

# Evaluate the effectiveness of grupo bimbo marketing essay



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The Grupo Bimbo pursued to become the world's largest baker by strengthening its position in the US market. Hence, it took some strategic initiative to confront the existing challenges. The first step was to purchase a series of regional bakers in the region of Chicago to get access in valuable brands. That resulted in profitability, as it achieved to increase the Grupo's influence in large US grocery stores. However, the results were not what the managers expected, as they had to deal with three important challenges. Firstly, in the US market there was a growing concentration of grocery store buyers which created the demand for supplying the grocery stores with products for every niche consumer need. Secondly, the Hispanic population was a considerable factor that had to be considered, as it was the fastest growing minority group and a great marketing opportunity for the company. The managers early realized that Mexican brands had a strong impact in the US market and there was high potential to exploit this opportunity by rationalizing the product portfolio, offering products for every income segment and every consumer demographic. Thirdly, in the US market the company had to make changes in the distribution strategy. It was under examination whether unionized production workers or independent operators (IO) would have resulted in effectiveness and in a rise in profitability. The company found that the right decision was to shift to independent contractors which proved successful and increased sales.

Central and South America:

Although the company had to face many similarities in South America with what it dealt in the US market, the managers had to find ways to correspond to different demands in consumption that varied by country and region. The

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company focused on an experienced and successful strategic plan. It enforced its leading position by acquiring well known brands that led to be the exclusive bun supplier to McDonald's in Venezuela, Colombia, and Peru. Additionally, a successful partnership secured the company during the Argentine crisis.

However, in Central and South America the cultural and market differences had to be handled. The human resource management was totally different in these regions and it had to be adjusted individually. The managers implemented several changes considering the differences in per capita consumption of particular products and corresponded to each preference. Furthermore, despite that the consumers used to buy mass-produced baking products, they preferred different products that that were in high demand in Mexico. The company started to customize its products and redefine the distribution strategy, as the game depended on hypermarkets. The most important change was related to the distribution systems fastening. It is stated that the company's performance improved when the two systems merged into one. Moreover, the use of independent operators proved to be cost-saving, in spite the fact that the company lost direct contact with the mom-and- pop stores.

China:

As the Chinese market was considered as a great opportunity for the company to expand its operations and become the world's leading baker, in the 2006 it enter the market holding a production and sales presence. The fact, that a Spanish -owned company was the base for the company to begin

its expansion, provided the Grupo Bimbo with an extensive distribution network and a valuable portfolio of brands.

Firstly, in the pre-acquisition phase the company had to gain the market knowledge. Hence, it hired a team of Chinese immigrants living in Mexico to make recommendations on the product portfolio. That was a great help for the company as it learnt how to respond to the market's needs, by developing products for local tastes. Since the company took the decision to purchase manufacturing plant, it had to transfer the company's existing successful experience to improve efficiencies.

Obstacles as language and geographic distance were overcome by the company's initiative to hire internal experts. The company early realized how Chinese are doing business and how the company can make them trust it.

What lessons can be drawn from the case as to how firms from emerging markets can pursue a successful worldwide strategy?

Some of the main push factors for companies to worldwide operations are basically market and resource driven. Companies pursue a worldwide strategy either to develop scale or to exploit factor cost differences and to enter untapped markets. The process of internationalization can be described in the following table.

The Grupo Bimbo got the opportunity to expand its operations worldwide by designing a transnational strategy. The company's strategy has been to grow through acquisitions to enter new markets and regions that offer opportunities. The majority of the acquisitions offered the company well-

known brands, which have given it access to extensive distribution channels. As it is stated in the case study “ Grupo Bimbo preferred to continue developing the local brands it acquired”. The conditions in the bakery industry are constantly changing and the managers had to keep the Grupo updated. The acquisitions would accelerate the pace of the region’s understanding. The responsiveness to the market’s demand would only be achieved by the locals. Hence, these acquisitions have offered not only a larger market share but also the knowledge to dominate each region. They had to consider the way that business was done in each region, the consumers’ preferences, the market’s trends, in general the national culture.

The name of the company was a challenge for the US market, as its meaning is funny. However, in the beginning the degree of globalization seemed to be high and led this name to be considered as an “ icon brand” in the US too.

On the other hand, the company designed neither a global nor an international strategy. Although, it is still considered that Mexico is the main base, the company have pursued a transnational strategy. According to it, the managers have tried to exploit the global market as a portfolio of national opportunities. The company has been over dependent on Mexico for generating its revenues, but the basic aim was to achieve the global integration that would result in its consolidation.

Its strategy was to create different capabilities for the operations conducted in each region. Therefore, it has adopted separate strategies for its product lines and the way the marketing and the distribution was applied. It has been applied a mixture of global and regional strategies to dominate the markets.

The food R&D, the marketing and the distribution have been the tools by which the Grupo Bimbo has attempted to penetrate the markets.

Considering the example of the Grupo Bimbo, it is clear how companies from emerging markets can achieve successful worldwide strategies:

Step by step expansion

Rapid internationalization

Exploiting the company's strengths