

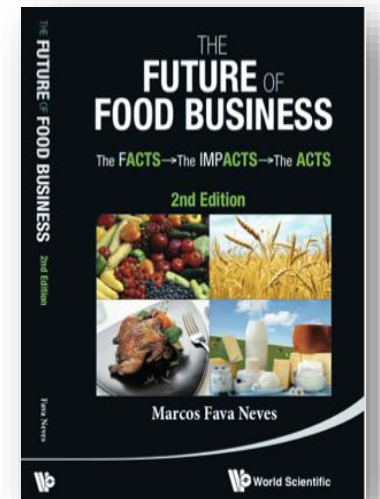
Go to Market Strategies

RAD2402 – Strategies in Agribusiness
Chapters 45, 46, 47,48 and 49

Prof. Dr. Marcos Fava Neves

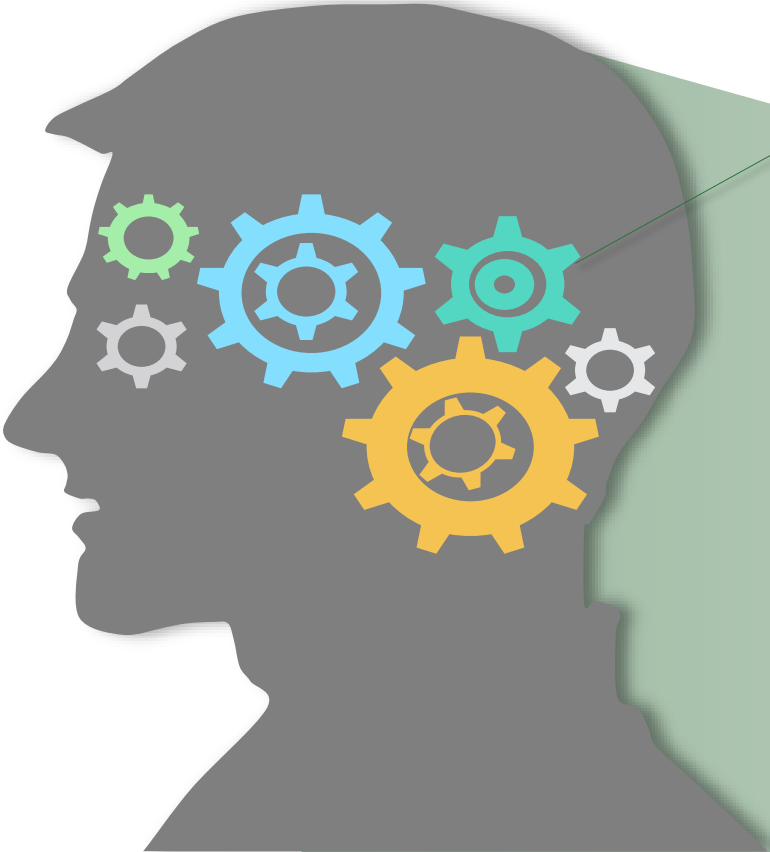
Faculdade de Administração (FEA/RP) – Universidade de São Paulo, desde 1995
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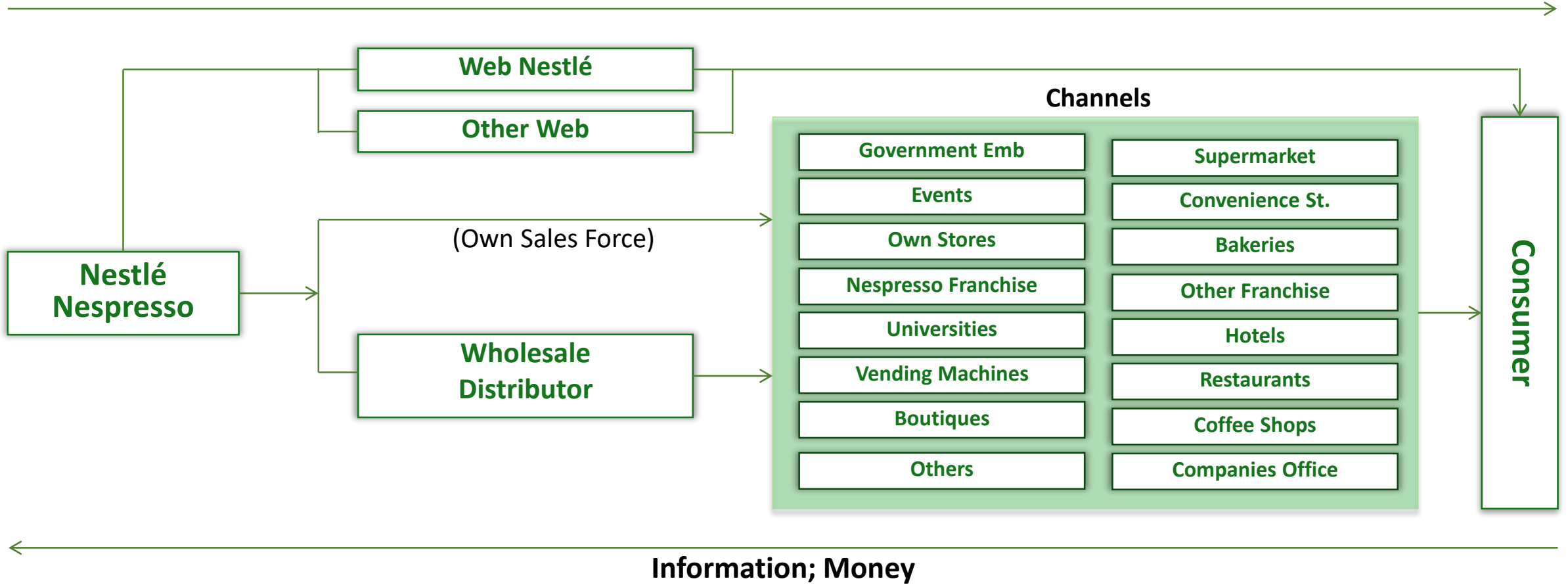
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Let's think about Nespresso!



Nestlé Nespresso Go to Market

Products + Services; Communications



Nespresso Case Study

NESPRESSO BR

EXPERIENCE THE TOP OF INTENSITY
Discover the new Grand Crus Kazaar & Dharkan

UMILK, THE NEW NESPRESSO MACHINE
Discover it

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NESPRESSO

DeLonghi

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DeLonghi

NESPRESSO

NESPRESSO

NESPRESSO

EXIT

may 16





**Describe the Go To Market
(channels of Nespresso) and the
existing flows...**



Flow table (of the distribution channels)

Function	Responsibility Analysis (who does it and how)	Possible improvement (proposals)
Products and services functions		
Inventory management and its levels		
Product delivery		
Product modification		
Product lines and variety		
New product evaluation		
Sales volume (performance) forecast		
User help/installation technical service		
After sales service and Sales service supply (team)		
Training: range and costs		
Product maintenance		
Package/specifications issues		
Exclusivity and Territorial rights		
Market coverage expected		
Exports aspects expected		
Time frame (period to carry out the flows)		
Adaptation for specific legislations		
Others		

Flow table (of the distribution channels)

Function	Responsibility Analysis (who does it and how)	Possible improvement (proposals)
Products and services functions		
Exclusivity and Territorial rights		
Market coverage expected		
Exports aspects expected		
Time frame (period to carry out the flows)		
Adaptation for specific legislations		

Flow table (of the distribution channels)

Function	Responsibility Analysis (who does it and how)	Possible improvement (proposals)
Communication Functions		
Advertisement (all forms)		
Sales promotion (all)		
Public relations actions (all)		
Direct marketing actions		
Information about the products		
Participation in the communication budget		
New media forms of communication		
Package information		
Others...		

Flow table (of the distribution channels)

Function	Responsibility Analysis (who does it and how)	Possible improvement (proposals)
Information Functions		
Share info. about the consumer market		
Share info. about the competition		
Share info. about the changes in the environment		
Participation in the planning process		
Frequency and quality of the information		
Share information about complaints		
Electronic orders		
Others (fill in)		

Flow table (of the distribution channels)

Function	Responsibility Analysis (who does it and how)	Possible improvement (proposals)
Variables of Payments and Requests		
Frequency of product orders		
Policies for prices and payments		
Margin analysis		
Commissions (volume and frequency)		
Grant credit to the final consumer		
Billing consumers		
Search for sources of finance		
Price guarantees		
Others (fill in)		

What may happen to the future of Nespresso's Go to Market?



20 General Questions for Analysis of Channels and Trends

1. How is the marketing channel structured today? Who are the participants?
2. What is the percentage of sales from each of these marketing channels?
3. What are the margins in each of these channels?
4. What are services offered by the channels? List the services channel wise. Which participants in each channel offer these services?
5. What are the margins of the agents in each of the channels?
6. Which available channels have not been utilized until this moment by your company and for what reasons?

20 General Questions for Analysis of Channels and Trends

7. How are the macro-environmental variables i.e. political/legal; economic; sociocultural and technological changes affecting the different channels presently? How will these variables affect different channels in the future?
8. What are the trends (concentration/internalization) and features of each channel at this moment? What will be the trends and features in the future?
9. How are marketing channels financing consumption? What are the risks involved?
10. What are the opportunities and possible benchmarks in using web/digital sales platforms?

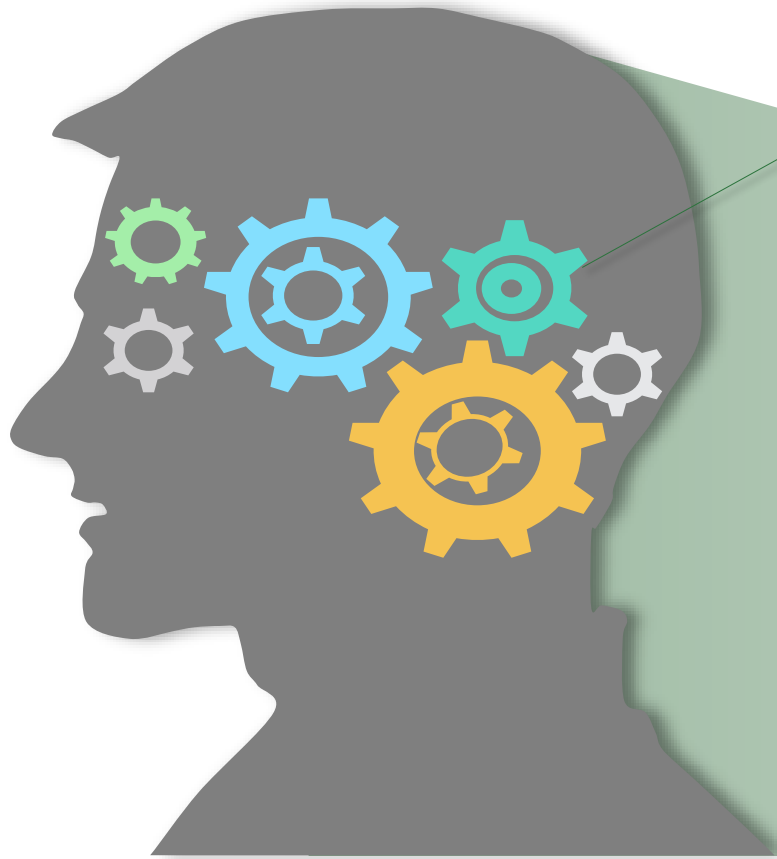
20 General Questions for Analysis of Channels and Trends

- 11.** How are the marketing channels of competitors structured?
- 12.** What is the mechanism for the flow of products in the channel? What is the role of each participant?
- 13.** What is the mechanism for flow of information from the consumer to the company in each of the channels?
- 14.** What is the mechanism for the financial flow from channels to company and how would you improve it?
- 15.** Are there creative ideas in a network concept that could re-shape distribution? If yes, list them.

20 General Questions for Analysis of Channels and Trends

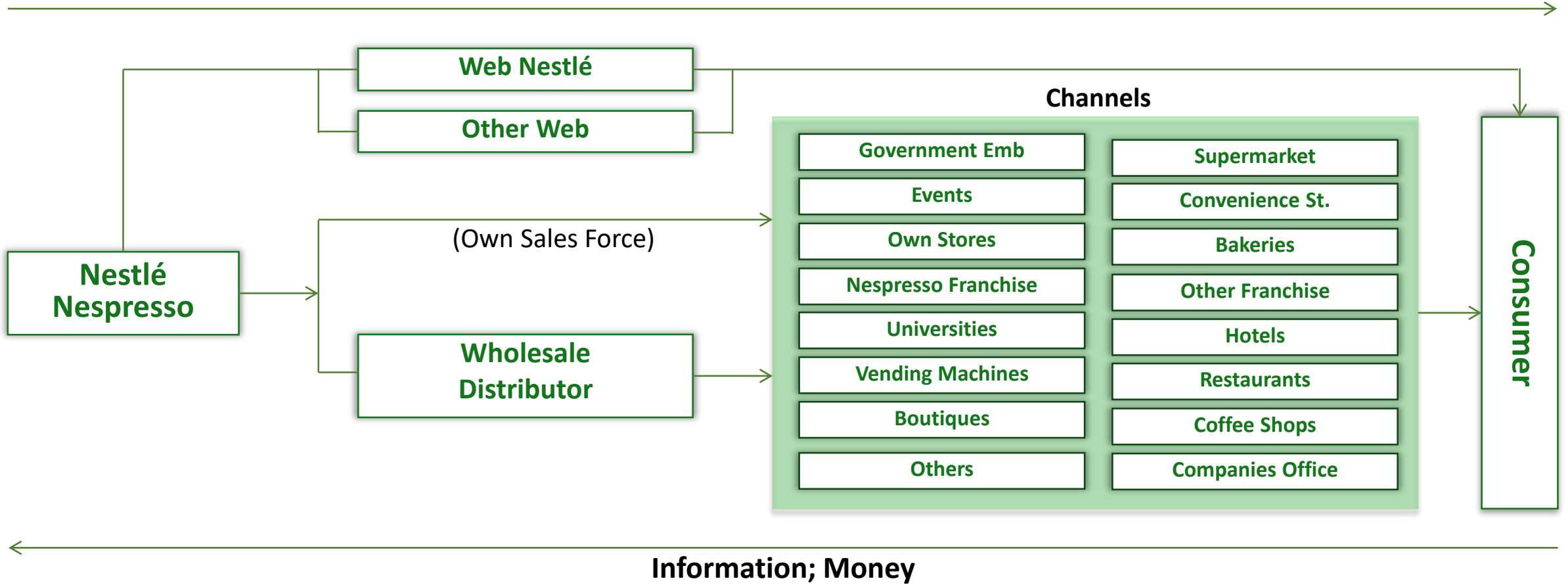
16. What types of loyalty programs exist in the marketing channels? Are there any programs that could be benchmarked?
17. What types of strategies should be evolved to deal with competitors in marketing channels?
18. What types of strategies should be evolved with non competitors that operate in the same marketing channels?
19. How will marketing channels of this industry look like in 20 years?
20. How to organize all these ideas in a project framework to make the company more competitive?

What may happen to the future of Nespresso's Go to Market?



Nestlé Nespresso Go to Market

Products + Services; Communications



Frame for Looking at Channels Trends

1. Which available channels have not been utilized until this moment by your company and for what reasons?
2. How are the macro-environmental variables i.e. political/legal; economic; sociocultural and technological changes affecting the different channels presently? How will these variables affect different channels in the future?
3. How will marketing channels of this industry look like in 20 years: what are the trends (concentration/internalization) and features of each channel?
4. Are there creative ideas in a network concept that could re-shape distribution? If yes, list them.
5. How to organize all these ideas in a project framework to make the company more competitive?



How Big Business Got Brazil Hooked on Junk Food

As growth slows in wealthy countries, Western food companies are aggressively expanding in developing nations, contributing to obesity and health problems.

We are in a Board Meeting and have to decide upon investing in own stores (vertical integration), joint-ventures or a franchise system to expand. Discuss these possibilities.



What could be done in a joint-venture to access consumers by Nespresso and Other Company.



eTalks

The Secrets Of Food Marketing



eTalks - The Secrets of Food Marketing



Closer to Nature™



Arla Foods (Corporate Film)

Dairy

F O O D S

Don Stohrer Jr. on the Arla/DFFA joint venture



0:02 / 1:33



Arla Foods forms a joint venture with Dairy Farmers of America

Advantages and Risks in Strategic Alliances (Joint Ventures)

Advantages of Strategic Alliances / Joint Ventures

- Can increase access to critical resources;
- Avoid legal and economical entry barriers;
- Gain more market force and coverage (scale);
- Spread risks;
- Acquire experience and contact network;
- Avoid supplier and/or distributor power;
- Access to distribution channels;
- Decrease in stocks, better logistic coordination
- Idle capacity utilization;
- Adaptation capacity in local markets;
- Lower cultural risks to enter new markets;
- Increase R&D;
- Unite efforts to reach common objectives;

Risks of Strategic Alliances / Joint Ventures

- Conflicts between companies (cultural differences);
- Delicate construction of the administrative team;
- Creating its own identity is critical;
- Risk of technology transfer without any compensation;
- Risks of unbalanced power;
- Hold-up risk (contract break) when only one of the parts makes investments in specific assets;
- Partners can disagree about the division of the investments, marketing or other policies;
- A dynamic partner in a joint venture can become a strong competitor;
- Risk of choosing the wrong partner.

How to organize a Franchise System for Nespresso?





10 Most EXPENSIVE FAST FOOD Franchises | LIST KING

TOP FIVE

reasons to invest in a

FOOD FRANCHISE

▶ ▶▶ 🔊 0:01 / 1:50



Top Five Reasons to Invest in a Food Franchise

Advantages and Risks in Franchising

Advantages in franchises

For the franchiser (the owner of the concept):

- Long-term strategic relationship;
- Business expansion without demanding high levels of investment.
- Brand management and control;
- More flexibility than vertical integration;
- Scale for marketing and technology (advertisement, new product development, administrative procedures);
- Capture local knowledge of the franchisee;
- Capture entrepreneurial spirit of the franchisee and incentives (it is his business)
- Network integration process and participation of the franchisees in strategies and new developments;

Risks in franchises

For the franchiser (the owner of the concept):

- “Franchise brokers” and “franchisee cooperatives” (where franchisees meet to increase their bargain power with the franchiser) can threaten the system;
- Concentration in the hands of few franchisees can make the negotiation process unequal between the parts;
- Labor aspects on the franchisee’s behalf that could result in law suits for the franchiser;
- Brand value loss due to the offering of lower quality products;
- Other activities done by the franchisee
- Ex-franchisees copying the business.

Advantages and Risks in Franchising

Advantages in franchises

For the franchiser (the owner of the concept):

- Receive marketing support;
- Location for the venture;
- Efficiency in the supply chain;
- Market research;
- Project and layout;
- Financial counseling;
- Operational manuals;
- Administrative training;
- Employee training;
- Knowledge already acquired from the franchiser's experience;
- Access to consolidated brands in the market.

Risks in franchises

For the franchiser (the owner of the concept):

- Unknown expenses in the system;
- Geographical concentration of franchisees in the same area generating competition within the franchise system;
- Lack of investments from the franchiser in marketing and innovation;
- Can limit creativity and innovation of entrepreneurs or franchisees;
- The payment system can be discouraging with the initial fixed fee plus part of the economic result (royalties) and contributions for communication;
- Mandatory purchase of inputs from the franchiser that can be overpriced.
- New units in the area competing
- Lack of openness to discuss environmental changes



**Own stores... Vertical Integration...
How to do it, what are the
advantages and disadvantages?**



Ag Minute: Vertical Integration

Factors to Consider and Risks in the Vertical Integration Strategies

Factors to Consider in Vertical Integration

- Complete control of the channels or supply;
- Access to market information;
- Protection against market oscillations;
- “Agency” costs as a result of different interests in the organization;
- Integrated tax planning in the chain;
- Differentiation opportunity;
- Increased negotiation power with other distributors or suppliers;
- Creation of scale and entry barriers to new competitors;
- Units working as consumer laboratories

Risks in Vertical Integration

- The cost to change becomes too high;
- Costs and expenses associated with the integration can be higher than other alternatives;
- Possible lack of flexibility;
- Larger investments and exit barriers;
- May reduce and limit the innovation rate;
- Clients may become competitors;
- Differences in optimum production scale;
- Possible lack of administrative synergy;
- Problems in one production stage threaten production and profitability of all other stages;
- The activities may be very different.

Prof. Marcos Fava Neves

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- ❑ Marcos Fava Neves is an *international expert* on global agribusiness issues and a part-time professor of planning and strategy at the School of Business (FEARP) of the University of São Paulo (USP) and FGV Business School, both in Brazil. He graduated as an agronomic engineer from ESALQ/USP - Piracicaba in 1991. He earned his master's degree in 1995 and his doctorate in management in 1999 from the FEA/USP School of Economics and Business – São Paulo. Marcos completed postgraduate studies in European agribusiness at ESSEC-IGIA in France in 1995 and in chains/networks at Wageningen University, in the Netherlands (1998-1999). In 2013 he spent the year as a visiting international professor at Purdue University (Indiana, USA) where he maintains the linkage as a permanent International Adjunct Professor. Since 2006 he is an international professor at the University of Buenos Aires, Argentina.
- ❑ He has *specialized in strategic-planning* processes for companies and food chains and works as a board member of both public and private organizations, being member of more than 10 international boards since 2004. Also in 2004, he created the Markestrat think tank with other partners, today employing around 60 people and doing international projects, studies and research in strategic planning and management for more than 250 agri-food business organizations. Some of these projects were very important in suggesting public policies for food chains that were implemented in Brazil with economic and social impacts.
- ❑ Also as an experience in the private sector, from 1992 to 1993 he worked in citrus juice exporter and from 1994 to 1995 in a veterinarian company. In 2008, he became CEO of Brazil's second-largest biofuel holding company, a position he occupied until 2009, when he returned to the University of São Paulo (USP) and Markestrat.
- ❑ At the academic side, since 1995 (when he was hired by USP), Marcos has advised more than 30 doctorate dissertations and master's theses and helped to form around 1200 Bachelors in Business Administration in Brazil with around 120 courses taught to undergraduates at USP.
- ❑ His writings are strongly focused on supplying simple and effective methods for business. He has published more than 100 articles in international journals and has been author and editor of 63 books by 10 different publishers in Brazil, Uruguay, Argentina, South Africa, Singapore, Netherlands, China, the United Kingdom and the United States. He is also a regular contributor for China Daily Newspaper and has written two case studies for Harvard Business School (2009/2010), one for Purdue (2013) and five for Pensa/USP in the nineties. Recognized as the Brazilian academic with the largest number of international publications about orange juice and sugar cane chain and one of the top 3 most cited Brazilian authors in the area of food and agribusiness. He has reached more than 4000 citations in Google Scholar index.
- ❑ Marcos is one of the most active Brazilian speakers, having done more than 1050 lectures and presentations in 25 countries. He received around 150 recognitions from Brazilian and international organizations, and is considered a "Fellow" of the IFAMA (International Food and Agribusiness Management Association), title received in Minneapolis - 2015.
- ❑ Coming from a family of farmers, he is a worldwide defender of agriculture and farmer's role in the development of the society. In the social side, together with his parents, Marcos is one of the creators and maintainers of Mucapp, a NGO that in 20 years has built more than 450 houses for families in Brazil that face very unfavorable conditions.