INTERNATIONAL GROWTH STRATEGIES – A CASE STUDY APPROACH

Kveta Olsanova, Department of International Business, University of Economics, Prague
Nam. W Churchilla 1938/4, 13067 Prague 3, Czech Republic Kveta.Olsanova@vse.cz

Gina Cook, Department of Management, Metropolitan State University of Denver
Campus Box 78, PO Box 173362, Denver, CO 80217-3362 USA gcook13@msudenver.edu

ABSTRACT

The study "International Growth Strategies – A Case Study Approach" is a descriptive case providing an overview of the real situation in the development of Mondeléz International Inc. (MI). Focus is placed on the growth strategies used in the organization; they are presented as milestones in its growth. The organization's development is combined with an overview of the theoretical background of growth strategies; students are challenged to evaluate MI's growth strategies and discuss the alignment of its activities with its vision statement; students have the opportunity to practice effective teamwork, improve their communication skills, and function in the role of a leader.

Keywords: Growth strategies, Ansoff matrix

INTRODUCTION

Mondeléz International, Inc. is one of the world's largest snacks companies. The headquarters are based in Illinois, in the United States. The current vision "to create more moments of joy by building the best snacking company in the world" is being delivered by more than 80,000 employees across more than 60 countries. From a geographical point of view, most of its net revenues come from Europe (nearly 40%), followed by North America, Asia and the Middle East, and Latin America. In terms of portfolios, the strongest category is created by the biscuit brands (over 40%), followed by chocolate, gum & candy, cheese & grocery, and beverages. The strongest brands in the top three categories represent nearly 75% of the company's net revenues (1).

COMPANY BACKGROUND

The organization's name "Mondeléz", suggested by employees, is actually a newly created word; it combines the Latin terms for "world" (mundus) with "delicious" (delez). The organization was formed after the previous Kraft Foods Inc. spun off its North American grocery operations in October 2012. The Kraft Foods Group later merged with Heinz to become Kraft Heinz. The Kraft Heinz Company is the fifth-largest food and beverage company in the world; it has the following brands in its portfolio: Kraft, Heinz, ABC, Capri Sun, Classico, Jell-O, Kool-Aid, Lunchables, Maxwell House, Ore-Ida, Oscar Mayer, Philadelphia, Planters, Plasmon, Quero, Weight Watchers Smart Ones and Velveeta (1).

As a newly created company, Mondeléz International Inc. was based on already successful global brands; they had a great reputation and a strong base of loyal customers. Over the past 100 years, many acquisitions and mergers have taken place; they formed the basis of the new 2012 company. The original organization dates from the early 1920s when the National Dairy Products Corporation was created in the U.S. ice cream industry. Since then, nearly 60 other companies in this industry have

been acquired. In 1930, National Dairy acquired Kraft Phoenix, the US cheese producer opened in 1874 by James L. Kraft. Phoenix, in the company name Kraft Phoenix (acquired by National Dairy), stands for the Phoenix Cheese company, the manufacturer of Philadelphia Cream Cheese, acquired by Kraft in 1928. In 1969, the company was renamed to Kraftco, and later in the 1970s, to Kraft to emphasize the brand's success (2).

In 1988, Kraft was acquired by Philip Morris (PM); for nearly 20 years, it was connected to big tobacco, though it was not widely known by the customers of Kraft. At that period in time, PM aimed to diversify its business in order to lower the risk of being associated with tobacco. It was thought that the confectionery business was an excellent opportunity to accomplish this. Under the umbrella of PM, Kraft acquired General Foods (specifically the following brands: Oscar Mayer, Maxwell House coffee, Jell-O, Budget Gourmet, Kool-Aid, Tang, etc.). Traditional European coffee and confectionery manufacturer Jacobs Suchard (Jacobs coffee, Milka chocolate, etc.) and Swedish/Norwegian Freia Marabou (confectionery) were acquired in 1990; this was done in order to focus on international expansion of Kraft's operations. The organization was renamed again, this time to Kraft General Foods (the European part kept the strong German brand name Kraft Jacobs Suchard AG).

Two years later, in 2000, Philip Morris acquired Nabisco (an organization focused on cookies and snacks, with famous brand names such as: Oreo, Belvita, Ritz Crackers, Chips Ahoy! etc.; they then merged it with Kraft General Foods. This merger was reported as one of the biggest ever in the history of the confectionery business; it brought many strong brands with global potential into the Kraft portfolio.

Continuing on with the history of the organization, in 2003, Philip Morris Companies Inc., owner of Kraft Foods Inc., "rebranded" itself into the Altria Group, Inc. This was done in order to distance the organization from the public's perception that it was just a tobacco producer as well as to highlight the fact that its portfolio is much wider. Unfortunately, diversification towards the confectionery business was not as productive or safe as it was originally thought to be. This industry was soon associated with rising obesity, particularly among children. Thus, the company's activities again started to be under pressure from various stakeholders. The largest companies within confectionery started developing strategies to confront the problem; in particular, they set specific objectives towards making changes in their portfolios. They did this with the goal of lowering the amount of sugar and fat in the brand formulas, and to promote a healthy lifestyle. Altria sold Kraft Foods Inc. in 2007.

Later in 2007, soon after the spin-off from the Altria Group, Kraft Foods Inc. bought the biscuit and cereal division of Group Danone (including the LU brand family, as well as 36 plants and operations in 20 countries); this signaled another portfolio change towards healthier alternatives. Two years later, the organization bought Cadbury (a British confectionery group known due to the Dairy Milk brand). Its goal was to expand into new international BRICS markets such as Brazil, India and South Africa, where the company had a weak presence, in particular compared to its competitor, Cadbury (2).

Kraft Foods made a surprising step in its development, in 2011, when it announced that it would be splitting into two publicly traded companies – snack and grocery. The snack food company was then rebranded to the name created by its employees, as mentioned previously. Mondeléz International housed the snack food category, while Kraft Foods Group was the umbrella for its grocery brands, which later merged with Heinz as Kraft Heinz.

BECOMING "THE BEST SNACKING COMPANY IN THE WORLD"

In order to become "the best snacking company in the world" Mondeléz International decided to divest itself of the coffee business; thus it merged its coffee brands (Jacobs, Gevalia, Tassimo, Kenco, Maxwell House, Dadák), with those of one of its biggest rivals, Douwe Egberts (2014-2015) as the company Jacobs Douwe Egberts. Mondeléz got 5 billion USD in cash and a 49% stake in the combined company (3).

This organizational milestone was followed by additional acquisitions related to diversification towards "healthier" alternatives. In 2015, MI acquired Enjoy Life Foods, a private U.S. snacking company and the market-leading brand in the fast-growing "free from" segment (e.g. cookies, chocolate, snack bars, and allergy-friendly savory snacks (free of the eight most common allergens). In 2018, acquisition of Tate's Bake Shop (gourmet homemade baked goods and health food items such as cookies, pies, cakes, bars, brownies) took place. When looking at MI's growth strategy, further acquisitions and new product developments can be anticipated.

Per Tim Cofer, Executive Vice President and Chief Growth Office at The Barclays Global Consumer Staples Conference in Boston (4), the organization's current growth strategy is based on three key aspects:

1. contemporizing the core portfolio;
2. filling in key consumer and geographic white spaces;
3. expanding availability of products across channels, including e-commerce.

The first strategy is focused on simplifying and enhancing the ingredient and nutritional profile of the base business, and also introduction of new products because consumers are increasingly interested in well-being. This includes brand extensions such as Organic Triscuit or Wholesome Thins, a global innovation platform. In Europe, we can consider the recent launch of a cross-category innovation pairing America's favorite cookie, Oreo, with Milka, which is a famous European chocolate brand. The second strategy is focused mostly on the American market, and expansion of its Green & Blacks brands as well as introduction of the successful Oreo brand into the chocolate portfolio. The sales and distribution capabilities mentioned in strategy are focused on building an industry leading e-commerce snack business (5).

GROWTH STRATEGIES – A THEORETICAL BACKGROUND

One of the early writers on the subject of growth strategies was Igor Ansoff (a Russian-American mathematician and scientist). In his article "Strategies for Diversification" he explores the relation of different diversification to the over-all growth perspectives of company management (6). The four major strategies are: market penetration, market development, product development and diversification.

It is important to understand the growth strategies within a company's context. In most cases, in an actual business, managers must combine the first three strategies in order to ensure a company's growth. Diversification should be viewed differently as it requires additional organizational resources (sales, marketing, logistics, finance), skills and competencies of the top management. In addition, the advantages of a potential opportunity should be balanced against the related risks and chances for success.

REFERENCES

References available upon request from the authors: *kveta.olsanova@vse.cz* *or* *gcook13@msudenver.edu*