Ocado and Possible Expansion to Eu Countries



International Business Communications (LCBB6001)

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Introduction to the context of British business communications

In Britain, decency, politeness, punctuality, and orderliness are the essence of business culture. The tongue-in-cheek style, which is an ironic and subtle sense of humour, is a prominent feature of British humour, even in professional settings.

Managers have low power distance, and the business culture is less hierarchical than in many European mainland countries. However, hierarchies still play a crucial role and impact decision-making. Decisions are usually made hierarchically with higher-ranking individuals having the final say. Initially, they are presented as suggested measures, not abruptly enforced on the workforce. Senior executives give great importance to their organization's annual financial plan, especially when considering involvement in large transactions, despite the typically lengthy decision-making process.

In the Mediterranean, personal relationships are important, but less so for younger people. British individuals are more satisfied with their work when they work with familiar colleagues. Therefore, it is recommended to use a third-party referral for starting business connections. A strong network is often essential for long-term success in business. Establishing strong relationships with business counterparts is highly important for most people in the UK, especially those involved in business activities. When dealing with people who value quick transactions, they show caution and deliberation. Starting a business relationship over lunch at a pub is seen as more beneficial than doing so in a formal office setting.

Effective communication is key in British international business due to linguistic, cultural, and historical influences. Successful international business engagements rely heavily on effective communication for relationship-building, negotiation, and overall success.

About Ocado and operating industry

Ocado is a well-known UK online grocery store with a wide range of products and services. Founded in 2000, Ocado has emerged as a key player in the e-grocery sector, offering customers a smooth shopping experience through advanced technology and efficient logistics. Ocado's excellence in products and efficient delivery services has solidified its position in the intense grocery market. Ocado (2021) is a trusted and convenient option for customers who want a seamless online shopping experience.

Ocado's success is based on its innovative Ocado Smart Platform (OSP), merging cutting-edge robotics and logistics techniques. The OSP boosts digital operations for global retailers using Ocado's technology expertise. Ocado Tech '21.

Ocado's global importance is showcased by its strategic partnerships with international retailers, who gain advantages from using their cutting-edge technologies and automated solutions. (21 Ocado). Ocado is leading the way in transforming grocery retail digitally, establishing new benchmarks for efficiency and customer satisfaction.

In the UK e-commerce grocery industry, Ocado's market share is 1.7% as per Statista's 2021 data. This stat shows where the company stands compared to other UK retailers.

OCADO GROUP's historical and projected gross profit and growth rate trends from 2017 to 2023. In academics, gross profit is the financial gain a company achieves by deducting variable costs of producing/selling products or providing services.

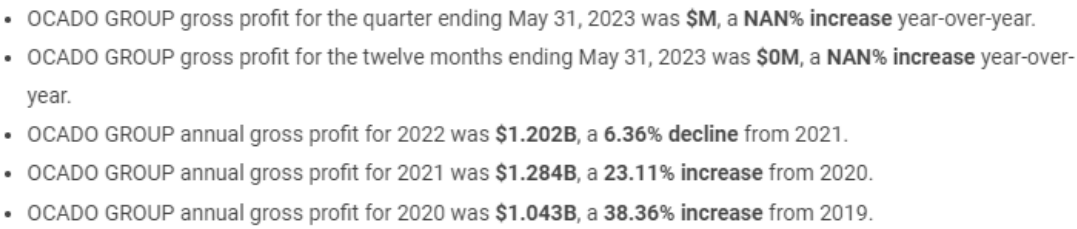


Figure 1 Source: Macrotrends (2023)

The company Ocado Group specializes in using automation technology in the electronic grocery retailing industry. The company is divided into four main divisions: Ocado Solutions, which provides e-commerce technology to retailers; Ocado Retail, which is a digital supermarket; Ocado Technology, which uses robotics, artificial intelligence, data science, and cloud technologies to improve online retail operations; and Ocado Engineering, which builds and maintains automated warehouses. In addition, the company develops the Ocado Smart Platform (OSP), a collection of tools designed to facilitate the efficient operation of online grocery businesses.

The customer satisfaction survey assessed various complex consumer preferences that were altered during the COVID-19 pandemic. According to the findings, a study showed that out of a total of nine supermarkets evaluated, Ocado, a prominent player in online grocery delivery, attained the top rank. Aldi and Lidl, two German discount retailers, closely followed, securing the second and third positions

respectively.



Figure 2 Statista (2023)

When contemplating the expansion of business operations to Germany and Italy, it is crucial to account for the variations in market research and cultural aspects within each country as well as the distinctions between them.

Possible expanding to Germany and Italy.

Italy and its cultural differences

Understanding the key cultural differences in the Italian business world relies on using Hofstede's cultural dimensions. Hofstede's study shows that Italy strongly avoids risk and prefers well-defined and precise business procedures. Hofstede (2001) confirms the importance of hierarchy and formal procedures in Italian business culture.

In Italy, there is a strong power distance, emphasizing respect for authority and hierarchy in organizations. Therefore, in Italian corporate settings, decision-making and negotiation procedures usually fall under the responsibility of higher-ranking individuals due to the hierarchical structure. To comply with Hofstede (2001), foreign negotiators must respect and acknowledge this hierarchical structure.

Italy's strong inclination towards collectivism is particularly focused on developing and fostering business connections. To succeed in negotiations and building partnerships with Italian business associates, prioritize trust and a positive relationship. Personal relationships often strongly influence decision-making processes. (Hofstede, '01)

Understanding cultural differences is crucial for businesses and professionals who interact with Italian counterparts, as these disparities significantly impact their engagements, negotiations, and overall business conduct.

Language in Italy

Language barriers are a major hurdle for Italian businesses. Although Italian is the official language, regional dialects are widely spoken by Italians, and English proficiency can vary across regions and industries. (EC, 2012) This hampers international communication for businesses dealing with global clients or partners.

Businesses can employ language training programs to boost employees' language skills and overcome challenges. Businesses can hire translation and interpretation services to improve communication (Alderson, 2011).

In some cases, marketing strategies might need adjustments for the Italian market. Localized language and cultural references can be used in advertising and marketing materials (Ghauri & Cateora, 2014).

Possible risks when expanding in Italy.

A thorough evaluation is required for the potential hazards of business expansion in Italy. Potential risks include legal and regulatory barriers as well as cultural and linguistic disparities, along with shifts in market and economic circumstances.

Italy has unique and intricate legal and regulatory obstacles compared to other nations. Businesses must understand and adhere to labour laws, tax laws, and industry-specific requirements in Italy. Failure to carry out this action correctly may result in large fines or legal consequences (Ruggiero, 2019).

Language and culture differences could pose additional difficulties for businesses aiming to expand in Italy. Understanding Italian norms, etiquette, and language is crucial for successful relationships in business (Bengamin, 2018).

Market and economic uncertainties in Italy may affect business operations. Jones (2020) states that entering the Italian market may be challenging due to issues such as fluctuating exchange rates, an unstable political climate, and changing consumer preferences.

To tackle risks, businesses need robust strategies built with extensive research, expert consultation, and a keen understanding of the complexities of the Italian business landscape.

Labor diversity in Italy

Labor diversity in Italy is intricate, mirroring the diversity of the workforce. Italy's diverse workforce enhances its cultural diversity. The diverse workforce brings

both opportunities and challenges for employers and policymakers working towards creating inclusive and supportive work environments. Italy has seen an increase in migration lately, including workers from Romania, Albania, and Morocco. Increased diversity in the Italian workforce has brought new perspectives and skills to the job market. It also raised concerns about social integration and the treatment of migrant workers, calling for fair labour practices.

To support labour diversity in Italy, policymakers and employers should acknowledge the valuable contributions from individuals of different backgrounds. Promoting diversity and inclusivity enhances productivity and benefits employees and Italy's economy.

Germany and cultural differences in business

Hofstede's theory on cultural dimensions emphasizes crucial German cultural differences affecting business practices. These dimensions are important for understanding cultural differences in German business.

Has a low power distance, favouring flatter organizational structures and participatory management. This shows that decision-making can be more inclusive with an emphasis on open communication between employees and management.

Is individualistic, focusing on personal achievements and self-sufficiency. In business, employees demonstrating personal responsibility and aspiring for autonomy and recognition for their contributions reflect this (Hofstede, 1980).

Is a masculine culture, focused on assertiveness, ambition, and material success. This could foster a competitive business atmosphere valuing achievement and prosperity.

Germany has a strong preference for rules, structure, and clear communication due to its high uncertainty avoidance index. In business, this can be seen as a focus on careful planning, fear of taking risks, and a desire for straightforward and predictable business deals.

Possible Risks when expanding

When a company decides to expand its business operations into a foreign nation such as Germany, it becomes imperative to diligently assess and adeptly address numerous potential risks. When participating in expansion endeavours in Germany, it is important to consider specific risks. These include abiding by legal and regulatory obligations, acknowledging cultural differences, and acknowledging economic uncertainties.

Ensuring compliance with legal and regulatory obligations is of paramount importance when pursuing prospects for expansion in Germany. Foreign enterprises may encounter difficulties due to the complex legal infrastructure that includes labour

laws, tax regulations, and operational requirements for businesses (The World Bank, 2021).

The existence of cultural disparities can pose a conceivable risk when entering an unfamiliar market. The divergence in business culture, communication norms, and work practices between Germany and other nations may be significant, thus demanding careful navigation and adaptation for incoming businesses (Hofstede, 2021).

German business operations may experience disruptions due to economic uncertainties, such as unpredictable movements in exchange rates, market instability, and geopolitical occurrences. It is crucial to acknowledge these risks and develop strategies to mitigate potentially unfavourable consequences of the expansion process (European Central Bank, 2021).

Labour diversity in Germany

The diverse German job market poses challenges and opportunities for employers. Employers must create inclusive workplaces for equal opportunities regardless of employees' cultural or other diverse backgrounds. This requires a cultural shift and diversity management strategies. Diversity fosters innovation, creativity, and improved performance chances. Diverse teams improve business results.

Advancing workforce diversity tactics German companies address workforce diversity by implementing diversity management initiatives. These initiatives aim to create inclusive workplaces by addressing unconscious bias, discrimination, and unequal opportunities. Companies are creating diversity training programs to improve employee cultural competence.

Cultural and Social Differences between Italy, Germany and United Kingdom in business.

Hofstede's cultural dimensions impact business practices through country-specific cultural and social variations. Let's explore the cultural dimensions of Italy, Germany, and the United Kingdom.

Power distance measures individuals' acceptance and expectation of unequal power distribution. Italy's high power distance leads to a hierarchical structure in business and society (Hofstede Insights, 2021). Germany and the UK have lower power distance, indicating more equality in business and society (Hofstede Insights, 2021).

Individualism prioritizes personal goals over group goals. Italy values relationships and group goals more than individualism. Germany and the UK prioritize personal goals and value independence more.

Masculinity is the extent to which a society values characteristics associated with traditional males, such as competitiveness and assertiveness. Italy values business competition and assertiveness. Germany has a high masculinity score compared to the United Kingdom, suggesting that the UK emphasizes collaboration and compromise in business.

Uncertainty avoidance is how tolerant a society is of ambiguity and uncertainty. Italy has a strong preference for rules and structure in business. Germany has a high level of uncertainty avoidance, whereas the UK has a lower score, implying more acceptance of ambiguity and willingness to take risks in business.

Long-term orientation reflects a society's value of long-range objectives and strategic planning. Italy's focus on short-term goals and immediate outcomes in business is reflected in its low long-term orientation (Hofstede Insights, 2021). Germany and the UK prioritize long-term planning and investment, unlike other nations.

Understanding cultural dimensions in Italy, Germany, and the UK aids in comprehending cultural variations affecting business practices. Businesses need to adapt for effective communication and success in global markets.



Figure 3 Hofstede Insights (2023)

Reasons why expanding to Germany is more likely to succeed than Italy.

When seeking to expand the reach of an electronic commerce enterprise, it is essential to carefully consider aspects including the size of the market, the state of technological infrastructure, consumer behaviours, and the regulatory environment. The strong economies and technological progress of Italy and Germany make them extremely promising markets for the growth and development of electronic commerce. Based on essential factors and indicators, Germany is revealed as the most preferable option for expansion.

The magnitude of the e-commerce sector in Germany surpasses that of Italy. Based on Statista's projections for 2021, it is envisaged that the e-commerce income in Germany will attain a substantial figure of 89.4 billion euros, whereas in Italy, it is projected to be approximately 24.1 billion euros. Germany possesses robust logistics and transportation infrastructure, considerable internet usage, and a positive consumer perception regarding online shopping. Consequently, it emerges as an enticing epicentre for the proliferation of e-commerce. (EY, 2020) These factors contribute to the expandability of electronic commerce. As per the European Commission's report in 2021, Germany's e-commerce regulations are more stringent than those in Italy, creating a reliable and secure business atmosphere.

The prospects for expansion in the field of e-commerce seem to be considerably more promising in Germany than in Italy. This is largely attributable to factors such as the size of the market, the quality of infrastructure, and the regulatory framework in place.

Recommendations and conclusions

Expanding an electronic commerce enterprise to an additional country, such as Germany, necessitates meticulous evaluation of several elements to guarantee prosperity. In this context, it is wise for businesses to consider certain recommendations such as:

1. To gain insights into the local market, it is imperative for businesses to carry out comprehensive market investigations which encompass comprehending local consumer inclinations, demographic information, and nuances of the cultural landscape. This will assist the company in customizing its offerings and promotional tactics to align with the specific requirements and anticipations of the local market (Hofstede, 2011).

2. Localization of the website is imperative for the e-commerce enterprise to effectively target the German audience. This entails the translation of the content on the website into the German language, ensuring adherence to local laws and regulations, and embracing local payment and shipping alternatives (Liu, 2018).

3. Establishing customer trust is an essential aspect of e-commerce, necessitating businesses to actively cultivate trust with their clientele. This encompasses the provision of reliable payment alternatives, comprehensive details regarding the products, prompt customer assistance, and explicit policies concerning delivery and returns (Wang, Liu, & Cai, 2018).

4. Utilizing social media platforms: social media serves as a potent mechanism for engaging with customers and fostering brand recognition. According to Kaplan and Haenlein (2010), it is advisable for a business to utilize social media platforms such as Facebook, Twitter, and Instagram to effectively interact with its German clientele and enhance the promotion of its products.

In conclusion, when expanding an e-commerce business to Germany, it is crucial to possess a comprehensive understanding of the domestic market, adapt the website to cater to local preferences, establish a sense of trust with customers, and capitalize on the opportunities offered by social media. By incorporating these suggestions, an organization can increase its prospects of attaining success in the German market.

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