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Introduction

Federal Republic of Brazil is the most prosperous nation in South America. Brazil has a rapidly growing economy which makes the country an ideal investment destination for many companies wishing to establish their operation in South American. Apart from being the largest nation in South America, Brazil rapidly growing economy is leading the world in various ways. Brazil is known for its bio-fuel production which greatly reduces the cost of transport in the country. Brazils is also one of the leading producers of sugar in the world after inheriting the colonial sugar plantations which were established by the earlier settlers in south and North America.

Compared to other countries in South America, Brazil has experienced a relatively conducive political environment which has provided an opportunity for most multinationals to invest in the country. With a GDP of \$1, 837 trillion and a per capita income of \$9, 703 Brazil is an ideal investment destination for most companies in the world. According to the 2008 estimates, Brazil had a total population of more than 190, 1467, 249 with a large pool of qualified labor force. Brazil has a modern transport system and the increased production of bio-fuel has reduced the overall reliance on fossil fuel driving the cost of transport down. Brazil can be considered as a gateway to South America. Brazil is the hold the larges trade volume in the MERCOSOUR region which brings together countries in South America. These and many other factors make Brazil an ideal investment destination.

Brazil has been experiencing growth in different sectors of the economy. One of the rapidly growing industries in the country is the confection industry.

Between 1990 and 2006, Brazil confectionary industry grew by more than 48.5% which was double the rate of GDP growth of 28.4% in the same period. These statistics shows that the industry is growing at a higher rate than the economy and is one of the most important industries supporting economic growth. With more than 60 companies competing in the market, Brazil confectionary industry is becoming more and more competitive. The rate of production has increase by more than 41% since 1990 which has been attributed to a Real Plan imposed by the government since 1994. However there are more investment opportunities in the industry.

Multinational companies like Nestle have wrestled with the law to be allowed to operate in the market but it has been denied.

The marketing plan will look at introducing Cadbury, which is one of the major confectionary producers in the world. The plan will carry out a country assessment to understand the prospects of investing in Brazil. It will then lay down a marketing plan to successfully introduce Cadbury products in the market.

MARKET ASSESSMENT - BRAZIL

Before investing in a country, the most important factor to consider is the political, economical, social, and legal factors that support business operation in the country. For a successful investment there must be enabling political, economical and social factors that will support the operation of the business. Therefore, a clear analysis of all these conditions is very important for any company wishing to invest in a country. In order to assess the prospects of introducing Cadbury CaraMilk Dark Noir chocolate

bar in Brazil, we must have clear understanding of the political, social and economic forces at play in Brazil. Let us look at some of these factors.

Geographic factors

Brazil occupies the largest area of the interior South American region. It shares the land border with Uruguay, Argentina, Paraguay, Bolivia, Peru, Colombia, Venezuela, Suriname, Guyana, and the French Guiana. Brazil is one of the most diverse countries in the world in terms of size, relief, climate and natural resource. It is the fifth largest country in the world and third largest in American stretching four time zones. The topography is diverse and includes the famous Amazon basin, hills, mountains, plains, highlands, and other geographical features. The climate of the country hold a wide range of weather conditions across the expansive nation but a large part of the country has tropical climate. Different regions in the country exhibit different microclimates. The country is also rich in various minerals but most prominently is its rich agricultural land which has for decades supported sugarcane plantations. The country is endowed with various mineral resources including bauxite, gold, iron ore, manganese, nickel, phosphate, platinum, tin, uranium, petroleum, hydropower, timber, and others.

Politically, the country can be considered as one of the most influential countries not only in South America but also among the developing countries. It has maintained relatively good relationships with the neighboring countries except for the political struggle with Venezuela for control of trade in Latin American. Brazil accounts for more than 25% of the total trade volume in the MERCOSUR region which brings together majority

of the countries in Latin America. Brazil has also trade ties with other trading blocs like EU, NAFTA, and others.

Demographic factors

Brazil population is made up of diverse racial and ethnic groups. According to the recent statistic from National Research for Sample of Domiciles, 49% of the population is composed of whites which is about 93 million, 42.6% is composed of Pardo or mixed race which is about 80 million, 6.9% are Blacks who are about 13 million, Asians makes up 0.5% roughly about 1 million while 0.4% are Amerindian about 519,000. This diversity in the population stems from the increase flow of Portuguese and African slaves during the colonization era. According to the 2008 estimates, Brazil has a population of about 190,467,249 with a density of 22/km². The population growth rate is estimated at 1.228% with a total fertility of 2.22 children per woman. Most Brazilians live in the coastal regions. the largest metropolitan areas being Sao Paulo, Rio de Janeiro, Belo Horizonte, and others which have an estimated population of about 19.7, 11.4, and 5.4 million respectively. This means that there is large segment of Brazilians who live in urban areas. However there is still a larger number of Brazilians who live in the rural areas practicing small scale agriculture while others are employed in the plantations.

Economic factors

Brazil is the largest economy in Latin American and the world tenth largest economy when measured in term of market exchange rates. The country has the ninth largest purchasing power parity (PPP) according the recent IMF <https://assignbuster.com/problems-in-international-business-essay-sample/>

and World Bank reports. The economy of the country is composed of giant agricultural, mining, manufacturing, and the service sector. With a population of more than 190 million people, the country has a large pool of human labor force. According to the 2007 estimates, the country has a GDP in terms of purchasing power parity of \$1, 849 trillion. This brings the per capita income to \$9, 703. In nominal terms, the country has a GDP of \$1, 313 trillion and a per capita income of \$6, 67.

In the recent past, the economic growth has seen the emergence of the export sectors. The major exports include aircraft, coffee automobile, soybean, iron, steel, ethanol, and many others. The country has also increased its presence in the international financial and commodities market and it is one of the four world emerging economies together with India and China. Brazil currency, the real, is pegged on the US dollar since 1994. In 2007, Brazil had an inflation rate of 3. 6% with public debt standing at 45. 1%. However the financial instability in the world has led to change in the real currency from time to time to adjust to the changing rate of inflation. In 2007, the country had real GDP growth of 5. 4% which was driven by the growth in commodities especially in the export sector. By sector analysis, the GDP is composed of Agriculture with 5. 5%, industry accounting for 28. 7%, and the service sector accounting for 65. 8%.

Financial factors

The foreign exchange rate in the country has been changing with the fluctuation in economic conditions in the world. In 2007, 1 real (BRL) was exchanged at 1. 85 while it was exchanged at 2. 1761 in 2006, 2. 4344 in

2005, 2. 9251 in 2004, and 3. 0771 in 2003. This means that the domestic currency has been appreciating over the years with the growth of the economy. Since 1994, the country had pegged its real to the US dollars but due to the Asian financial crisis and the domestic financial crisis, the government change is monetary policy to managed float scheme but later resulted to free-float scheme.

Foreign exchange rate fluctuation; currency controls; balance of payments; foreign debt; taxation; accounting practices.

Political factors

After many years of political turmoil, Brazil finally came under a constitutional rule in 1988 after the end of military rule which had taken power in 1964. Brazil is a democratic country under a federal constitution which has three main entities including the state, municipalities and federal districts. The federal constitution uphold important ideals of sovereignty, citizenship, dignity of human beings, the social values attached to labor, the freedom of enterprise, and the political pluralism which has granted individual the voice to air their views on governance matters. Although there are many political parties, there are four dominant parties which have ensured political stability in the country. Under a presidential system, Brazilian government has ensured privatization of state owned corporations. Since the end of the military rule, the country has ensured the establishment of a flourishing free market. There has been a major support for the growth of the business sector. Since the turn of the millennium, political stability in

the country has seen reelection of President Luiz Lula da Silva for two consequential terms.

The government offers enough support for all the foreign investors in the country. Since its independence, the consecutive governments have upheld pro-government policies which have seen flow of foreign investors in the country. On a scale of 10 points, the country can score 6 points on risk assessment. This puts it in the same class with other emerging market like India.

Legal factors

According to the 2005 index of economic freedom, Brazil weighed an average tariff rate of 7.1%. This was attributed to a number of import and export quotas, bans, and market access restrictions. There have been claims of bureaucracy in the establishment and operation of business in the country. However, Brazil businesses in Brazil benefit from accessing the tariff and quota free MERCOSUR market.

Cultural factors

The main language spoken in Brazil is Portuguese which is spoken by the entire population. It is the only language that is used in public communication in news paper, radio, television, business communication and for administration. Being the only Portuguese speaking country in the Americas region, this is used as a symbol of national identity. The Brazilian society is made up of multiethnic cultural complexity and the culture is has influence from European, Africans, and the indigenous cultures. The main

religion in Brazil is Christianity following the Roman Catholic Church. Brazil is the largest Catholic nation in the world. However there is a growing number of protestant churches but 73.9% are Roman Catholics

Labor factors

The country has labor force of 99.23 million which are qualified in different educational levels. About 20% of the labor force is employed in the agricultural sectors, 14% in the industrial sectors, while 66% is employed in the service sector. According to the 2007 estimates, the country had unemployment rate of 9.3%. The rate of unemployment is higher in females than in males. Female make only 12.3% of the labor force. The rate of unemployment in females stands at 23.3% compare to 14.2% in males. However the number of working women is growing faster than the number of working men.

Competitive factors

Compared to the neighboring countries, Brazil has a competitive business environment. The country legal, political and economical structure are more competitive compared the other developing countries. The macro level factors are pro-business which positions the country to the level of industrial competition. The Da Silva government has come up with a number of factors aimed at attracting investors to the country.

Distributive factors

The transportation sector is well developed in Brazil. The country has about 4,263 airports with 718 airports having paved runways and 3,545 having <https://assignbuster.com/problems-in-international-business-essay-sample/>

unpaved runways. The country has 26 heliports. It has a pipeline of 244 km for condensate gas, 12, 070 for gas, 251 km for liquid petroleum gas, 5, 213 km for oil, and 4, 410 km for refined products. It has a railway line running 29, 295 km. It has roadways running a total of 1, 751, 868 km. In water transport, the country has 50, 000 km water ways, 136 merchant marines. The main ports and terminals include Guaiba, Ilha Grande, Paranagua, Rio Grande, Santos, Sao Sebastiao, and Tubarao. This shows network of transport has helped the country to establish a strong distribution channel made up of wholesales and retailers.

MARKETING PLAN

Executive summary

The confectionary industry is one of the rapidly growing industries in Brazil. Since 1990, the industry has recorded a 48. 5% growth rate. With more than 60 companies competing in the market, the level of competition is getting stiffer. Cadbury has established operation in the world, and therefore it is in a good position to venture in the Brazilian market. This marketing plan will be introducing Cadbury CaraMilk Dark Noir Chocolate Bar in the Brazilian market. The current dark chocolate market in Brazil is still competitive but there is no dark chocolate brand in the market that meets its quality attributes. Cadbury CaraMilk Dark Noir Chocolate Bar has been introduced in Canada but it has not been introduced in South American market. The unique attributes and qualities a of Cadbury CaraMilk Dark Noir Chocolate Bar makes puts it in a superior position to venture in the market. The company will use below and above the level marketing strategies in order to

introduce the product in the market. It will use the distribution channel of Cadbury Adams Brazil. Although the company will operate independent from the Cadbury plc, it will have to follow the operation protocols used by Cadbury. The company will be headed by a Country Director who will be assisted by managers heading different departments. The business will require US\$500, 000 for the start up operation.

Market analysis

The confectionary market is one of the rapidly growing industries in Brazil. Between 1990 and 2006, the industry grew by more than 48. 5% which was twice more than the overall economic growth. Between 2002 and 2007, the confectionary market in Brazil grew at an average rate of 3. 7%. The growth has been driven by an increasing consumer demand for chocolate. With more than 196 million people, Brazil has been ranked as the fifth leading consumer of chocolate in the world. (Candy Industry, 2002)

The increased growth of the sector has been driven by the availability of low cost products coupled by high consumption levels. The large population provides a domestic market for confectionary products while the leading companies have exploited the expanding MERCOSOUR countries.

Market profile

With a total population of more than 190 million people, Brazil provides one of the most lucrative markets in South America. The entry of the Brazil to the MERCOSOUR bloc provides a further large market for any business operating in the country. In marketing, the most important question to

answer is who is your target market? Everyone is not an appropriate answer to this question. There has to be a specific segment of the population which is targeted by the marketing plan. The largest size of the population in Brazil lives in urban areas. (Hochsteller, 2008) Most of the companies in the country are targeting the urban population and the rural population has been neglected despite the market potential.

This marketing plan will be aiming at introducing Cadbury Caramel Dark Noir chocolate bar in the urban and rural areas in Brazil with an expansion to the MERCOSOUR countries after three years of operation. Market research data shows that the female population is the largest consumer of chocolate and confectionary products. Therefore this marketing plan will target female population especially those aged from 12-55 years who are the leading consumers of chocolate products in the world. Market research data shows that the female population accounts for more than two thirds of the total chocolate purchases in the world. They are also very influential in the family purchase decision making process. Cadbury Caramel Dark Noir chocolate bar has qualities and attributes which are synonymous with the female segment of the population. (Hochsteller, 2008)

Market size

Brazil has a large population of more than 190, 467, 249 with a high growth rate of more than 1. 24%. Adding the population from other countries in the MERCOSOUR region the market size becomes larger. The female population makes up 51% of the population which show that there is a larger market for the product in the Brazilian market.

Competition

The confectionary market is very competitive in Brazil. With more than 60 companies competing in the market, the level of competition is become stiffer and the main players have been coming with different marketing strategies targeting the leading chocolate consumers in the market (Hochsteller, 2008). The principle players in the market include Neslte, Garoto, Lacta, Arcor, Cadbury, and many others. Since 1999, the level of competition has grown rapidly with the opening of Arcor factory. In 2007, the leading company was Nestle S. A. which was followed by Kraft Foods, Inc. and Cadbury Schweppes plc coming in the third position. However the market share landscape has been changing over time which explains the competitive nature of the market. For example, in 2005, the competitive landscape saw Nestle S. A. coming on top, followed by Altria Group, Inc. and Garoto coming in the third place. With the exit of Nestle S. A. following a court ruling, Cadbury is in a good position to establish its products in the market (Candy Industry, 2002).

SWOT analysis of the product

The main product to be introduced in the market is Cadbury Caramel Dark Noir which has been performing well in the Canadian market. Cadbury Caramel Dark Noir chocolate bar is associated with festivity, class, and a lasting experience. In Canada, the product is used as a souvenir for those who visit Canada to take back to their loved ones. Cadbury will be looking towards creating the same culture regarding the product in the Brazil market. It will especially introduce the product and create a new female

experience in the Canadian market. The following is the strengths and weaknesses of the product.

- Strengths
 - This product will bring the first new experience of the product in the Brazilian market. Although there are many brands of chocolate in the Brazilian market, there is no brand which has produced a class and style that can act as a souvenir for those who visit Brazil. The attributes and qualities of the product as has been described in other markets will bring in a new tastes and experience to the consumers
 - Cadbury Caramel Dark Noir chocolate bar has its own blended texture and superior taste. The product has a grainy texture yet it is very smooth when melting in the mouth. It harbors a hybrid taste of dark chocolate and caramel. These attributes means that the product is likely to attract a wide range of consumers with different preferences in the female market segment. (Cadbury Canada, 2008)
 - Unlike other brands in the dark chocolate market segment, Cadbury Caramel Dark Noir chocolate bar has nutritional importance. The product is used in relieving stress and brings back vitality in life. One chocolate bar contains 260 calories, 13 grams of fat, 7 grams saturated fats, and minimal cholesterol content below 5 mg. This means that the product is likely to have a greater impact that other brands in the market since it address issue of consumer health. (Cadbury Canada, 2008)

- The marketing plan is targeting the female segment of the population. This product has performed relatively well in the female market in Canada and therefore it is likely to perform well in Brail market.
- Weaknesses
 - The product is absolutely new in the market. Therefore there it will take time before the consumers are accustomed to the product and the level of sales starts to peak. This means that the company will have to use a great part of its revenues in marketing the product to the consumers. This may affect the growth of other products which are marketed by the company.
 - The product is marketed in the dark chocolate segment which is already crowded. This means that unless the company maintains a high standard of quality of the product, the product may not maintain a high level of competence in the market.
 - The product is also being marketed in the female market segment only which may hinder its growth due to their lower income as compared to the male segment.

Objectives

The following will be the main objectives of the marketing plan:

- To introduce Cadbury Caramel Dark Noir chocolate bar in the market within a period of 12 months
- To increase the total sales by more than 25% in the first 6 months
- To increase the awareness of the product through advertisement and promotion to more than 80 million people in a period of 12 months

- To acquire a 15% of the dark chocolate market segment within 12 months

Marketing Strategies

The marketing mix is the main engine that drives the marketing strategies. The marketing mix determines the effectiveness of the approaches which are used by the company to achieve the set market objectives (Tropernaars and Woolliams, 2004). In order to meet the above objectives, this marketing plan will use the following marketing mix strategies.

- Product

For the product to be accepted by the local Brazilians, it must have characteristics which are almost similar to the local chocolate brands but which distinguishes it from the other brands. The product will have to undergo various changes in packaging in order to be appreciated in the local market culture (Tropernaars and Woolliams, 2004). In Canada, the product is offered in “ King size” bars since it serves the purpose of souvenir. In the Brazilian market the product will be packaged in small sizes that fit the consumer purchasing powers. The product will be marketed in size of 25 grams, 50 grams, 100 grams, 250 grams, and 500 grams King size bar. This strategy will be used in order to provide a wide variety to choose from according to the income of the population.

- Price

Pricing strategy can be used as a factor in market penetration. The product has to be offered in the right price that consumers can afford (David, 2004). This marketing plan will utilize the price wars currently existing in the dark
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chocolate market segment by offering the product at a lower market price which meets the cost of operation and product but has small profit margin. This strategy will be used in order to penetrate even the lower market segments. However, in order to be sensitive to the class and style that the product want to portray, the 250 and 500 gram chocolate bars will be sold at a price higher than the standard market price and mainly marketed in the upper class shopping market. This pricing strategy is meant to ensure that the product sales peak in the upper and lower market segments.

- Promotion

This marketing plan will use a number of strategies in the promotional mix in order to reach more than 80 million Brazilian within 12 months. The company will use strategies like advertisement in the mass media and public places, online selling, personal selling through sales agents, direct marketing, and many others. In the promotional mix, the company will carry promotions like “ BONGO” or Buy One Get One, sales coupons, and many others. It will also carry out off-street sampling in order to give consumers the taste of the new product. (David, 2004)

- Distribution

The distribution network is important in order to ensure the products reach all the consumers (David, 2004). The company will use its current Cadbury Adams Brazil to distribute the products in the market. Cadbury Adams has been performing relative well in the Brazilian market since its entry in 2004 and has increased the total revenues to more than 11 percent. Therefore the

company will rely on this distribution network through which Cadbury Adams Brazil distribute its products in order to reach all market segments.

Operations

In the first two years of operation, the company will be importing the product from Cadbury Canada. However the market progress will determine whether the company will put up a production line Brazil. Once the products are imported from Canada, they will be stored in a 50 m² warehouse which is used by Cadbury Adams. From therefore the product will then be distributed to the wholesalers and later to retailers. The following chart shows the operation of the company.

Organization

Since the product will be sold through Cadbury Adams Brazil, the organization structure adopted will be that used by the company. Due to its global nature, the Cadbury has tried to standardize its organization structure in order to give the country manager more power in the decision making process regarding the business. Therefore the company will operate as a different entity from Cadbury in matters of business operation and decision making. However it will have to follow the business protocols used in Cadbury.

The company will be headed by a Country Director who will be responsible for the overall operation of the company in the country. Under the director, there will be different managers heading different departments like procurement department, sales department, Logistics department, Finance

department and Human resource department. One of these managers will be selected as an assistant Country Director.

As a culture of Cadbury plc employees are the most important asset for the company. Therefore the company will use financial and non financial strategies to motivate the employee. For example the employee in the sales department will be paid 10% discount for their total sales apart from their basic salary. The will ensure that the employee are motivated to increase their total sales. The management will use democratic style of leadership in order to ensure that employees are given a chance to give their views on some of the most important decision made by the company. This will also help employees to feel as a part of the company.

Financing

The operation of the business will be financed by Cadbury Adams Brazil. The product is coming to the market as a part of their portfolios and therefore they will have to meet the cost of operation and importation of the product. The start up capital for the business is US\$500, 000. Cadbury Adams Brazil will be solely responsible for meeting the strategy up cost of the business. This amount include the US\$350, 000 which will be required to important the first consignment of the product, US\$50, 000 which will be required for promotional and advertisement in the first month, US\$ 50, 000 which will be required for logistics, and US\$50, 000 which will be for miscellaneous use and contingency purposes. The financial cost of the business will be met from the company revenues which will give US\$350, 000 while US\$150, 000 will be sourced from financial institutions and prospective partners.

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