

# Marketing essays - unicola company



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## **Unicola Company**

### Marketing In An International Perspective

#### *Executive Summary*

*The report is being written for the managing directors of the Unicola Company. This report is a means of consultation for the international management team of Unicola to consider while going international and entering the Brazilian market, Brazil being the chosen and appropriate selected country over Poland.*

*The report has used some essential and needed frameworks and techniques to help identify the macro and micro environment of Brazil with a pinch of Poland as well. These analysis have been given grave explanations and discussed methodically to make it easy to understand for the readers of not only for the managing directors of Unicola, but also to the readers of international marketers.*

*The report has finished its performance by identifying a due course of entry model and essence of this report, the marketing plan.*

#### 1. Introduction:

This report puts its step into international perspective centralizing towards the marketing world. It is being constructed to give an idea of identifying ways and methodological procedures for a brand to go global. This identification will be analyzed through the contents of international

marketing elements, giving all the required techniques needed for a global marketer to consider.

Unicola, a US brand wants to expand in a global market. This report talks between Brazil and Poland, effectively highlighting the appropriateness of which international market to enter. The presentation conducted represented Brazil as the highly recommended country for Unicola to enter, hence major emphasis will be on Brazil, with a little highlight on Poland. External environmental analysis will be the essence, explained through various frameworks and analysis. Internal audit will continue to the course of identifying goodies to Brazil. After an analysis on cultural environment, the report will base a pre mature conclusion on the justification of Brazil. Structuring entry mode along with a proper marketing program will follow to pin down a complete illustration for Unicola to enter into Brazil.

The report is not only being written to Unicola alone, but to all the international marketing readers, giving them a highlight to the strategies and techniques must be followed in order to go global.

## 2. Marketing Environmental Audit:

Before entering a region, it is very essential to pin down all the external influences related. Many would just look at the PEST analysis of the region and base a decision. However, this report has actually scrutinized by identifying the layers that consist in the external/internal scenario.

The diagram shows all the layers that should be considered while analyzing the external and internal environment of a country. Each of these layers will be pinned down accordingly using frameworks and techniques.

## 2. 1. PESTEL Analysis (Macro-Environment):

From the heading, the report makes it clear that it will ensure to be an extended analysis with grave details for better judgment of country selection. In this section, the report will highlight the macro-environment through the extended PEST, the PESTEL analysis of Brazil against Poland.

### 2. 1. 1. Political Environment:

Brazil is a federative republic with a stable government body. The stability of the government body shows a consistent implementation of the trade policies. This shows the suitability of the countries trading position. Unicola will be assured of the stability of following the same policy even after change of government in Brazil.

In June 2003, USA and Brazil signed a new agreement on trade so as to increase economic integration and more positively help Brazil in terms of trade and finance, and economic health. US encouraged the investment of technology in Brazil and emphasized on educational importance for Brazil. This shows a positive relationship between the two countries and has traditionally enjoyed friendly, active relations encompassing a broad political and economic agenda. There has been several talks and visits of major political figures of both the countries such as President-elect Lula to Washington for a meeting in December 2002, visits to Brazil by President

Bush in November 2005, Secretary of State Condoleezza Rice in April 2005, Secretary of State Colin Powell in October 2004, Defense Secretary Donald Rumsfeld in March 2005, Treasury Secretary John Snow in August 2005 and many others. Each visit strengthened the relations between US and Brazil in terms of trade, building economies, building bilateral trade agreements and even further benefiting the FTAA (free trade agreement of the Americas) in the region.

Looking at Poland, it is a stable economy as well, however is a member of the EU countries. Although there is a trade relation between the US and EU, there is a political war between the two regions in terms of trade. Summed up analysis of Brazil and Poland political condition can be seen in Appendix 1.

## 2. 1. 2. Economic Environment:

Brazil has been reported as a strong economy. An economy which faced a huge shock in went in slumps during 2001/2003, rejuvenated itself to become a strong economy once again at present. Further more to its economic success it has faced a positive balance of payment in 2005 after the 90s. This success has been due to the new reforms such as tied fiscal policy, floating exchange rates and inflation targeting regime. Brazil's economy grew approximately 2. 4% in 2005 and 4. 9% in 2004. This sustained growth was due to booming exports, healthy external accounts, moderate inflation, decreasing unemployment, and reductions in the debt-to-GDP ratio. Brazilian President Lula and his economic team have implemented

prudent fiscal and monetary policies and have pursued necessary microeconomic reforms.

Looking at the FDI level in Brazil, it has expanded sharply in Brazil. The stock of US FDI in Brazil expanded, by a factor of 3.8 between 1982 and 1997, while the total FDI stock from all countries expanded by a factor of 5.6. The historical growth comparison depicts that an FTAA accord could perhaps lead to a 30% expansion of FDI in Brazil, both from the United States and other home countries.

Further more, Appendix 1 shows a comparison between Poland and Brazil, clearly showing a much higher level of FDI in Brazil, depicting Brazil as more favorable region for Unicola.

Appendix 2 shows the economic indicators for Brazil. It shows the resilience and strength of Brazil's economy even after facing great economic shock. Brazil has been highly effective in turning around to a more positive scenario, thus showing flexibility to Unicola in terms of its economy.

### 2. 1. 3. Social environment:

Education, health, safety are deficient in Brazil. However, being a fully democratic country, Brazil is slowly improving several social indicators; the governments have been compelled by the citizens to attach more and more importance to social issues.

Gender gap is a major issue in Brazil and has been ranked 51<sup>st</sup> with a score of 3.29 (1-7 score board, 7 showing the highest level of gender equality).

However, the government has formulated laws against such sexists in form of women organizations.

Blacks in Brazil face racism. Government has been highly proactive to this matter and has laid down laws for equal rights to the Brazilian blacks and eliminating the racism against them.

These positive reactions and implementations by the government of Brazil show a true and healthy picture for Unicola, that Brazil is showing an upward trend towards becoming a developed nation.

To relate these issues, although Poland is ranked better in Gender Gap analysis, which can be a beneficial point for Unicola in terms of hiring employees, however, the Polish government seems ignorant in allocating to its societal sectors, especially education, research and innovation. (For further distinction see Appendix 1).

#### 2. 1. 4. Technological Environment:

The technological environment is by far the most outstanding sector in relation to Poland. Brazil is immensely moving towards a manufacturing sector with a production growth rate of 4. 7%, which is even getting better at present. Moreover, as explained earlier, heavy positive talks and visits have been taken between US and Brazil so as to increase the economy, this is heavily relied on the level of education and technology. The US has invested heavily in the technological sector of Brazil which has enabled Brazil to be responsible for 25% of the world's food production. This is also evident in the

form of Brazil having the second highest number of technicians in Latin America. (Further analysis in regard to Poland in Appendix 1).

#### 2. 1. 5. Environmental Factors:

Yet again, Brazil shows a better picture for Unicola to invest in. Brazil shows a labor force of 90.41m, skilled labor. Not only this, it has cheaper labor in contrast to Poland's labor force.

Looking at the business environment, there were some trade and bilateral trade issues between the US and Brazil during the 1990s, which were resolved with healthy talks through a FTA. This eliminated the tariffs and quotas, resulting in a free flowing business trade between the two countries. The business environment is also very promising for a beverage industry to operate in Brazil as the consumption (Appendix 3) and production, both have increased due to a positive demand and betterment in technology and economic aid from the US.

Further more to the business environment, Brazil has a less expensive and time efficient method so as to attract foreign investors. If we look at Appendix 4, although few factors might be given to Poland, however, Brazil wins over with the importance of lower capital investment while starting a business, as Brazil has sufficient level of capital and the registry of property is also efficient in terms of time.

#### 2. 1. 6. Legal Environment:

Looking at Appendix 1, at the legal factors section of the PESTEL analysis, we can clearly see that Brazil has the relevant and needed laws for patents,

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trademarks and copyrights. However, Unicola will again benefit itself with cheaper investment in Brazil through no VAT. Further more, USA is in regional agreement with the South American nations, hence Unicola will have a standard known procedures to follow rather than carrying heavy research programs so as to avoid any legal disabilities. To give a reflection, Poland has all the necessary laws as well, although both countries facing piracy issues, however, it is a member state of the EU. The US and EU has never gone along well in the past as EU has stringent and stiff policies so as to protect competition and benefit the European member states.

The detailed PESTEL analysis shows that Brazil outweighs Poland in political, economical, technological, environmental and legal factors. The analysis shows that Poland wins on the social factors over Brazil, however, the acts of Brazilian government towards the social issues, shows a positive sign of determination for Unicola to consider. The changes in the political-economic environment, as well as the institutional, have made the Brazilian consumer food/beverage market highly attractive to the investments of multinational firms.

## 2. 2. Porter's Diamond (Industry/Market/Competition):

It is essential for Unicola to analyze the industry of soft drinks and other beverages. This is part of the marketing environment will be pinned down through Porter's Diamond, as it will give an overview of Brazil being competitively advantageous for Unicola to invest and operate.

### 2. 2. 1. Factor Condition:

This relates to the availability and efficacy of land, labor and capital. From the PESTEL analysis, it can easily be derived that Brazil has no shortage of labor force, availability of land and of course capital. Brazil not only has ample labor but is skilled. ' A country creates its own important factors such as skilled resources and technological base', NetMBA. com. This is exactly what Brazil has done after the year 2000. High investment in the development of labor has been done. Brazil has made the registering of property and land for FDIs to be very easy and time efficient and the availability of capital in the form of latest technology and technicians has led Brazil to gain advantage in its factor condition.

#### 2. 2. 2. Demand Condition:

The demand condition, especially for the beverages sector, is healthy and is growing at an approximate rate of 20% each year (Appendix 3). This shows the ready market for Unicola in Brazil. Unicola will be assured of capturing a part of this percentage in its first year of operations if the marketing plan is followed accurately (discussed later in the report). Unicola can easily have an advantage on the competitive advantage that Brazil has in its beverage industry.

#### 2. 2. 3. Related and Supporting Industries:

The Brazil Sodas market has the most well known tastes as coca-cola, sprite, Pepsi and also national brands as Guarana Antarctica and Dolly. Although Brazil itself has many manufacturers of good wines, a customer can find in the market almost any brand of wine from every countries.

One major exporter of orange juice, Brazil also export dozens of different juices worldwide including traditional and exquisite fruits like Cupuacu and Umbu. Some companies developed a technique to export the frozen fruits inside plastics bags that can also be used when selling it to the final customer.

The analysis shows that Brazilian beverage related and supporting industries such as Gurana, Dolly and the big player Brahma, are well established and globalized as well. This competitive advantage in Brazil not only gives Unicola a set ground for operations but a chance to be competitive and highly innovative and efficient.

#### 2. 2. 4. Strategy, Structure and Rivalry:

Looking at the major local beverage firms are the Grupo Antarctica, Dolly and the newly ISO 9002 certified Brahma, their strategy has been simple, be innovative, differentiation strategy in terms of packaging, which is one of the huge businesses in Brazil, taste and product mix. Further more, they have been highly competitive amongst themselves, enabling them to go international in their operation and thus attracting foreign beverage investors as well, such as Unicola in this report.

The structure of these Brazilian industries is very much traditional, proper hierarchical structure. This means that the control remains in the hands of the top management in these companies. This is of no surprise due to the immense competitive rivalry not only between local companies but also the international beverage operators in Brazil. A hierarchical structure will enable the firm to remain accurate and maintain control.

Looking at competition, Unicola will face competition not only from the foreign companies such as Pepsi and Coca-Cola, but also the local companies mentioned earlier in this section. However, the positive scenario for Unicola to look at is the consumption of cola taste in Brazil is far higher than any other tastes (Appendix 5).

The Porter's Diamond has successfully highlighted the essence of internal environment in Brazil. From the above discussions, it is very much evident that Brazil has a competitive advantage in the food and beverage industry due to its strategic capability in terms of resources (physical and human both), financial resources, its trade relations with the US, government being highly determined and the intellectual capital, that is, analysis of Brazil being one of the wanted nations for FDIs, especially in the food and beverage sector.

### 2. 3. Porter's 5 Forces (Further Internal Analysis):

This framework will enable Unicola to look even deeper into the internal environmental audit of Brazil beverage and food sector. Porter referred to these forces as the microenvironment, to contrast it with the more general term macro environment.

#### 2. 3. 1. Bargaining Power of Customers:

The customers have a high power to bargain in Brazil, due to the existence of several beverage and food products and brands. They a wide choice and mood differentials in terms of alcohol, soft drinks, juices, coffee, tea and even mineral water as well.

### 2. 3. 2. Bargaining Power of Suppliers:

In recent years the suppliers have gained power due to government regulation on strengthening the supplier's attributes. Farmers have been given rights to gain more out of their selling to the manufacturing sector. This awareness has led to gaining of their power to sell and supply the material needed. Moreover, quality certification of the suppliers in Brazil has also led to compatibility between suppliers, and thus suppliers can levy conditions on the supply chain. However, Unicola will not face the problem of supplies if the proposed strategy of the market entry is a success (discussed later in the report).

### 2. 3. 3. Threats of New Entrants:

Unicola will be the new threat to the local food and beverage industry in Brazil. It becomes even easier as there are no relevant trade barriers between the US and Brazil due to the FTAA and both countries being the member of the WTO which stresses on liberalized trade policies. The capital requirements will be comparatively less for Unicola to consider due to the existence of capital in Brazil with its trusted efficacy in technology. However, government will take an action against this new entrant and levy anti trust policy ensuring Unicola to stay competitive rather than becoming a monopoly by gaining huge chunks of market share.

### 2. 3. 4. Threat of Substitute Product:

Even after an aggressive strategy formulation of Unicola, to be discussed later, it will face threats from substitute products and brands. Everyday,

consumers will switch to other alternative substitutes according to their moods and satisfactory needs. The substitutes not only includes other soft drink manufacturers but also beer, juice, coffee, tea, snacks producing companies and even the restaurants offering a list of special liquor and drinks with food.

### 2. 3. 5. Intensity of Competitive Rivalry:

Competitive rivalry will be an issue for Unicola as the two largest local beverage produces in Brazil, Antarctica and Brahma, have merged to form one of the biggest beer producing companies in the world. They are not just competitive in the local but in the global market as well. However, the market entry strategy of Unicola will describe how this competitive rivalry will become a positive fact for Unicola if it is conducted successfully. However, local and other foreign competitive will remain in the market, which is good and healthy for the US company to grow and innovate to remain competitive, relates to the concept of healthy competition.

Porter's 5 forces have evaluated the essence of internal framework in Brazil, giving a picture sharp view of the beverage market. The market seems highly competitive and yet healthy in terms of revenue generation and opportunistic. Get help with your essay from our expert essay writers...

### 3. Cultural Environment:

To strengthen the decision for Unicola choosing Brazil for investment, the report takes a turn in terms of cultural similarities. According to Hall's high and low context cultures, US and Brazil share a similar low context culture.

Further more, they are relatively near to each other in region, and most of their culture is similar in terms of living and doing business. The business has been influenced due to major activities by the US in Brazil over the past 6 business intense years.

Section 2 and 3 has been highly elaborative so as to base a decision on Brazil to be the chosen market. Brazil scored high in terms of good political relations not only within the country but also with US. Brazil shows good grounds towards its economic sector and is depicting an upward trend during the years and the years to come. The social issues are persistent in Brazil, however the government is highly motivated to over come such problems as it is looking to attract foreign investments. Technology is the main highlight for Brazil followed by a good business environment and easy legal documentations, especially with US.

Looking at the internal structure, Porter's Diamond has pinned down the competitive advantage of Brazil's food and beverage industry, highlighting all the factors, depicting a healthy competitive scenario for Unicola to operate in. Porter's 5 forces have showed an even graver detailed analysis of the internal marketing environment of Brazil, showing its feasibility for Unicola to invest in Brazil over Poland. Lastly the similarity in cultures through the Hall's low context framework makes Brazil the highly recommended country as it would be by most economist around the world. Further more, just to add taste to Brazil's recommendation, Appendix 6 shows the level of US food investment in Western Hemisphere, hence Unicola will have no difficulty in understanding the environment, the culture and setting up its structure in Brazil.

#### 4. Market Entry Strategy:

This is an essential part of the report which will discuss on the strategy of how to enter the Brazilian beverage market. Unicola is a successful brand in the US and Canadian market with a healthy revenue generation. This shows that Unicola should go bigger than just exporting its snack food and enriched beverages to the Brazilian market. The major highlight will be the mode of entry, standardization vs. adaptation, mass vs. segmented marketing and the pricing strategy accordingly.

##### 4. 1. Mode of Entry:

As mentioned earlier, the most successful beverage companies are Grupo Antarctica, Brahma, which has been merged together in a \$3. 4b deal to become one of the biggest brewery companies in the world. Brahma has 50% share in the beer industry while Antarctica 25%. Combined they are known as AmBev.

Looking at the above paragraph, it will be highly competitive for Unicola to have its own separate operations, resulting in high costs at the very delicate stage of its introduction. Hence, in my opinion, a merger with AmBev would be the most appropriate mode of entry in the Brazilian market.

The positives for Unicola will be the absolute demand creation for its product, high level of profits at the very beginning, and a large customer base. The operation set up will be very easy, as most of it will be already available by this huge beverage company. As Brazil leads in technological sector, this will not be an issue either.



The only problem will be why AmBev would want to merge with Unicola. After a grave research, the company sells a total of 16.4 billion gallons of beer and 6.5 billion gallons of soft drinks. We can see there is a huge gap between the two beverages. Unicola can build a proposal to tap into the production of soft drinks with its enriched formula. This would enable the merge to gain further advantage in the soft drink sector as well. Moreover to my research, AmBev produces beer, soft drinks, mineral water, health drinks and tea. Whereas Unicola will enable the Brazilian company to be even more differentiated in its local and global market as it specializes in producing snack food. AmBev will have another advantage of being highly competitive by adding it to its product mix.

#### 4. 2. Mass versus Segment Marketing:

It is quite obvious, with relation to the merger technique, Unicola should go for a mass marketing strategy in Brazil. The line of products produced by Unicola is very much applicable to all levels of the consumers. According to a survey conducted by AmBev, it stated that its products were highly sold to almost all demographics, especially ages between 18 to 50 years for beer, and 10 to 60 years for soft drinks. This easily shows the major chunk of the population being covered. Hence, Unicola should follow the same mass marketing strategy so as to gain maximum potential out of the market. Mass marketing needs mass production, which can be expensive in the introductory level, however, the mode of entry strategy will ensure an adequate level of investments to implement on mass strategy as well.

#### 4. 3. Standardization versus Adaptation:

Unicola has followed the standardized production in USA and in Canada as well and has been highly successful that it is going further international. As explained earlier, the culture of both the countries are quite similar, Unicola can go for standardized production and sell for its unique taste and brand. It will create its brand equity by being a standardized product, ensuring the same great taste to be found in every region of its operations. However, Unicola will have to adapt to the legal requirements of the health and safety laws, by reducing fats in the snacks and introducing diet cola for people conscious about calories.

Further more, looking at Unicola as a whole, it will have to adapt to the structure of AmBev, if merger is a success. The process, leadership style and marketing techniques will have to adapted by the entering brand so as to stay fit in the competitive beverage environment as now AmBev is competing with the top beverage industries.

#### 4. 4. Pricing Strategy:

It is very true that the pricing strategy is influenced by the variances in culture, the mode of entry, choosing the production method and the method of marketing.

Although the mode of entry is an expensive investment but it's a sure success investment. Secondly, it's a merger, as in theory, acquisition is when a firm is taken over including all its operations and merger is when two companies merge together their processes and extend their product mix. That is what Unicola is exactly looking for. This will enable Unicola to have a

set market and set prices at a competitive level or even lower than its competitors so gain early market entry.

The standardization technique is less costly and enables to gain economies of scale in production. This will further give Unicola the opportunity to set prices competitively so as to compete against the global competition for being a standardized product.

Mass marketing technique will give Unicola a wider market to target at. By doing a merger with AmBev, the market is already set, and a further mass marketing technique will enable the cost of operations to go even lower as more selling opportunities will be available. Lower price setting will be easily achieved. To look at it from another point of view, mass marketing will require mass production as well, and so to make sure they are sold off rather than being dumped, a low pricing strategy will be appropriate so to attract customers at the introductory level and yet remain competitive in the mass marketing regime.

To give a concluding paragraph to this section, Unicola should look for a merger mode of entry, along with a standardized production technique with minor environmental adaptations, mass marketing so as to gain initial market share along with the affordable penetration pricing strategy. This strategy depicts Unicola to be highly aggressive in its approach and ready to take the challenge of competing heavily by being a standardized and mass marketed manufacturer of snacks and soft drinks, along with a positive merger with the globally competitive beverage industry.

## 5. Marketing Plan:

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Westwood (1990, p 11) asserted, ‘ the marketing plan sets out the marketing objectives of the company and suggests strategies for achieving these objectives’. This shows the importance of constructing the marketing plan to Unicola if it looks for a successful marketing campaign. The marketing plan will be concrete and give Unicola a clear idea of how to market its product mix in Brazil.

Every plan comes with a set mission and vision so as to give a short guidance to the marketers to what course of action to follow during the short and longer operating term.

#### 5. 1. Mission:

*“ To gain immense market share in the market through quality assurance and competitive pricing strategy enabled through the merger with AmBev.”*

This short term message sets a clear course to what is needed to be done, giving a clear picture to the marketer of what Unicola is looking for.

#### 5. 2. Vision:

*“ To establish Unicola as a mass marketed standardized brand in the Brazilian market and thus aim for even further globalization”.*

The vision clearly sets out a plan what Unicola should do after its establishment in the Brazilian food sector market, also showing the strategy to follow in achieving the visionary goal.

#### 5. 3. Situational Analysis:

This analysis gives an overview of the competitors and their health in the market. This will actually determine the competitive situation to Unicola in the Brazilian specified market.

As mentioned in the previous section, Unicola is hitting on the top competitor the AmBev beverage producer by forming an alliance with. This shows an aggressive strategy implementation as it is not only entering a new international market, but actually merging with the global existent beverage producer, hence eliminating the intense competition factor.

The major competitors to exist in the market will be Pepsi, Coca-cola, 7-up, Teen and Mountain Dew in the soft drink sector of the market. However if we broaden the definition of competition for Unicola, any product that a consumer chooses to purchase over Unicola is the competitor for Unicola. Hence this will include coffee producers, especially Starbucks, and other beer producers, especially Bohemia, Miller, Skol and Polar.

A brief strengths and weaknesses of the SWOT analysis will be discussed later in the report to give the internal competitive view for Unicola.

#### 5. 4. Marketing Objective:

Westwood (1990, p 93) asserted, ' a marketing objective concerns the balance between products and their markets'. To create the balance between the product and the market, it is essential to follow the aims of the plan. Hence, Unicola should identify which product they want to sell into which market. The following should be Unicola's objectives in order to gain success:

- Unicola to sell the existing product mix in the Brazilian beverage and food market.
- To achieve a successful merger with AmBev and benefit itself with the existing market share.
- Gain market share of about 5% in first year by tapping into soft drink production for AmBev, as it only produces 6.5 billion gallons of soft drink to a mass demanding cola market.
- Generate cash flows which are the dependant on the level of dominance over competitors.
- Entering of Unicola will directly give them an edge to be a cash cow, however, increased cash flow will result in more favorable market share ratio and thus enable it to become a star with high market growth and market share.
- Penetration pricing strategy to b