

Go global, think local

TAH WEE HAN and BERNADINE LEE offer six tips to help you localise your business overseas

A BUSINESS wishes to venture overseas. However, it cannot expect the same business environment to prevail in different overseas markets. Having ascertained that business opportunities exist in overseas markets, a firm must consider the need to localise its operations. There are six major aspects to consider:



- Branding
- Products and services
- Packaging
- Business opportunities
- Manpower
- Consumer mindset

This article highlights some real-life examples of how multinational food and beverage (F&B) companies localised their product and service offerings successfully to address the demands of their foreign consumers.

1. Brand it right

Do not underestimate the importance of branding. Consumers often derive their first impressions from brand names. An excellent name is one that is easily remembered and elicits 'fond sentiments' whenever it is thought of.

The next choice is whether to use the same name by leveraging on brand strength across boundaries, or alternatively, to launch local brands that match domestic consumer preferences. Some important decisional guidelines are:

- The extent of cultural, political and social sensitivities.
- The awareness that culturally embedded products such as food (as opposed to homogeneous products like cola drinks) are more likely to thrive as local brands.
- Knowledge of latest industry trends. For example, increasing consumer preferences towards healthy food.
- Awareness of one's own market segment.

An illustration is Pepsi-Co. Instead of using 'Lay's' for its Frito-Lay potato chips, it uses 'Walkers' in the United Kingdom, 'Sabritas' in Mexico, 'Chipsy' in Egypt and 'Tapochips' in Israel.

The reasons for doing so are due to the local origins of each brand. Using original names minimises brand switching and reinforces the image that it is a local brand.

2. Deliver the right product

Preferences inevitably differ across markets, especially food, due to its perishable nature and diverse consumer taste buds. Therefore, a firm wishing to internationalise its product or service should thoroughly evaluate the preferred tastes and religious requirements of their markets.

Numerous F&B players have adopted this method in their internationalisation plans. A case is Kentucky Fried Chicken's (KFC) successful expansion in China by introducing products that suited the taste buds of Chinese consumers who preferred spicy chicken.

Between 2000 and 2007, KFC's number of innovative localised products proliferated from 15 to 36. These included Beijing-flavoured chicken wraps and spicy Sichuan chicken. What's more, the company sources its ingredients and packaging materials from local suppliers, thereby lowering operating costs and improving profits while still giving consumers what they want.

3. Be flexible

Packaging preferences and requirements vary among consumers in terms of appearance, material and quantity. This eventually influences a product's market position and price which, to a large extent, depend on the economic affluence and purchasing power of consumers in the intended market. Here are some examples of how Nestle localised its packaging in various markets:

- Appearance: In Asia, packages using soft packs and pouches are popular while plastic containers are more popular in the UK, the US and France.
- Material: In Germany, glass is more popular as it is deemed environmentally friendly and recyclable.
- Quantity: Maggi cubes are sold individually in West Africa while they are sold in packs of 25 in Western Europe and Japan.

4. Be nimble

Similar to packaging, it is important to contemplate how the same business concept can be implemented in foreign markets by having a keen eye for lifestyle and social trends. This can be done by astutely exploiting complementary business opportunities as exemplified by Starbucks in South Korea.

Recognising consumers' need to stay connected while being on the move, Starbucks was swift to provide free Internet services at their outlets via partnerships with Korea Google and KT Corporation. Consequently, students and office executives were more willing to spend on coffee as it allowed them to study or conduct discussions while surfing the Internet. This trend has proven so popular that the company is now known as the 'coffice' - a combination of coffee and office.

The significant rise in sales from implementing such a strategy is testament to Starbucks' continuous success in South Korea, which also represents its fifth-largest foreign market behind Canada, China, UK and Japan.

5. Harness the power of 'We'

Foreign firms are often reluctant to employ locals, especially at the management level. However, doing so could expedite market acceptance and provide a platform for in-depth understanding of local customs and business practices. One successful company that understands this concept is McDonald's.

McDonald's prides itself on employing locals globally. In India, local cashiers, cooks and managers are employed. Additionally, the firm also established joint ventures with local entrepreneurs who manage its fast food chains. Consequently, McDonald's managed to circumvent the bureaucratic red-tape often encountered during set-up while also presenting itself positively to the Indian government as an active pro-local employer of choice.

6. Feed the frenzy

Businesses should align their marketing plans with local consumer behaviour. This is exactly what Krispy Kreme has achieved in Japan.

Doughnuts are common and can be purchased from various chain outlets, supermarkets and restaurants. Despite the ease of finding doughnuts, long queues form outside Krispy Kreme's outlets even today. Why?

Generally, Japanese consumers regard long queues as an indicator of product popularity and exclusiveness, thereby increasing its 'perceived' value. Employing such behaviour to its advantage, the company used long queues as a marketing tool to enhance the market profile of its stores.

Conclusion

Localising one's products and services is always a daunting task with significant inherent risks and uncertainties. Nonetheless, a firm wanting success should bear these tips in mind and evaluate whether its plans fulfil the demands of the market.

Localisation is perhaps best summed up in the words of Starbucks' CEO, Howard Schultz. 'Success is not an entitlement. We must continue to earn the trust and respect of customers every day by remaining highly respectful of the cultures and traditions of the countries in which we do business.'

In other words, to go global, think and act local.

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