Driving Impactful, long term business growth with sustainable business and operational strategies

Marketing: Our core idea was to build an effective marketing program that blends elements of the mix so that they harmonize powerfully (Shapiro, 1985, 1). We decided to adopt the multiple segment specialization strategy as we believed effective segmentations focus on just one or two issues, and they need to be redrawn as soon as they have lost their relevance (Meer and Yankelovich, 2006, 9).

Our product and customer scope for this simulation includes:

Segments	Target Audience & Characteristics	Needs Satisfied
Economy	Price-sensitive, value-conscious, lower willingness to pay, middle class families & adults living mostly in rural/semi urban areas.	Basic, low-cost, cavity-protection toothpaste. Reliable during the economic crisis.
Healthy	Families with children & middle-aged adults who are oral health conscious. Mostly urban, upper class and willing to pay a premium price.	Safe, decay and disease prevention. Status, differentiation, and brand-consciousness.
Kids	School going kids, mostly from urban, educated, upper class families.	Cool, colourful, tasty toothpaste. Appearance conscious.

Our firm strategy was to take on a competition-based pricing approach. In a few fiercely competing markets, we adopted strategies such as the penetration pricing strategy, where initially we entered the market with prices lower than the competition, to gain more customers and increase our market share. After building a competitive advantage, we re-adopted competition-based pricing. We expected around 40% margin, but at the end we were able to achieve 48.24% gross margin.

We used extensive native advertisements (Spanish, Portuguese) targeted towards families, alongside promotions. To save on costs, we re-adapted/updated a lot of our Spanish ads across Spanish speaking countries. We promoted aggressively in the new countries we entered with higher marketing expenditure upon initial market entry, and slowly cut down on the expenditure after 2-3 years post market entry to better optimize our return on sales. We've always tried to reinforce All-Star brand's Value Proposition: "Sanity over Vanity" (Point of differentiation: Strong over white teeth). We've integrated our products, ads, promotions, and brand positioning aligned to our differentiation strategy. We maximized our ads and promotions spend targeted towards products, appealing to our core cluster that are families. We achieved our marketing goals by attaining a brand equity of 77

(Average creative execution score = 70). Our long-term plan was to achieve sustainable dual advantage that would help us sell at higher cost, manufacture, and ship at lower costs.

Operations management: To expand our operations in LATAM, we analyzed opportunities, trade-offs, benefits, and risks of onshoring vs offshoring and concluded that we would be better-off if we own operations offshore in the long run. We applied the TLC concept and assessed COGS, logistics, learning curve cost and inventory and stockout costs in each of the six markets under consideration.

Argentina emerged as a balanced choice where it was a cost leader in the economy segment cost/ unit ($0.37 vs LATAM average of $0.45) and admin cost was the lowest per SKU, channel, and direct outlet (Argentina average was $156 vs LATAM average of $196). LATAM being an entirely new market for us, we ensured our learning curve is steep and facilitated knowledge transfer from existing management. During the first year, we shipped from home, to allow time for our local plant to be up and running. Our network analysis revealed Argentina as the fastest growing economy, with the second highest per-capita income and the largest % of urban population in LATAM, thereby best positioned for our geographic expansion. With access to lower operational and labor costs while capturing greater value by entering untapped markets where we could position ourselves to deliver better products than the local/regional players at a more competitive price, we created value and maximized willingness to pay.

Our decision-making process was driven by the product life cycle in addition to logistics, exchange rates and inflation. Starting with production in Argentina, we expanded further into Brazil, followed by Mexico, Chile, and Columbia. Over the years we studied the markets and amended production capacity year-on-year: Over year 1 to year 4, we increased our production capacity from 25mn units to 100mn and then revised to 65mn units that continued to year 6. We were positioned to take rapid decisions in reviewing and revising our manufacturing capacities given our on-the-ground presence and close monitoring of the market.

Our operations management goal was to reach efficiency across the full value chain while minimizing costs and expanding market access which we achieved successfully. We combined sourcing from our home country as well as from Argentina, assessing TLC for each of our geographic expansions. With a successful combination of our upstream and downstream strategies, compared to home country, our average cost came down significantly in the various SKUs, e.g., average cost of Econ/ Tube/ Pst tariffs at the end of year 6 in Home was $0.65 vs $0.37/ $$0.42/ $0.51/ $0.47/ $0.46 in Argentina/ Brazil/ Mexico/ Chile and Colombia respectively. Average unit cost in Argentina was $0.39 vs $0.69 in Home. This clearly reflects the successful implementation and achievement of our operational objectives.

Strategy (& Global Business): We have analyzed the broad attributes of a country based on the Diamond Framework of National Advantage (Porter, 1999, 140). In year 1, we entered Argentina, after examining the demand conditions such as population, market size for toothpaste, and the nature of domestic rivalry reflected in the sales by competitors (Porter, 1999, 143-147). We also chose to build our plant in Argentina considering dimensions for location strategy such as government incentives (tariffs and taxes to neighboring countries) as well as firm fitment in terms of economies of scale (Alcacer, 2014, 1-5). Our products were competitive in markets or countries where the export tariffs from Argentina are nil with reasonable shipping costs. We adopted the aggregation strategy of producing in Argentina and catering to the markets of other countries to gain cost reduction through economies of scale (Ghemawat, 2007, 58-68). For other countries, we remained competitive by exporting from the home plant. In year 2, we entered Brazil and Mexico as the domestic demand is quite significant and showed progressive growth in sales. In year 3, we entered smaller markets such as Chile and Columbia.

In all the markets we entered, we examined the demand by creating a matrix of population segments (Young, Old, and Families) and Product types (Economy, Healthy, Whitening, and Kids). This matrix generated insights on the gaps in the markets to launch our products and create and capture value as well as presented us with “uncharted segments” to enter. The matrix was supported by competitive structure and rivalry, wherein we assessed the presence of other international players, regional, and local participants and their product line-up and SKUs. We captured an average of 18% combined market share in the 5 countries that we entered. We occupied the top position in Columbia, 2nd in Argentina, 2nd in Brazil, 3rd in Chile and 3rd in Mexico.

Our strategy was based on Positioning our products in the market in a manner that will get us into untapped markets and using segmentation we created our own markets and in the initial years. We tried boosting the revenues by adapting and ensuring the products launched are relevant locally (Ghemawat, 2007, 58-68). Since we were new to the LATAM market and low prices helped us break the barriers. This has led to a trade-off where Profit Margins (Return on Sales) were lower at the expense of top line growth.

We kept our pricing strategy on the lower side, albeit slightly, compared to international competitors but higher than local and regional players. Hence, we adopted a premium pricing strategy targeting the broader market (Ghemawat & Rivkin, 2009, 44–65. Pearson). In the kids’ market, we resorted to price skimming as we gained significant sales, however, we reduced prices slightly while maintaining the premium once another competitor entered the market.

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APPENDICES

Global Opportunities Proposal (Team C10 – Argentina)

This Global Opportunities Proposal provides a detailed plan on our market entry and expansion strategies planned for AllStar Brands in the Latin America region. It would list the opportunities and challenges present for AllStar Brands in the Latin America region across verticals such as Marketing, Operations Management, Global Strategy. Further, we would also explain about our teaming and synthesis strategies to work on this Capstone project.

From a macroeconomic perspective, an important economic shift happened over the last 25 years. During this time, emerging markets have overtaken higher economies in terms of total gross domestic product (GDP), even though some disparities remain across some regions. Allstar Brands is currently looking at fast-growth, high-energy markets outside the developed economies to fuel the expansion. With rapid population growth, fast-rising incomes and new technologies, LATAM offers plenty of scope and opportunities to grow for the AllStar Brands Toothpastes. While it can be lucrative, moving into these more dynamic economies comes with its own set of challenges – often with different cultures, different sensibilities, business practices and consumer behaviour.

As a part of our Initial Market Entry for Year 1 from Home, we are planning to enter in Argentina, primarily due to the following reasons:

- Fastest growing economy in LATAM
- Second Highest per-capita income in LATAM
- Largest % of urban population in LATAM
- Market largely dominated by local players in LATAM
- Per capita 2nd largest spend on Toothpaste in LATAM
- Per capita 2nd largest SKU consumption in LATAM
- Only one significant international player B+B with market share of 17.4% in Argentina

Marketing Strategy

1. The Consumer Segments we are planning to target in the year 1 are Kids Medium and Healthy Medium toothpaste (2 SKUs). The Kids segment has no competitors and has a demand of 8%. The Healthy segment has only one local player as a competitor and has a demand above of 30%. We are planning to tap into both these markets.

2. Our pricing is largely based on our competition and our costs. We are aiming to position ourselves as an aspirational brand that will cater to urban, health conscious and kid crowds. Hence, our products are above the local players and slightly below B + B healthcare in the respective segments we compete in. We are looking at somewhere between 20% - 30% margins for both products. We decided on the margins purely by studying how our competitors are pricing and what would give us a favourable revenue after allowances.

3. We are planning to promote to customers by newly creating ads for Kids and Healthy segments. We have allocated an ad budget close to 5 million. For retail partners, we intend to give higher allowances for the first year. To measure the effectiveness of marketing campaign we plan on calculating the unit revenue for every marketing spend and by studying consumer buying patterns based on the marketing ads.

4. We are integrating our marketing decisions to maximize branding and positioning by utilizing Spanish advertisements across all our products and target groups.

Operations Management Strategy

1. We are planning to build a manufacturing facility in Argentina for year 1 with a capacity of 25 million. Our decision is driven by market access maximization.

2. We are choosing Argentina as a local plant as it would bring down production costs by 19%. Our TLC (Total Landing Cost) strategy is based on minimizing the COGS than worrying about supply chain costs.

3. We are planning to increment capacity year over year depending on demand forecasting, new product introductions, new market entry plans, competition, economic situation and our financial position.

Global Strategy

1. We are plan to enter the follow countries a. Argentina – ideal market and economy with low competition

b. Columbia – growing market, low competition

c. Brazil – largest population and sales market

We would formulate SKUs depending to the market gaps, target population, capacity, and other factors affecting each market.

2. We expect to have less rivalry in Argentina and Columbia and have more in Brazil. We are expecting to have the highest rate of return in Argentina.

3. We would like to occupy the broad premium differentiator position in Argentina for year one and then move towards broad cost leadership. We are yet to decide for other countries.

4. Trying to position ourselves as a premium brand, we have higher prices than local players and aim to enter segments which are targeted towards families and urban population. We would move towards cost leadership only after carving our niche in this space. We would enter segments like Healthy, Whitening and Kids which are more premium segments and will command a higher willingness to pay. And, we would also enter spaces where the competition is less and has high demand.

Synthesis

1. We would try to align our marketing, operations, and global strategies according to our competitive positioning for different geographies. Our decisions will be matched across depending on demand forecasting, new product introductions, new market entry plans, competition, economic situation and our financial position.

2. Our overall plan for competing in Latin America would be competition and cost-based approach. We would enter underserved, emerging markets with promising growth potential and having market gaps. We would try to differentiate amongst competition based on quality, price, service and positioning.

Teaming

1. We are planning to divide work according to team members background and interests on Marketing, Pricing, Distribution, Ads, Production planning, Product. We plan to meet once every week and decide on which countries we can expand in, what SKUs can we introduce, how we can scale etc. Decisions will be made in team meeting based on majority votes and in cases of uncertainty we would stick to a conservative approach.

2. We would base our considerations on all the above factors mentioned giving equal importance to all our team members views and opinions.

3. Our team has a divorce background: a product manager, a customer success manager, a VC, an investment banker, a music entrepreneur. We get to hear unique perspectives from each member that has contributed immensely in shaping up our strategies.

Year 1 - Decisions Analysis Report

Marketing:

Our team decided to enter Argentina as the first country to enter with the new product. We created 2 new SKU's as per gaps in the market and growth opportunities. We chose to advertise heavily and made 2 advertisement campaigns focussed mainly to families specifically targeted towards purchasing healthy and kids' toothpaste. We are spending about $5 million just on advertisements. We are spending another $75 million on Promotion. The channels we've used are Self-serve, Hypermarket, Web, and Wholesale with highest weight on promotions to Hypermarket and Self-serve. We also chose the language for the advertisements to create convenience for the local consumers.

This Strategy worked well for us although we didn't make a profit as per norms. We will be adding new SKU's and marketing them even better in the next step of the way. We also plan to enter other markets and countries soon. We used the MOD 5 concepts of Positioning and Cost-based pricing for the steps.

Operations Management:

Since we are in Year 1 of the new market, we tested the imports from the home nation. They went smoothly as planned as per our sales projections. We allocated optimum resources as per the salespeople requirement. We spent around 55.4 million ARS on human capital.

As the sales projected were close to the actual figure, our human resources were used efficiently. We will add new factories and resources to the plan soon and try to get optimum figures out of the market. We used the MOD 5 concept of Value Chain Design for the above steps.

Global Strategy:

We have already started the process of creating a factory in Argentina and plan to produce 25 million units as a start to the second year. We are also planning to enter other nations as markets in the coming years. We used local information and comparisons with neighbouring nations to make pricing, distribution, and advertisements decisions for the firm.

We used the concepts of leveraging opportunities around the globe from MOD 5 for our global strategy.

Year 2 – Decision Analysis Report

In Year 2 we entered Brazil and Mexico, in addition to serving existing Argentina market. We transition from Premium/Differentiation to Cost Leadership in many markets.

Marketing

1. We aggressively spent on Marketing introducing new Portuguese ads in Brazil and increasing marketing spend. The marketing spends proved to be effective as it boosted our sales volume and revenue. We also increased our allowances to push our product in many channels. We increased our salesforce and promotions to aggressively enter new territories and stabilise our hold in the existing market.

2. We used concepts of Segmentation, Targeting and Positioning in Economy, Healthy and Kids section. For Economy, we priced it low and to cater to economic strata. Healthy and Kids were for the premium category with higher prices. The ads we used were re-adapted in many territories.

Operations Management

1. We increased our capacity by 100 million units to cater to increased demand in Brazil and Mexico. To save on Tariffs and Shipping costs, we exported to Mexico from the US and to Brazil from Argentina. This helped us cut our costs to a significant extent. We were able to fulfil the expected demand with this increased capacity.

2. We used concepts of Offshoring, Outsourcing and Global Production Capacity to plan our operations.

Strategy (& Global Business)

1. Our Marketing & Operations decisions turned out to work well and helped us capture more market share in Argentina and Brazil on year 2. We intentionally decided not to enter the whitening segment as it had the highest competition across a lot of territories. We generated a total sale of 202.5 mil and our brand equity improved. We transitioned from Premium/Differentiation to Cost Leadership in many markets and this shifted our business strategy to a more all-inclusive approach catering to demands of all age group customers.

2. We used the concepts of Industry Analysis, Firm Analysis, Corporate & Global Strategy to improve our global business.

Year 3 – Decision Analysis Report

In Year 3 we entered Chile and Colombia, in addition to serving existing Argentina, Brazil, Mexico markets. We moved fully to Cost Leadership in many markets and started to fully focus on Economy, Healthy and Kids segments.

Marketing

1. You made a series of Marketing decisions in the prior period (e.g., regarding products, prices, advertising). How did they turn out? How do they affect your next steps? We increased our marketing spends and prices further to compete more effectively in Chile and Colombia. We also increased our allowances and promotions to aggressively promote in the new territories. We re-adapted existing Spanish ads to cater to these territories.

2. We used concepts of Segmentation, Targeting and Positioning in Economy, Healthy and Kids section. For Economy, we priced it low and to cater to economic strata. Healthy and Kids were for the premium category with higher prices. We took a competition-based pricing approach for all these segments to match our competition.

Operations Management

1. We increased our capacity by 100 million units to cater to increased demand in Colombia and Chile. To save on Tariffs and Shipping costs, we exported to Chile from the US and to Colombia from Argentina. This helped us cut our costs to a significant extent. We were able to fulfil the expected demand with this increased capacity.

2. We used concepts of Offshoring, Outsourcing and Global Production Capacity to plan our operations.

Strategy (& Global Business)

1. Our strategies to enter worked well in Colombia but failed in Chile due to poor sales. We generated a total sale of 303.1 mil and our brand equity improved. Our numbers grew further in Brazil, Argentina and Mexico and we captured a significant market share leading to higher sales volume and revenue. We took a competition-based pricing approach that paid off and worked well in most of the markets. We priced according to our competition and increased or set allowance at par in most of the markets.

2. We used the concepts of Industry Analysis, Firm Analysis, Corporate & Global Strategy to improve our global business.

Year 4 – Decision Analysis Report

In Year 4, we stayed in the same markets and increased the number of SKU's and cut down allowances and reduced our advertising and promotion budgets to aim for profits, which we achieved.

Marketing

1. We stayed in the same markets / Nations. We tweaked the advertising and promotion budgets as per the new demands for the year. We cut costs on the above and tried to turn profitable in Year 3 and succeeded.

2. Since we have spent huge amounts on marketing in the first 3 years, we could afford to cut down costs this year and still be profitable and we have a solid consumer base and good market share.

Operations Management

1. We tweaked the sales force budgets and changed the resources allotment as per the increasing demand in some modes of supply and a drop in others.

2. We also reduced our capacity to save on extra cogs incurred due to excess stock according to our calculations and projected sales.

Strategy (& Global Business)

1. We kept Cost-Differentiation as our main strategy to aim for profits and succeeded. We used the concepts of Positioning and Value creation to get an abundant market share to turn profitable.

Year 5 – Decision Analysis Report

In the Year 5 we decided to cut spendings on Ads, Promotions, Salesforce and Allowances. We analysed the markets we were not performing well and decided to cut costs in all those territories (ex: Chile, Mexico). We also slightly increased our spend in Argentina, Brazil to consolidate our leadership position and maintain our lead over our competitors.

Marketing

1. We reduced our marketing expenses in many territories in a view to increase our return on sales. We also reduced our allowances in many underperforming SKUs to keep it to bare minimum. We judiciously cut down our salesforce and promotions to cut down on spends and increase the return on sales.

2. We used concepts of Segmentation, Targeting and Positioning in Economy, Healthy and Kids section. For Economy, we priced it low and to cater to economic strata. Healthy and Kids were for the premium category with higher prices. The ads we used were re-adapted in many territories.

Operations Management

1. We decided not to increase our capacity for year 5 and year 6. To save on Tariffs and Shipping costs, we exported to Mexico from the US and to Brazil from Argentina. This helped us cut our costs to a significant extent. We were able to fulfil the expected demand with our existing capacity, there was even a buffer capacity to serve any additional demand required.

2. We used concepts of Offshoring, Outsourcing and Global Production Capacity to plan our operations.

Strategy (& Global Business)

1. Our Marketing, Strategy, Operations decisions turned out to work well and helped us to consolidate in our existing territories and grow our market share. We intentionally decided not to enter the whitening segment as it had the highest competition across a lot of territories. We generated a total sale of 291.5 mil and our brand equity improved. We took a competition-based pricing approach to price our SKUs and in few SKU's we took a premium pricing approach.

2. We used the concepts of Industry Analysis, Firm Analysis, Corporate & Global Strategy to improve our global business.

Year 6 – Decision Analysis Report

In the Year 6 we decided to further cut spendings on Ads, Promotions, Salesforce and Allowances. We analysed the markets we were not performing well and decided to cut costs in all those territories (ex: Chile, Mexico). We also increased spend considerably in Argentina, Brazil to consolidate our leadership position and maintain our lead over our competitors as it was the final year.

Marketing

1. We reduced our marketing expenses in many territories in a view to increase our return on sales. We also reduced our allowances in many underperforming SKUs to keep it to bare minimum. We increased our salesforce and promotions to boost sales for the final year.

2. We used concepts of Segmentation, Targeting and Positioning in Economy, Healthy and Kids section. For Economy, we priced it low and to cater to economic strata. Healthy and Kids were for the premium category with higher prices. The ads we used were re-adapted in many territories.

Operations Management

1. We decided not to increase our capacity for year 5 and year 6. To save on Tariffs and Shipping costs, we exported to Mexico from the US and to Brazil from Argentina. This helped us cut our costs to a significant extent. We were able to fulfil the expected demand with our existing capacity, there was even a buffer capacity to serve any additional demand required.

2. We used concepts of Offshoring, Outsourcing and Global Production Capacity to plan our operations.

Strategy (& Global Business)

1. Our Marketing, Strategy, Operations decisions turned out to work well and helped us to consolidate in our existing territories and grow our market share. We intentionally decided not to enter the whitening segment as it had the highest competition across a lot of territories. We generated a total sale of 285.3 mil and our brand equity improved. We took a competition-based pricing approach to price our SKUs and in few SKU's we took a premium pricing approach.

2. We used the concepts of Industry Analysis, Firm Analysis, Corporate & Global Strategy to improve our global business.