

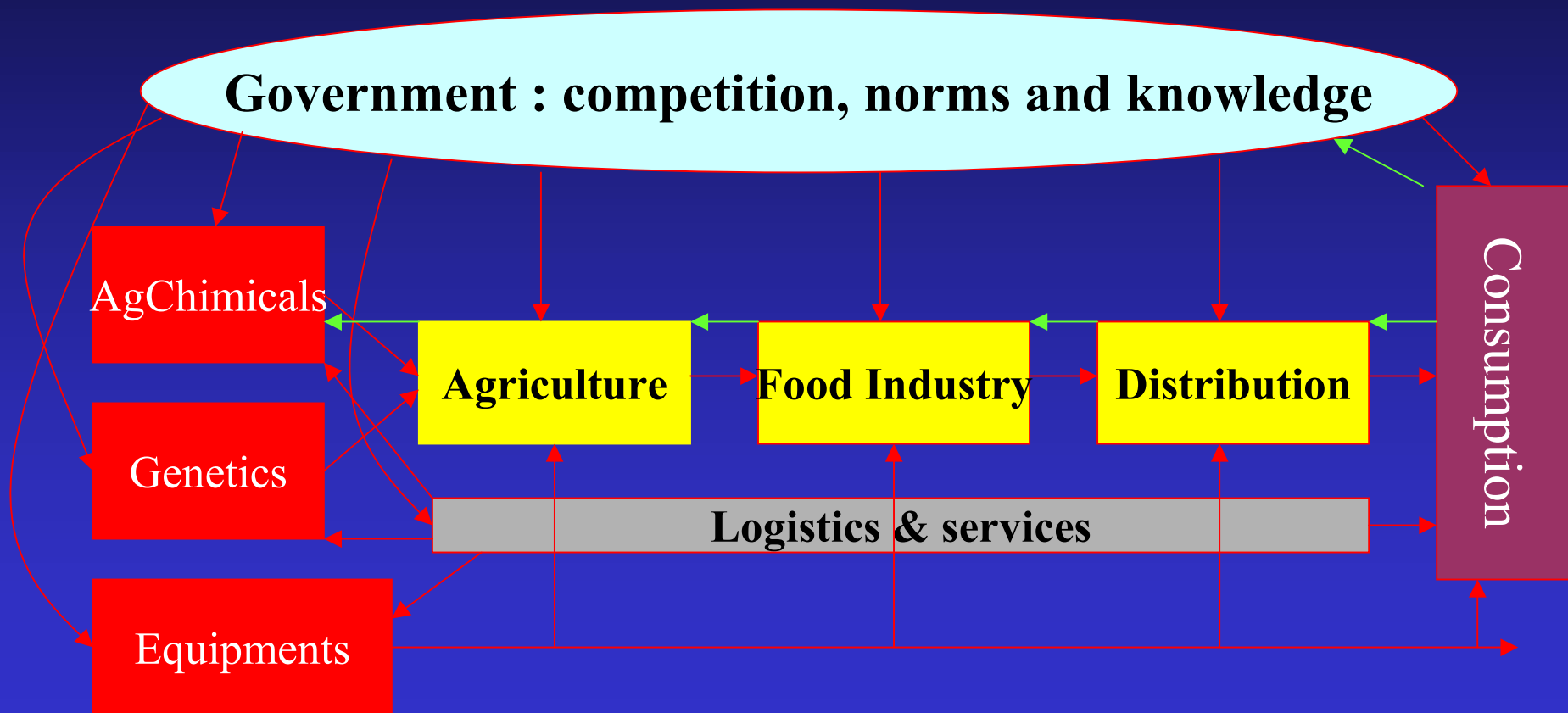
***TUSIAD-Sabanci University
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***« Turkish Food Processing Industry:
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Globalization and Strategies of Multinational Food Processing Firms

Jean-Louis Rastoin
Agro.Montpellier/UMR Moisa
rastoin@ensam.inra.fr

Food system configuration



Source : d'après Feillet (2002)

The 4 steps of the Food System

Step	Final price distribution %			Consumption en %	
	Agri.	Ind.	Serv.	Home	Out
Agri	100	0	0	100	0
Craft industry	70	20	10	90	10
Agro- industrial	30	40	30	70	30
Food services	10	35	55	50	50

Trends of the Food System

- **Growth of agro-industrial food products consumption**
- **Distribution channels concentration**
- **Creating food products value by processing, services & productivity**
- **Products safety and traceability requirements**
- **Logistic and communication networks**

Markets and Strategies in the Food system

- **3 markets**
- **4 strategies**

The Leading Countries in World Food Industry

Countries	Production (\$ Millions)	Employees (Thousand)	Productivity (\$ 1000)
EU-15	650	2 800	232
1 USA	575	1 500	384
2 Japan	289	1 100	262
3 France	140	430	326
4 Germany	129	590	219
5 United Kingdom	125	500	250
6 China	118	5 500	21
7 Italy	95	270	352
8 Spain	74	340	219
9 Brasil	71	600	118
10 Nederland	55	110	499
21 Mexico	22	190	115
22 Turkey	21	175	118
World	2 700	25 000	108

Source : our estimations from Unido, 1998

The 3 Food products markets

Mass market

Thema : day-to-day

Product : basic, safe

Value : price, segmentation

Innovative market

Thema : health

Product :

« Neutraceuticals »

Value : technology

Niche market

Thema : culture & event

Product : « authentic »

Value : geographical origin

« terroir »

Food products markets – France, 2001

Segment	Net sales (billions €)	Annual growth
Standard products	87 (73 %)	0-1 %
Innovative products	6 (5 %)	15-25 %
« Terroir » products	27 (23 %)	5-10 %
Total Food industry (domestic market + export)	120 (100 %)	2-3 %

AgroFood Firms Generic Strategies

Volumes

1 – Domination by costs / Large scale production : (Multinational Firms)

3 – Differentiation / innovation & mkg segmentation : (Multinational Firms)

2 – Cost cuts / [Big distribution subcontracting] : SMEs - DLP

4 – Differentiation / typicity : “ Terroir ” SMEs

Price

Author's work based on M. Porter (1985)

The leading firms of the world food industry - 2002

- N° 1 : Nestlé, (Switz.), 51 mds \$ de C.A.
- N° 2 : Kraft foods (Altria), (USA), 30 mds \$
- N° 3 : Unilever-Bestfoods, (UK/NL), 28 mds
- N° 4 : Conagra, (USA), 28 mds \$
- N° 5 : Pepsico, (USA), 25 mds \$
- ...
- N° 12 : Danone, (F), 14 mds \$
- N° 42 : Lactalis, (F), 5 mds \$

Food industry : the FMN weight, 2002

- **Top 100 Sales = 714 mds \$**
 - (16-33% of world food industry turnover)
- **The Triad domination of the Top 100 :**
 - USA : 36
 - Western Europe : 38
 - Japan : 20
 - LDCs : 3 PVD (South Africa, Mexico, Philippines)
- **7 700 subsidiaries of which 5200 foreign (Triad/Eastern Europe)**
- **3,3 millions employees, high performance level**

Top 100 World Food Industry Performances - 2002

Secteur d'activité	Leading firms by sector			
	Number of firms	Average net sales (B.\$)	Average number of employees	Net margin
Soft drinks	3	17,6	80 616	15,5%
Alcoholic beverages	5	6,1	22 443	9,4%
Beer	13	5,4	27 185	7,5%
Multiproducts	25	9,6	55 473	6,8%
Ingredients	6	3,6	13 507	4,2%
Confectionery	5	6,0	15 330	2,8%
Cereals	10	10,1	41 737	2,5%
Meat	14	5,7	24 166	1,4%
Milk	16	4,7	13 878	0,5%
Frozen foods	3	3,8	16 254	0,3%
All sectors	100	7,1	32 785	5,4%

Source : Agrodata (2003)

CONCLUSION :
Opportunities & Threats

FMNs Strategies and local enterprises

- **Interest for emergent mass markets (today : Asia, tomorrow : Med. ?)**
- **In search of leadership (market share)**
- **Organization : global firms (investments in technology and communication)**
- **International management, but national governance**
- **Threats for local firms : asymmetric competition**
- **Opportunities : traditional products**

Towards 2 kinds of actors in the Food Sector ?

- **Oligopoly with fringes :**
 - **A few large Multinational Firms with integrated local subsidiaries (high level of concentration by M&A)**
 - **Numerous independant or subcontracting SMEs (constant number of enterprises and employees)**

The global/local divide as stated by a food multinational

**“Tout ce qui est perçu par le consommateur
doit être local, tout le reste doit être global”**

***“Any thing perceived by the consumer has to
stay local, all the rest must be global”***

[P. Brabec, Chairman, CE, Nestlé]