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LCBB4005 GLOBAL BUSINESS ENVIRONMENT

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Executive Summary

Customers are turning more and more to trusted brand products that taste delicious and are healthier. Therefore, the main aspect of Britvic's success has been focusing on creating and expanding nutritious beverages, and the investment of low- and no-calorie family favourites businesses and superior innovation has proceeded to be highly popular. Britvic had already achieved portfolio-wide expansion in Great Britain. Britvic's popular aerated products, Tango and Pepsi MAX had a great year with rising sales and profits. Pepsi's retail cost, as determined by Nielsen, surpassed the £700 million mark, with no sweetener MAX being the profitability catalyst. The choice of expansion in the international market for Britvic is Kenya.

The external alignment approach was defined by commerce and infomercial reform measures aimed at increasing performance in the Kenyan economic system by removing imbalances and 'obtaining the valuations accurate' through increasing dependence on marketplaces. Tariffs supplemented quantifiable constraints; typical tariffs were reduced and created more uniform. Trade policy measures were supplemented by currency exchange liberalisation and value-added incentive schemes focused on expanding output growth. Britvic must continuously upgrade its operational processes in an attempt to increase corporation margins and free up financial resources for capital spending in its expansion opportunities. Britvic will make significant investments where it made economic sense and will start concentrating on optimisation its footprint in each growing economy. The report presents a detailed analysis of Britvic's strategic direction for business expansion after analysing and assessing the opportunities by employing the tools like PESTLE, Porter's Diamond theory, Porter's Five Forces analysis and Hofstede's cultural dimension to gain insight into the cultural sensitivity in the internationalisation of the business in an emerging economy.

Table of Contents

Introduction.....	4
Task One- Report on International Business Environment.....	5
Synopsis of the organisation.....	5
Overview of the selected developing nation.....	5
Application of the theories of the business environment.....	6
PESTLE analysis.....	6
Porter's Diamond Analysis.....	8
Value Network.....	9
Porter's Five Forces Analysis.....	10
Hofstede's cultural dimension.....	11
Critical evaluation of the opportunities and challenges in managing corporate governance, business strategy, and cultural sensitivity by applying Agency theory.....	12
Analysis of the trade barriers experienced by the organisation.....	13
Application of relevant business strategies and recommendations for Britvic.....	13
Conclusion.....	13
Task Two- Presentation.....	14
Introduction.....	14
The rationale for choosing Kenya.....	14
Opportunities of Britvic in the chosen country.....	14
Challenges of Britvic in the chosen country.....	15
PESTLE analysis of the country.....	15
Porter's five forces analysis of the country.....	15
Corporate governance and cultural sensitivity for Kenyan consumers.....	16
Relevant strategies in the recommendation to be applied by Britvic.....	16
Conclusion.....	16
References.....	17
Appendices.....	20

Introduction

According to Segi *et al.*, (2019), countries' convergence into the global economic system has been demonstrated to be a potent tool for strengthening the economic system, prosperity, and wealth inequality alleviation. World commerce has increased on average by 6% annually during the last two decades, twice as efficient as global productivity (Verbeke, Coeurderoy and Matt, 2018). However, commerce has fuelled development much earlier. The international trading structure has profited from two sessions of trade liberalisation since 1947, when the General Agreement on Tariffs and Trade (GATT) was established, including autonomous and provincial liberalisation. As informed by Osiobe (2019), expanded market accessibility would give emerging nations the tools they need to embrace commerce to spur growth and combat national economic impoverishment.

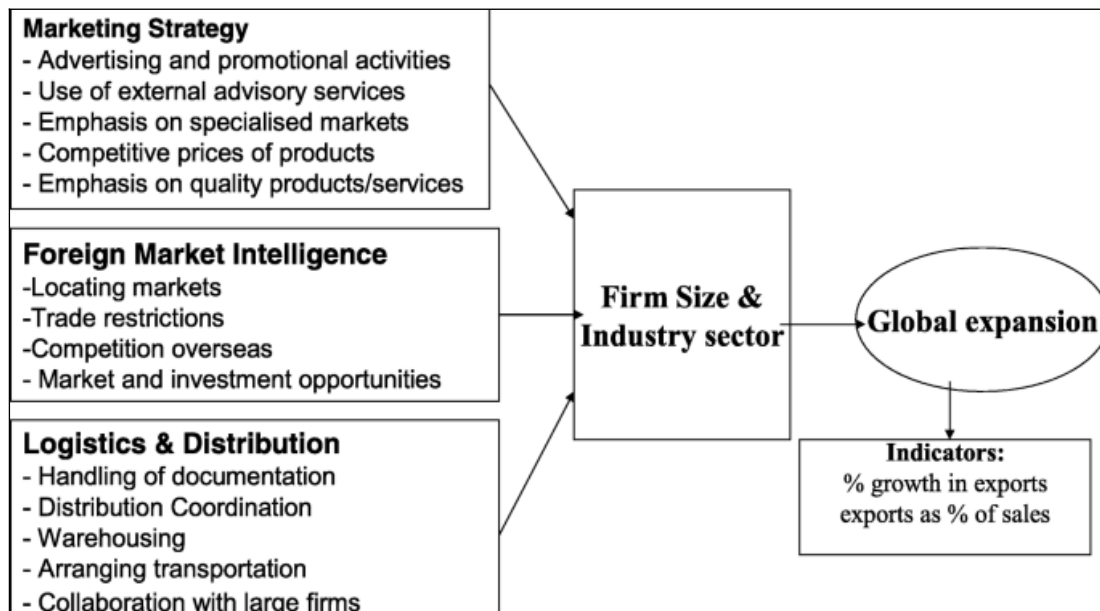


Figure 1: Global expansion framework for an organisation

(Source: Sergi *et al.*, 2019)

This international business report highlights the application of different theories and models for the selected company of Britvic including PESTLE, Porter's Diamond, Porter's Five Forces analysis, and others for the analysis of the international business environment. This report also projects the trade barriers, opportunities, and challenges involved in corporate governance and formulation of business strategies in a newly developing market of Kenya.

Task One- Report on International Business Environment

Synopsis of the organisation

Britvic's corporate sustainability approach, Healthy Individuals, Better Environment, serves as the foundation of its corporate strategy. Britvic as a group is focused on encouraging wellness, nutrition, and vitality and offering customers diversified lifestyle options (Burgess *et al.*, 2021). Britvic is the first carbonated beverage manufacturer in the UK to achieve a 1.5°C objective certified for mitigation efforts. By the close of 2022, Britvic plans to manufacture all of its plastic water bottles in the United Kingdom entirely from rPET. CEO Simon Litherland and Chairman John Daly have led the company to an effective implementation that has amassed £1,400 million (britvic.com, 2021). As mentioned by Law *et al.*, (2020), earnings from ready-to-drink versions increased 32.5%, with Britvic's flagship brands, Bela Ischia, Dafruta, and Mercury doing particularly well in the international market.



Figure 2: A business overview of Britvic

(Source: britvic.com, 2021)

Overview of the selected developing nation

The African continent is still considered to be a developing one which is also categorised as a labour-intensive economy. In 2015, the marketplace for carbonated beverages in Kenya

was valued at 245.00 million US dollars (at retail prices) (Kithu and Kamau, 2022). The beverages sector in Kenya is anticipated to grow at a CAGR of 9 % from 2020 to 2025, reaching 823.33 million USD (in retail prices). Compared to the expansion of roughly 17 % each year observed between 2015 and 2019, this represents a drop. Kenya manufactured 631 million litres of beverages as of 2019 (Faria, 2022). The number of goods grew from the prior year's 582 million litres.

Producers now have an opportunity to make sure their companies prosper as the 'Big Four Strategy' cornerstone of industrial approaches with the implementation of Excisable Goods Management System (EGMS) tax stamping on plastic bottles, beverages, sports drinks, sodas, and other non-alcoholic products (Kivayilu and Wanjira, 2020). . These commodities included water, sodas, alcohol, tobacco, and wineries. Hence, Britvic has an elevated opportunity to create mass production in Kenya.

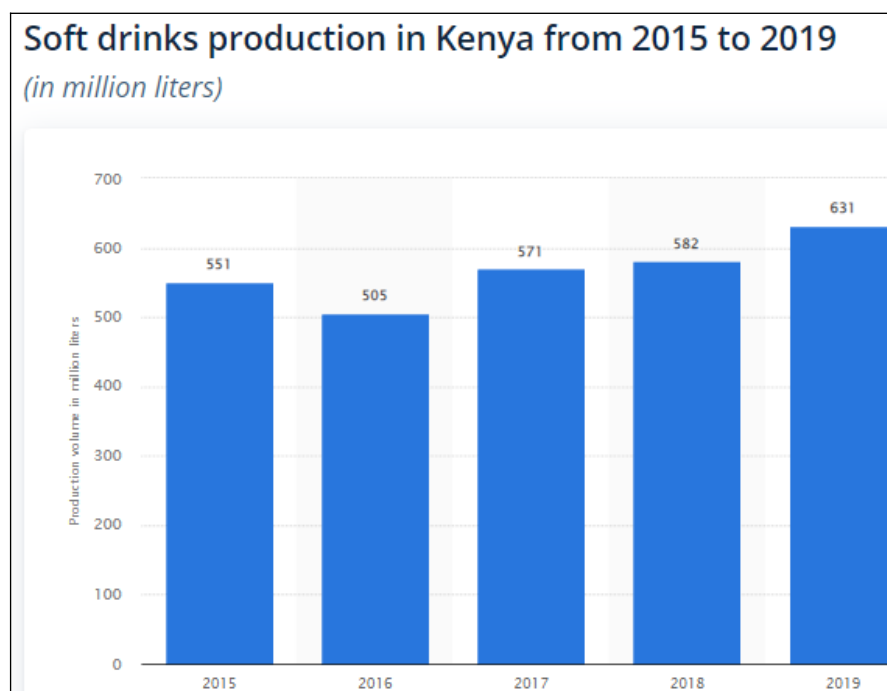


Figure 3: Soft drink production and market opportunities rising in Kenya

(Source: Faria, 2022)

Application of the theories of the business environment

This segment includes several theories and models that help in determining the external and internal capabilities of Britvic in its operational market. This analysis also provides a ground for determining its competitive strategies in the selected market of Kenya.

PESTLE analysis

Political- Kenya and the UK have strong operating relationships in multilateral conferences, as evidenced by the latter's assistance of United Nations 2036 in New York and the addition of additional forces to the African Union Mission in Somalia (AMISOM), including the encouragement of the Kenya Defence Forces (KDF) to join AMISOM. The UK is Kenya's best international contributor from Europe. Presently, Kenya is home to roughly 100 British investment groups worth more than STG £2.0 billion (Kelechi, 2021). The two nations also have a strong bilateral relationship in a multitude of settings, including trade, commerce, hospitality, and collaboration on anti-piracy, counterterrorism, and global climate, amongst many others. This situation provides Britvic with a lucrative opportunity to build up its infrastructure and operations in Kenya.

Economic- Kenya's economic system is ranked 138th in favour of fiscal independence in the 2022 Index with a rating of 52.6. Gross domestic product (GDP) growth in Kenya is anticipated to increase by 5.5 % in 2022 and 5.2 % annually in 2023–2024 (Anderson, 2021). The nation's economy increased by 7% in 2021, well exceeding the expected annual growth rate in Sub-Saharan Africa of 4%, and will now moderate after a spectacular comeback from the worst socioeconomic consequences of the epidemic (Davis *et al.*, 2021). This will be favourable for Britvic to create job opportunities and economic growth in Kenya.

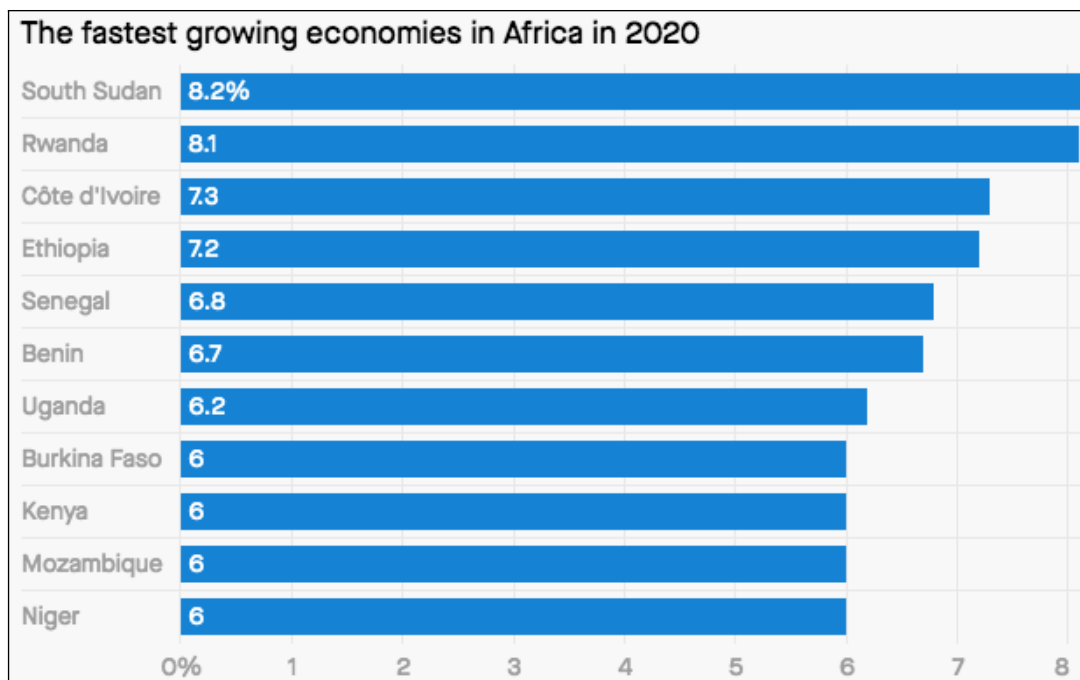


Figure 4: Kenya's position in terms of economic growth

(Source: worldbank.org, 2022)

Socio-cultural- Kenya has a cultural diversity heritage. Kenya's prevailing demographic is close to (56 million). Bantu, Nilo-Saharan, and Swahili are just a few of the language groups that people communicate with. Other social issues affecting Kenya include the dearth of social programs, corrupt practices, rampant crime, deprivation, the widening disparity among both the rich and the poor, modern slavery, and medical complications (worldbank.org, 2022). To address these issues, the government must introduce fresh activities that promote and promote parallel private measures.

Technological- The condition of the telecommunications market, internet connectivity, online databases, technological literacy, and the availability of power generation are significant technological variables that influence Kenya's investment environment. The amount of funding in the nation is significantly determined by the prevailing telecommunications market (Maestrini *et al.*, 2018). Poor internet and Cell phone accessibility restricts businesses' investors to spend and hire new employees. The culture for investments is also impacted by inadequate facilities.

Legal- KRA has put into place the Trading Across Borders legislative changes designed to boost conformance by lowering the time and expense of documentary and frontier conformance for imported products of brand-new auto parts along with beverage, tea, condiments, and herbal products. On the sale of taxable products or services offered or rendered in Kenya and on the import and export of taxable products or services into Kenya, value-added duty is payable.

Environmental- Kenya faces a variety of ecological concerns, but the three that stand out the most are nature conservation predation, forest destruction and land degradation, and water supplies (including groundwater pollution, water shortages, and deluges). Additionally, basic sustenance farming is still practised widely in Kenya, so a lack of rain will have a cumulative impact on the community (Jane and Edwin, 2021). Other issues to think about include pollution problems, habitat destruction, and soil contamination needs to be considered by Britvic since it would require huge groundwater for the products.

Porter's Diamond Analysis

According to the Porter Diamond Theory, nations can develop new component benefits for them, including a robust technological sector, trained workforce, and regulatory assistance for a region's economic growth. The majority of conventional concepts of international economy diverge from one another by referencing components or variables that a nation or region intrinsically has (Sergi *et al.*, 2019). The fundamental truth that competitiveness

drives organisations to identify methods to boost productivity and produce technological innovations is referenced by strategic planning, framework, and competitiveness.

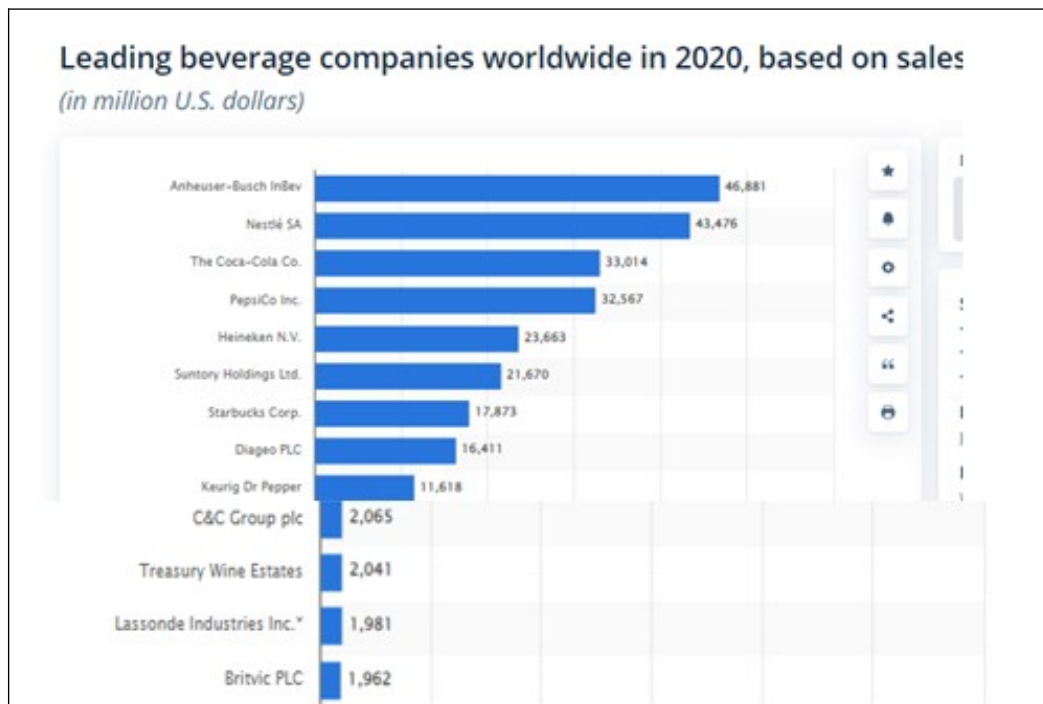


Figure 6: A comparative analysis of Britvic against all the competitors

(Source: Burgess *et al.*, 2021)

One of the main factors fuelling the expansion of the market for fruit-flavoured sugary drinks is product development. To improve revenue, manufacturers constantly innovate their products' components, formulations, branding, and other features. For illustration, PepsiCo introduced Pepsi Lemon, Pepsi Strawberry, and PepsiCo Peach as three additional cola tastes in April 2019. Tate & Lyle (TATE), A.G. Barr, and Coca-Cola (CCH) are among Britvic's primary rivals (BAG). Every one of these businesses operates in the "soft drink-fizzy drinks" sector (Burgess *et al.*, 2021). The Chairman of Britvic serves as the Management's leader and is in charge of setting the circumstances for both the Board as a whole and each independent Director's competence in leading the business. The CEO of Britvic is in charge of establishing the corporate orientation of the Business and managing the day-to-day operations of the company.

Value Network

Value chain assessment is a technique for assessing each activity in a corporation's value network to determine prospects for progress. A business is prompted to evaluate how each phase contributes to or detracts from the potential of its finished product by performing a value chain model (Sergi *et al.*, 2019). Acquisitions, activities, advertising, and selling are

the important aspects that concentrate on receiving input, transforming them into outcomes, and distributing the outcome to the customers. Equipment, technologies, and human capital all perform a supporting function in the core functions. For instance, Britvic ventured into plant-powered dairy and acquired Aqua Libra Co. in 2020 as part of the supportive activities. Smart connected touch faucets there supply hot, chilled, and sparkling water (britvic.com, 2021). To provide sparkling water on request, Britvic combined tap technologies with its micro-dosing capabilities.



Figure 7: Glimpse of technology and human resources serving as the supporting activities for Britvic's value chain

(Source: britvic.com, 2021).

The management team at Britvic has already expanded their warehousing owing to a planned strategy of spontaneous geographic expansion focused on developing and establishing sustainable brands (Osiobe, 2019). Britvic generated local disposable income by offering work in a multicultural and supportive setting. In 2021, Britvic spent £143 million was spent on employee compensation. Britvic stated in September 2021 that it would engage £26.9 million in its major manufacturing facility, the Rugby facility, to install a fourth bottling unit. The additional line adds another 18% to the project's overall efficiency while also adding at least 20 new employment opportunities (Law *et al.*, 2021).

Porter's Five Forces Analysis

The companies in the sector are known for their well-known brands, including Barr Flavors, Big Willie, Coke, Sprite, and Fanta. The corporation has well-known carbonated beverage brands like Robinson's, Fruit Shoot, Tango, and Maguary sets it apart from the competition. In Kenya, the soft drink market is quite productive, and the company may face opposition from long-standing companies. A few of the main rivals of Britvic are AG Barr PLC, PepsiCo, and Coca-Cola. Because there are many alternatives to soft drinks, including tea and coffee, and because shifting is inexpensive, Britvic needs to watch its customer base carefully.

As mentioned by Arati, Kisia and Koech (2021), Britvic will be successful in maintaining a sizable market position in Kenya, it is obvious that the company needs to succeed in improving operational efficiency and is effective in decreasing its operational expenses in Kenya despite the elevated threat of new entrants in the soft drink industry. Owing to the elevated quantity of items purchased by each user and the availability of shifting options from other brands, consumers have significant bargaining power in the beverage market (Akankwatsa, 2019). Given that the vendors' negotiating power is minimal, it is clear that the business can obtain inputs at reasonable costs, which contributes to an increase in supply.



Figure 8: Porter's five forces analysis for Britvic

(Source: Created by the Author)

Hofstede's cultural dimension

The cultural dimensions of the two countries differ since Kenya is dependent on a collective society while the UK represents an individualistic society. The score of power distance is 70 for Kenya while the UK indicates 35 as the hierarchy offers freedom of choice for the British (hofstede-insights.com, 2022). The collective society ranking of Kenya 25 shows how joint family culture persists in the Kenyan society while scoring 89 the UK is far more independent and individualistic. The uncertainty avoidance ranking is lower in the UK since they do not feel threatened by the external forces influencing their decisions while Kenyan society is more inclined to avoid any uncertainty in their decision-making process. Considering all the variables of the cultural dimensions, Britvic needs to project its product line based on a collectivist society while considering the preferences of the family members.

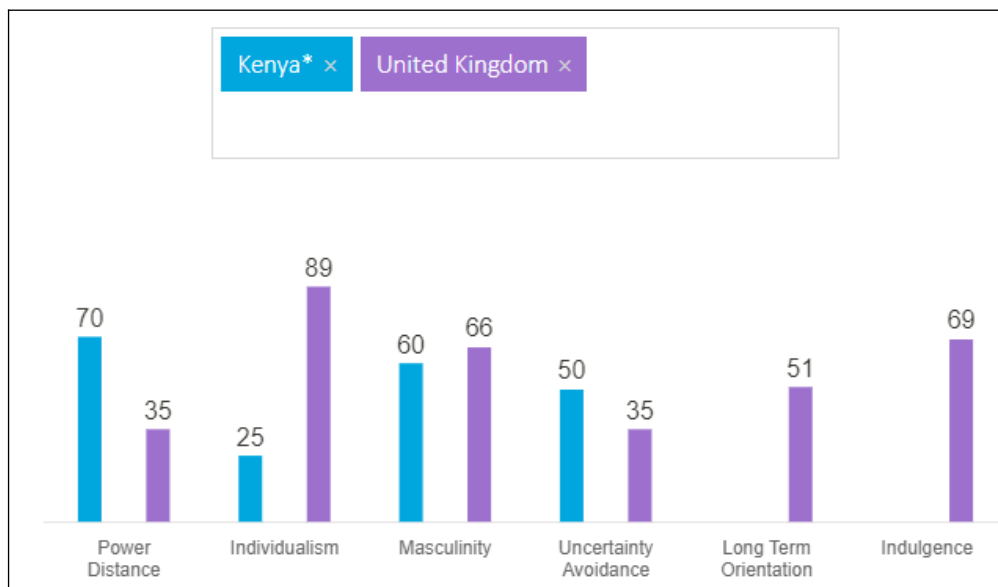


Figure 9: Hofstede's cultural dimension comparing Kenya and United Kingdom

(Source: hofstede-insights.com, 2022)

Critical evaluation of the opportunities and challenges in managing corporate governance, business strategy, and cultural sensitivity by applying Agency theory

According to agency theory, companies serve as representatives for their stockholders. That is, investors put in corporate power and thus delegate their reserves to the administration of the company's directors and management. In big businesses, there is frequently a drastic deviation between personnel' and stockholders' brief & medium interests. Britvic's solvent concentrate businesses now have a 76%, putting them on top of the better and healthier hydration sector (kra.go.ke, 2022). Britvic benefits from constructive participation with its stockholders because it can operate more quickly, seizing opportunities as they present

themselves and fending off threats as they materialise. In directing strategies in a manner that generates the most viable benefit for Britvic's company, both now and in the coming years, expansive and impactful discussion with all stakeholders is crucial (Kithu and Kamau, 2022). Additionally, recognising emerging issues that could jeopardise the accomplishment of the organisation's overall preferences is a task shared by the risk administration and internal audit departments.

Analysis of the trade barriers experienced by the organisation

The correspondence of finances, merchandise, and services across national frontiers or territorial boundaries is referred to as international commerce. Non-tariff roadblocks encompass sluggish custom clearance processing, labelling and packaging specifications, and the demand for a Kenya Bureau of Standards credential of compliance (Burgess *et al.*, 2021). They are given the responsibility to achieve an import requirements milestone for a catalogue of vulnerable importing goods into Kenya and the role of pre-export confirmation of compliance provider. As mentioned by Kivayilu and Wanjira (2020), 83.3 % claimed that the erratic frontier operating hours had a significant effect on the business. Since Britvic's distribution, solution witnessed significant growth in the At-Home stream while On-Trade shutdowns and storage restrictions had a serious influence on Out-of-Home investments, financial results may influence international marketplaces.

Application of relevant business strategies and recommendations for Britvic

It is plausible to predict that the company would need to assess its foreign competitors in the sector. Britvic will consequently need to conduct a national and international market analysis. Britvic has the option to initiate its innovative products using a regionally strategic approach. In an attempt to market effectively the products in Kenya, the online marketplace on which the company will collude to have greater accessibility to both urban and sparsely populated markets (Faria, 2022). While concentrating on the competing companies' advertising tactics and consumption outreach in the Kenyan market, Britvic will need to keep an eye on customers' consumption behaviour.

Conclusion

In summary, it may be highlighted that there are a lot of scopes for Britvic to enter the Kenyan market while projecting a low pricing structure for the products to be offered integrating different brands of Britvic. Moreover, considering the labour-intensive economy, Britvic can achieve production of scale with low investment and local hire. There are

opportunities for expansion in other African markets while sourcing the raw ingredients from the rich flora and fauna invested economy.