

## **Branding Strategy for Entry into New Latin American Markets An Institutional and Cultural Approach; Bimbo Case**

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### **Abstract**

The main objective of this article is to analyze theories of institutions and culture approach, and relevant aspects that could influence entrepreneurs in entering new Latin markets. Using a qualitative research methodology, this research analyzed the application of branding strategies used by “Bimbo” one of the most influential companies in the baking industry worldwide, to enter new Latin American markets including Argentina, Brazil and Peru. Graphic forms of some banding strategies are revised and analyzed in this paper as well as the branding process. This paper concludes by deliberating the successes of Bimbo in entering new markets. It discusses all major success factors identified in the strategy in which included culture, consumption habits, customs, values and laws; fundamental aspects to be considered in entering a new Latin market.

**Keywords:** Strategies, branding, internationalization, culture, institutions.

**JEL Classification:** F23, F18, M31

### **INTRODUCTION**

Globalization and constant economic growth have driven companies' opportunities to generate strategies to compete in global markets. The development of such strategies has focused on the positioning and

acceptance of products in certain markets. Companies today must break immense barriers to enter into new international markets. Prior knowledge of target markets in categories such as culture, consumption habits, trade

agreements and institutions will set the tone for the identification of opportunities to develop key strategies which in turn reduce the risk of failure in the decision to enter global markets.

Acquisitions are one way to internationalize. Acquiring companies that are already established in the target market is a way of reducing risk by eliminating the need to start from zero and establish the brand in the new market. However, this also generates a process in which different strategies must be proposed to combine the two brands and position the acquiring brand in the new market. This process is not a small task because credibility and consumer loyalty would be affected. This is where branding plays an important role.

A branding strategy combines planning, design and actions with the aim of ensuring that brand image that is transmitted to consumers is correlates with what the company wants. It will consist of those actions that are directed both in the design of the logo, as well as the adaptations in the names of the products. However, these actions do not generate that the essence of the brand or original name is lost.

This research aims to recognize the branding strategies that has been implemented by Bimbo Group (Grupo Bimbo), relating these strategies in the theory based on institutions specifically on cultural impact. Considered as a consolidated global company, Bimbo's learning curves stand out and supported the continuous

improvement of its strategies for the conquest of future target markets. The concept of theory based on institutions and the impact that culture has on the generation of branding strategies is analyzed. As well, this research discusses, in detail, some of the strategies that Bimbo has implemented to establish its brand in the markets of Argentina, Brazil and Peru.

### **Background of the problem: Entry to international markets. Knowledge of culture to reduce the risk of failure**

International business initiative is defined as "a combination of innovative, proactive behavior and in search of risks that cross national borders with the intention of creating wealth in organizations" McDougall and Oviatt (2000, p.903). That said, the entrepreneurs who decide to undertake the challenge of going global understand that the risk of failure is a latent possibility.

To identify the necessary factors considered in the establishment of their internationalization strategies, the "tripod of the strategy" must be noted. This tripod consists of the leading perspectives in strategy: the vision based on industry, resources and institutions (Peng, 2012). This considers that it generated a complete model for entrepreneurship.

It is spoken of the vision based on the institutions it is emphasized that this implies knowing what the restrictions are in a formal or informal way, considering that the formal restrictions refer to all those

regulations, laws and regulations that the country where the company intends to reach has. On the other hand, informal rules refer to all those cultural factors that include values and behaviors.

Bimbo Group is one of the largest companies in the baking industry worldwide. The company's accelerated growth to position itself in new markets leads it to generate many new strategies for differing markets, due to the cultural exchange for the commercialization of its products. It considers important challenges in knowledge of consumer habits, preferences, norms, as well as the perception of the brand. Prior knowledge and extensive research of the culture and values that define the new target market is relevant and important to brands and the global marketing strategy is a vital element of the brand's success.



*Figure 1.* Presence of Bimbo Group worldwide.

Source: Bimbo

An important element of a company's overall marketing strategy is its brand policy. Strong brands help the company establish an identity in the market and develop a solid customer franchise (Aaker, 1996). They can also serve as a basis

for brand extensions, which further reinforce the company's position and improve value (Aaker and Keller, 1990).

In international markets, the company's brand strategy plays an important role in the integration of the company's activities throughout the world. A company can, for example, develop global brands (using the same brand name of a product or service around the world) or approve local brands of countries with the brand or company logo, thus establishing a common image and identity through the markets of countries. It is for this reason that it is important to combine both concepts from the perspective of the theory based on institutions and the strategy of branding for the incursion to new international markets.

#### **THEORETICAL-CONCEPTUAL REVIEW: THE THEORY BASED ON INSTITUTIONS AND THE BRANDING STRATEGY FOR ENTERING NEW MARKETS**

##### **The vision based on institutions, cultural perspective**

The vision based on the institutions maintains that in addition to the conditions at the level of the company and the industry, brands must take into account the domain and transcendence that the state and society can have when proposing strategies (Peng, 2012). In his book Scott (1995), describes that there are different ways in which institutions can be regulated based on their function and their way of relating to other elements surrounding the institution. It

establishes that informal organizations are identified by including norms, cultures and ethics. Scott (1995) also mentions that there is a formative pillar, which refers to the influence on the behaviour of individuals or companies, based on the values and beliefs of these.

According to Scott (2013), the institutions are all the commitments that include regulatory, normative and cultural cognitive elements that, together with the associated activities and resources, provide stability and meaning to social life.

Culture is made up of several elements that are related to each other. Hofstede (1997) defines the term as "the collective programming of the mind which distinguishes the members of one group or category of persons from another" (p 421). This author proposes a classification scheme of culture composed of the following 4 dimensions:

- a. **Distance of power**, referring to the degree of inequality that the people of a country see as acceptable. To exemplify the nations that have a high distance are Arab countries, Mexico and West Africa. On the other hand, those with a low distance are countries such as Germany, Great Britain and the United States.
- b. **Avoidance of uncertainty**, which is interpreted as the extent to which a culture of people prefers clear, structured rules to unstructured ones.

- c. **Individualism**, Individualistic cultures prefer to live as individuals rather than as groups, the "I" over the "us".
- d. **Masculinity**, makes a distinction between the values that define as masculine, for example, assertiveness, success, competitiveness within society, examples of feminine values could include solidarity and quality of life.

Investigations subsequent to Hofstede's work in Asia conferred a fifth dimension: **the long term**, which denominates the companies that are oriented for the long term as those that have future values (e.g. perseverance, economy). On the other hand, short-term societies are concerned that their values reflect their past and present (e.g. respect for traditions).

Adaptation to foreign cultures is a fundamental factor to consider when entering foreign markets, each one has cultural stereotypes and damages that are summarized in the cultural sensitivity that each market presents. Therefore, the cultural adaptation of the host country is indispensable. This adaptation is often difficult due to the criterion of self-reference (CAR), a term coined by cultural anthropologist, J.A. Lee. This refers to the interpretation with an unconscious tendency that people have to resort to their cultural experience and values to assimilate a business situation. Lee (1966) designed a procedure consisting of 4 stages that allows designers of global marketing strategies to identify intercultural differences and define

the necessary actions that may face them:

Stage 1: Define an objective in terms of its own traits, customs and cultural values.

Stage 2: Define an objective in terms of the traits, customs and cultural values of the host country.

Stage 3: Isolate the influence of the CAR on the objective and examine how it interferes with the objective of the company.

Stage 4: Redefine the objective of the company, but this time without the influence of the CAR, and define the optimal actions to achieve the objective.

The definition of what establishes the theory based on institutions and the particular concept of culture allows us to address the problems of this study, because through these theory decision makers will be able to consider these factors relevant to the development of strategies that allow internationalize and reduce the uncertainty of the risks involved in carrying it out.

### **The Branding strategy for entering new markets.**

The questions that the company faces in the development of an international brand strategy depend on how it has expanded internationally and how its international operations are organized. Some companies, such as Procter & Gamble (P & G) and Coca-Cola have expanded by taking advantage of their national "power" brands in international markets. Consequently, in their attempt to expand further, they should consider

developing brands adapted to specific regional or national preferences and integrate them into their brand strategy.

Other companies such as Nestlé and Unilever have adopted strategies traditionally focused on the specific country, building or acquiring a mix of national and international brands. These companies must decide to what extent they move towards greater harmonization of brands across countries and how to approach it. Such issues are particularly important in markets outside the United States, where the concept of "power" brand is relatively new (Barwise and Robertson, 1992).

### **Review of the empirical literature Perspectives of branding strategies**

Today the development of national history is linked to business growth and development. Globalization and high costs have forced companies to find ways to improve the efficiency of their processes (Grosse and Glock, 2014), improving processes has an impact on costs and if companies cannot generate benefits that it requires this could leave them behind. That is why the adoption to promote their distinctive features and remains with their position respecting a unique identity based not only on tangible but intangible elements (Kavoura, 2014).

For the above, looking for strategies that can continue to guarantee economic results and reduce the uncertainty of risk, marketing arises which plays an important role in the operations of a

company. Branding is used today as a key tool in companies and has been strengthened in marketing processes, putting as a focal point the creation of activities in their brands, since it determines everything will persevere in the mind of the consumer that is summarized as the perception of the brand (Kotler and Keller, 2012).

## RESEARCH METHOD AND DATA ANALYSIS

### Bimbo in the Latin American market: Argentina, Brazil and Peru

This research was carried out using a qualitative methodology, data was collected through an interview with key administrative personnel of the Bimbo organization that had contact or had the opportunity to be implementing the strategies that helped Bimbo to consolidate in the Latin American market. Today Bimbo Group is a world leader in the baking industry for production and sales volumes. It has a presence in 32 countries within America, Europe, Africa and Asia where it has 197 plants, more than 139 thousand employees and an approximate 3 million points of sale. It also has one of the largest distribution networks in the world. Bimbo reaches annual sales of 14.4 million dollars, through the production and distribution of fresh and frozen bread, buns, biscuits, pastries, English muffins, bagels, packaged products, tortillas, salted snacks and confectionery items, among others.

Below are some branding strategies in branding and logos that Bimbo made in its adaptation

process for some of the Latin American markets.

### Bimbo and Plus Vita Brazil

In 2001, Bimbo announced that it had acquired Plus Vita, one of the largest baking companies in Brazil, which produced a wide range of products including packaged white bread, specialty breads, buns, cakes and fried foods. The brands that will be acquired are some of the most recognized and traditional in Brazil, such as: Pullman, Plus Vita, Ana Maria, Muffs and Van Mill. Bimbo's interest in the Brazilian bread industry was considered several times, since it fit in with its expansion strategy in Latin America. For this market in particular, when making the acquisition of that company and its cashier line called Pullman, Bimbo decided to bet on a branding strategy that included the adaptation to the logo of the Pullman brand as a hallmark of its acquisition. Respecting the name of the brand acquired by consumer issues will not assimilate it as invasive, just decided to add an element to the current logo. See Figure 2.



Figure 2. Left Logo Antes, Right current logo

Product as the "Medias noches" traditional in the Mexican market also has its counterpart in the Brazilian market under the name of "Misino". See Figure 3.



Figure 3. Left Medias Noches, Right Mistinho

Source: Official page of Bimbo (2018).

### Bimbo and the Tortillas market in Argentina

In 2011, Bimbo made acquired Fargo, the main producer and distributor of bread products in Argentina, with sales of approximately \$ 150 million dollars per year. With five plants and more than 1,500 employees, the company sells its products under the brands FARGO®, LACTAL® and ALL NATURAL®, among others, through wholesale, retail and institutional channels. This acquisition strengthened Bimbo's regional profile and the growth strategy of Bimbo Group in Latin America.

The experience in particular described is the entrance into the Tortilla market; Bimbo wanted to add to the portfolio of products and had acquired the line "Tortillinas under the brand Tía Rosa". It marketed the product, to its surprise it saw that the returns were very high, and the result of its saturation to position this product did not give the expected result. Through market research Bimbo confirmed that the consumption habits of the Argentine market did not include tortillas like it did in Mexico.

So Bimbo generated a branding strategy with their tortilla product

changing the name of Tortillinas to "Rapiditas" under the brand Bimbo. However, this strategy did not only include a name change, it was followed up with an advertisement that explained the forms of consumption of this product. The result of the branding strategy was very successful and the name had to do with the fact that the consumption of this product is for fast food. See figure 4.



Figure 4. Left Tortillinas, Right. Rapiditas

Source: Official page Bimbo (2018)

### Bimbo and the Peruvian market

The case of Peru has to do with the problems he had when entering his cake "Pingüinos Marinela", a derivative that says name already had a patent, therefore, a branding strategy was carried out based on the name change of the product. However, it keeps all the original packaging. The new name that the firm adopted was that of "Biri Biri", which today is used as an advertising strategy in the Mexican market and has great success. See Figure 5.



Figure 5. Left Pingüinos, Right Biri Biri

Source: Official page Bimbo (2018)

As well as these strategies, there is a diverse range of others that Bimbo has had to carry out. It is important to emphasize that for the development of these strategies, Bimbo has a solid previous knowledge of the target market, to carry out investigations of consumption habits, where the preferences that consumers have are evaluated and the place where Bimbo wants to sell its products. This gives the company the opportunity to further diversify its already wide portfolio of products, which allows it to be sharing the wallets of all countries where it is present today, where they resemble the cultures and consumption habits.

The sources indicate that teams of work are brought together in the market that they want to reach with the brand and studies, strategies are carried out, for months, making tests even consumption by launching test markets of some products to evaluate their acceptance. With this, Bimbo can define and reduce the uncertainty that emerges from exploring new global markets.

## CONCLUSIONS AND RECOMMENDATIONS

The vision based on the institutions provides key points as to how the

state behaves and the repercussions that the interested company may have when entering a new global market, and from this the culture that derives from the topic of food product commercialization. It detonates several aspects, such as the habits of consumption, the beliefs and customs of the target market. As noted, Bimbo is now positioned in the global market. During the period of internationalization, the company has had crucial stages of learning derived from these issues of culture. Adaptation is not easy and requires willingness to risk failure, as in the case of Bimbo in Argentina. Bimbo incurred losses with the introduction of tortillas and then took another risk to re-position the product; in the end Bimbo generated optimal results.

The process of defining an optimal branding or internationalization strategy depends on the entrepreneur being educated in the prior knowledge of his or her target market. This must verify if the portfolio of products is suitable to the new market, or if adaptations and innovations are required to the product or the marketing in order to successfully launch the brand. Branding is a very useful tool to develop short and long term strategies to achieve its main objective, which is to make the brand memorable as an intangible asset and generates a link with the consumer; so that their preference is not only for the product but also that they love the brand.

Bimbo is an example of a company that through its products



generates this link among its consumers. The various procurement strategies and ways, in which it has led to position itself as a world leader in baking, are relevant to the study applied to the various theories that exist.

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