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Culture and Chocolate Consumption in China: A Case Study of the Launch of a Brazilian Brand

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Introduction: Historically, chocolate has not been a part of Chinese diet. It was neither a popular snack nor a sought-after desert. Therefore, in launching and marketing this product in China, a firm would have to take several strategic decisions that would be different from those it would take in a market where the product is a part of the consumption culture. This case study therefore examined how a Brazilian firm launched a chocolate brand (Garoto) in China and the type of strategic decisions it took to consolidate its market position. Guided by the structure-conduct-performance framework, this study focused on the two key types of strategic decisions that firms take in internationalizing their business: mode of market entry and the marketing mix decisions.

Brazil and China Trade Relations: China is now the largest trading partner of Brazil. This development is notable because not very long ago Brazil's exports to China were almost inconsequential. In 1990, Brazil exported just a little over 1% of its total exports to China. In 2013, however, the share of exports to China increased to more than 19%. While Brazil's exports to China have been on an upward trajectory, what is noteworthy about these exports is their composition. Brazil's exports to China consist mostly of raw materials, such as iron ore, soybeans, and petroleum. As such, there is a growing concern in the country that relying on commodities' exports might not be beneficial for Brazil in the long run. As such, a consensus is developing that Brazilian firms need to diversify their exports to China, from commodities to finished goods, especially value added consumer goods.

Method: The research took a case study approach to examine the strategic marketing decisions a Brazilian firm took to expand into the Chinese market. The case study approach was considered appropriate because one of the research goals was to gain deeper insights into the type of strategic decisions that firms make in a market where the product is not a part of the consumption culture. Furthermore, as research on the involvement of Brazilian firms in China is at a formative

stage, a case study approach is expected to provide a deeper understanding of the launch of a new brand.

Interviews: A one-on-one in-depth interview with the export manager of the firm was conducted. Before beginning the interview, a brief introduction about the goals of the research and affiliations of researchers was made. Following this introduction, an interview protocol was used to conduct the interview. In the interview, a semi-structured format was followed, which is conducive to clarifying questions and seeking clarifications on responses if needed. In this approach, the interviewer is able to obtain more information and manage the interview process more effectively. The interview lasted for about ninety minutes. Two months later, a follow up interview was conducted for sixty minutes to further clarify some of the strategic issues.

Data: In the interview, some of the key data collected were as follows: number of years of exporting experience for the firm, main export markets, products exported; initiatives regarding the Chinese market, information gap about the Chinese markets, level of trust in dealing with Chinese intermediaries, and customer knowledge; strategic focus of the company involving market orientation, market selection, market development, product standardization and customization, and diversification.

Findings: Findings show the difficulties that a firm from a developing economy faces in launching and marketing products in another developing economy. Some of the key findings relate to the level of organizational commitment, resource endowments, knowledge gaps about markets and consumers, competitive pressures from established multinationals, difficulty of achieving wider distributions, and adapting product and packaging to suit local expectations.