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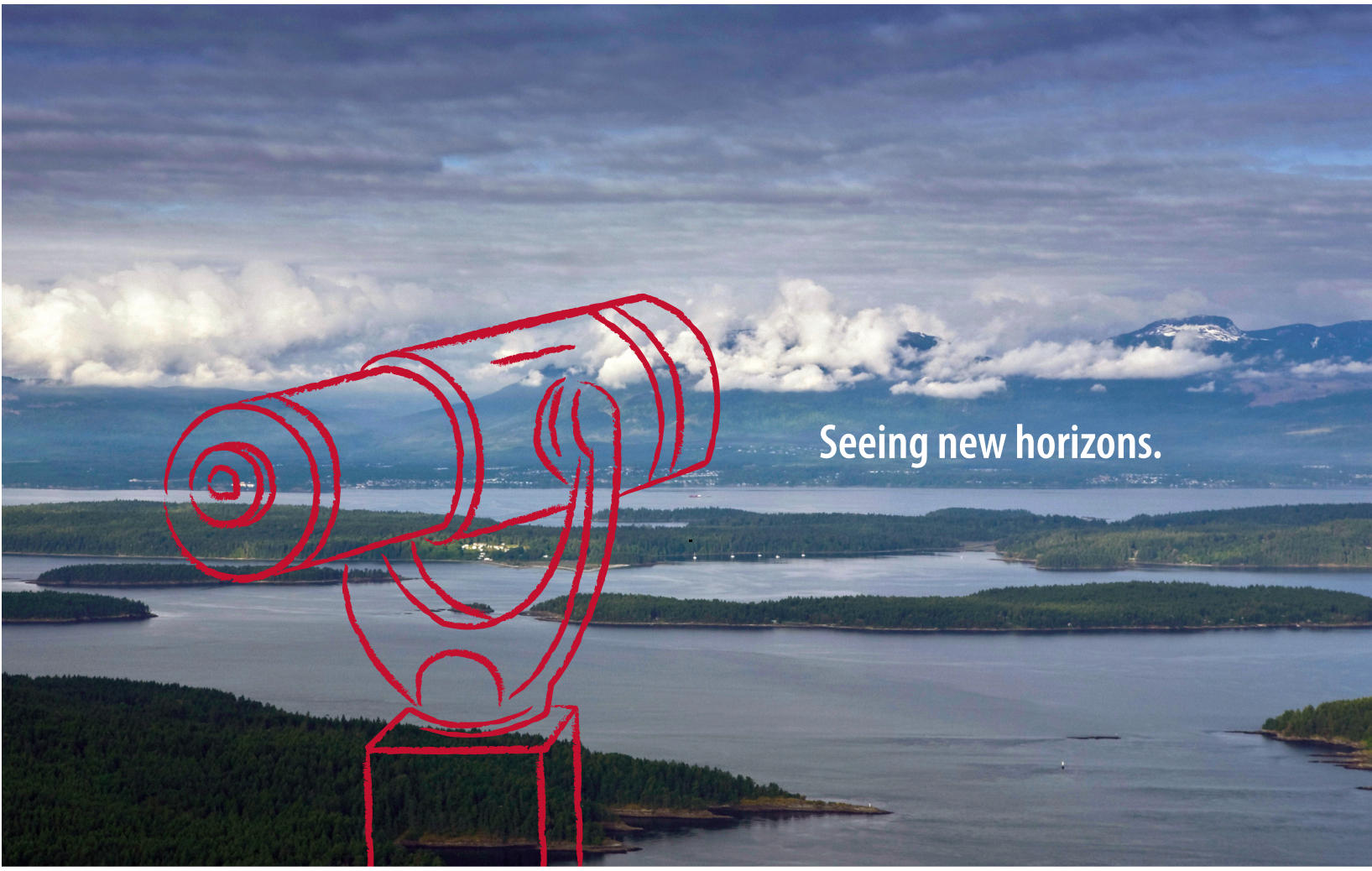

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BACHELOR OF COMMERCE BEST BUSINESS RESEARCH PAPERS

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Note from the Editor

In business today, “globalization” is a key concept with the firms across nations intertwined as never before. With overseas customers, suppliers, operations, and competitors, today’s managers need an international outlook. Therefore, the mission of the University of Victoria’s Bachelor of Commerce program is to give students the essential knowledge and skills they need to be effective and successful managers in the global economy.

At UVic Business, we ensure that our students develop an international perspective through direct experience with issues in management and organization. In fact, UVic Business has one of the largest international exchange programs in Canada with 55 active partnerships in 27 countries. The strength of these partnerships is represented in the total number of outbound students; Annually, approximately 80% of BCom students participate in international exchanges and study tours. In 2007-2008, we sent a total number 137 students on exchange to 35 universities in 19 countries.

Many of these students were enrolled in COM 470 Business Research, the purpose of which is to give students who go on international exchange an opportunity to develop their research and writing skills by analyzing a business issue that relates to the place visited while on exchange. They explore in depth a topic of their choosing, reporting on a phenomenon that affects the entire country or region; Or, they can focus on a specific issue that pertains to a particular private, public, or not-for-profit organization.

Beginning with our 2007-2008 cohort of students, we have decided to showcase the best COM 470 Business Research papers in this inaugural volume. The topics range widely from an analysis of the impact of regulatory issues to the nature of corporate social responsibility. Yet what these papers have in common is that the authors have dedicated themselves to producing interesting and thoughtful research—the best in their class!

While a small group of students is being honoured in this volume, there are many people behind the scenes that allow this rather complex international exchange operation to function, including Dr. A.R. Elangovan, Director of International Programs; Brian Leacock, Associate Director, International Programs; Jane Collins, International Exchange Programs Coordinator; Cynthia Cameron, Exchange Student Advisor; Ann Peng, International Student Advisor; Donna Davis, Clerk for International Programs; and Wendy Mah, Academic Advisor. Thanks also go to Lisa Russell, Research & Special Projects Officer, for coordinating and compiling this volume.

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The Dutch Business System in Transition: An Application of Whitley's Business Systems Approach for the use of Executives, Managers, and Policy Makers

Eric Brewis

Abstract

The changing nature of the Dutch business system has serious implications for businesses wishing to expand into the Netherlands, and for businesses that already operate within it. This paper attempts to clarify these changes by dissecting the nature of the system into three mutually related components based on Whitley's business systems approach. These components include the nature of market organization, the political system, and the labour system, and are substantiated with evidence from previous studies, as well as from personal discussions with individuals that have lived in the Netherlands. In general, the basic conclusions of the research suggest that changes in voter preferences in the Netherlands have resulted in more capitalistic political policies, such as increased tax incentives for entrepreneurial start-ups, which have in turn, resulted in lower trade union participation rates, and a less egalitarian corporate atmosphere with more individual incentives for performance. For managers, this means that less emphasis needs to be placed on practices such as collective bargaining and equality, and that more emphasis needs to be placed on sustaining their competitive advantage, knowing that more small to medium sized enterprises will be entering the marketplace. However, despite these changes to a more free-market approach, the Netherlands still remains a corporatist system, where trade unions still play a significant role. Thus, the Dutch business system is not as laissez-faire as in Canada or in the United States, but is more free-market than it used to be in response to the collapse of their traditional welfare state.

Introduction

Throughout the world, many countries succeed by employing different methods of business operations, systems, and approaches. In particular, the Netherlands

has shown exemplary success based on the Human Development Index, as it is placed as the tenth most developed and desirable place to live in the world (United Nations Development Programme, 2006, p. 299). One method of analyzing this success is based upon Whitley's Business System's approach (Whitley, 1997). This paper provides a brief overview of Whitley's Business System's approach, and analyzes the Dutch business system based on three main characteristics of his model, including: the nature of market organization, the influences of the political system, and the influences of the labour system. Moreover, it attempts to explain the mutual relations between the three aforementioned components to determine the overall type of business system that has developed in the Netherlands in general. In turn, executives, managers, and policy makers could use this information for a variety of purposes.

Benefactors of the Information

The information collected and analyzed regarding the nature of the Dutch Business System will be useful for a variety of purposes and benefactors. For instance, corporations wishing to expand operations into the Netherlands will be better able to optimize their organizational structure and human resource policies, which will lead to higher effectiveness, efficiency, and profitability. It will also allow them to assess if expanding into the Netherlands is suitable for their business strategy given the national business climate. Additionally, public policy makers around the world should be able to assess the effectiveness of the Dutch system in comparison to their own national systems based on the results of this analysis, which will allow for a greater understanding of which business practices to promote and implement. Even local Dutch companies could benefit from this information because it should provide an overall benchmark for assessing their current performance and structure in comparison to the business practices and structures that the Dutch espouse in general. As such, the information will serve as an evaluative tool for assessing the effectiveness of the Dutch business system and its overall suitability for businesses considering expansion into the Dutch market.

Whitley's Business Systems Approach

Whitley's Business Systems approach is based on the notion that "business systems are distinctive ways of organizing economic activities that develop interdependently with dominant institutions in market economies." (Whitley, 1997, p.173). In particular, he breaks them down into three main categories, including: the nature of firms as economic actors, the nature of market relations between firms, and the nature of coordination and control systems within firms (Whitley, 1997, p.173). He also identifies four primary influences on business systems including: the specified region's cultural system, political system, financial system, and labour system (Whitley, 1997, p.181-184). This paper analyzes the relationship between the nature of market relations between firms, or, in other words, the Netherlands' market organization, in combination with the two institutional influences of the Netherlands' political system and labour system, because of the constraints of too much information otherwise. The nature of the Netherlands' market organization can be further broken down into the extent to which Dutch firms form obligational networks and alliances, the degree to which they collectively organize within industries and sectors, and "the extent to which transactions are governed by informal, collective sanctions" (cf. Whitley, 1997, p.175). Whereas, the political system is largely based on the degree of state integration in the business system and the state's commitment to economic development and risk sharing with private enterprises (Whitley, 1997, p.183). Lastly, the labour system is based on the degree of dual or unitary education, the degree to which the labour markets are regulated, and the power and structure of trade unions and occupational associations (Whitley, 1997,

p.183). Each of these components may be mutually related to provide an overview of the Dutch Business System in general, which, in turn, may assist managers and policy makers in making effective business decisions for operations in the Netherlands.

The Dutch Nature of Market Organization

The nature of the market organization in the Netherlands is somewhat of a difficult issue to address because of the relatively unique attitude of the Dutch in this respect. For instance, despite the fact that the Dutch are tied with Canada for being the fourth most individualistic nation out of the 50 nations analyzed by Hofstede (2003), they are still considered to ascribe to the values of a welfare state. As such, the Dutch business system is characterized by firms that collectively organize within certain industries and sectors for the purpose of satisfying corporate business interests, and the well being of society is enforced through government intervention and public policy (EuroFound, 2007). This theme of co-operation is prominent throughout other aspects of Dutch market organization and their overall business systems approach as well. This is well exemplified by the notion that firms often engage in informal transactions with the understanding that co-operation and trust are essential for corporate success, and that explicit documentation is not needed for all business agreements (EuroFound, 2007). Perhaps most fundamental to the Dutch nature of market organization is the extent to which they ascribe to the values of a corporatist nation. By this, it is meant that top managers from organizations and corporations within specific sectors will meet and discuss formal aspects of business affecting their sector such as wages and prices (EuroFound, 2007). In a conversation with Katharina Ernst (2007), a Dutch business student, many of these conclusions about the nature of market organization in the Netherlands were confirmed based on personal experiences and teachings at the University of Maastricht. It could therefore be said that through the process of collaboration and effective teamwork, Dutch companies and organizations collectively organize within industries to promote their own self-interests and the betterment of their sector in general.

The Dutch Political System

The Dutch political system is based on the multi-party approach and has undergone significant changes with regards to voter orientation in response to high unemployment rates and budget deficits in the late 1980s (Mooij, 2006). This change in political orientation was exemplified by government deregulation of key industries, lowered taxes, and lower social benefits (Mooij, 2006). However, in comparison to most countries around the world, the Netherlands still represents a strong welfare state that focuses on the balance of maintaining corporate interests while ensuring a sufficient social security net (Mooij, 2006). Another definition of this type of political system was coined by Schmidt (2002, p.113-114) as “managed capitalist,” because of the state’s significant commitment to economic development, and because of the somewhat long-term outlook towards economic growth.

In particular, this is accomplished through a multi-party electoral system that, like the nature of market organization, relies on alliances and co-operation to succeed. In comparison to the United States, for instance, where only two key parties vie for electoral supremacy, the Dutch political system is characterized by multiple parties, where historically, it is rare for one party to get much more than 35% of the popular vote (Schofield, 1998). As such, alliances between parties must be made to form majority governments, where the party with the most number of seats is not necessarily used in forming a majority government unless it is part of the alliance holding more than half of the available seats (Schofield, 1998). More specifically, the three dominant parties of the last two decades in the Netherlands have been the Christen Democratisch Appel

(CDA), the Partij van de Arbeid (PvdA), and the Volkspartij voor Vrijheid en Democratie (VVD) (Netherlands Election Results, 2007). The CDA currently holds the most seats and holds the most centrist view between the three. During the periods of greatest economic reform however, the VVD grew in popularity substantially as it espouses the most conservative right wing values of the main parties in the Netherlands (Netherlands Election Results, 2007). This composition of the Dutch political system, and its transition to a more capitalist mentality, has a significant role in determining the nature of the Dutch political system.

Although less than in previous years, the Dutch government is still integrated within the Dutch business system and is heavily committed to Dutch economic development. This is, in part, accomplished through the Netherland's progressive tax system that collects significantly more taxes per capita than other individualistic nations, such as Canada and the United States (Figures 1 – 3, Taxation in Europe and the Netherlands). For instance, tax rates for the top income bracket in the Netherlands were as high as 72% in the 1980s, and even after reform to more capitalist mentalities, currently sit at 52% for those making more than 52 000 Euros per year (National Competitiveness Council, 2007). This is substantially higher than the approximate amount of 40% collected in Canada in an even higher top income bracket. Other notable taxes include the second lowest corporate tax rate in Europe at 34.5% for profits of more than 27,000 Euros and 29.5% for those making less than that (National Competitiveness Council, 2007). This reinforces the concept that the Dutch espouse the importance of corporate development and economic success for the achievement of overall societal well being because lower taxes are associated with greater economic development. As will be discussed later in this paper, the Dutch political parties use much of the taxes collected to support higher education, with the understanding that they will aid the business system by developing a competitive advantage through providing a high level of human capital. Other explanations for expenditures of this nature reside in the fact that the Dutch strongly believe in egalitarian principles, which are the foundation of most welfare states worldwide. As such, providing essential services such as universal higher education at minimal costs, universal healthcare, adequate transportation, and other such services, is necessary and fair for a well functioning society. This high level of taxation to fund these expenditures has created strong voter participation in the Dutch political process, with voter participation rates consistently hovering around 80%, because citizens are clearly interested in the effective use of their tax dollars given how much is collected (Netherlands Election Results, 2007). As such, changing tax policies have had an important influence on the political system, and vice versa.

Taxation in Europe and the Netherlands (National Competitiveness Council, 2007)

Figure 1 – Standard Corporate Tax Rate (%), 2003

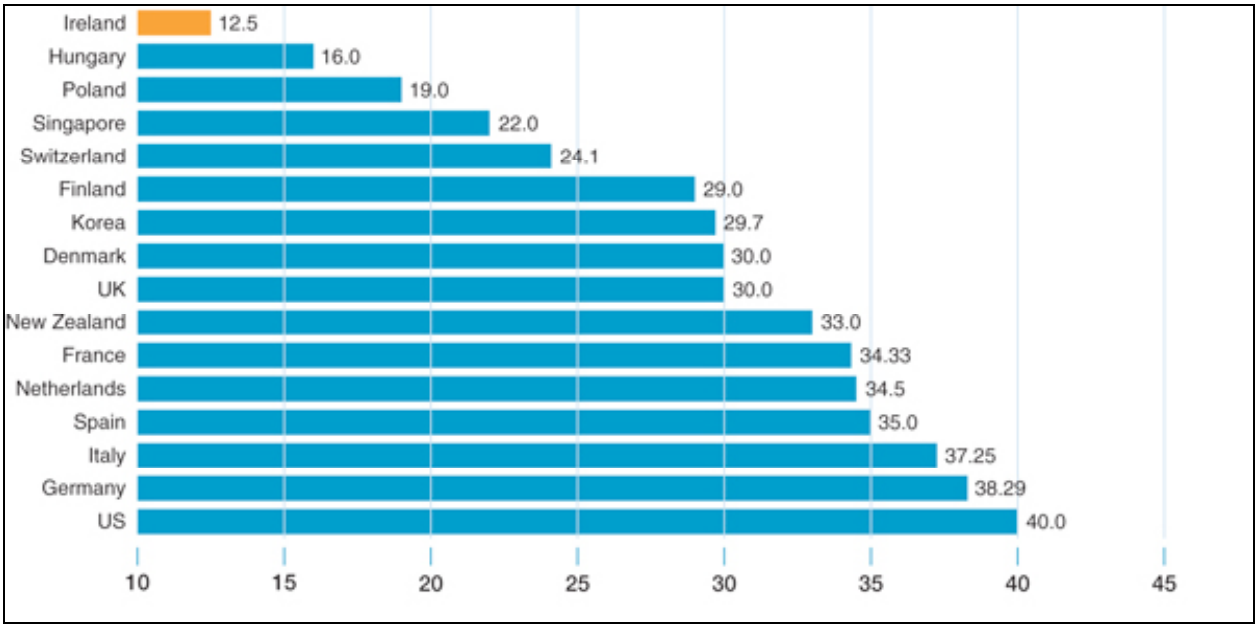


Figure 2 – Total Tax Revenue (%) of GDP, 2003

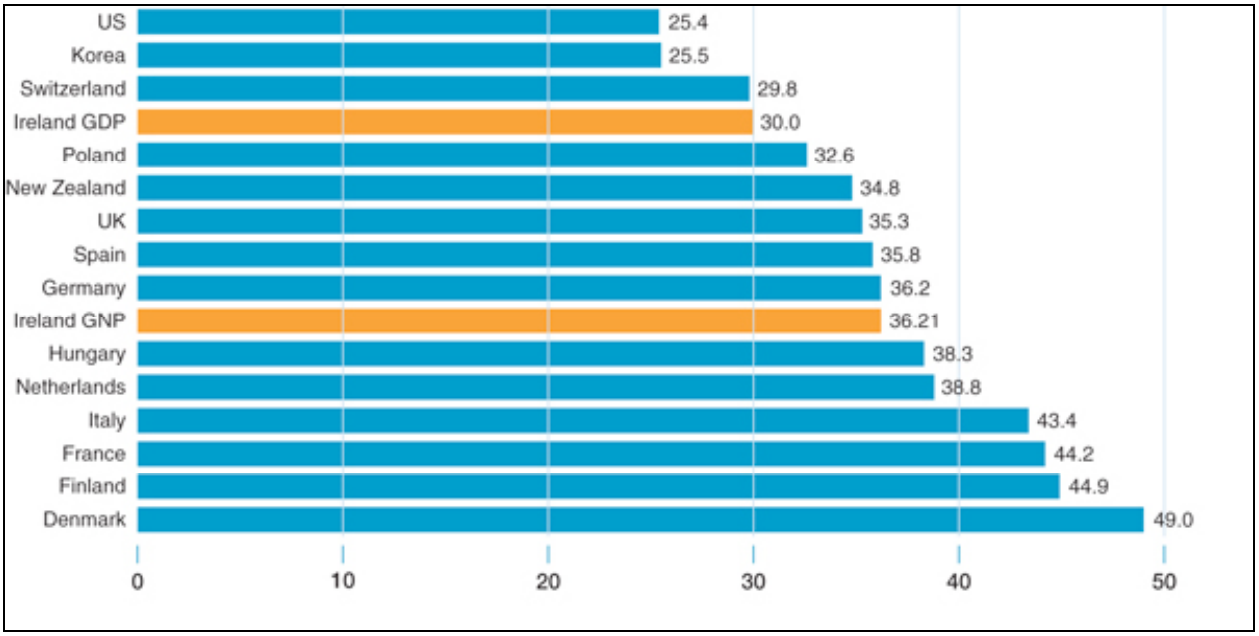


Figure 3 – Decreasing Taxes (2000 – 2005)

If You Can't Beat 'Em ...

Combined national and local rates of tax on corporate income

	2005	2000
Ireland	12.5%	24.0%
Hungary	16.0	18.0
Poland	19.0	28.0
Slovakia	19.0	29.0
U.K.	30.0	30.0
Netherlands	31.5	35.0
Belgium	34.0	40.2
France	34.3	37.8
Italy	37.2	41.2
Germany	**38.3***	**52.0**
U.S.	39.4	39.4
Japan	40.9	40.9

* Current rate, which consists of federal and local taxes. Gerhard Schröder proposes to cut the federal part to 19% from 25%, making a combined federal and local rate that would average about 32%.

Source: KPMG; OECD

According to Ernst (2007), the deregulation of key industries and increased incentives for entrepreneurial start-ups has brought forth the somewhat subjective advantage of increased choice in the marketplace. For example, under a highly regulated welfare state economy, consumers are only given limited choice for products in specific categories because market entrance by competitors is stifled by high tax rates and import tariffs, and because large state-affiliated competitors are able to better compete on price for similar products. This is mostly because of the cost savings associated with developing economies of scale. Additionally, increased consumer choice is associated with increased competition because companies are better able to target specific niche categories that would not normally be addressed, which, in turn, results in a higher societal well being because of more appropriate product selection.

The Dutch Labour System

The Dutch labour system is characterized by many of the values espoused within the Dutch political system and nature of market organization. One of the most important elements of the Dutch labour system is that it follows a certain form of collective bargaining standards, as is common within most corporatist nations. In particular, there are more than one thousand sectoral and company collective agreements in the Netherlands, which in many cases, are more important than statute law because of their implications on wages and working conditions that are not explicitly written out in statute law (International Labour Organization, 2002). Other aspects of collective agreements often focus on issues of equality of opportunity including: "affirmative action, part-time work, pregnancy, childbirth and parental leave, childcare facilities, sexual harassment and remuneration (International Labour Organization, 2002). As such, the power and structure of trade unions in the Netherlands is considerable, and much of the regulation of labour markets for specific sectors is done within trade unions via collective agreements. More specifically, the Netherlands is reported to have union membership rates hovering around the twenty five percent mark, which is comparable to the United Kingdom (EIRO, 2004). However, as the Netherlands has become more capitalistic, trade union rates have begun to drop (EIRO, 2004), which has required some government integration to ensure that labour markets are regulated fairly and effectively. Additionally, in accordance with these capitalistic values, lower taxes, and decreasing trade union participation, wage compression within the Netherlands has decreased as well, although it is still significant compared to most other nations with the exception of those within the European Union. One might suggest that the main influence behind this is that much of the populace no longer agrees with the advantages of absolute solidaristic pay policies and the inefficiencies associated with having an extremely equitable working

environment. The Netherland's original wage compression and solidaristic pay policies referred to egalitarian philosophies that organized workers' pay structures based on the premise of equal pay for work of equal value (Schulten, 2002, p.172-p.173). The result was a wage regulation structure that paid highly educated workers, such as lawyers and economists less, and blue-collar workers more, such as plumbers and electricians. From an economic perspective, inefficiencies were created because the associated collective bargaining within trade unions resulted in base wages that were far above equilibrium values.

Another important consideration concerning the Dutch labour system is the extent to which it represents a dualistic or unitary structure. By a dualistic educational system, Whitley is referring to a system that strongly correlates with developing occupationally oriented professional skills as opposed to a unitary educational system that corresponds to strict academic training and limited integration with the work force (Whitley, 1997, p.182-183). Based on this, the Netherlands is considerably more unitary than dualistic, and this has created some interesting dynamics in the workforce. Most notable is the current problem of underemployment in the Netherlands (Graaf, Ultree, & Maarten, 2001, p.5). The main problem behind this lies within the fact that since the government so strongly subsidizes higher education with the intent of increasing human capital and providing equitable possibilities for all individuals, the Netherlands has many individuals with degrees that are unable to find work in their specified fields (Graaf, Ultree, & Marten, 2001, p.5). As a result, these individuals end up finding work that pays less than their qualifications would suggest they should make elsewhere in developed countries. Another important influence on this is that unitary educational systems espouse the values of traditional education, and as such, many students graduate without any relevant work experience, but rather with a depth of knowledge in traditional theory. This has sparked the beginnings of a dualistic educational program, which offers internships and more business specific training in certain instances (Ernst, 2007). However, most students still do not participate in these internships because of limited availability and high competition (Ernst, 2007).

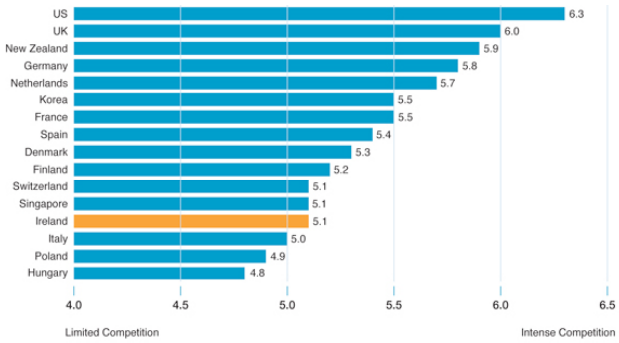
Characterizing the Dutch Business System

It is clear that the Dutch business system still advocates many of the values of its traditional welfare state; however, in adopting stronger capitalist mentalities, many elements of the business system have begun to shift, which, in turn, is changing the structure of the entire business system. For instance, as tax rates have begun to drop in response to the election of more conservative political parties, traditional egalitarian values have been jeopardized as lower tax programs denote less government spending on social programs, and less state commitment to economic development. Accordingly, in adopting a lower corporate tax structure, the Dutch are inviting foreign investment and are encouraging entrepreneurial start-ups, which has the consequence of reducing the collaborative, informal element of market organization, and increasing overall competitiveness (Refer to Figure 4, Intensity of Local Competition, 2004). In turn, companies are opting out of collective bargaining procedures, which is associated with lower union membership rates and less egalitarian wage compression philosophies. With less co-operative bargaining, and lower trade union participation rates, the power of trade unions is beginning to slightly diminish. However, in consideration of all of these facts, it is important to note that the transitional phase has begun to wane to some extent, and that the overall Dutch business system is representative of a collaborative, corporatist structure, where trade unions still play an important role despite lowering participation rates. As such, the Dutch business system is not as free-market as the United States and Canada, but yet promotes the separation of industry and government more so than much of Europe in

response to the collapse of their welfare state in the late 1980s.

Increased Competition in the Netherlands (National Competitiveness Council, 2007)

Figure 4 – Intensity of Local Competition, 2004 (Scale 1-7)



Further Analysis: Implications for Executives, Managers, and Policy Makers

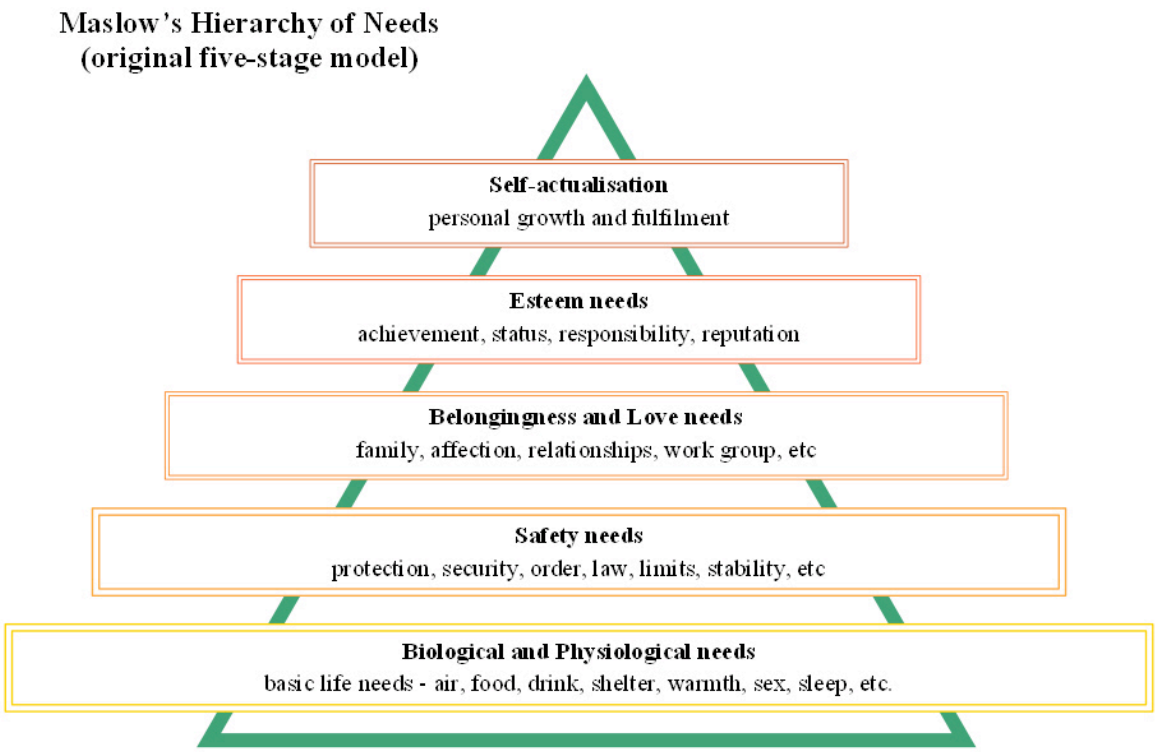
There are many inferences that business executives, managers, and policy makers can make from this information. For instance, based on the substantial role of collective bargaining in the Netherlands, executives wishing to expand business into the Netherlands must be aware that pre-determined wages and working conditions exist based on specific professions, and that lobbying the government is largely ineffective for changing this policy. Instead, working collaboratively with trade unions and occupational associations is much more likely to produce efficient and effective results. Also, with regards to taxation, businesses should understand that although the Netherlands is taxed more heavily than many regions in the world, it has a capable workforce and is currently decreasing tax rates, and could thus be an appropriate headquarters for European operations.

Another possibility for consideration is that since the Netherlands has only recently been exposed to more consumer choice as a result of more capitalist mentalities, there may be interesting marketing implications. Based on personal experiences, and an interview with Ernst (2007), many Dutch are strongly impacted by brand recognition. However, because new products are becoming more readily available through the reformed business system, consumers are keen to purchase products they have not yet tried before. This creates an interesting opportunity to quickly establish a businesses' product range through branding. As in the transitional stage of the economy, businesses could achieve first mover advantages.

With regards to organizational behavior, it is important that businesses offer individual incentives to address the Dutch orientation towards individualism. This could be offered through financial incentives for exceptional individual work, or quite simply through recognizing one's efforts through awards and other means, such as increased vacation time. This, in part, depends on one's needs, as is well exemplified by Maslow's Hierarchy of Needs (Refer to Figure 5), which suggests that financially independent individuals require self-actualization and poorer individuals require the basic needs to survive, which could be satisfied through monetary compensation (Sharma, 1995). However, on the other hand, the Dutch attitude towards egalitarianism reinforces the importance of establishing a fair work environment that is based on trust, honesty, and treating others with integrity. This directly coincides with the notion that the Dutch are quite deliberate in ensuring that all opinions are heard and understood in collective bargaining and other work negotiations. Furthermore, the power and structure of trade unions in the Netherlands means that businesses need to pay special attention to meeting the desires and established working conditions for their employees (via collective agreements), in order to avoid strikes, and to ensure that the business remains competitive in hiring the best talent. Moreover, human resource policies that promote a more autonomous work environment are likely best for most scenarios, with the exception of certain instances of work in the trades, and other

related jobs, because of the high level of human capital in the Netherlands. For instance, based on the differences between motivational theories X and Y, there are two different types of individuals (Sharma, 1995). Motivation X suggests that some people inherently dislike work, and that these people prefer to be controlled to achieve objectives, while Motivation Y presumes that people learn to seek and accept responsibility and will exercise self-direction towards their work (Sharma, 1995). When a highly proportionate amount of a populace is educated, it might suggest that these individuals are self-motivated, and therefore follow the principles of theory Y as opposed to theory X. Hence; managers should develop human resource policies that are less coercive in these instances.

Figure 5 – Maslow's Hierarchy of Needs (Original Five Stage Model)



Furthermore, with regards to the overall framework for assessing the Dutch business systems approach, there are many observations that can be made that will aid policy makers. For instance, the Dutch well established the ability to lower unemployment rates through a revamping of fiscal and monetary policy at the political level in a re-configuration of their initial business system to better adapt to the current global environment. Other European countries, such as Sweden, followed this approach as well. This provides a benchmark for other nations worldwide as to a possible option for tackling the issue of rising unemployment rates. However, the mutual relations between the different aspects of the business components suggest that policy makers should be wary when attempting to change policy because all aspects of the business system will be affected accordingly. Therefore, even if policy implementation only aims to address one issue area of a business system, such as taxation, other elements will be affected as well because of their mutual relations.

Conclusions

In conclusion, the Netherlands is an interesting application of Whitley's Business Systems approach because of its somewhat unique welfare state, and its success in making the Netherlands one of the best countries to live worldwide according to the United Nations Human Development Programme (2007). After a close analysis of the Dutch market organization, political system, and labour system, as they are described by Whitley, it is clear that the Netherlands' Welfare state is a business system in transition. In providing an overview of the Dutch welfare state prior to the economic reforms of the 1980s and 1990s, the Netherlands mutually organized its market organization, political system, and labour system based on the ideologies of co-operation and egalitarianism. As such, its market organization was based on obligational networks and alliances with collective organization between industries and sectors where transactions were, to a great extent, governed by informal collective sanctions. The Dutch political system had high levels of state integration and autonomy and a large state commitment to long-term economic development through the recognition that industry was a vital aspect to success. This was financed through means such as high levels of taxation. Lastly, the labour system was exemplified by a unitary educational system, and powerful trade unions and occupational associations that informally regulated the labour market. However, since the economic reforms, there has been an evolution in all three of these components because of their mutual relationship.

In particular, the more conservative approach implemented by the Dutch government started the transitional phase for the Netherlands' business system. This is well exemplified by the income tax restructuring that promoted the development of privatization of previously public sectors and an increased concentration of small to medium sized enterprises in the economy. As such, it slightly altered the original co-operative and egalitarian philosophies originally existing in the Netherlands to be more competitive. In turn, this slightly lowered levels of state integration and state commitment to economic development. This also affected the labour system because the Dutch have begun to implement a more dualistic educational system in light of concerns of underemployment and inexperience, and because they have also decreased the power of trade unions through trends towards individual firms allocating wages as opposed to collective bargaining. The mutual relations are also well represented in terms of the altered political systems affect on the nature of market organization. Firms are now less likely to form obligational networks and are less likely to engage in informal collective agreements because of increased competition and the need to innovate individually to succeed. Essentially, the promotion of a more conservative political system in the Netherlands has slightly altered the entire business system because of the corresponding mutual relationships of its components. As such, the Dutch business system may be defined as co-operative and egalitarian but moving towards a more competitive market-oriented approach in which its affected components are mutually related.

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Swensen's Must Engage in Market Penetration and Diversification to Retain its Leading Position in the Thailand Market

Kailee Douglas

Abstract

This paper will determine ways in which Swensen's Ice Cream Parlour can retain its leading position in the premium ice cream market of Thailand. Analysis of the company, market, and customers determined that Swensen's must engage in market penetration and diversification growth strategies. Market penetration includes opening university locations, promoting beverages, engaging in customer relationship programs, increasing the experience, and reducing the delivery gap. Diversification growth strategies include offering souvenirs, food items and media. In conclusion, these recommendations will allow managers to improve the company's position against competitors, and maintain Swensen's as the most popular destination for all ice cream lovers.

Company Background

Swensen's Ice Cream Parlour was established in 1948 in San Francisco by Earle Swensen, and has grown into a global chain of over 300 ice cream outlets. Its international mission is "To be the Number 1 Franchisor in the World offering the ultimate ice cream dessert experience that will put a smile on every member of the family's face, both young and old." The company has evolved into two offerings, Swensen's Ice Cream Parlor and Swensen's Restaurant, although only Swensen's Ice Cream Parlor is only available in Thailand.

Today Swensen's Inc. is owned by the International Franchise Corporation of Ontario, Canada.[1] In Thailand, the Minor Food Group became the first Swensen's franchisee for the country twenty years ago. With over 90 outlets, it is the country's largest premium ice cream concept, and holds over 75% of the premium ice cream market. Minor Food Group also owns

[1] CoolBrands International Inc. *Form 6-K*. December 2005, Edgar Online. http://sec.edgar-online.com/2005/12/29/0000950117-05-004950/Section5.asp (accessed 1 December 2007).

The Pizza Company, Sizzler Restaurant, Burger King and Dairy Queen in Thailand.[2]

Analysis

1. Marketing Mix

A) Product

The main products of Swensen's Ice Cream Parlour are ice cream-based desserts and beverages. There are over 180 flavours of ice cream, sundaes, toppings, and ice cream cakes offered. Recently Swensen' s introduced Yogen Fruz, a low-fat ice cream from Canada to target health conscious consumers in Thailand.[3] Refer to Figure 1 for a sample Swensen's menu.

B) Price

Swensen's focuses its strategy on quality and quantity, and makes an effort to be a premium brand that provides ice cream at a reasonable price. The prices range from 35 baht for one scoop of ice cream to over 250 baht for large sundaes. Compared to other premium ice cream companies, Swensen's is priced at the lower-end to target the teenage market as well.

C) Placement

Swensen's has many channels to reach customers: full-service parlours, kiosks, internet orders, and phone orders. The store channels are found in malls and allow Swensen's to provide personalized service; customers can sample flavors; and most importantly, customers can enjoy the social experience. In addition to the store channel, Swensen's also has an internet channel and a phone line. In select areas customers can order Swensen's ice cream cake online or by phone for free delivery. Swensen's tries to reach customers that are not able to visit the ice cream parlours by selling through kiosks, or small containers of ice cream at certain higher-end restaurants. The Pizza Company also asks customers if they would like to add Swensen's ice cream to their pizza order.

D) Promotion

Swensen's has a variety of ways to promote and advertise it products and brand name effectively. Advertising is done through TV commercials, website, magazines, flyers, and store banners. Promotional activities include reduced prices for festive ice cream, and a Privilege Card where at 129 baht, a customer can receive discounts from any Minor Food Group food company for a year. Swensen's also distributes coupons for discounts and offers a Swensen's gift voucher.

Figure 1- Sample Swensen's menu

[2] Minor Food Group Official website. www.minorfoodgroup.com (accessed December 14, 2007).
[3] Esmerk. *Thailand: New Product, More Stores from Swensen's*. Frozen B2B. December 2005. http://www.frozenb2b.com/News/Default.aspx?id=News&NewsNo=620#em5NZR82 (accessed 1 December 2007).

2. SWOT Analysis

Strengths	**Weaknesses**
-brand image -festive packaging to match occasion -promotes special flavours for seasons or holidays -order online or by phone -free delivery -support from franchisor -Minor Food Group as supplier	-high investment cost for franchisee -10 year contract with franchisor -poor customer service
Opportunities	**Threats**
-university locations -food development -Thailand's warm climate -customer loyalty programs -diversification	-Thailand market saturated -competitors move into premium market

3. Competitive Analysis

The competitor analysis can be categorized into two groups: direct and indirect competitors. Direct competitors include the retailers that specialize in premium ice cream, such as Haagen-Dazs and The Cream & Fudge Factory. Baskin Robbins has recently moved into the premium ice cream market, and copied Swensen's promotions for certain events and holidays.[4] Dairy Queen is another close competitor that carries a large variety of ice cream desserts. Indirect competitors include the fast-food chains McDonald's, Burger King and KFC, all of which provide some small assortment of ice cream.

4. Segmenting, Targeting and Positioning

A) Segmenting

Swensen's relies on geodemographic and lifestyle segmentation to identify its main customers. Geodemographic characteristics include families and groups of friends that visit malls and can afford premium ice cream. The lifestyle of this segment is recreational consumption - visiting the ice cream parlour for the experience.

B) Targeting

As identified in their mission statement, Swensen's caters to all members of the family. The company is now focusing its strategy on targeting the new generation by updating its storefront, while their secondary target market is family-oriented community.

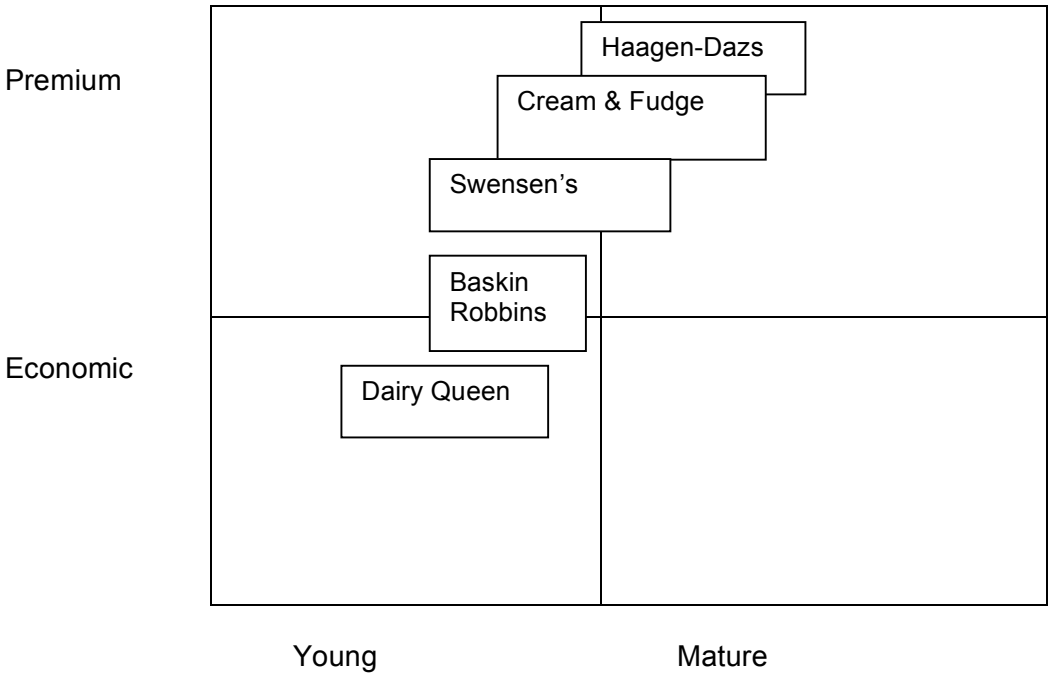
C) Positioning

Positioning must be based on four concepts: clarity, consistency, credibility, and competiveness.[5] Swensen's competitive advantage comes from the innovative sundaes, great locations, value for money, social experience and established brand name.

[4] Jitpleecheep, S. *Nestle Takes on Swensen's in Top Segment*. June 2000. http://www.siamfuture.com/ThaiNews/ThNewsTxt.asp?tid=168 (accessed 1 December 2007).

[5] Bruce, M., Moore, C. and Birtwistle, G. (2004) *International Retail Marketing: A Case Study Approach*, Elsevier Butterwoth-Heinemann: Burlington, 190.

Figure 2: Swensen's positioning as compared to its competitors



5. Customer Buying Behavior

When consumers engage in a buying process, there are three types of buying decisions: extended problem solving, limited problem solving, and habitual decision solving.[6] Swensen's consumers engage in habitual decision making because they give very little thought to visiting the store, mainly due to brand loyalty. Swensen's creates loyalty by providing cheap promotions and convenient locations in many malls across Thailand.

By selling the experience as well as the dessert, Swensen's attracts mainly recreational customers. It is shown that the customer's motivation orientation regulates the effect of arousal on pleasantness. Recreational customers are seeking intrinsic rewards, such as the atmosphere and social experience.[7] Therefore, recreational customers enjoy high arousal and high-energy environments. Swensen's creates high arousal with bright lighting, busy seating areas, and background music. Other colourful advertisements and pictures are present to increase arousal. Task-orientated customers that are just seeking the extrinsic reward of the product would find the high-energy environment distracting and that it takes their energy away from the task of obtaining the dessert. Swensen's satisfies these task-oriented customers by allowing them to order at the counter and take-away.

6. Market Evaluation

A) Industry Overview

Thailand ice cream producers are expanding with new innovative products, further establishing brand names, and expanding

[6] Hasty, R. and Reardon, J. (1997) *Retail Management*. (McGraw-Hill: New York), 106

[7] Kaltcheva, V. and Weitz, B. (2006) 'When Should a Retailer Create an Exciting Store Environment?' *Journal of Marketing,* **70**(110).

their distribution channels. Thailand is emerging as an ice cream hub due to several regional factors. Due to Thailand's warm weather all year round, the country is motivated to produce ice cream to serve the continual demand. A new trend in producing healthy ice cream mainly made of fruits leads to the demand of more raw materials, which Thailand can supply. Furthermore, Thailand has many producers and suppliers to serve the growing demand of ice cream in neighbouring countries.

In addition to operating Swensen's parlors, the company owns its ice cream factories to assure a consistent supply of high quality products for its growing network. Minor Dairy and Minor Cheese, wholly owned subsidiaries of the Minor Food Group, were founded to provide a reliable supply of cheese and dairy to the Thai and international markets. Minor Dairy produces a variety of ice cream products for Swensen's, Dairy Queen and Burger King.[8]

B) Growth Opportunities

Swensen's has a global focus and is already established in North America, Asia and South America. While continuing to grow in the mature markets, the company is looking towards aggressive expansion in Central America, the Middle East and Europe.

In 2006, Swensen's business plan was to capture an 85% share of the 1.8 billion baht premium ice cream market in Thailand, and opened 10 company-run outlets and franchised another 20 outlets in the country.[9] While Swensen's (Thai) Co Ltd is adding more franchises in the saturated Thai market, it has a market expansion growth strategy focused on having 250 outlets across Asia by 2010. [10] The company holds a license to operate the American ice cream chain in 16 Asian countries, and most outlets will be operated under franchise format.

Recommendations

1. Market Penetration

A) Location

Swensen's currently is the leading company in a saturated Thailand ice cream market but has no plans to stop opening more outlets. When selecting the location, it is important to consider the population characteristics, such as size, age, income level and buying needs. Other characteristics include competition, accessibility, banking, advertising, high demand, labour force, and legal issues.[11] Swensen's is currently located in malls, and targets all ice cream lovers.

It is recommended that Swensen's open new locations close to universities as young adults attending post-secondary can afford premium ice cream and enjoy social experiences. Locations near primary and middle schools could target younger markets, but children usually rely on parents to buy ice cream, and many cannot leave the schoolyard during breaks.

A study conducted at Mahidol University International College indicated that a high majority of students visit Swensen's at least once a month, and spend between 150 and 200 baht on themselves each visit. Please refer to Figure 2 for a copy of the survey. When asked how often they would visit a Swensen's across the street from Mahidol, responses showed the number of visits per month would double. University locations satisfy the issues of accessibility, banking, advertising, demand and labour force. There are ATMs located near all universities, and the company would have great selection of

[8] Minor Food Group Official website, www.minorfoodgroup.com (accessed 12 November 2007).
[9] Esmerk. *Thailand: New Product, More Stores from Swensen's*. Frozen B2B. December 2005. http://www.frozenb2b.com/News/Default.aspx?id=News&NewsNo=620#em5NZR82 (accessed 1 December 2007).
[10] Market New Zealand. *Food and Beverage: Global Update*. December 2006. Market New Zealand.http://www.marketnewzealand.com/mnz/Services/GlobalAnalysis/14423/16416.aspx (accessed 1 December 2007).
[11] Diamond, J. and Pintel, P. (1996) *Retail Buying*, Prentice Hall: New Jersey, 132-133.

employees from the demographic segment. Swensen's may come across legal issues about a location within the campus, but a location near the institution will draw students regardless.

Figure 2 - Swensen's Survey**,** conducted by Kailee Douglas. Survey given to 30 Thai students at Mahidol International University College, Bangkok.

1) How often do you approximately visit Swensen's? *(circle one)*

once a week	twice a week	once a month	twice a month
once a year	twice a year	never	other _____

2) If you visit Swensen's, what is the common reason why?

3) If you do not visit Swensen's, then why not?

4) What competitor's ice cream do you eat the most? *(circle one)*

Haagen-Dazs	McDonald's	Burger King	Baskin Robbins
Dairy Queen	local ice cream stand		other _____

5) How much money do you usually spend on yourself each visit? _____

6) What do you enjoy the most about your Swensen's visit?

the dessert	the friends	the location	the experience
other _____			

7) If there was a Swensen's located across the street from MUIC, how often would you visit it?

8) Would you be interested in any of these possible Swensen's products or promotions? *(circle as many that apply)*

VIP card that gives discounts	burgers and fries	Asian food
alcoholic drinks	breakfast	steak dinners
souvenirs such as pens, pencils and toys		

9) Swensen's has two formats: Restaurant and Ice Cream Parlour. Would you be interested in seeing a Swensen's Restaurant in Thailand? Why or why not?

B) Beverages

Swensen's already offers both regular and ice cream based beverages. A recommendation for Swensen's is to put more effort into promoting these beverages and developing the variety. Many Thai adults feel that ice cream is too high in calories and a variety of premium teas, coffees and juices would draw this segment to Swensen's where they can also enjoy the experience. It would also encourage more money spent by parents during family visits.

C) Customer Relationship Management Programs

One way to increase customer loyalty and retain the best customers is by offering a VIP card for the most profitable shoppers. A customer loyalty program is an important CRM tool used to identify, reward and retain customers.[12] To implement a CRM program with Swensen's loyal customers, Swensen's requires an efficient IT system in order to collect and keep track of customer data. By monitoring each customer's visit and the transaction, the information retrieval system can identify gold customers through RFM (Recency, Frequency, and Monetary) analysis. A VIP promotion card could give rewards such as a free birthday voucher or free souvenirs. In addition, by implementing the IT system, Swensen's employees could engage in personalization and greet the customer by name, or remember their favorite dessert. A strong VIP program would enhance customer loyalty and convert good customers into best customers.

A second recommended CRM program is sponsorship of a local athletic team. This would also create customer retention and show support of the community. Both recommendations for CRM programs are related to market penetration, which increases the visits and money spent of existing customers.

D) Increasing Experience

As identified previously, many recreational shoppers visit Swensen's for the social experience. To increase arousal, it is recommended that when it is a customer's birthday, Swensen's employees gather around the table and sing a birthday song. This would also enhance the experience for the customer and entice others to celebrate their birthday at Swensen's.

E) Reducing the Delivery Gap

The delivery gap is the difference between the retailer's service standards and the actual service provided.[13] After approximately six visits to various Swensen's Ice Cream Parlours around Thailand, it was noted that the employees are relatively unenthusiastic and inefficient. The Swensen's franchisee is responsible for recruiting a store supervisor, unit manager, and servers, and it is recommended that the hiring process be stricter. The following is a job qualification for a Swensen's server:

Job Scope:

- Ability to get as many orders from the customers as possible
- To ensure 100% customer satisfaction
- Full Time or Part Time
- Baht 25/hr

Job Qualifications:

- Age above 18 years old, no degree is required
- Friendly, well mannered and likes to smile
- Good in handling things
- Able to work as a team under high pressure

Swensen's must re-state the importance of customer service to its employees, and train servers on how to be more efficient. It was observed that efficiency could improve if certain servers took the order, while designated servers behind the counter made the desserts. General personal characteristics for successful employees include level of creativity, interpersonal skills, communication style, decision-making style, ability to work under pressure, motivation level, energy level, and overall attitude.[14] Swensen's needs to improve the motivation level, energy level and attitude of its employees to create a great experience for customers.

3. Diversification

A) Souvenirs

[12] Krafft, M. and Mantrala, M. (2006), *Retailing in the 21st Century*. Springer Berlin: Germany, 361

[13] Hasty, R. and Reardon, J. (1997) *Retail Management*, McGraw-Hill: New York, 526.

[14] Heil, G. and Thomas, C. (2006) *Employee Management and Customer Service in the Retail Industry,* John Wiley & Sons, Inc: New York, 3.

If Swensen's were to provide souvenirs for customers, it would allow Swensen's customers to spend more money with each visit. All souvenirs would have the Swensen's logo, and items such as toy figurines, playing cards, key chains, and school supplies would target the younger generation. This is comparable to the Hard Rock Café, but because customers visit Swensen's more frequently and spend less money, the souvenirs should be limited and not expensive. Customers who use these items would be reminded of Swensen's, and the souvenirs would act as marketing tools to other consumers as well. As a premium ice cream parlour, the souvenirs should be of high quality, but reasonably priced, reflecting the value and quality mission of the company.

B) Food

Swensen's in Singapore and Malaysia has shown great success with its ice cream and food offerings. [15] Some of Singapore Swensen's Restaurants offers include Asian food, breakfast and steak dinners.[16] A survey completed at MUIC indicated that approximately one-third of students would be interested in seeing food offered. These results may be due to the fact that many university students visit Swensen's with friends for dessert, while Swensen's Restaurants would cater to mainly families and the older generation. The success of Swensen's Restaurants in Singapore, Brunei, Malaysia and China can easily be replicated in Thailand.

C) Media

It is recommended that Swensen's diversify into music and game offerings. Swensen's usually has trendy background music playing, and the company could offer a selection of the latest albums that they play in the store. This would simply require the company to buy CDs in bulk and distribute them to the stores, where the store would make a moderate profit margin. This diversification may be slightly risky due to the increase in downloaded music.

A second recommendation is to offer Swensen's computer games. Swensen's currently has two simple games on its website, and should offer customers the opportunity to purchase more complex computer games through the store. The computer games could be educational, and target primary school children whose parents feel they need to brush up on Math or Thai skills.

Swensen's already engages in vertical diversification by using the Minor Food Group subsidiary, Minor Dairy, as a supplier.

Conclusion

After examining Swensen's company background, several analyses were completed including the marketing mix, SWOT analysis, Competitive Analysis, Segmenting, Targeting and Position of the company, Customer Buying Behaviour, and Market Evaluation. Swensen's is the leading premium ice cream concept in a saturated Thai market with a market share of over 75%. The company must engage in market penetration and diversification to retain its leading position. Some of these growth activities include opening locations near universities, promoting a variety of beverages, implementing customer relationship management programs, increasing the experience, and reducing the delivery gap. Diversification growth strategies include offering souvenirs, food and media items. By implementing these recommendations, Swensen's can remain the leader of the premium ice cream market of Thailand.

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[15] Darshini, Nathan. *Swensen Coming Back With A Bang.* Siam Future Development PLC. http://www.siamfuture.com/asiannews/asiannewstxt.asp?aid=1381 (accessed 13 December 2007).

[16] Official Swensen's Singapore website. www.swensens.com.sg/ (accessed 3 November 2007).

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Disneyland Paris: Europeanizing a Resort An International Expansion Experience

Amanda Louie

Abstract

This paper explores the cultural challenges faced by The Disney Company during their international expansion into the European market. With wildly successful park launches in America and Japan, Disney was hungry for further growth and global reach. However, the subsequent launch of the Euro Disney Park near Paris in 1992 did not attract the guest numbers expected and instead was met with some resentment and hostility due to anti-American sentiment. This paper discusses the cultural blunders made by Disney that lead to the disappointing launch. It will focus on the operation and marketing strategies of the company with comparisons drawn between American and French culture to highlight the different perceptions of the park. The paper will also discuss the actions taken by Disney to "Europeanize" the park to appeal to their new marketplace. The report aims to enlighten readers that even the most successfully laid plans must be thoroughly re-examined with a cultural lens during international expansions.

Introduction

International expansion is a growing trend amongst small and large enterprises alike, as organizations begin to recognize the potential of the global market place. For decades companies have explored these opportunities in hopes of expanding their market size and generating new revenues. With these opportunities, however, comes a myriad of threats that steam from operating in unfamiliar territory. Amongst the risks included in foreign investment are the inability to recognize or adapt to local preferences, languages, customs, and business practices.

This report will examine the challenges associated with international expansion through the Walt Disney Company's experience in France. The Disneyland Resort in California has dominated the theme park industry for years with successful marketing and operations strategies geared towards their American consumers. With two subsequent launches of successful resorts in Orlando and Tokyo in 1971 and 1983 respectively, The Walt Disney Company decided to enter the European market in 1992. This report will address the challenges faced by the Disney Company

during their expansion into Europe with a focus on errors in the operation and marketing strategies. It will also address how Disney responded to these errors and what adjustments were made in order to make this park successful in the European market. The aim of this report is to understand the complexities of expanding into international markets, in particular Europe, for small or large corporations alike. Although this report could not possibly encompass the enormity of the Disney marketing and operations strategies, it will aim to highlight those factors that have been impacted by cultural differences.

Park History

The first plans for a Disney park in Europe originated back in 1984 when the feasibility of the project was considered and potential sites for the park development was investigated (Grant & Neupert, 2003: 263). In 1987, the French government announced that the Euro Disney Resort was to be opened in the eastern outskirts of Paris. This location was chosen due to its proximity to Paris as well as its central location to neighbouring countries, which would put "the park within 4-hours drive for around 68 million people, and 2 hours flight for a further 300 million," (Solarius, 2006). In addition to this, the French government offered special concessions in order to attract the theme park, including cutting the taxes on entrance tickets in half and extending the public metro and high-speed train systems to the park (Lewis, 1987). The government also "provided a twenty-year loan of $960 million…and arranged other loans with syndicates and the state bank," in addition to selling the land at a discounted rate of $5000 per acre (McGuigan, 2004: 70). In return, the French economy would benefit by the numerous jobs that the park would stimulate, as well as the continual revenues generated by visitors to the park.

During the creation of the park, it was made well aware to the park engineers, known as *imagineers*, that the French treasured their culture and that this should be reflected in the park. There are three notable examples of how the imagineers tried to incorporate French and European culture into the park. First of all, many of the attractions would be renamed to reflect European literature and films; for example, Space Mountain was named "De la Terre à la Lune" in homage to the French author, Jules Verne (Solarius, 2006). Secondly, the cuisine served in the park was tailored towards European tastes, including an entirely French restaurant on Main Street. These trends continue today with crêpes and espressos being served at food stands in place of the churro and ice cream stands typical of the American parks. Finally, the appearance of the park itself was modified:

> For example we created the gardens in front of the hotel because we felt we have to give people something before they give back to us..... In California, where everybody is used to paying and getting in line, it is just a row of ticket booths and fences - no one expects anything more. It is not like going to Versailles or the Tuileries or any public space in France where there is a presentation and the staging of the arrival sequence is important. (Baxter, 1995 Interview)

The park also modified its architecture and included more interconnected and covered areas than any other theme park (Grant & Neupert, 2003: 264-5). This was modified in order to make the park less weather dependent in anticipation of the typical gray winters in Northern France.

Park Opening

Euro Disney Resort opened on April 12, 1992. The optimistic executives who had gone to great lengths into planning and executing this project had predicted that 11 million guests would visit the park each year, with half of those being of French origin (Introducing Walt D'isigny, 1992). Despite the careful preparations and the $4.4 billion invested into the park, opening day was wrought with troubles. A mix of rioters and protesters, which included intellectuals,