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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Past Executive Director
APEC Center for Technology Exchange and Training for SMEs
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

<table>
<thead>
<tr>
<th>Stage</th>
<th>Existence</th>
<th>Survival</th>
<th>Disengagement</th>
<th>Growth</th>
<th>Take-off</th>
<th>Resource maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mgt Style:</td>
<td>Direct Supervision</td>
<td>Supervised Supervision</td>
<td>Functional</td>
<td>Functional</td>
<td>Divisional</td>
<td>Line and staff</td>
</tr>
<tr>
<td>Organization:</td>
<td><img src="image" alt="Organization Diagram" /></td>
<td><img src="image" alt="Organization Diagram" /></td>
<td><img src="image" alt="Organization Diagram" /></td>
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<td><img src="image" alt="Organization Diagram" /></td>
<td><img src="image" alt="Organization Diagram" /></td>
</tr>
<tr>
<td>Extent of formal Systems:</td>
<td>Minimal or none</td>
<td>Minimal</td>
<td>Basic</td>
<td>Developing</td>
<td>Maturing</td>
<td>Extensive</td>
</tr>
<tr>
<td>Major Strategy:</td>
<td>Existence</td>
<td>Survival</td>
<td>Maintaining profitable status quo</td>
<td>Get resources for growth</td>
<td>Growth</td>
<td>Return on Investment</td>
</tr>
<tr>
<td>Business and Founder:</td>
<td><img src="image" alt="Founder Diagram" /></td>
<td><img src="image" alt="Founder Diagram" /></td>
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Operationalizing the Construct

Enterprise Development Stages

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<th>Disengagement</th>
<th>Growth</th>
<th>Take-off</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Critical to the Company</td>
<td>Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Important but managed</td>
<td>Matching of Business &amp; Personal Goals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modestly Irrelevant</td>
<td>People – quality and diversity</td>
<td>Systems and controls</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Owner ability to delegate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Framework</th>
<th>Elements of Ghemawat’s “AAA Triangle”</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>ADAPTATION</strong></td>
</tr>
<tr>
<td><strong>Competitive Advantage</strong></td>
<td>To achieve local relevance through national focus while exploiting some economies of scale</td>
</tr>
<tr>
<td><strong>Configuration</strong></td>
<td>Mainly in foreign countries that are similar to the home base, to limit the effects of cultural, administrative, geographic, and economic distance</td>
</tr>
<tr>
<td><strong>Coordination</strong></td>
<td>By country, with emphasis on achieving local presence within borders</td>
</tr>
<tr>
<td><strong>Controls</strong></td>
<td>Excessive variety or complexity</td>
</tr>
<tr>
<td><strong>Change Blockers</strong></td>
<td>Entrenched country chiefs</td>
</tr>
<tr>
<td><strong>Corporate Strategy</strong></td>
<td>Address issues of concern, but proceed with discretion, given the emphasis on cultivating local presence</td>
</tr>
<tr>
<td><strong>Corporate Strategy</strong></td>
<td>Scope selection, Variation, Decentralization, Partitioning, Modularization, Flexibility, Partnership, Recombination, Innovation</td>
</tr>
</tbody>
</table>

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


- 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)
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
- 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

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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
Growing Smaller Agro-food Companies to Become Global Players

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. 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
Growing Smaller Agro-food Companies to Become Global Players

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

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Customized Products and Services

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Challenges of Growing Agro-food Companies

Initial Lessons Learned

Adaptation
Multiple adaptation (e.g. leverage)

Adaptation
Product improvement/creation for BOP (e.g. first-mover)

Bigger
Global

Smaller
Growing Internationally

Adaptation
Challenging Leader (e.g. focus differentiation)

Adaptation
Product improvement/creation for BOP (e.g. first-mover)

Smaller
Growing Nationally

LOUIE A. DIVINAGRACIA. International Marketing Strategies of Smaller (and Growing) Asia-Pacific Agro-food Companies.
Challenges of Growing Agro-food Companies

Initial Lessons Learned

Smaller Growing Internationally

Supplier-buyer

Customized products/services

Bigger Global

Customized products/services

Supplier-buyer

Smaller Growing Nationally
Challenges of Growing Agro-food Companies

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.