Case 4-1 Global Strategies

International Marketing

Monday April 14th, 2003

Rebecca Hall

Sara Hearl

George Chandy

Nita Ng

Ingrid Chen

Overview

- Strategies for Operations Abroad
- Selective Contestability
- Defining a Global Company
- Nestle Evaluation
- Summary

Strategies for Operations Abroad

- International
  - Control remains predominately with HQ in home county
  - Low pressure for local responsiveness-high pressure cost reductions
- Multidomestic
  - Customize operations and products to each local market
  - High local responsiveness-low pressure cost reductions

Strategies for Operations Abroad

- Global
  - Tendency to centralize main operational functions
  - Can mobilize world-wide resources
  - High cost reductions from economies of scale and experience curve-low customization to national borders
- Transnational
  - Looking for ‘global learning’ from HQ to subsidiaries, in reverse and between subsidiaries
  - Cost reductions and product differentiation

Global Strategy

- Globalization Vs localization
- Global integration vs. local responsiveness
- "Think Global, Act Local"

- There may be trade off between cost reductions of standardization and marketing ideals of customization to the market's needs

Global Strategy

- To go global or not?
- Compelling Reasons
  - Diversity of earnings
  - Exposure to new and emerging markets
  - Experience curve and access to the most demanding customers

Global Strategy

- The rise of globalization and the increased information flow across national borders has lead to the reassessment of the very notion of market borders
- National boarders are not the only indication of market segmentation
- Global marketers are looking to new ways of segmentation
  - – income, religion, age, language, climate

Global Strategy

- Is it a global company?
- Not about size, or the number of countries it operates in
- Two key indicators of a global company
  - a company that can contest any market it chooses to compete in
  - a company that can mobilize worldwide resources to impact any competitive situation it chooses

Selective Contestability

- Companies are selective about the countries they enter.
- Small High-technology companies and luxury goods manufacturers
- They compete if there is adequate demand to justify their investment
- They focus their investment to achieve critical mass only in the markets they are interested in

Selective Contestability

- How practical is the idea for small international companies?
  - Risk factor is low
  - Entry will depend on the existing demand

Defining a Global Company

- Defined in terms of ability to operationalize a strategy encompassing the 5 following attributes:
- Standard Products and Marketing Mix
  - Core product and minimum marketing adaptations
  - Economies of scale benefits
  - Segmentation cross national borders

Defining a Global Company

- Sourcing all Assets on an Optimal Basis
  - Ability to source all assets in value chain in terms of availability or cost-competitiveness
  - Importance of assets deployment
- Market Access in Line with Break-Even Volume
  - Size not as important as generation of sales to cover demands of infrastructure and investment

Defining a Global Company

- Contesting Assets
  - Ability to neutralize the assets and competencies of competitors
- Global Orientation of Functions
  - R&D, procurement, production, logistics, marketing, human resources and finance functions internationalized
  - organizational structure

Degrees of Globalness

- No absolutes in terms of what constitutes a global company or strategy
- The greater company's ability to operationalize the 5 attributes the more global it is considered
- Best to have a balance across attributes rather than stressing one to the detriment of another

Nestle Evaluation

- Standard Products and Marketing Mix
  - Nescafe instant coffee, Perrier bottled water, breakfast cereals including Cheerios, Kit Kat bars, Stouffers prepared meals, Bouitoni pasta and Maggi cooking sauces.
  - Use local brands for market entry
- Sourcing Assets, Not Just Products
  - Build plants abroad
  - Purchase local companies
    - Goplana in Poland

Nestle Evaluation

- Market Access inline with Break Even
  - Forced to seek growth opportunities outside of Switzerland
  - Regionally focused operations
- Contesting Assets
  - Does not apply - local for local

Nestle Evaluation

- Functions have a Global Orientation
  - 7 world wide strategic business units (SBUs)
    - E.g. Coffee & beverages, confectionery & ice-creams.
  - 5 regional organizations
    - E.g.. Network of factories in the Middle East: ice-cream in Dubai, soups and cereals in Saudi Arabia, yogurt and bouillon in Egypt, chocolate in Turkey and ketchup and instant noodles in Syria.
  - Expatriates army of about 700 managers going from country to country
  - R&D:18 different groups operating in 11 countries
  - International training center in Switzerland

Nestle Evaluation

- Nestle adopts a matrix organization
  ⇨highly decentralized decision making

Regions

	SBUs						
	SBU1	SBU2	SBU3	SBU4	SBU5	SBU6	SBU7
North America							
Europe							
Asia							
Africa							
Middle-East							

Nestle Evaluation

- Conclusion
  - Nestle management philosophy is to “develop as much as can be decided locally, but the interest of the corporation as a whole has priority”
  - Due to the industry Nestle is in, it is perhaps undesirable for it to become fully global
  - Nestle’s aim is to customize to the local tastes

Summary

- Global marketing reflects:
  - competitiveness due to globalization
  - interdependence of world's economies
  - growing number of firms vying for world markets
- Global Strategy
  - Dual notion of market contestability and bringing global resources to bear on competition wherever a company is present
- Global Companies look at segmentation on a