Local versus global brands: The internationalization process in Food and Beverage Industry

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Keywords
Internationalization process; global business; local brand, global brand, Food & Beverage Industry; Quality products; Premium Pricing

Abstract
Purpose of the research: Globalization has been playing a vital role in our lives today considering international products' uses for our daily use and luxuries. The paper consists of a thorough analysis on how the Internationalization process is pushing the local brands to consider global boundaries. The purpose is to investigate the Internationalization process that has changed the dynamics of the Industry considering how the local brands are fighting for its position with the aggressive expansion approaches of the global brands. There are multiple reasons why consumers tend to choose global products over local ones and the most common reason to observe is its ‘Quality’ but issues such as the global brands’ efforts often outweigh even factors like ‘Patriotism’ in the market.

Methodology: The paper has been constructed based on practical strategy analysis of 10 diversified brands to obtain first-hand information about consumer attitudes. The vital attributes such as Quality, Branding efforts, Brand Image in relation to Premium Pricing has been analysed based on a study of 50 published journal articles on how brands worldwide have been surviving the Industry life cycle.

Findings: Statistical analysis has successfully helped to test variables- Quality and Premium pricing to consider factors leading to global brand choices over the local brands despite its sophisticated quality improvements by the local brands. The result is somewhat surprising where ‘Quality’ is not the main driver for consumers to choose local products over the global one, yet they tend to pay more for global brands.

Conclusion: Patriotism, Quality, Brand Image and Premium Pricing are some key criteria that firms can use to change the customers preferences of the Industry inducing local consumption choices over global brands. Companies; local and global would now justify their products’ features to offer viable products in global business perspective.

The Introduction
The Food and Beverage Industry of Bangladesh is diverse with variety of products of both global and local brands. The most tempting are Pran, Akij, Square food & beverage, Abdul Monem, and Transcom in the market. Many new locals have emerged in order to compete within the local boundaries such as Sajeeb, Dekko etc. The project was initially focused on diversified categories of 5 local brands corresponding to 5 international brands. Both the brands are of same/similar product category and strategies are somewhat similar except some are dissimilar and the potential reasons to limit its business opportunities within the national boundary.

Global strategy as defined in business terms is an organization's strategic guide to globalization. Such a connected world allows a business’s revenue to not be to be confined by borders. A business can employ a global business strategy to reap the rewards of trading in a worldwide market (Global Strategy, Wikipedia). Usually a global strategy is designed when pressure of cost reduction is high and pressure for local responsiveness is also low such as universal Al-tech keyboards for Desktop computers, however, global strategies in this intense arena of global
competition is very difficult to sustain and ultimately a customization/adaptability takes place for example, Coke started with a global and standardized approach, but ultimately it localized its flavours through various modes of entry to spread across the countries and compromised its taste and flavours as well. Internationalization, on the other hand is the attempt to go global with low cost pressures and low local responsiveness. In this process, companies start to trade (import and export) and make FDI. 

The chosen products and brands for the paper are as follows:

<table>
<thead>
<tr>
<th>Ice cream</th>
<th>Igloo</th>
<th>Baskin Robbins</th>
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<tbody>
<tr>
<td>Biscuit</td>
<td>Doreo</td>
<td>Oreo</td>
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<td>Noodles</td>
<td>Coca</td>
<td>Maggi</td>
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<td>Soft drinks</td>
<td>Mojo</td>
<td>Coke</td>
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<td>Chips</td>
<td>Ring</td>
<td>Lays</td>
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</table>

Overview of the food and beverage industry in Bangladesh

The food and beverage are a fastest growing industry in Bangladesh since the year of 2000 as Bangladesh is an agriculture-based country. This industry alone contributes 22% of the economy in the nation and around 2.45% of the nation's total workforce (Akter, 2018). Bangladesh being an agricultural nation with an extensive population can contribute to a great extent to the food and beverage industry. Bangladesh is additionally affecting the global market by sending out food and beverage to 90 unique nations on the planet (Akter, 2018). The food and beverage industry are a quickly developing part in Bangladesh, utilizing a noteworthy part of the workforce in the nation. In between 2014 and 2017, the food and beverage industry in Bangladesh developed at an average of 7.7 percent for each annum (Bashar, 2017). Economic Census of 2016 from Bangladesh Bureau of Statistics revealed that there were roughly 246 medium-sized food and beverage companies are providing employment facilities to 19 percent of the mechanical assembling workforce in Bangladesh or 8 percent of the aggregate workforce of Bangladesh. The food industry utilizes 2.45 percent of the nation's aggregate work power and its impact on the GDP was 2.01 percent in 2017 (Kundu, 2017). Also, there are various small industries and local units occupied with food and beverage all through the nation. As per some industry experts, the food and beverage sector in Bangladesh is a 4.5 billion USD Dollar industry. In 2017, Bangladesh sent out over $700 million worth of processed foods and beverages, more than 60 percent were shrimp and fish items. Bangladesh's food and beverage industry faces real changes as it undergoes a growth phase in 2018 (Akter, 2018). The Bangladesh food and beverage industry have expanded about 22% of the nation's aggregate creation and utilizes about 20% of the industrial generation workforce and 2.45% of the nation's aggregate workforce (Ahmed, 2018). It is a 4.5-billion-dollar work that has around 700 food generation and preparing organizations (Kundu, 2017).

Literature Review

Globalisation provides a great opportunity for entrepreneurial ventures to expand the businesses internationally. With the help of local governments, large corporations, and international organizations, entrepreneurial enterprises can confront the challenges posed by globalisation and economic liberalisation, to improve its competitiveness in the global market, and better serve the global consumers (Kumar, 2005).

Think Global, Act Local: India, China, Korea, Taiwan South Korea & Pakistan: A study on a Bangladeshi leading fashion brand- Yellow and its international marketing process showed demographics and psychographic variables (Ahmed, 2016). The term Glocalisation concept implies ‘Think global, act local’ which had been developed by Japanese business practices and plays a crucial role to enter the Indian markets (Fernandes, 2013). Brands like Mcdonald’s, Samsung (Lowell & Bharat 2012) and Coca-cola have maintained its sustainability and competitiveness in the global
arena through localization strategies. McDonald’s had even introduced a dollar menu. They have adapted to the local conditions and cultural differences (Mujtaba, 2007). A study revealed that the product localization plays a crucial role in McDonalds’s success in maintaining its competitive position in Indian market (Panwar & Patra, 2017) and for Korea, a mature woman dressed traditionally (Michael, 2012). Coca-Cola they are following the Integrated Stand approach (Vrontis, 2003) and so as the leveraged business by Unilever/Hindustan Lever (HILL) for fair and lovely (Shevde, 2008). Besides, the strategic changes, brands like Starbucks had to go for an International Joint Venture to enter the Korean market and gain acceptability (Madadoglu, 2013; Ferman, 2019). A study found that Carrefour localized its strategies to suit unique conditions in Taiwan such as Chinese culture, language, local competition and government policy (Chinomona & Sibanda, 2012). Kellogg’s understood the need to appreciate cultural differences. Its new strategy did not try to replace India’s breakfast habits, but localization campaign was done showing and promoting Indian culture (Jha, 2016). Customization rather than globalization is the key to the company’s strategy in emerging markets (Garimella, 2018; Metinetal, 2015).

Contrast to the localisation, some brands considered standardisation: Corporations need to prepare competitive analysis with a global understanding and global scale (Haron, 2016) even for Sony Ericson (Azuyai, 2016) that follows standardization strategy in international markets. LG Electronics carried out differentiated and mixed brand advertising strategies for similar products in the U.K. and Russia (Matveev & Nurgaleeva 2012; Matveev & Nurgaleeva 2012). Apple is focused on product quality; uniqueness with high price through standardization strategy (Doole & Lowe, 2008). However, A study constructed four current debates within the global strategy field: (1) cultural vs institutional distance; (2) global vs regional geographic diversification; (3) convergence vs divergence in corporate governance, and (4) domestic vs overseas corporate social responsibility (CSR). There is an underlying theme that connects these four debates: the institution-based view of global strategy which can make with diverse range of cutting-edge debates and topics in global strategy (Peng & Lundan, 2008).

Importance of International Joint Venture, Acquisition, Merger & Export as a mode of entry: Concerning the market dimension, high level of dedication seems to require investments in distribution/sales FDIs or mergers with companies with high dedication (Testa, 2010). Large brands like Toyota even did a strategic joint venture with GM to spread to Europe, North America and other regions keeping its Japanese engineering skills and ideas to the central point but this has led them to build high quality vehicles and maintain customer trust (Ichijo & Kohlbacher, 2007). The solution for globally operating companies – including Toyota – has, in the past, tended to be to build manufacturing facilities in developing markets (such as Asian regions) mainly owing to its cheap labour costs. However, in developing and producing cars for these regions, Toyota used to stay reliant on Japanese designers and engineers, rather than exploiting local talent (Ichijo & Kohlbacher, 2007). Brands like Starbucks also considered joint ventureship with Shinsegae Corporation of Korea and recorded an annual growth of 20-25%. Both the companies are engaged with corporate social responsibilities and provide well-being to the society thereby acceptable by the Korean market (Madadoglu, 2013). Successful brands like Netflix almost conquered the whole world, after establishing its feet in China as well, in collaboration with the service provider Baidu (Mandal, 2017). Chinese enterprises are drawn to politically risky investment locations and invest abroad primarily for natural resource and strategic asset seeking considerations (Alon, 2018). On the contrary, Tesco originally did not envisage divestment or de-internationalization as part of the original internationalization strategy process in either the acquisition of Three Guys in Ireland or Catteau in France (Palmar, 2004).

The success and challenges in the online and social media platform: The importance of Regional Innovation System (RIS) as an analytical approach and tool for policy prescription is illustrated by two Asian high-tech cases, namely Bangalore’s IT RIS in India and Shanghai’s high-tech RIS in China (Vang & Asheim, 2006). Brands like Ebay has a focused targetting despite the mass
population as its target market. These brands do a thorough analysis of its direct and indirect competitors but provide the most focus on customer satisfaction (Mishra, 2010). Food delivery mobile apps like Foodpanda even considered for a thorough analysis of its competitors in the Indian market but focus has always been the timeliness and customer satisfaction (Ansari, 2016). Companies like Dunkin’ Donuts used its brand name, logo, colors, and images of its products on Instagram to create a strong brand presence. (Lavoie, 2015). Likewise, LinkedIn, help students differentiate and market themselves and grow their networks, which is a must in today’s competitive job environment (Cooper & Naatus, 2014).

Local capabilities into leading Global system: A study showed that the Huawei determines the complicated ways in which Europe has so far been affected by Chinese high-tech outward FDI as the region has been integrated in the company’s global production network (Drahokoupil, 2017). Bangladesh RMG export status with a thorough increased export (Hossain, 2019) - Bangladesh Garments is concentrated on two markets: the European Union EU (28), and the United States of America (USA) (Hossain, 2019).

Walmart has successfully transformed the brand from a regional retail to a leading global and US mass merchandising / discount retailer. The key to success has been the core competences in Information technology and distribution (Banerjee, 2015). Additionally, the Innovation Mill (IM) is an initiative, which has been established in collaboration predominantly into Nokia Corporation (Mokter, 2012). Also, tobacco companies like Japan Tobacco Incorporated’s global expansion and this has been accompanied by the development and diversification into new smoking technologies (MacKenzie, Eckhardt, and Prastyan, 2017).

CSR engagement: Companies like Starbucks corporation and its ventured partner Shinsegae Corporation of Korea engaged with corporate social responsibilities and provide wellbeing to the society thereby acceptable by the Korean market (Madadoglu, 2013). Similarly, PepsiCo participates in the healthy food market providing value to the society however in this process there were many challenges being faced by them (Aguirre-Mar, 2013).

Theoretical aspects come into practice- customer focus, competitor analysis and external study: Companies like Walmart stores Inc. have actively considered the PESTEL and SWOT analysis besides its business generic strategy as the broad cost-leadership in the market (Banerjee, 2015). Moreover, luxury brands like BMW even does a thorough analysis of its competitors based on Porter, PESTEL analysis and stakeholder mapping (Eileen, 2015). The Renault- Nissan Alliance has established partnerships with other automakers (Shiga, 2012). In relation to Ansoff, Coca-Cola used the Market Penetration Strategy and become established in its home market by increasing market share and product usage (Vrontis & Sharp, 2003). One of the other operational (corporate) strategies of Emirates is called “be the first to introduce new products.” Emirates have also implemented another operational strategy (corporate) called “best customer service provider” (Al-Aali, 2011). Thus, American and European full-service airlines have lost a significant proportion of their passengers to low cost carriers, the experience now being repeated in the domestic markets of Asia. Low cost carriers have reshaped the traditional airline business model and have significantly changed the competitive dynamics of the industry. (O’Connell & Williams, 2005). Luxury brands like Giorgio Armani’s brand have been able to maintain its brand image and have been consistently successful (Kern et al., 2017). Brand extensions should be done only after a brand has firmly positioned itself in the mind of the consumer keeping its core theme or DNA intact (Kern et al., 2017).

Brands like Zomato gives ROI to the advertiser/ restaurant owner (Sethi, 2017) in India. Domino’s Pizza India Ltd is now today a market leader with its 321 stores just focusing on customer relationship management and its direct marketing efforts (Vimi & Shobit, 2012). An exploratory study was conducted to examine the impact of product quality and service quality on attitude- and behavior-based brand loyalty for quick-service restaurants (Reich, 2005). Clothing industry, the brand H&M has constructed its sustainable supply chain in developing eco-materials, providing safety training, monitoring sustainable manufacturing, reducing carbon emission in distribution,
promoting eco-fashion (Shen, 2014). Bangladeshi brand Yellow has also considered going international by taking the opportunity of cheap labour cost and easy access to raw materials (Ahmed, 2016). Retailing is likely to require special considerations if we are to be able to develop a theoretical as well as a practical understanding of knowledge and knowledge sharing in the internationalization process (Jonsson, Elg 2006). IKEA stores in response to market-based learning, while higher-level features (fundamental values, vision, etc.) are replicated in a uniform manner across stores, and change only very slowly (if at all) in response to learning (“flexible replication”) (Jonsson & Foss, 2011).

The literature review has been constructed based on various theoretical issues that came into practice by several international brands from different industries, also including the economic automobile sector. The gap found between the literature review and the research paper is how perception is driving the consumer behavior about global product purchases apart from some known theoretical aspects only.

**Research questions**

1. why consumers prefer global brands over local brands?
2. whether patriotism factor influences a local product purchase;  
3. whether quality improvements can enable local companies to charge a higher price;  
4. whether global products’ quality and its high price is positively related; and  
5. which areas can local brands concentrate on in order to meet International standards?

**Hypothesis**

Ho- Global products are not higher in quality than the local products so consumers do not tend to pay a premium price for that.  
Ha- Global products are higher in quality than the local products so consumers pay a premium price for that.  
Ho - Consumers will not pay a premium price for a local product even if they raise the quality of their products.  
Ha - Consumers will pay a premium price for a local product over a global product, if there are quality improvements.

**Data Collection and Research Methodology**

This study was conducted to assess the consumer preference for global products and brands against similar local products or brands. The study also tries to find out the specific underlying reasons behind them choosing global products and brands over local ones.

Data Collection: The primary data collection technique for this research is ‘consumer survey’. Diverse range of products and brands are used as reference points for consumers to answer the questionnaire. There were almost 80 types of different products and brands from both local and global calibers that were considered but the questionnaire was conducted based on the most standardized form to understand why a consumer chooses to purchase a global brand.

The sample size for the research questionnaire and data collection is 500 respondents. The respondents were from shopping malls, super shops, universities and colleges as it represents many consumers of food and beverage products. Some of the respondents were also considered from social media. Almost all the respondents were between 18 to 32 years of age and of them almost more than 60% were men. This is because non-probability sampling techniques were used for choosing the participants of the survey questionnaire. Snowballing and random sampling method was used because of the availability and unwillingness of the appropriate population to incorporate in the sample size. The hypotheses are tested by analyzing the data acquired from survey questionnaires through three steps. Firstly, at general level, each of the questions pertaining to the hypotheses is seen through a graphical representation which gives us a general understanding of the outcome. Then the relationships between the data are run through regression, covariance and correlation to
test the relationship statistically between the variables and finally conclusion was drawn through the ANOVA table and analysis.

**Findings**

The survey has been conducted on 500 respondents which revealed that the consumers choose the global products over the local products due to Quality (95.4%), its Brand Image (93.4%) and the effective brand communications (79.4%) respectively. It is rational to believe that the cost will rise when local products are improved in a way to meet the International standards therefore, prices will rise as well. However, the study also revealed that only 28% on average of the general consumers are ready to pay a premium price even if the local products raise its quality. 64% on average of the respondents believe about the role of Patriotism affect the purchase decision hence they purchase a local product over a global product.

The general people believe that increasing the Quality of the local products (38.8%) and having product variety (31.6%) can help them compete in the global arena. Interestingly, some consumers believe that unfair or fair pricing of the local products is not an issue in considering a purchase decision.

**Summary output**

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<tr>
<th>Regression Statistics</th>
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<tbody>
<tr>
<td>Multiple R</td>
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<td>R Square</td>
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<tr>
<td>Adjusted R Square</td>
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<tr>
<td>Standard Error</td>
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<td>Observations</td>
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<th>ANOVA</th>
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<tr>
<td>df</td>
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<td>Regression</td>
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<td>Residual</td>
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<td>Total</td>
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ANOVA run analysis and regression analysis

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Standard Error</th>
<th>t Stat</th>
<th>P-value</th>
<th>Lower 95%</th>
<th>Upper 95%</th>
<th>Lower 95.0%</th>
<th>Upper 95.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>1.34744164</td>
<td>0.671728</td>
<td>2.00593</td>
<td>0.04540</td>
<td>0.02765753</td>
<td>2.66722574</td>
<td>0.027658</td>
</tr>
<tr>
<td>X Variable 1</td>
<td>0.16420582</td>
<td>0.139476</td>
<td>1.17730</td>
<td>0.23963</td>
<td>0.10983027</td>
<td>0.43824191</td>
<td>-0.10983</td>
</tr>
</tbody>
</table>

The p-values are less than 1 indicating weak evidence against the Null-Hypothesis. Moreover, the T-value in this case is positive, which means that the sample mean is less than the hypothesized mean. Therefore, there are significant relevant differences among the variables. Quality of the global product and Premium price to pay for it has a positive co-relationship between them is (5.3%). Also, the variables represent a positive co-variance (5.5%), it means that both are positively related to each other in case of a global brand purchase.
Result Summary

The analysis and survey results prove that global products are preferred due to its Quality and how people are ready to pay a premium price for that as they are positively related. Although, only one of the hypotheses is proved and there is a strong relationship between Quality and Perception of the consumers who are ready to pay higher price for global products but is not same in the case of local products. The other hypothesis is therefore rejected, because even if there are significant product improvements in the local product, consumers will still not pay a premium price for that due to perceptual brand differences such as Emirates who has been known best for its excellent customer services (Al-Aali, 2011) and luxury brands like Giorgio Armani for its consistent brand image (Kern et al., 2017).

Limitations and direction for future research

The number of respondents could be higher for a significant revelation regarding the concept. The future research scope is higher if further brands and its management could be interrogated related to its strategies and positioning in the global platform.

Conclusion

The local products can improve its quality by setting up a benchmark of the global products; choose an effective way of communicating with the consumers with adapting various strategies, which will drive the customers’ attention towards the local products. Based on the survey results, it can be stated that the consumers believe if the local companies focus on to develop and improve its quality and incorporate more product variations, then the local products can meet an international standard and gain more consumers.

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