

Heinz and kfc emerging market strategies essay sample

[Technology](#), [Development](#)



The growth of the Heinz's sales in the developing countries, such as China, India, Indonesia, Russia, and Brazil, is increasing quickly in recent years. Bill Johnson, the CEO of Heinz, thinks that referring to these countries as the emerging markets is not accurate anymore. They have huge consumers and high quality supporting industries. Focusing on this situation, Bill developed the Three A's long-term strategy. The first A is "applicability" which means that the products should be suitable for the local culture. The second A is "availability" which means that the marketing strategy should be effective for the local population. The third A is "affordability" which means that the pricing strategy should be reasonable for the local conditions. And then a few years later, there is an added fourth A "affinity" which means that the relationship should be closed between the local employees and the local consumers and the company. The approaches to evaluate acquisitions in the emerging markets, which are different from the methods in the developed countries, are considering the per capita consumption trends, the macro environment and the overall state of the category.

The issues in the developed economies, such as the tax system, the regulatory environment, currency trends, and the political climate, are easier to be compared with the problems in the United States by these governments' authorization. However this process may take longer time in the emerging markets. Managers should try to avoid the business risks in the emerging markets by the diversifying. But the balance between the risk and the potential reward is also should be considered by the business managers. The developing process in the emerging markets is a long-term strategy. The products should tailor to the local tastes, and then there may be some

opportunities to sell these products back to the developed countries. The business in the emerging countries is still growing quickly. If Heinz wants to keep its success in the emerging markets, even though they made some mistakes before, the managers can't ignore the cultural differences and they need to provide the convenient service, high-quality products and the competitive pricing in the future.

KFC's radical approach to China

China is a huge market of the U. S. multinational in the emerging countries. KFC is the most successful business model, which is reaching 15, 000 outlets. At first, when the first Chinese KFC opened in 1987, it offered the typical American food which didn't be accepted by the Chinese consumers. However the KFC China didn't stop working. The managers promoted KFC to be successful in China by creating its five competitive advantages: turning KFC into a brand that would be perceived as part Chinese; expanding rapidly into small and midsize cities; developing a vast logistics and supply chain organization; extensively training employees in consumer service; and owning rather than franchising the restaurants.

These five strategies made KFC to be a significant example of the multinational business in China which followed by many companies. Because of the big success of KFC in China, it became the blamed target when the Western health problem, obesity epidemic, was found in China. The high-fat and high-carbohydrate foods issued overweight in the new Chinese generation. So KFC China changed its menus to be more nutritious and balanced, which called the " new fast food". This strategy made KFC China

heavier localization and the effect was impressive. The development of KFC in China totally overcomes its business in America and it is still growing. The experience of KFC China can be learned by the multinational that wants to enter the emerging markets.

Describe the international strategy undertaken by Heinz and KFC in emerging markets, i. e. what appeared to be its managerial philosophy? Are there any disadvantages to their approach? Explain. Both Heinz and KFC tried to use the localization strategy to promote their products in the emerging markets. Different countries and areas have the huge culture difference. If the multinationals want to be successful in the new markets, they should eliminate the cultural difference and blend in the local culture. The developing countries, such as China, India, Indonesia, Russia and Brazil, have their own special culture and tastes, which obviously distinguish with the Western tastes. The American multinationals, especially the food companies, should adjust their products from Western style to the local tastes to enter the local markets. If they still insist the old tastes, their products will be difficult to be accepted by the emerging countries' consumers. The KFC and Heinz also improve their brand awareness and brand attitudes in the emerging markets.

Both of them infuse their brand with the local characteristics. For example, KFC has its Chinese name in China which makes KFC easier to communicate and be accepted by the Chinese consumers. And then there are more choices in the KFC China's menus and its recipes were changed to cater to local tastes. However, the over reformation will negatively influence the

characteristics these multinationals that had before. If these companies change too much on localization, they will lose the advantages as the foreign companies, and then they will be difficult to compete with the local businesses. Also taking the KFC China as the example, KFC China introduced rice and Chinese dishes in its new menus in the recent years. But these meals are hard to take advantage in the price and tastes. Chinese consumers go to KFC to pursue the Western style. If they want to eat Chinese dishes, they can find lots of other places with better tastes and prices. So even though KFC China tailored its products to cater to the local culture, it should insist its original brand attitude.