GLOBAL STRATEGY DEVELOPMENT AND IMPLEMENTATION

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Introduction

Aiming to have a strong presence in the global market is a mandatory business goal for every business firm. In order to be present in the international market it is needed to understand the factors that are needed to grab attention in the global market, market analysis is mandatory (Paul and Rosado-Serrano, 2019). It has been also seen that in order to increase competitiveness in the international market companies are exploring wider ranges of geographical locations to add maximum customers to their services. In this assignment, Lindt Chocolate's market expansion to China has been analyzed to understand its ability to explore. In order to understand the process of internationalization the strategy, home country environment assessment, and mode of entry are described. Additionally, the issues that can be faced by the company while entering the Chinese market are also described with a tentative solution to support effective market expansion.

Justification for internationalization

Lindt chocolates is a brand under Lindt & Sprungli that experienced significant sales in the financial year 2022. The group sales of Chocoladedfabriken Lindt & Sprungli AG increased to 4.59 billion CHF from the previous year's 4.02 billion which can be understood as significant growth of 14.2% in Swiss Francs and 13.3% of organic growth (Lindt-Spruengli, 2022). The strong growth acts as a cause for Lindt to internationalise its manufacturing operations to capitalise on the growth.

Barry Callebaut chocolates are sold across 140 countries in the globe and hold their position internationally (Research Germany, 2022). Thus the strongest competition of Lindt in Switzerland is from Barry Callebaut.

Porter's Diamond

Firm strategy, Structure, Rivalry,

Switzerland has a high reputation as a producer of chocolates that are high in quality and there are various Swiss chocolate brands such as Lindt and Toblerone that have international fame (CBI, 2022). Thus there is high rivalry in Switzerland's chocolate market. The mission of Lindt is to offer premium chocolates and offer a combination of high-quality standards with high sustainable and ethical standards across the daily business aspects (Lindt-Spruengli, 2022). Hence the strategy of the firm is to combine ethical and business standards to offer high-quality goods in the face of intense competition and the firm is structured to ensure the phenomenon.

Factor conditions

Despite Switzerland never producing a single cocoa bean, the main contribution of the country in making chocolates as the confectionary it is known currently can be traced to the rich and creamy Alpine milk that was available in abundance (Haas, 2019). Hence the Swiss market offers resources in terms of milk that help in the manufacturing of chocolates.

Demand conditions

In 2020, the average amount of chocolate consumed by a Swiss individual was around 9.9 kg, a decline of 6.9% as reported by Chocosuisse or the Association of Swiss Chocolate Manufacturers (Swissinfo.ch, 2021). The decline was in Swiss-made chocolates as there was a demand for foreign-made chocolate by 1.8% and an increase in the share of 41 to 43% (Swissinfo.ch, 2021). Despite the decline in chocolate consumption, there is a high rate of consumption of chocolates in the Swiss markets leading to its demand.

Related and supporting industries

The cocoa beans used by Lindt & Springueli are sourced from the premium regions of origin such as the Dominican Republic, Papua New Guinea, Peru, Ghana, Ecuador, and Madagascar (Lindt-Spruengli, 2022). All the cocoa beans imported to Switzerland go through further processing before being used. The Swiss grinding industry in 2020/2021 processed around 50,000 tonnes of cocoa (CBI, 2022). Hence there is a strong supporting industry available to Lindt n Switzerland such as processing capability to help their business

Government

The Swiss government introduced the minimum border protection for the support of Swiss sugar and which has raised the price of raw materials and the declaration needs of products having a Swiss finish has led to unwanted additional costs (Confectionary Production, 2020). Hence it can be argued that the government support for the chocolate sector in Switzerland is low.

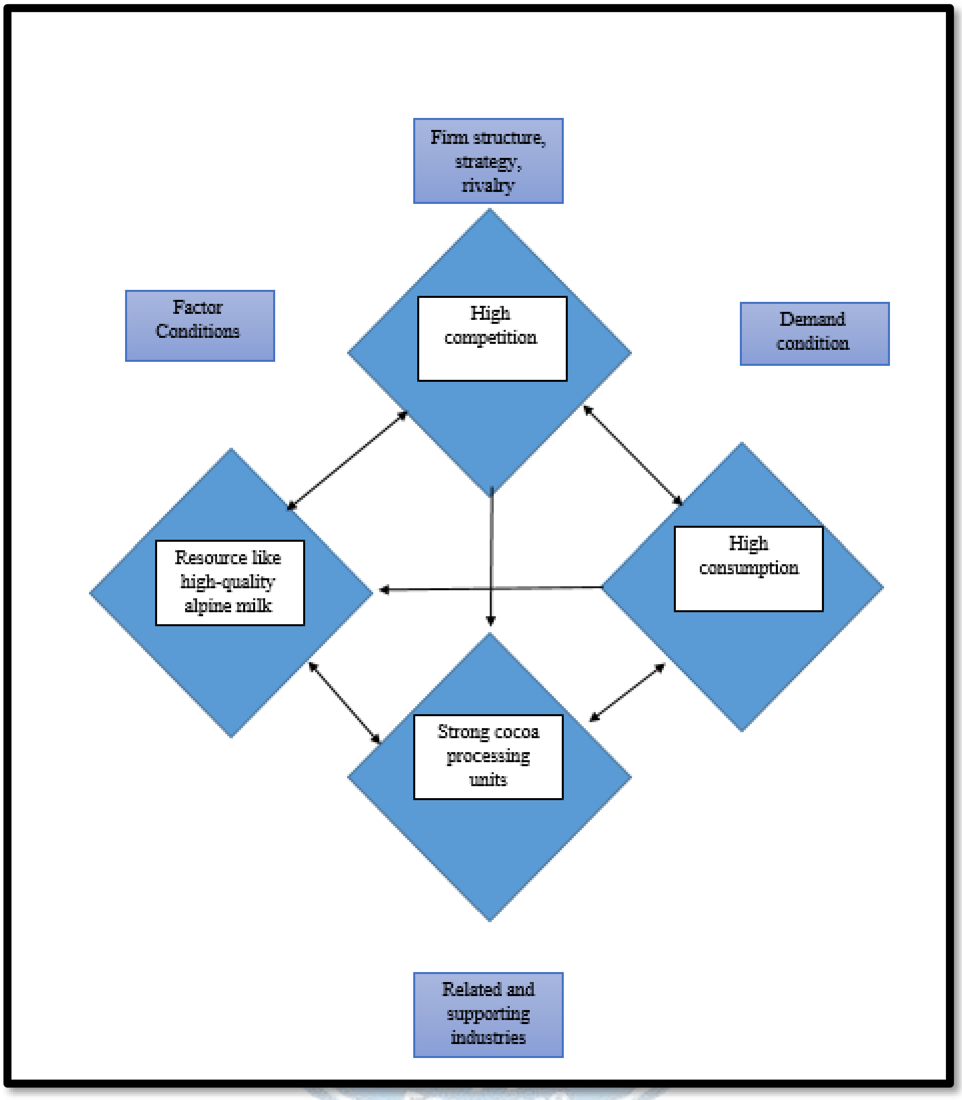

Figure 1: Porter's Diamond

(Source: Self-Created)

Strategy to internationalize

Transnational

According to the United Nations, transnational businesses are those that irrespective of their type of ownership whether public or private, have operations in two or more countries adhering to a decision-making process that leads to a common strategy and a coordinated policy (Nukusheva *et al.* 2020). A company is considered transnational if they have a uniform decision-making body and operate in two or more countries. Corporations that are transnational operate their individual facilities outside their native countries with an absence of a centralised system for resource allocation, technology allocation and responsibility distribution (Nukusheva *et al.* 2020). A limited centralised allocation process in terms of technology and human resources can lead to overall management and conflict.

Multi-domestic

The multi-domestic strategy is a strategy that is focused on the maximisation of satisfying local needs (Tien, 2019). Features of companies that adopt the multi-domestic approach include the customisation of products and marketing strategies in order to cater to local needs (Tien, 2019). Thus in a multi-domestic approach, the companies adapt themselves according to the local demands and customise their offerings for a wider market. This can lead to the attraction and retention of more customers in diverse markets.

Global

A global strategy is also called think and act global where competitive advantage has been gained and the global brands are coordinated with the headquarters (Khairani *et al.* 2021). A global strategy is holding onto company standards and not customising according to the market. As stated by Rennie (1993), there are certain firms that were made for global business in place of gradual internationalisation and are referred to them as born global firms (Paul and Rosado-Serrano, 2019). A firm called born global can be understood as a business that on average internationalises within three years of its establishment and gains approximately 25% of total sales from foreign locations (Paul and Rosado-Serrano, 2019). Thus born global firms internationalise faster.

International

Internationalisation refers to the strategy of a firm to develop its businesses in a way that they are able to expand into foreign markets. Due to reasons of intense competition and the scarcity of resources in a domestic market, the internationalisation process has become increasingly necessary for firms (Moreira *et al.* 2019). Thus in the current market scenario expanding beyond national borders has become necessary but there might be issues due to capital and cultural differences in the country expanded.

Recommendation

A multi-domestic strategy or thinking globally and acting locally refers to the company having its own standards and yet customising products to gain a competitive advantage in each individual country (Khairani *et al.* 2021). Based on the understanding it would be appropriate for Lindt to take this approach to gain a competitive advantage in China.

Country environment analysis

PESL

Political	● The EU is committed to trading with China (European Union, 2022) ● The Chinese government offers support to foreign firms
Economic	● The GDP of China in 2021 was around 17.74 trillion US dollars (Textor, 2022) ● Per Capita GDP in 2021 was around 12,562 dollars (Textor, 2022)
Social	● Per capita consumption of chocolate in China is around 70 grams only according to the Association of Chinese Chocolate Manufacturers (News.CN, 2021) ● Brand and product consciousness among consumers
Legal	● No restrictions in China regarding the establishment of a wholly foreign-owned enterprise with a foreign licensor or a joint venture with a foreign licensor (HG.ORG, 2022) ● Legal support from Chinese government

Table 1: PESL Analysis

(Source: Self-Created)

The Chinese government will make sure that foreign firms have access to equal government support in terms of policies on land and tax cuts (Economic Times, 2020). The positive trade relations between the EU and China and the support from the Chinese government for international businesses can be advantageous for Lindt's expansion. Increased GDP and per capita GDP of China has been increasing denoting higher purchase capacity for buyers helping Lindt. The amount of chocolate consumers in China is low, which can act as a deterrent. Due to disposable income, Chinese consumers are expecting higher product quality and customer service (PWC, 2022). On the other hand, increased brand consciousness can increase sales of an international brand such as Lindt. China does not put additional restrictions on licensing practices and the legal support from the government could lead Lindt successfully set up manufacturing plants avoiding legal issues.

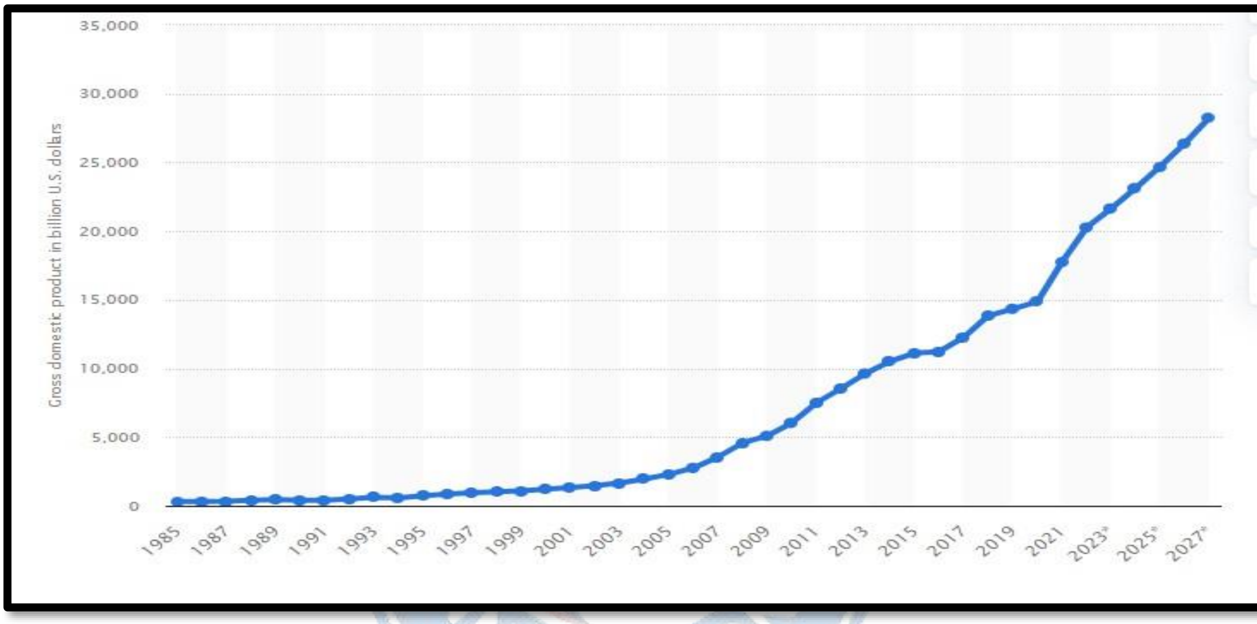

Figure 2: GDP of China

(Source: Textor, 2022)

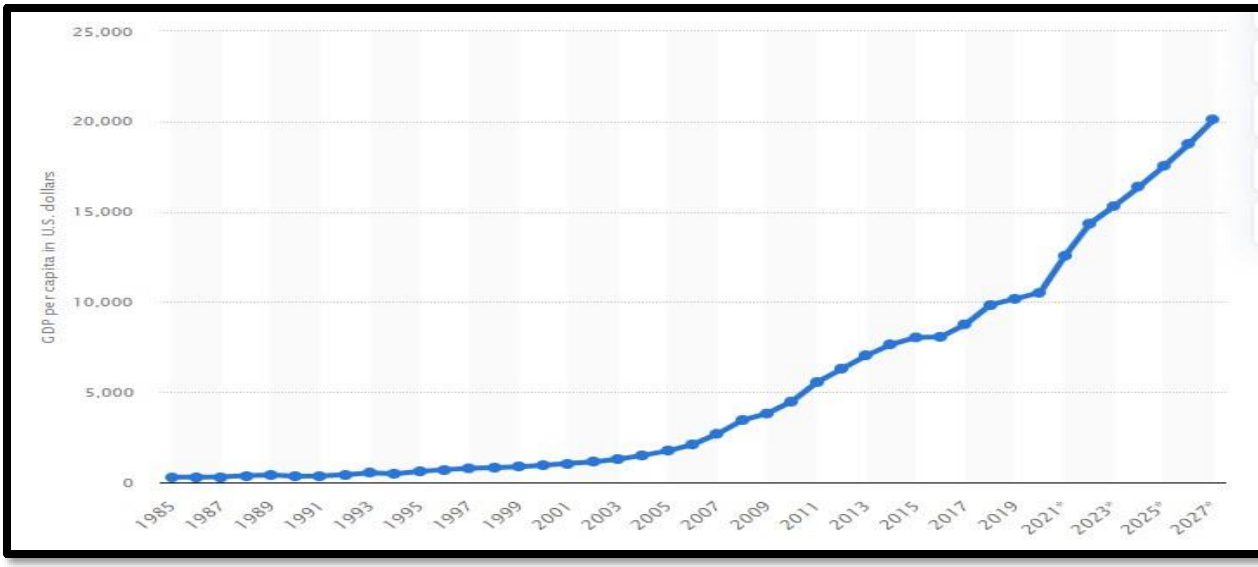

Figure 3: Per Capita GDP of China

(Source: Textor, 2022)

Porter's Five Forces

Force	Degree	Attribute
Existing industry rivalry	High	The chocolate market in China is highly competitive (Mordor Intelligence, 2022)
Threat of new entrants	Low	Established international players
Threat of substitutes	Moderate	Most international brands are well-known
Bargaining power of buyers	High	Online and speciality retail has led to the growth of chocolate distribution channels due to improved quality of life in major Chinese cities and rapid

		e-commerce development (Daxue Consulting, 2020)
Bargaining power of suppliers	Low	Chocolate is considered a luxury to be gifted during Lunar New Year or as a treat (Mordor Intelligence, 2022)

Table 2: Porter's five forces

(Source: Self-Created)

The existing industry competition in the Chinese chocolate market is high. According to data from Industrial Information about market share, international manufacturing unit-owned brands are at the forefront in China (Just Food, 2019). On the contrary, the presence of established international brands makes it challenging for new entrants, lowering their chances. The threat of substitutes is low since mainly international brands are available and local brands are few. With availability across online and offline retail channels, the bargaining power of buyers is high as they have multiple purchase avenues. The bargaining power of suppliers is low as chocolate consumption and manufacturing are low since it is viewed as a luxury item.

Analysis

Based on the analysis it can be argued that China as a market is attractive for Lindt to expand and set up a manufacturing unit. The company will receive aid in its business from the government and have legal ease. With international brands being popular, there is already a market for the products despite competition. Further, the high GDP indicating increased spending capacity could be tapped to attract more buyers even for a product viewed as a luxury and having a domestic manufacturing unit would mean lower prices.

Mode of entry

Identification of the target market is an essential step in the market entry process. Target market situational assessment and identification of the potential customer behavior are needed to set business strategies that can dominate the international market (Paredes, 2020). Depending on the business operation and target market several market entry modes are analyzed in the following section

Licensing

Licensing is a cost-effective transfer-related market entry strategy that is great to promote the service or products overseas by enabling the global partnership (Galasso and Schankerman, 2021). In this process of licensing the company which is also known as the licensor grants permission to a company from another country or a different part of the world, to use its products and intellectual property for a fixed time. Therefore, it is understood that in this market entry process transportation costs can be eliminated from the business operations.

Franchising

Market entry also brings risk and resource management issues in the new market, therefore, Franchising is another market entry that is based on an agreement that describes a company's urge to make an entry into the foreign market with low risk and resource commitment. The selling company is called the franchisor and the partner organization is called the franchisee. In this agreement, the company provides the design, equipment, and organizational support to address the target market need. Franchising is a secure market entry mode where the business partner supports the new market assessment, however, the benefits and revenue are also distributed among the franchisor and franchisee as the prime capital is provided by the franchisor (Bretas and Alon, 2020).

Joint venture

The joint venture is a strategic market entry mode that allows the local market and foreign market to make a partnership to share risk and profit in accordance with their agreement. In this process, the foreign entrants have the facility to make a start with the help of existing local markets and there is no need to start from scratch. It eliminates many risk factors. On the contrary, miscommunication between business partners can cause issues in running the business. A joint venture also requires financial participation from both parties in the business agreement (Dinu, 2018). Therefore, if any side of the partnership is lacking financial stability it is not possible to develop a good joint venture.

Ideal market entry mode for the Chinese market

By analyzing the above-mentioned market entry modes and addressing the Chinese market assessment it can be stated that joint ventures will be a great and justified market entry mode for Lindt Chocolate. The reason for choosing joint ventures is, in this way the company can make partnerships with Chinese local firms. Additionally, the partnership with the Chinese local firms allows them to use their market assessment along with financial support to build a stable market in China. Certain issues and challenges are there in the market entry process which can damage the business operation of the new entrants (Farjadian *et al.* 2019). It can be stated that due to new challenges in the market which are unknown to Lindt chocolate can face financial loss, on the contrary, allowing Chinese companies to be joint partners of Lindt chocolate can help the organization to address the customer's needs in an effective way while minimizing the risk of failures.

Problems or issues

Organizational coordination

Collaboration, coordination, and cooperation are the pillars of having an international strong base in the industry. While working with diversified people it is required to understand their language and culture otherwise it becomes challenging to interaction with diversified people. Heterogeneous cultures can regulate in-identical values and perspectives of different people, as a result, it is difficult to generate solutions to any existing issue. Language barriers, cultural differences, and different mindsets can establish barriers to building good relationships among employees (Castañer and Oliveira, 2020). Lindt chocolate is a Swiss company that is aiming to expand its business in the Chinese market therefore, variation in the point of view and perspective can stop employees from working cooperatively as a result required results cannot be generated.

Cultural issues

Hofstede's cultural dimension theory describes that culture plays a significant role in the business because it is important to understand customer behavior to place accurate service to them. However, different cultural people have different acceptance levels and according to their cultural values, their choices are also varied. Cross-cultural management refers to the process where different values of customers are analyzed and according to that service has been developed (Ashta *et al.* 2021). Additionally in workplace management, it is also mandatory to present equal opportunities for all backgrounded employees so that they have job satisfaction in the new working culture. According to Hofstede's cultural dimensions theory uncertainty evidence, masculinity, power distance index, collectivism, short-term goals identification, and indulgence need to be compared between two countries between whom the business collaboration is going to build. In many cases, it has been seen that due to cultural differences certain countries are focused on personal goals achievement, and on the contrary, some countries are focused on collective and united achievement. Therefore it is common that different people it is difficult to build business relationships.

Organizational structure

Organizational structure is dependent on the kind of leadership that the organization has. Centralized organizational structure refers to the placement of instructional leaders where decisions and major business deals are selected by the senior body. That means in this structure the power is centralized and no chance of employees' participation in the decision-making process is accepted. On the contrary, a decentralized organization structure allows the participation of each employee in the decision-making process, which describes the equal distribution of power among workers. Therefore, differences in leadership and organizational structure can create issues by developing conflicts among workers.

Solutions

Building transparency in the business partnership

The establishment of transparency in business operations is required to place trust and reliability in business collaboration. Additionally, transparency in the information interchange between business partners is another important factor to build good relationships between business partners (Kucherova *et al.* 2019). Therefore, the issue of cooperation and collaboration can be resolved by implementing this strategy in the business.

Use the digital platform for interaction

Different organizational structures can generate issues while interacting for any business discussion. However, using digital platforms for creating a base for interaction can eliminate the issues of corporate structure because in this way employees can communicate apart from being in their workplace to generate better bonding with the diversified employees (Rolland *et al.* 2018). There are effective communication technologies present in the market which can be used to build cross-cultural communication between Swiss company Lindt chocolate and Chinese local firms so that joint ventures can be established in an effective way.

Critical assessment of the Chinese culture by social media analysis

By analyzing the theory of Hofstede's cultural dimensions, it is understood that cultural differences can generate issues in having stable business operations. Therefore, Lindt chocolate can build effective strategies to address the cultural specification of China, so that they can deliver accurately and required business operations and services to the Chinese market. Nowadays every person is on social media and they do express their preferences and their cultural activities on these platforms. Therefore, by assessing social media posts and photos the information regarding Chinese culture can be understood (Oteros-Rozas *et al.* 2018). This assessment also helps to understand the core requirements of the Chinese people as a result Lindt chocolate can make changes in their existing business strategies according to these cultural needs to establish effective international expansion activities.

Conclusion

Business expansion is ideal for having better competitive advantages because by expanding business organizations can strengthen their capacity. The expansion also adds more diversity to the organizational activities. Lindt chocolate is playing to enhance its business in China through Joint ventures therefore, it is important to evaluate the cultural needs of China so that the company can build effective strategies to capture maximum customer interest. Several issues are mentioned which can be faced by the company if the assessment of the new culture and customer's behavior is not done critically. With insufficient assessment, effective strategies cannot be built. Therefore, by developing market assessment, gaining cultural knowledge, and improving interaction with technology advancement these issues can be eliminated as a result successful market expansion can be gained.

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