

Kraft's latin american marketing vs. united states



Kraft's Latin American Marketing vs. United States Name: Course: Institution: Instructor: Date: Kraft's Latin American Marketing vs. United States Many businesses that have gone global use different marketing strategies in different markets to capture customers. This is especially due to different factors such as economic, social, legal and political factors, as well as other factors such as the Porters five forces, which affect the marketing strategies that companies use in different markets. Different markets require different marketing strategies considering the difference of the consumers. For instance, considering Kraft is a foods company, in America it might have many consumers considering they prefer eating out more than they cook, while in Latin America, people are more attached to eating at home, which is seen as a family unity. Hence, there will be need to have different marketing strategies in the different markets. To understand better the use of different marketing strategies in different markets by the same firm, this research focuses on the Kraft's marketing strategies in Latin American market and the United States market.

There are similarities and differences in the marketing strategies used by Kraft in both markets The paper compares and contrast the marketing strategies used in the two markets, and towards the end, derives a conclusion concerning what leads to such differences within the two markets by the same company. The research uses literature review of marketing strategies used for marketing, and the company's profile as its sources. Comparing the marketing strategies in the two markets is important especially for highlighting how different forces in different markets affect a firm's marketing as well as analyzing which market is better to operate in.

Kraft is forced to use different marketing strategies in the different markets due to forces within the markets that dictate the dynamics in any healthy market. Such forces include the Porter's five forces, which are: Threats posed by new competition and Barriers to entry: Whereby Kraft faces new competition from new manufacturers who want a piece of the market share that Kraft has a large command on, due to its large market share, it becomes very easy for it to lose its market share to new players. Such players come into the market with new strategies that include identical products at lower prices, new products that are appealing to the consumers.

In the United States due to the liberty in the market there are new manufacturers taking advantage of the lucrative market segment.

Companies such Nestle, PepsiCo have taken the advantage of the situation and captured a market share that was originally held by Kraft. The main reasons for this were that Kraft operated almost as a near monopoly and was lenient in its efforts to stay relevant in the market. The thought was that due to the numerous barriers of entry into the market, they would still maintain a very large share of the food market. However, Kraft in Latin America took advantage of the possibility of commanding a large market share due to the market share after its entry into the market. Barriers of entry come into play due to their abilities to ward off competition by reducing their prices to low levels such that it becomes unprofitable to operate, however they do so with resources that are easily available to them.

Threats of substitute products: Whereby the new market players come up with new products that are identical in nature and are offered at lower prices; this becomes a force of attraction to the existing consumers. The new

<https://assignbuster.com/krafts-latin-american-marketing-vs-united-states/>

products are able to attract Kraft's customers; this has negative repercussions on the revenues of the company. In the United States market, the presence of many producers has been a source of anguish for Kraft, for the reason that competition has eaten into their market share and in their profits due to the costs associated with warding off competition. In the Hispanic market, it has been more so the same, the presence of more producers led to a decline in the market share commanded by Kraft and thus a decline in their revenues. Bargaining power of the suppliers This also has effect on the operations of Kraft.

The bargaining power varies in different markets; it can be described as the input of raw materials into the firm. Suppliers dictate their own prices, and hence they are able to control the supply prices. This can have a negative impact on the operations of the company by increasing the operating costs associated with high input costs. However, this aspect is similar in the United States and the Latin America in that suppliers have a level of unpredictability, and thus they can change their terms of sale which varies from one region to another. Intensity of competitive rivalry, Aggressive competitors are able to market their products by incorporating innovation, advertising campaigns, production of new products. Such aspects give the firm a competitive advantage.

Competitive rivalry becomes reflected in the company's revenues, whereby fierce competition attracts consumers who were originally loyal to Kraft's brands, thus reducing the expected sales. To counter the fierce competition in the United States from brands such as Nestle, PepsiCo, Kraft has to dedicate huge resources to stay relevant in the market; thus, reductions in

<https://assignbuster.com/krafts-latin-american-marketing-vs-united-states/>

the profits as new marketing costs increased the operating costs. In Latin America fierce competition among producers drove Kraft's market share to very low levels, thus they had to strategize on how to increase their market share and stay relevant in a very dynamic and rapidly changing market albeit the Latin America population was growing very rapidly. This necessitated the production of new products that would appeal to the different consumers with different needs. Buyer Power; The purchasing power of the consumers plays a vital role in determining the market trends. Where a buyer has strong purchasing power, they are able to determine most of the decisions related with production of the product, such as quantities to be produced, estimations of the expected revenues.

In the presence of many producers, they are able to determine the prices because all the producers aim to get the consumers to purchase their products. Whereas in the presence of many consumers with a lower purchasing power countered with presence of few manufacturers, the producers are able to dictate the prices due to the large demand for their products. This drives the prices of commodities due to the inadequate supply and insatiable need for the products. In relation to Kraft, they existed in almost near monopoly and were able to dictate the prices of the products; they set a precedent in terms of the prices. In relation to the Hispanic market, there was a sizable Hispanic population with majority of them low income earners, this proved to be a very lucrative market niche for Kraft. Due to the presence of other producers Kraft had to strategize its entry into the Hispanic market .

This prompted Kraft to focus on pocket friendly products in order to fight competition and gain a market share. Methodology and Research design: Data Data in relation to the topic can be found in different texts and internet sources. Data can collect by several means, questionnaires, observation, interviews, and random samples. The main aim is to collect data that clearly explains the strategies used in both countries and the outline of the differences if any. Main data is about the facts in regards to the different strategies used in the United States in comparison to Latin America. The collections methods vary due to the nature of the data to be collected, its relevance to the research question. The data shall be collected by interviews to get first hand accounts of those in the line of consumption of Kraft products.

This would provide a better view of the effects of the current marketing strategies, and thus this would enable to draw concrete conclusions of what needs to be changed in the marketing approaches. However, it may prove to be very difficult to obtain such data unless from the specific sources, which is the Kraft management. Expected Problems: I expect to encounter several problems in the course of my research. The challenges mainly include non-responsive interviewees-whereby few interviewees will be willing to part with the information; manipulated data results by the staff involved in collecting the data, interviewees might give false information. It would be very difficult to get information from workers of the organization and the organization regarding what approaches they use in the United States and Hispanic countries for the main reason that, financial information is considered confidential and is only revealed to specific people. Another reason for lack

of access to information is that those with financial information about Kraft would consider that the collection of the information is a strategy to find information that entails the success of the business and use for one's own gain. Limitations: The main challenge I am likely to encounter is the lack of cooperation from people who might have the relevant information in the conduct of the interviews I might also find information about the research hard or next to impossible to find which might render the research incomplete. Time constraints in conducting interviews and reviewing the samples of data collected a conclusive report.

The distance that should be traveled to get an interview in Latin America, is quite unbearable. Ethical Issues: The lack of precise information could jeopardize the credibility of the results. Thus, the need to establish credible sources of information and maintain high levels of professionalism in conducting the interviews, collecting samples.

The sharing of financial information by organizations would go against general policy of ethics in business. Hypothesis Statement: There exists a difference in the marketing strategies used due to the different market dynamics attributed to different market dynamics. Methodology Different statistical techniques will be used in this research. The main variables are the United States and the Latin markets (Hispanic market). The data collected will specifically include the different strategies used in these markets. The t-test for dependent variables would best suit this research to establish the differences between the two variables. Surveys would also aid in establishing the different decisions and strategies used because of the need for detailed answers.

Survey Instruments: Questionnaires are part of the survey tools to be used in the conduct of the research. The basis for construction of the questionnaires is such that the answers are direct and easy to understand and answer. They will be made up of, open-ended questions, unstructured, and closed questions such that all the information needed are covered.

However, only the most important questions will feature in the questionnaire to enable the persons filling them out to use the shortest time possible. The main aim of this research is to provide information what impact the current marketing strategies have had on the organization and if they are adequate, and the improvements that should be adopted. Findings The results indicate a very different approach has been used in both markets. In the United States, the approach has been focusing on the general consumer.

The focus in the Hispanic market is quite different as it mainly focuses on the consumer specific products. There are some strategies used that are similar in nature as they apply to all markets regardless of the market forces. The information collected establishes that there is need for new approach to conform to the market changes and to be able to regain its competitiveness and its market share. Discussion In any highly competitive market, producers keep on adjusting their strategies to ensure their survival in the highly volatile markets. In the presence of different dynamics associated with different market structures, Kraft was force to review its dismal performance in the Hispanic markets. This prompted Kraft's management to come up with new strategies to save it in the face of collapse. In light of the various problems faced by the Kraft Company, there is need for change in how they handle their general issues such as focusing mainly on internal structure

<https://assignbuster.com/krafts-latin-american-marketing-vs-united-states/>

instead of the main purpose of their existence, running a successful business. The company brand is one of the main factors of success as consumers love to be associated with big and successful brands.

Hence, in order to maintain relevance, they should evaluate the strength of the brand and how it stacks up to other brands in the market, this would give the company a clear view of the strength of the brand and enable them to come up with new ideas that would help in revitalizing the image of the company. The company needs to establish strong bonds with suppliers in order to keep the overheads associated with supply, such as abrupt increase in material prices, inadequate material in the market leading to lesser production than the normal and exorbitant material prices. Producers are often faced with the challenge of focusing either on the competitors or on the customers .

The best strategy should lay emphasis on the customers, as they are the main reason for a company's existence. Thus with such a perspective a firm can dwell on improving the services and developing more customer specific products. As it first did in Jan 1 1996 when it entered into the Hispanic market with Valle Lindo cream that was specifically targeting the Hispanic mothers, who are fond of fresh milk products. .

In trying to remain relevant in the market by gaining a competitive advantage, the firm can adopt different options available to them such as lowering or increasing them to gain a competitive advantage over their rivals. Using innovation to come up with products that are have an appeal to the general consumer. The firm can adopt Porter's generic strategies

whereby the firm can increase its advantage of other competitors by three main ways: Cost leadership, Differentiation and focus. Cost leadership can be defined as the effort by a firm to be the firm with lowest production costs in a market. This can be attained by selling its products at average levels or even lower prices to gain the market share; this enhances the firm's competitive advantage. For this to take place within a firm the following must be present, availability of resources a firm must have the available resources to be able to finance its operations even when it makes little or no profits. This presents a barrier to entry to many firms that do not have the adequate resources to sustain their operations even at minimal operations. It should have the expertise in designing of products that are favorable in the market.

There should also be existing efficient and effective distribution channels to enable the firm to supply the goods with ease even after introducing new products into the market. Differentiation strategy can be adopted, is whereby an organization utilizes its expertise to come up with products that are unique in their attributes and are value added to enhance their attractiveness to the consumers. This can be a competitive advantage for the firm as it is able to tap into a different and new market segment created by the new product. This can be attributed to by an organization's internal strength such as the access to research and development (R&D) and innovative and skilled workforce that is able to incorporate their talents and skills into the making of new products. With the existence of few or no players in the new field, a firm acts as a monopoly and is able to dictate the market prices, thus passing all its production costs to the consumer and retaining adequate profits. Focus strategy can also be used to gain

advantage by specifying the main segment that the firm would focus on.

Thus, all the organization's efforts and resources are focused on one target or market segment.

This enables a firm to focus on its strengths. These generic forces have the ability to protect a firm from outside competitive forces they have several characteristics that include the ability to reduce prices deters new potential producers from entering the market as they view the market as very unprofitable, this can be attributed to the cost leadership strategy. The differentiation strategy enables a firm to attract and retain loyal customers this has the ability to deter new entrants into the market. In addition, focus strategy has the ability to deter new entrants as they view the firm as very competitive due to its expertise in specialty of producing goods. Conclusion Producers of consumer goods need not relent on their efforts to stay relevant by becoming innovative. Innovation is one of the main factors that is driving change and growth in companies around the world (Robert and Alan, 2003).

They should also focus on reducing the many bureaucratic levels of management that are present in the organization that are the main impediments to the development of the organization. They should instead focus on outside forces of the market, the presence of new market players who are a threat to the very existence of the company and thus find their faults and rectify them for the growth of the company. Generic strategies can only be adopted singularly so that a firm can avoid mixing up strategies and thus losing on all fronts References Michael J.

S and David W. G.. (1997). Strategic management: total quality and global competition. New Jersey: Wiley-Blackwell Publishers. Porter, M.

E. (1980). Competitive strategy: Techniques for analyzing industries and competitors. New York: Free Press. Robert L.

B. and Alan S. G. (2003). A Short Course in International Business Plans: Charting a strategy for success in global commerce. World Trade Press.

Don E. Schultz and Phillip Kitchen Five Competitive Forces: Communicating Globally: an integrated marketing approach. Larry Light and Joan Kiddon Six Rules for Brand Revitalization: learn how companies like McDonalds can re-energize their brands.. Pages 1-39 and 89-142None Halbert & Ingulli. Law & Ethics in the Business Environment. Expertlaw. com's article on contract law.

Read Page 1 and the links only Mulani, N (2002). Global operating models: Lessons from (and for) emerging-market multinationals.. Highland Ranch Logistics Management (2002). Highland Ranch: Mar 2009. Vol. 48