

### Flatbread goes round the world

Gruma S.A.B. de C.V is located near Monterrey, Mexico, and produces corn flour and other flour products, which it processes into tortillas and related snacks for markets worldwide. Its brand names include Maseca, Mission, and Guerrero. Its customers include supermarkets, mass merchandisers, smaller independent stores, restaurant chains, food service distributors and schools. The company began operations in 1949. In the early 1970s, Gruma launched its product on the Central American markets, specifically in Costa Rica. In 1976 it expanded to the



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United States and in 1987 it began expanding its operations across the globe, opening plants in Honduras, El Salvador, Guatemala and Venezuela. It now has plants in Europe and most recently China.

The Asian market presents a very exciting development for Gruma. The company established their presence on continental China in the first instance and then gradually expanded their penetration of markets across Asia to the Middle East. It has already established distributorships in Japan, Korea, Singapore, Hong Kong, Thailand, the Philippines, Taiwan and India.

How has a Mexican company with a niche food product like cornflour succeeded so well in international markets? According to Martinez and Haddock, the answer lies in the fact that many of the markets they have focused on are emerging markets which tend to follow the same path of development. These emerging markets exhibit a natural life cycle – a predictable pattern of consumer demand that is evident in steel, wheat, consumer products, and every other major economic sector. What Gruma are following in their international expansion is the tried and tested method of leveraging the similarities across from market to market and growing their company accordingly. The root of the success of Gruma has been their ability to observe the life cycle of emerging markets around the world and expertly time their entry into these markets.

However, the other key factor has been their ability to adapt their products to local market tastes. Their key competitive advantage in international markets is based not on their product but the ability to roll any kind of flour, from corn to wheat to rice, into saleable flatbread. Most people from India do not eat corn tortillas, but they do eat a flatbread called naan, made from wheat, which Gruma sells in the United Kingdom and plans to sell in India. The Chinese don't eat many corn tortillas, but they buy wraps made by Gruma for Peking duck.

Gruma also follow a policy of deploying a senior 'beach-head' team to enter the new market in which they are building a presence. In China, the beachhead team had skills honed through many years of experience in Latin America and was already primed to develop the necessary market

insights to feed into their marketing campaign. Thus, observed trends in China such as a decrease in home cooking among dual-career professionals, increasing penetration of fast food chains, an increase in cold storage in supermarkets and rapid improvements in the logistics and distribution channels were all utilised in thinking through the Gruma market-building strategy in China.

## QUESTIONS

- 1 Evaluate the reasons behind the success of Gruma S.A.B. de C.V.
- 2 What environmental factors can be monitored to help decision makers recognise when it is the optimum time to enter a market?