the emphasis on cultivating local presence	Avoid the appearance of homogenization or hegemonism (especially for U.S. companies); be sensitive to any backlash	Address the exploitation or displacement of suppliers, channels, or intermediaries, which are potentially most prone to political disruption
<b>Corporate Strategy</b> What strategic levers do we have?	Scope selection Variation Decentralization Partitioning Modularization Flexibility Partnership Recombination Innovation	Regions and other country groupings Product or business Function Platform Competence Client industry	Cultural (country-of-origin effects) Administrative (taxes, regulations, security) Geographic (distance, climate differences) Economic (differences in prices, resources, knowledge)

Source: Ghemawat (2007)



# World Food Markets

- differences persist & provides a window for smaller agro-food companies to be involved
- consists of fresh and processed products with a global market size of at least US\$4 trillion (Regmi and Gehlhar, 2005)
- processed food account for about 75% of world food sales but only a tenth of this is internationally traded
- in 1996-02, sales growth of processed food in developing economies grew from 12 to 28% compared to 2 to 3% in industrialized countries
- top 15 global supermarket chains account for more than 30 percent of world supermarket sales & influence food distribution in Asia & Latin America (Carrefour & Wal-Mart are battling out market share in China)

# Asia-Pacific Food Markets

- UN-FAO observed production increases (1992-94 and 2002-04)
  - dominated the supply of edible oilseed crops
  - fruits and vegetables such as watermelons, pears, plums, asparagus, cucumbers, cabbages, tomatoes, onions, bananas, and mangoes of which the U.S. is the major importer
  - plantation crops such as coffee and rubber
  - other crops such as sugarcane, tea, and cotton

Food Australia said that Asia-Pacific dominated world meat industry with a market share of 39% in 2007

# Global Agro-food Companies

■ top 10 food companies: Cadbury Schweppes, Danone, General Mills, Heinz, Kellogg, Kraft Foods, Mars, Nestlé, PepsiCo, and Unilever (MarketResearch.com, 2006)

■ PepsiCo, Nestlé, Danone and Unilever were rated the best at adaptation and innovation strategies for quickly responding to marketplace consumption changes and eating habits (e.g. switch from traditional food to convenient food products, ready-to-eat meals, take-away food, and other meal solution products)

■ In the U.S., food companies are realizing that healthful products are boosting sales. Kellogg and Kraft Foods are removing trans fat; Campbell Soup focuses on low-sodium soups; Sara Lee has created a line of whole-grain bread; General Mills has reformulated 200 products & introduced at least 100 new ones to meet health standards (Wall Street Journal, 25 Feb 08)

# Trends in Asia's Food Consumption

## “Meal Solutions” Market

grew rapidly between 1998 and 2006 and includes products such as ready meals, pasta and processed meat, fish, seafood and vegetables

## “Most Valuable” Products

processed meat, fish/seafood: Indonesia & Vietnam

ready meals, processed vegetables: India

processed fish/seafood, canned tuna, canned fried anchovy,  
Chinese roasted sausage and Western-style sausages: China

Source: Emily Woon (2007)

# Adaptation Strategies

- challenging the Leader in its home country and focusing on culturally-familiar market segments
- continuously improving and creating food products to meet the growing demand of the mass market and Bottom-of-the-Pyramid (BOP) customers
- pursuing multiple adaptation: product invention and promotion adaptation

## Growing Smaller Agro-food Companies to Become Global Players

# Adaptation Strategies

challenging the Leader in its home country and focusing on culturally-familiar market segments



Growing Smaller Agro-food Companies to Become Global Players

# Adaptation Strategies



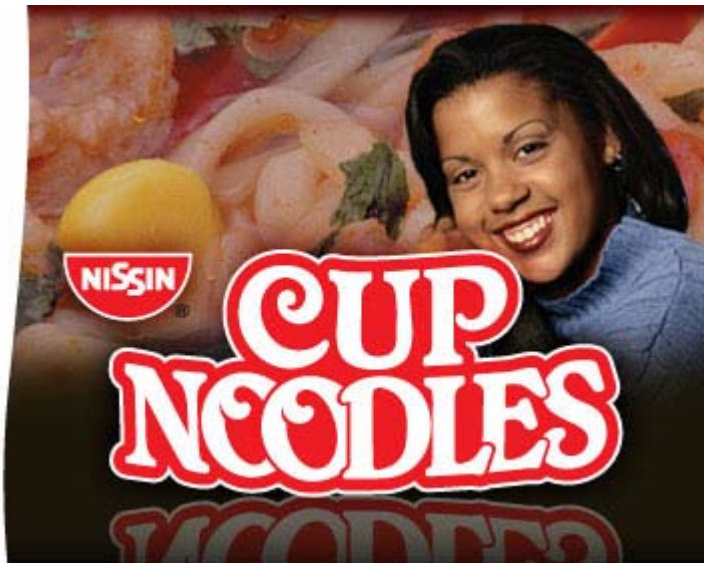
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## Growing Smaller Agro-food Companies to Become Global Players

# Adaptation Strategies

pursuing multiple adaptation:  
product invention and promotion adaptation





# Supplier-Buyer Relationships

- quality control mechanisms in place
- integration of sustainable development practices in operations and strategies
- consistently enforcing market adaptation practices for target segments through the use of natural ingredients

## Growing Smaller Agro-food Companies to Become Global Players

# Supplier-Buyer Relationships

- quality control mechanisms in place



THE RICE FIELD



# Supplier-Buyer Relationships

■ integration of sustainable development practices in operations and strategies

The FTO Mark is not a product label. It is a means to identify Fair Trade Organizations.



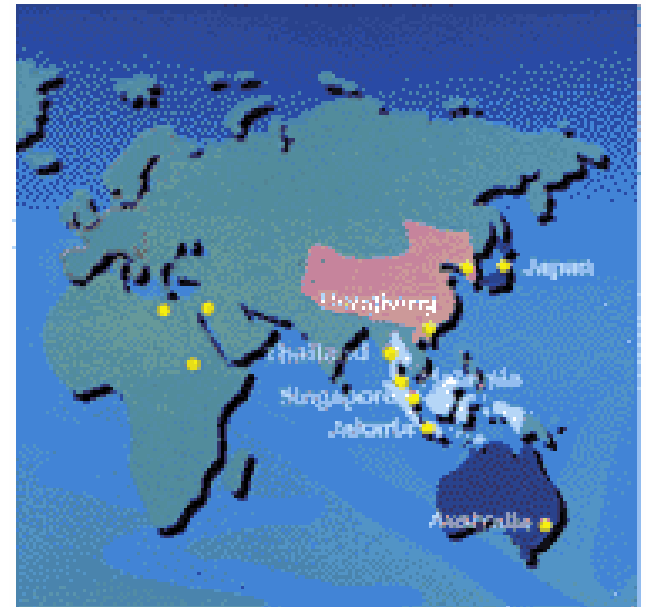
**FAIR  
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ensuring that standards are being met regarding working conditions, wages, child labor and the environment, and demonstrates that an organization's trading activity is dedicated to the development of disadvantaged producers, and is sustainable and committed to continual improvement.

Growing Smaller Agro-food Companies to Become Global Players

# Supplier-Buyer Relationships

- consistently enforcing market adaptation practices for target segments through the use of natural ingredients



# Customized Products and Services

- customized package
- use of names of reputable places in brands to project novelty or uniqueness
- customized product formulation & services
- trustworthy goods aligned with society's health concerns
- value for money: authentic products that are affordable

Growing Smaller Agro-food Companies to Become Global Players

# Customized Products and Services

- customized package



- smaller (personalized) servings in individual microwavable trays



Growing Smaller Agro-food Companies to Become Global Players

# Customized Products and Services

- use of names of reputable places in brands to project novelty or uniqueness



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Growing Smaller Agro-food Companies to Become Global Players

# Customized Products and Services

- customized product formulation & services

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## Growing Smaller Agro-food Companies to Become Global Players

# Customized Products and Services

- trustworthy goods aligned with society's health concerns



Growing Smaller Agro-food Companies to Become Global Players

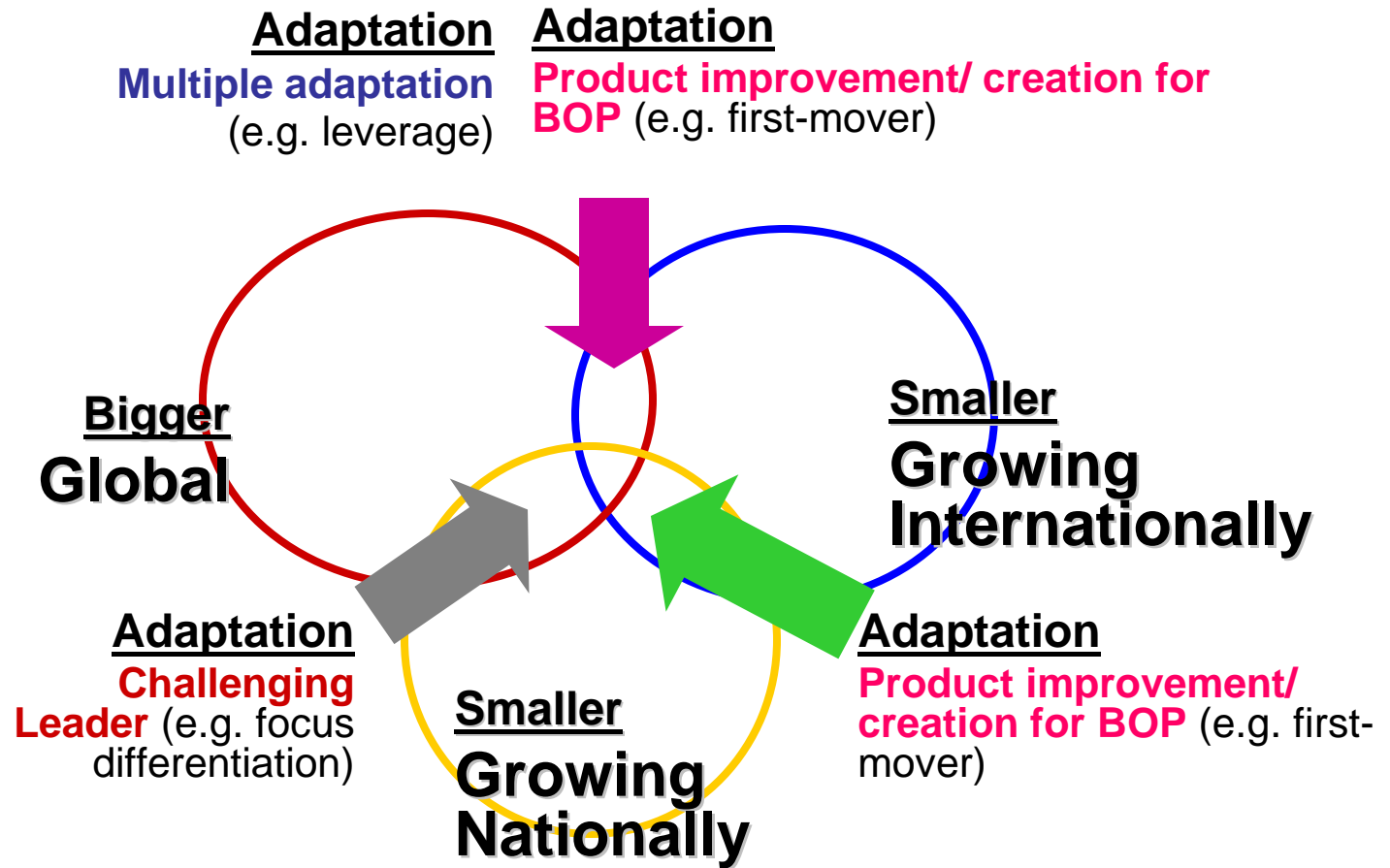
# Customized Products and Services

- value for money: authentic products that are affordable



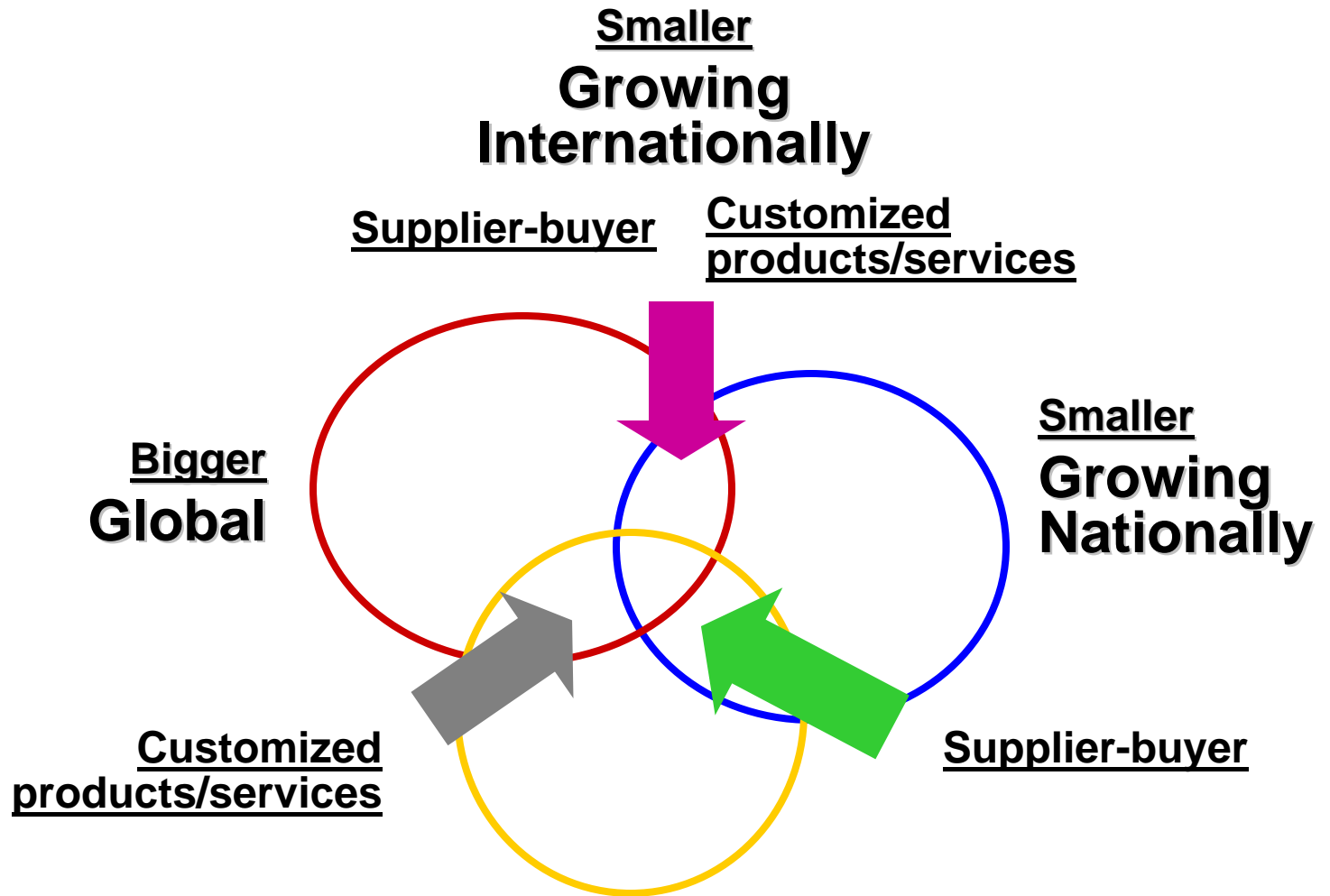
## Challenges of Growing Agro-food Companies

# Initial Lessons Learned



Challenges of Growing Agro-food Companies

# Initial Lessons Learned



# Initial Lessons Learned

- focused differentiation strategy was a key factor to viability and growth in their home markets
- first-mover advantage was achieved by (a) addressing an unmet need that rivals were unable to satisfactorily address; (b) challenging status quo
- companies leveraged their national competitive advantage to enter adjacent territories overseas using market adaptation & arbitrage-seeking strategies to some limited extent

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**End of Presentation. It was an honor to be with you today. Thank you for listening.**