EFFECTS OF GLOBALISATION ON VALUE CHAIN OF FAST-MOVING CONSUMER GOODS COMPANIES

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ABSTRACT

Purpose: This study aims to explore effects of globalisation on fast-moving companies' value chains. It covers the period of post Second World War to contemporary time. It focuses on strategies associated with marketing & sales, exploitation of technological development, and labour issues. It tries to fill the gap for lack of previous study associated with relationship between globalisation and FMCG industry.

Methodology: This study has been conducted as a qualitative research to explore effects of globalisation that lead FMCG companies to apply certain strategies. Secondary sources (company annual reports, market research reports, industry publications from consulting companies, business magazines, and media sources) have been used to answer the research question. Three companies from three categories of FMCG industry as household care (Procter & Gamble), soft drinks (Coca-Cola), and packaged foods (Nestle) have been chosen to conduct the analysis.

Findings: Study found that explored FMCG companies exploited globalisation to expand their operations to various overseas markets. They have applied rationalisation processes to make their operations more efficient, and to focus more on core brands. Glocalisation and localisation strategies have been applied to provide locally adjusted offerings. Developments in internet and communications technology have been utilised. Companies possess labour issues such as child labour, bad working conditions, and low wage deriving from suppliers.

Limitations: Three FMCG companies have been selected to analyse with secondary sources. Further study can widen number of companies and collect primary data through interviews with company executives and support with secondary sources.

Keywords: Globalisation, Fast-Moving Consumer Goods, Glocalisation, Localisation, Regionalisation, Global Commodity Chains, Private Label, Procter & Gamble, Coca-Cola, Nestle

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CONTENT PAGE

ABSTRACT

ACKNOWLEDGEMENT

1. INTRODUCTION **1**

2. LITERATURE REVIEW **2**

2.1 Globalisation 2

2.2 Global Commodity Chains 5

2.2.1 Producer-Driven Commodity Chains 5

2.2.2 Buyer-Driven Commodity Chains 6

2.3 Value Chain 6

2.4 Fast-Moving Consumer Goods Industry 7

2.5 Marketing & Sales 9

2.6 Technology Development 14

2.7 Labour 17

2.8 Conclusion 19

3. METHODOLOGY **20**

3.1 Research Strategy 20

3.2 Data Collection 21

3.3 Limitations of Data Collection 22

4. RESULTS & DISCUSSION **23**

4.1 Companies 23

4.1.1 Procter & Gamble 23

4.1.2 Coca-Cola 28

4.1.3 Nestle 33

4.2 Discussion 37

5. CONCLUSION **38**

5.1 Limitations & Future Research 40

REFERENCES **41**

FIGURES & GRAPHS **51**

1. INTRODUCTION

Globalisation has been a prominent driver of economic development in the era composed of 20th and 21st centuries (Kinchevskaya and Makogon, 2014), thus it has been researched by various authors including Gereffi (2001), Appelbaum and Lichtenstein (2006), Chandler (1980), Dicken (2015), Levitt (1983) that are analysed in literature review. Globalisation has been encouraged by creation of significant amount of new products after the Second World War with the help of developments in transportation, and information & communication technologies (Gereffi and Korzeniewicz, 1994). It has faced with boost in Central and Eastern European (CEE) markets with the fall of Iron Curtain in 1989 (Schuh, 2007). Retailers have started to substitute powerful manufacturing companies of the Fordist era (Appelbaum and Lichtenstein, 2006). Globalisation has controversial effects on labour especially with changing international division of labour in apparel industry (Mezzadri, 2008).

While globalisation topic has been widely investigated, it was mainly about automotive, textile, and agro-food industries. Fast- moving consumer goods industry has not been given significant attention in the literature. However, FMCG (also called consumer packaged goods) industry is a relatively dynamic industry with size of 8 trillion dollars in 2014 (McKinsey, 2015) and having more than 10 companies in Fortune 500 list (Fortune, 2017). Thus, this study aims to fill this gap in literature byto presenting relationship between globalisation and FMCG industry. Research question has been developed as: “How globalisation influences value chain of fast-moving consumer goods companies in the period of post Second World War to contemporary time?” Marketing & sales, technology development, and labour issues are focused. Leading three FMCG companies that are market leaders in household care (Procter

& Gamble), beverages (Coca-Cola), and packaged foods (Nestle) (Euromonitor, 2017a) have been chosen for analysis.

2. LITERATURE REVIEW

This chapter of the study includes critical analysis of former studies related with this topic, and generates research question with revealing the gap in the literature. It starts with understanding the term globalisation and the periods of globalisation. Then, observes featured studies of the research topic such as Gereffi (2001)'s Global Commodity Chains, Porter (1985)'s Value Chain, and Dicken (2015)'s Global Shift. It continues with meaning of Fast Moving Consumer Goods sector, influences of globalisation on value chain (focusing on marketing & sales, technology development, and labour) with giving information from multinational companies, consumer products sector and from FMCG sector in order to examine the bigger picture. It ends with generation of the research question, and mentioning research gaps in previous studies.

2.1 Globalisation

Globalisation can be considered as a process of mutual action and incorporation happening between people, organisations, and states shaped by international trade and investment with supporting element of information technology (Makogon and Kinchevskaya, 2014). Integration of commodities, labour and capital among nations are considered as the most important characteristics of globalisation (Bordo, Taylor, and Williamson, 2001, cited in Jones, 2004). This study focuses on characteristic of globalisation after 1945 to nowadays encompassing end of Second World War, period of Cold War and then Fall of Iron Curtain, and current technological era. Globalisation differs from internationalisation, which includes dissemination of economic activities among countries, with integration of international operations

(Gereffi et al., 2001). Significant share of globalisation is deployed through multinational corporations (Gereffi et al., 2001) with the motivation of profit in highly competitive markets (Dicken,2015). These corporations form, encourage and produce markets by great amount of investments, supply and distribution channels, marketing technology and know-how conveying, and enormous advertising with new brand launches (Schuh,2007).

The topic globalisation is studied by segregation to various periods. The Post Second World War era observed expansion of Communism through Eastern Europe and China. Thus, with prohibition of foreign companies to Communist region there were lesser multinational investment accordingly, and the period after 1950 is called as the beginning of new global economy (Jones, 2004). Gereffi (2001) divided globalisation into three phases: First one is investment-based globalisation between 1950 to 1970, where multinational corporations had significant amount of growth in manufacturing and raw material sectors, and concluded with reasonable increase in export of low cost finished goods. Second term is considered as trade based globalisation between 1970 to 1995, characterised as export oriented and faced with shift of power from multinational corporations to large retailers and global advertisers. Last one is digital globalisation encompasses the term between 1995 to contemporary time begins with the revolution of Internet providing great amount of connectivity by low cost exchange of information (Evans and Wurster, 2000, cited in Gereffi, 2001). One of the critical events through these periods was the collapse of Iron Curtain in 1989, which was the boundary between Europe and Soviet Union, thus generation of opportunities for foreign companies to enter the massive Central and Eastern Europe market by liberal practices in politics and economy (Schuh, 2007).

The market globalisation theory is a prominent argument of the globalisation topic (Li and Cavusgil, 1995, cited in Schuh, 2007, p.275). It has been described as treating world as a global market and offer standardised products with low prices that will be preferred by customers regardless of their local preferences (Levitt, 1983). Multinational companies have been considered as pioneers of this approach that fast progression on information technology, telecommunications and transportation with support of trade barrier destruction foster communications among national boundaries and fuelled them. Levitt (1983) further stated that multinational corporations can operate with lower cost by exploiting global markets. In addition to cost effective process, there may be other outcomes to operate internationally: Great amount of production can be achieved through utilisation of economies of scale and scope with centralised buying, distribution, and manufacturing global goods. Products with better quality can be produced by higher competition between suppliers, and more demanding consumers. Various different items can be designed thanks to comparative advantage induced in different regions. Lastly, companies might have opportunities to reach markets, which are normally based on trust derived from local production, and acquire technology and knowledge by transferred worker skills or joint organisations (Demeter, 2013). On the other hand, operating globally may lead unpleasant consequences for multinational companies. It may raise purchasing and selling costs, and tax and customs payments. Language barrier and conflicts due to difference in legislations in various different countries can be problematic. Also, long distances between borders may be hard to handle by companies (Bozarth et al., 1998, cited in Demeter, 2013, p.173). Hence, it would be missing to argue that globalisation brings solely opportunities for multinational companies and they apply market globalisation theory completely. It may not ensure requested efficiency to companies, thus drive them to apply reorganisation activities for operations or strategies of internationalisation theory for marketing that are discussed in Marketing & Sales section of this chapter.

2.2 Global Commodity Chains

A commodity chain contains activities related with design, production, and marketing elements of a product (Gereffi, 2001). It focuses on the internal governance of various companies' supply chains and their effort to installing global production and sourcing networks (Gereffi et al., 2001). It is divided into two diverse types of chains according to supply chain characteristics of the industry: producer-driven commodity chains and buyer-driven commodity chains.

2.2.1 Producer-Driven Commodity Chains

Gereffi and Korzeniewicz (1994) explains producer-driven commodity chain as industries such as computers, aircraft, electrical machines and automobiles that are capital and technology oriented, and they include multinational companies that dominate the production system. They further identify that activity of control is the differentiable factor conducted by multinational companies' managing headquarters. Producer-driven commodity chains focus on research & development and production for profit, and exploit economies of scale (Gereffi, 2001). However, popularity of producer-driven commodity chains has been falling since the mid twentieth century, when multinational companies were controlling global production networks (Appelbaum and Lichtenstein, 2006). New power holders can be brand owner retailers that are elements of buyer-driven commodity chains mentioned thoroughly by Frederick and Gereffi (2010), and they are also seen as threads by FMCG sector expressed in Fast-Moving Consumer Goods Industry section of this chapter.

2.2.2 Buyer-Driven Commodity Chains

Buyer-driven commodity chains represent labour oriented and marketing intensive consumer goods industries such as consumer electronics, apparel, toys, footwear etc. including large retailers, brand-named sellers and trading companies dominating decentralised production and trade networks in various export based developing countries (Gereffi and Korzeniewicz, 1994). Companies in buyer-driven commodity chains are not manufacturers, they emphasise design, marketing, sales and high value research in order to enhance profit level, and exploit economies of scope (Gereffi, 2001). It may be argued that exploiting globalisation by outsourcing/offshoring support these activities. In contrast with producer-driven commodity chains, buyer-driven commodity chains have been increasing their significance via branded marketers, and thanks to the removal of borders between manufacturers and retail buyers which lead huge retailers to appear (Appelbaum and Lichtenstein, 2006).

2.3 Value Chain

Porter described value chain as a basic tool to analyse the origins of competitive advantage (1985, p.33). It diverges a company's strategic actions to observe the pattern, contains costs with existing and potential discriminative principles. The value chain demonstrates a company's group of exercises including production, marketing, distribution, and supportive operations (Figure 1). It presents a company's total value, value exercises, and margin.

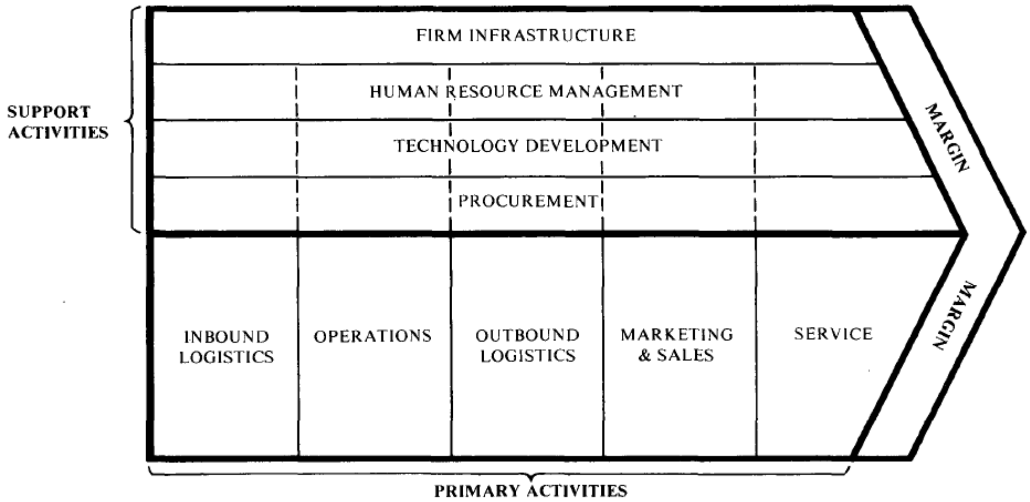


Figure 1: Activities of Value Chain (Porter, 1985, p.37)

Value chain view of global economy claims that in order to reach international markets for various sectors, it needed to be reached to international design, production and marketing network comprising diverse companies (Gereffi et al., 2001). In order to measure the value generated through the chain, several indicators namely profits, value added and price mark-ups can be used. Porter claims that value added, which is remained amount of money after cost of purchased raw materials are deducted from selling price, is not a reliable index (1985). Nevertheless, Gereffi et al., (2001) asserted that value added, and profits are the two suitable metrics to employ.

2.4 Fast-Moving Consumer Goods Industry

FMCG industry (also called consumer packaged goods) is a broad structure containing companies who produce beverages, packaged foods, personal care & household products, and fast food such as Coca-Cola, Colgate-Palmolive, McDonald’s that are well known with their immense advertising budgets (Wilken and Sinclair, 2011, p.4), hence rank in the list of the world’s largest 100 advertisers of 2009 (Advertising Age, 2009, cited in Wilken and Sinclair, 2011, p.4). It may not be wrong to argue that they possess features from both sides of Gereffi and Korzeniewicz (1994)’s buyer-driven and producer-driven commodity chains. Because they are inherently manufacturers and they exploit economies of scale with producing high amount of products and lessen fixed cost. On the other hand, they give significant attention to marketing activities and brand development, along with exploiting economies of scope with producing various different products and lower total cost. Chandler (1980) explores the origin of multinational FMCG companies as follows: Before the invention of new transportation and communication establishments, FMCG companies were mainly small family organisations. Thanks to opportunities that enabled them to reach markets abroad, these companies started to brand their products with support of national advertisements, and groups of sales employees. It ensured attaining orders from wholesalers and large retailers, and distribution of orders on time. Massive infrastructure investments performed by governments and production plants established by foreign investors from various countries created opportunity to produce containerised consumer goods from raw materials in a short time of few weeks (Appelbaum and Lichtenstein, 2006).

Retailers are one of the agents in global commodity chains (Gereffi and Korzeniewicz, 1994) and elements of FMCG companies' supply chain. Increasing power of giant retailers fuelled via globalisation may be considered as threads by FMCG companies. Mainly for opportunities of retailers with private label products to reach customers in emerging market that is explored more in Results & Discussion chapter. Retail brands have been operating in Western Europe since 1970 with having private labels, which can be defined as products that are produced outsourced by retailer and sold with their brand names (Schuh, 2007). AC Nielsen's report revealed that Europe region has the largest share of private labels equal to 15 percent of the total sales in retailers, and largest growth rates are generated from some countries in Central and Eastern Europe region (CEE) by Poland (115 percent), and Czech Republic and Hungary (44 percent) (2003, cited in Schuh, 2007, p.285).

Therefore, it has been believed by Herstein and Gamliel (2004, cited in Schuh, 2007, p.285) that this high growth could be generated as a consequent of immense internationalisation strategy of retail companies, and change of channel power from manufacturers to retail companies. Thanks to retail companies' sustained store expansion in the 1990s, they can now utilise advanced bargaining power against manufacturers to make produce private label products for them (Schuh, 2007). Wal-Mart has been given as an example of this power shift from manufacturing multinationals to retail based global commodity chains in 21st century by Appelbaum and Lichtenstein (2006).They pointed out that Wal-Mart's capability to arrange the shopping environment full of various different brands with affordable prices for its customers, and to control over global suppliers is defining the new form of consumer goods sector. As a result of this pressure to FMCG companies, activities of research & development and introducing new products become unnecessary and not profitable. In addition, Wal-Mart's significant purchase power leverage small suppliers and treat them as adaptable parts rather than business associates.

2.5 Marketing & Sales

Strategies derived from market globalisation theory has been considered as tempting by multinational companies due to possible advantage of higher gains via application of standardised marketing communications (Tai, 1997, cited in Wilken and Sinclair, 2011, p.3). In terms of FMCG industry, leading companies are more likely to withdraw operating in an overseas market rather than losing their global brand reputation or product quality (Schuh, 2007). Rationalisation processes applied by giant FMCG companies, such as consolidating brands or operations that are illustrated in Results & Discussion chapter with specific cases, are examples of this preference concluded with focusing more on global prominent brands (Knudsen et al., 1997; Haden et al., 2004, cited in Schuh, 2007, p.278) On the other hand, it has been empirically supported that FMCG companies (food and beverage category) are operating in greater amount of countries than the average of multinational companies (Filippaios and Rama, 2011). Samiee and Roth (1992) conducted an empirical research about global marketing standardisation and found out that in their sample group, greater number of consumer companies than industrial companies emphasise standardisation. In addition, FMCG companies are observed to be dominant in various foreign markets over local brands. Schuh (2007) illustrated this case with an empirical analysis observing producer of detergent, toothpaste, confectionary and carbonated soft drinks companies in Hungary, Poland, Bulgaria and Ukraine in order to explore how FMCG markets in Central and Eastern Europe region (CEE) have evolved since the collapse of the Iron Curtain in 1989. Results have been pointed out as follows according to value-based market shares attained from 2001.In detergents category, international companies have the dominance over local companies in Poland, Bulgaria and Ukraine except Hungary. In toothpaste category, again international brands have the domination over local brands but this time in Hungary, Poland, Bulgaria and Ukraine not Bulgaria. In confectionary category there has been an unexpected situation which international companies did not possess the power in any of these four countries. Lastly in carbonated soft drinks category, international organisations had higher penetration than local organisations only in Hungary among these four countries. Thus, it has been argued that constant foreign market penetration must have been exercised by FMCG companies in the 1990s in order to reach these dominant positions.

Internationalisation concept differs from market globalisation theory with operating foreign markets via arranging marketing strategies based on regional, nationwide and cultural differences (Vignali, 2001, cited in Wilken and Sinclair, 2011, p.10). It has been mentioned by Fastoso and Whitelock (2008, cited in Wilken and Sinclair, 2011, p.11) as change from “geocentric” origin which behaves the world as single market and originates strategies globally, to “regiocentric” origin which distinguishes market based on geographical areas, and adapts strategies to them. Companies started to apply internationalisation strategies rather than solely based on Levitt (1983)’s market globalisation theory, which has been described in Globalisation section of this chapter. Despite advantages of that theory explained before, multinational Western companies faced with several issues while operating in foreign markets. These issues were differences in purchase power, various consuming preferences, and competition with local brands (Schuh, 2007). Strategies of “glocalisation”, “regionalisation”, and “localisation” have been applied under this concept. Multinational companies have been advised to plan globally, exercise locally, and govern regionally (Banerjee, 1994, cited in Wilken and Sinclair, 2011, p.10). Localisation strategy has been identified as adjusting offerings to each market conditions. (Duncan and Ramaprasad, 1995, cited in Wilken and Sinclair, 2011, p.2). Necessarily, reaching local markets with culturally customised versions of global products supported with global advertisements in local language to adapt global offerings to local cultures. However, it may not completely reflect local needs. Glocalisation concept slightly differs from this. It has been defined as a balanced strategy which keeps standardisation at the minimum required level with fulfilling localised requirements (Wilken and Sinclair, 2011, p.3). Thus, it may be expressed as offerings and marketing campaigns are specifically produced for local requirements under global brand. Hence, it may include local needs in greater amounts due to locally aimed generation of offerings. Regionalisation concept has been explained as an intermediary strategy between highest level of globalisation and localisation in terms of marketing communications (Wilken and Sinclair, 2011, p.3), that may give attention to regions that a company operates rather than countries itself. Thus, it may represent regional preferences in company's offerings or marketing campaigns but not national ones in detail. It has been argued that prosperous multinational companies started to apply regional oriented strategies (Rugman, 2011, cited in Wilken and Sinclair, 2011, p.3).

These internationalisation strategies have been investigated by Wilken and Sinclair (2011) by observing three case studies from FMCG companies Coca-Cola (beverages), Colgate-Palmolive (personal care & household), and McDonald's (fast food). This paper also explores which strategies are preferred by observed FMCG companies in Results & Discussion chapter. It has been stated that Coca-Cola, who sells standardised products in global markets (Wilken,Sinclair, 2011), started to shift from global advertisements to customised local market advertisements (MacArthur, 2000a, cited in Wilken and Sinclair, 2011, p.4). It began to reshape marketing communications by determining thirteen countries and naming them as creative hubs in order to generate a group of advertisements that are extracted from two hundred countries where Coca-Cola operates, and can be used in each of these countries after local adaptation. (McIntyre, 2001, cited in Wilken and Sinclair, 2011, p.5). Thus, commercials are not created locally; they are picked from global commercials, and adjusted to local conditions (Wilken and Sinclair, 2011) in order to adapt global offerings to local cultures as an aim of localisation strategy. McDonald's had been applying global marketing strategy, and producing commercials to be aired globally (Cardona, 2004, cited in Wilken and Sinclair, 2011, p.6). However, in order to apply localisation strategy they have decided to stop the mass marketing strategy, and order advertisements from agencies throughout the world to select and shape the campaign globally, then empowered local agencies to suit these contents to their markets (Wilken and Sinclair, 2011). It helped them to air commercials worldwide while keeping commercial purchase costs low (MacArthur, 2000, cited in Wilken and Sinclair, 2011, p.7). Colgate-Palmolive's market domination outside of US drove it to focus on “reverse localisation” strategy which creates opportunity to adjust their prosperous brand campaigns from other countries to local market (Wilken and Sinclair, 2011), such as using brands that are obtained from Latin America in US market to reach Hispanic origin customers (Wentz, 2005, cited in Wilken and Sinclair, 2011, p.8). It may be expressed as an application of Levitt (1983)'s market globalisation theory with principles of localisation. Therefore, Wilken and Sinclair (2011) have claimed that all three observed FMCG companies are using combination of marketing strategies encompasses global, regional, and local focus aiming to disseminate ideas between markets and brands. They have named the focus on regional campaigns in global marketing strategy as “strategic regionalism”.

In terms of business performance, empirical studies have been conducted to find out effects of global marketing strategy on sales/profit. Samiee and Roth (1992) have examined consumer and industrial companies and informed that companies operating with global standardisation strategy attain greater amount of growth in sales but they face with lower level of return on assets. They also had higher international and total last year sales, and higher profit rate extracted from international business. However, according to data showing intra-industry performance measurement, it has been reported that companies operating with higher standardisation strategy achieved lower return on investment, return on assets, and sales growth. Overall, it has been revealed that global standardisation strategy does not bring more profitability. Filippaios and Rama (2008) also found out from their study that FMCG companies (food and beverage sector) who have globalised do not have higher performance than other food and beverage companies.

2.6 Technology Development

Baldwin (2013) declared that the character of globalisation has been altered by radical changes in communication technology that brought lower production costs and great know-how transfer. He classified globalisation into two periods shaped by development of steam power (first unbundling) starting from 1830s, and information and communications technology (ICT) revolution (second unbundling) started from 1980s. Baldwin (2013) argued that development in information and communications technology enabled companies to manage overseas production operations, offshore complicated parts via exploiting less labour costs, and caused the great convergence between developed and developing countries. He further added that value creation has shifted to service chains from production, which seems parallel to argument of power shift to retailers from FMCG companies pointed out by Schuh (2007), and Appelbaum and Lichtenstein (2006). Dicken (2015) has also analysed technological revolutions in his study Global Shift. It has been classified in five K waves, that every wave covers around fifty years of time but the last one is open ended because it is continuing with contemporary time. The post second world war period is located in K4 and K5. K4 covers 1940 to 1990 which includes Fordist mass production technology, arise of multinational companies via direct foreign investments, and transnational production plants. K5 has started with ICT revolution, and includes dissemination of internet, software technologies, and digital information technology. It has been stated that contemporary creation of information technologies possesses convergence of communication and computer technologies. This research covers K4 and K5 waves which include the period from post Second World War to contemporary time.

Dicken (2015) has expressed two significant inventions in the 1950s that caused drop in rate of transportation costs in total costs from 8 percent in 1970 to 3 percent in 2002: jet aircraft, and container. Development of jet aircraft provided fast travel between far destinations, thus created opportunity for multinational companies to manage geographically disseminated businesses. In addition, it has enabled to transport specific items and lower air transportation charges from \$3.87/ton–km in 1950 to \$0.3 in 2000. Invention of container application for distribution of heavy and large shipments lower transportation costs and time spent for distant destinations considerably, and enhances the security of products. Dicken (2015) has presented other three developments that enhanced communications. It has been indicated that satellite technology created opportunity for global transfer of traditional message and data in significant levels. Thus, this may bring opportunity to multinational companies to reach potential customers by disseminating their marketing campaigns through this technology. The internet is being used by a significant number of people for business communication, and it provided the social media that became the latest communication method. Lastly, the electronic mass media enabled global companies to inform potential consumers about their products, and gave opportunity for them to reach foreign markets with significant level of advertisements and branded products. Dicken (2015) further claimed that these technologies enabled companies to customise products for local demands rather than mass market strategy and become more profitable. This argument is resembled with theories of localisation and regionalisation examined in the study of Wilken and Sinclair (2011).

Developments of information and communications technology can cause advantages for operations of multinational companies. Pull business strategy, deployed by the internet, can provide information for companies to distribute their products to foreign markets based on actual demand from consumers (Gereffi, 2001). Stephens (1999) claimed that global integration of information technology leads faster delivery, superior inventory authority, and better communication with business partners. He further added that, the internet enables multinational companies to discover medium size suppliers and form partnerships. Nike, a consumer product company, was given an example in his research for usage of technology in globalisation. They use an international electronic supply chain to transfer information through its worldwide partners, and develop superior decision making process. In FMCG sector Colgate-Palmolive uses SAP, which is an enterprise software to maintain standards in supply chains (Stephens, 1999), to gather outcomes of their commercials in Mexico and employ them to other destinations in order to increase sales with same amount of advertising cost (Neff, 2005, cited in Wilken and Sinclair, 2011, p.8). In addition, they applied the country clustering strategy by using SAP and gathering information from cross-cultural destinations (Wilken and Sinclair, 2011). Impact of technological developments on FMCG companies through role of retailers has been examined as well. Appelbaum and Lichtenstein (2006) exemplified that with point of sale data (POS) technology, Wal-Mart's sales information reaches to Procter & Gamble headquarters that enables them to alter production schedule by sending electronic message to offshore plants. On the other hand, it has been informed that with this technology Wal-Mart is able to gain more information of Procter & Gamble's customers than the P&G itself. Overall, it has been empirically supported that companies with high level of technological change exposure focus on global standardisation strategy (Samiee and Roth, 1992). In addition, it has been claimed that FMCG companies (food and beverage category) have higher rate of research and development applications in foreign countries than other multinational companies (Cantwell and Janne, 2000, cited in Filippaios and Rama, 2008, p.66). Thus, it can be said that technological developments are widely used by FMCG companies to exploit globalisation more, that exact cases will be given in Results & Discussion chapter.

2.7 Labour

Companies' implications for employees with the effect of globalisation is a controversial topic that has been discussed by various authors (Appelbaum et al., 2005), (Bhagwati, 2007), (Frederick and Gereffi, 2010) and (Mezzadri 2008) precisely about apparel and sportswear categories of consumer product industries. According to Baldwin (2013), winners of globalisation may be multinational companies that exploit offshoring applications, but this enhances level of manufacturing in developing countries, and maintains demand for unskilled workers. However, with development of technology, demand for unskilled workers also decreases such as in agro-food industry (Dicken, 2015). Also, countries trying to increase value-added activities in apparel sector lower their dependency on low skilled workers (Frederick and Gereffi, 2010). Mezzadri (2008) argued that global commodity chains lead to labour unfriendly regime with separation of production and labour. She added that multinational companies are considered as responsible for keeping labour costs to minimum for global manufacturing, and use labour as a comparative advantage. They try to divide risk, fuelled by global competition, thus contractors are recruiting temporary workers in order to be flexible and keep labour cost minimum. Significant numbers of unemployed workers, who cannot find long term jobs, boost the tendency of contract based labour (RoyChowdhury, 2004). It can be argued that FMCG sector differs from textile industry for this topic. Since companies exercise production part of value chain by themselves, they may have the opportunity to control labour principles. However, they have labour issues associated with their suppliers including child labour, bad working conditions, and low wage that are discussed by examples in results & discussion chapter. Frederick and Gereffi (2010) expressed apparel industry is an example of buyer-driven sector that value added activities are exercised in design, branding and marketing parts, not manufacturing. Thus, it gives producers least share of value while gives big part for giant brand firms. They further explained that the Multi-Fiber Arrangement exercised quotas on apparel and textile products that are imported by USA, Canada, and European Nations in 1970s. After the withdrawal of trade quotas in apparel industry, there is significant competition because of high number of plants established among various countries during the quota period, but currently low level of order. Thus, suppliers are asked to produce better quality products with lower costs. In labour, retailers again have an important effect. Wal-Mart can select from producers and use their negotiation power on prices. Thus, producers put pressure on contractors to lower labour costs because they can now select from contractors to produce their products (Appelbaum et al., 2005). However, some arguments do not blame globalisation for unpleasant labour conditions. Multinational companies pay wage premium which is around ten percent more than common wage, and they lead to increase wages by enhancing demand for labour (Bhagwati, 2007). It has been stated that working conditions are better in multinational companies' first hand acquired affiliates than locally acquired manufacturing facilities (Dicken, 2015).

2.8 Conclusion

This chapter explored main theories about globalism, value chain and global commodity chains. Then studies associated with the influence of globalisation on fast moving consumer goods sector have been analysed. In order to gain a broader view, arguments about multinational companies and examples from overall consumer products sector have been outlined. It can be considered that there is lack of previous empirical study related with relationship between globalisation and FMCG sector. Especially for labour part, studies were theoretical and mostly about apparel and sportswear categories. Thus, with consideration of former studies, this research will ask the question of “How globalisation influences FMCG companies’ value chain in the period of post Second World War to contemporary time?” It will fill the gap of knowledge about correlation between globalisation and FMCG sector with a qualitative study, by examining secondary sources (market research reports, annual company reports, industry publications of consulting companies, business magazines, and media sources) in Results & Discussion chapter, and will understand the comprehensive thesis consequently.

3. METHODOLOGY

This chapter describes which type of research design and data methods have been used in order to answer the question of the study. It evaluates suitability of these preferences along with weaknesses. In addition, limitations associated with applied data method are expressed.

3.1 Research Strategy

This study aims to answer the question of “how globalisation influences fast-moving consumer goods companies’ value chain in the period of post second world war to contemporary time?” Qualitative research has been considered as the suitable strategy to answer this question with its differences from quantitative research, which are: Focusing on words instead of solely focusing on numbers, applying inductive approach that generates theory and concepts derived from observations and findings (Bryman, 2016). In order to do that, prominent theories about globalisation topic and correlations with FMCG industry has been observed in the literature review section. Then, secondary data sources have been analysed and compared with reviewed former studies to fill the gap in the literature and answer the research question.

There may be some weaknesses associated with the chosen qualitative research strategy that are expressed in Bryman (2016): First of all, it is considered as too subjective due to the fact that importance of research findings can be based on researcher’s understanding, and because it proceeds from too general to specific research question in slow steps. Secondly, it is condemned for not being easy to replicate qualitative findings of the study because of having researcher as the central element for data collection. In addition, it is believed that qualitative research has generalisation issues, because several cases may not represent whole circumstances about a topic to generate theories from it. Lastly, lack of transparency has been seen as a weakness of qualitative research. It has been stated that qualitative research reports and analyses can be unclear for readers because of not expressing how applicants for interviews are selected and how to make conclusions from data analysed.

However when considering the research question and the scope of this study, it was needed to explore influences of globalisation and specific actions taken by FMCG companies in their value chains gained with verbal and numerical data. Then, developing thesis from analysis rather than test hypotheses in quantitative study, in order to have a broader view of the topic and generate an appropriate answer to the research question. Thus, qualitative research study would provide required needs of this study.

3.2 Data Collection

Secondary data is a type of source that derived from primary data (Quinlan, 2011), that can be reached in governmental documents, company annual reports, mass media sources, and virtual documents (social media, blogs) (Bryman, 2016). This study uses secondary data for its data collection and analysis. This decision was made because it has been thought that regarding the scope and the duration of the study, it may not able to reach sufficient number of executives from FMCG companies to collect data by interviews, and they may not be able to provide information from required time range. For this research, market research reports (Euromonitor), company annual reports and websites (Procter & Gamble, Coca-Cola, Nestle), FMCG industry publications from consulting companies (McKinsey), business magazines (Harvard Business Review, Fortune), and media sources (CNN, Independent, Guardian) have been observed for both quantitative and qualitative type of data.

There may be some weaknesses associated with using secondary sources. First of all, especially commercial documents can represent biased views favouring organisations (Bryman, 2016). Secondly, data can be collected for another intention that is not similar with the research question of the study. In addition, it can be hard or expensive to reach secondary data sources (Saunders et al., 2016). In order to eradicate weaknesses and to ensure triangulation, which is observing various sources to verify them (Bryman, 2016), this study cross checked secondary data observed. For instance, quantitative data as percentages expressed in market research reports have been compared with annual reports. In addition, since labour issues are much debated in globalisation topic, various media sources have been analysed along with company statements to ensure authenticity. Analysis of data includes graphs containing percentages and actual numbers, and verbal outcomes deriving from companies' actions.

3.3 Limitations of Data Collection

One of the limitations of chosen data collection method was non-standardised data. For instance, some companies were disclosed their data for the specific time range in their annual reports, while others were not covering same duration. Since this study covers the time range between post Second World War to contemporary time, it would be better to have data covering wider time range. In addition, while some companies were expressing number of employees or salaries expense in their annual reports, some were not. Second limitation was restricted access to some secondary sources. Although market research databases (Euromonitor) were accessible through the library account, some magazines have limited access to certain amount of articles and direct to buy subscription such as Harvard Business Review.

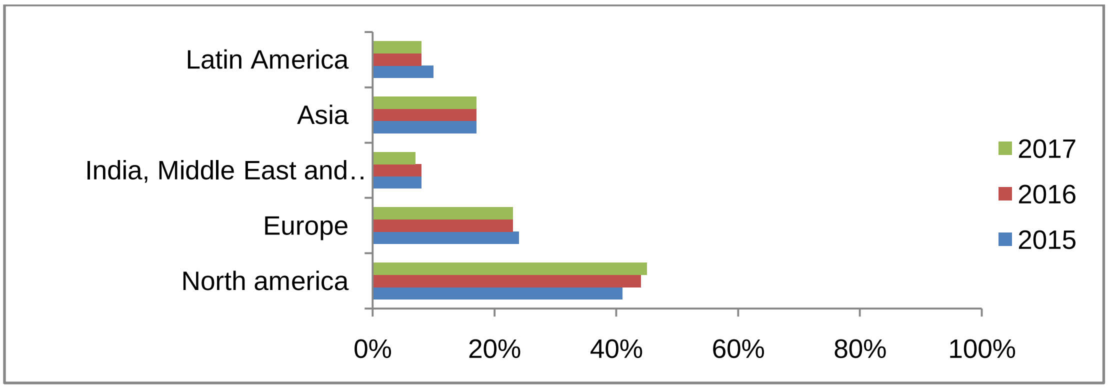
4. RESULTS & DISCUSSION

This chapter explored various secondary data sources to answer of the research question “how globalisation effects fast moving consumer goods (FMCG) companies’ value chain in the period of post Second World War to contemporary time?” It focused on examples of marketing strategies, rationalisation processes, technology development, and labour issues. In addition, thread of retailers via private label products has been observed. Procter & Gamble, Coca-Cola, and Nestle have been used as company cases in household care, soft drinks, and packaged food categories of FMCG industry.

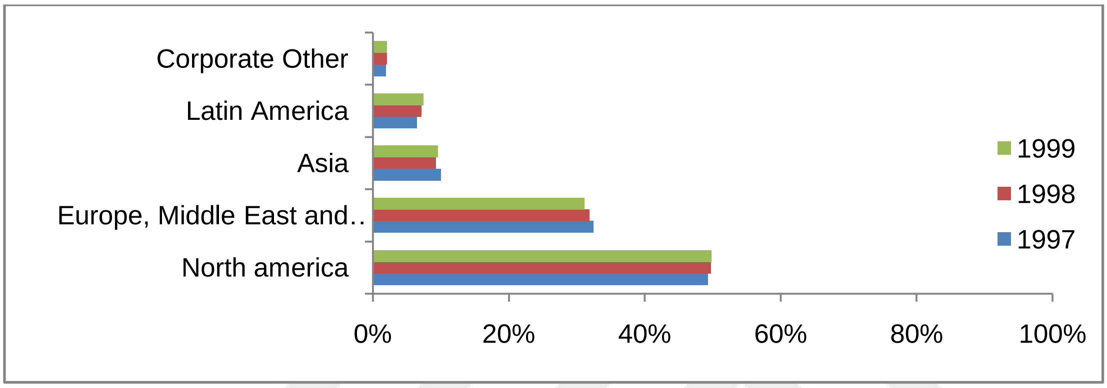
4.1 Companies

4.1.1 Procter & Gamble

Procter & Gamble is one of the leading fast moving consumer goods companies that operates in household care category with current 14 billion dollar operating income (Procter & Gamble, 2017). It can be claimed that Procter & Gamble exploited globalisation to expand its operations. As of 2017, its products are being sold in 180 countries and territories in the world with 24 manufacturing plants in home country United States, and 89 overseas plants (Procter & Gamble, 2017). In terms of geographical distribution, P&G has been selling around half of products in its home region North America but with a decline, and increasing attention to emerging markets Asia and Latin America from the 1990s to 2010s (Graph 1 and 2).

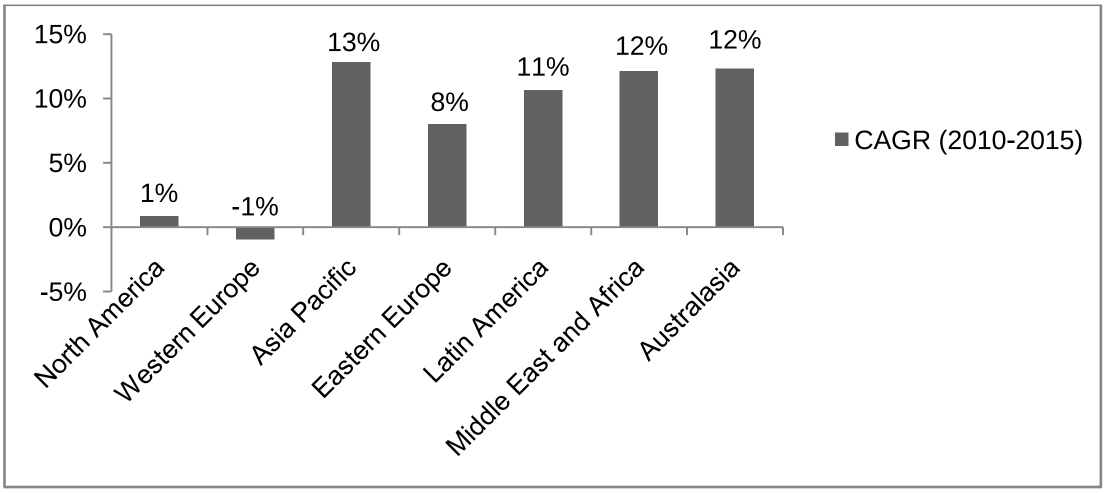


Graph 1: Distribution of Annual Sales by Regions (Procter & Gamble, 2017)



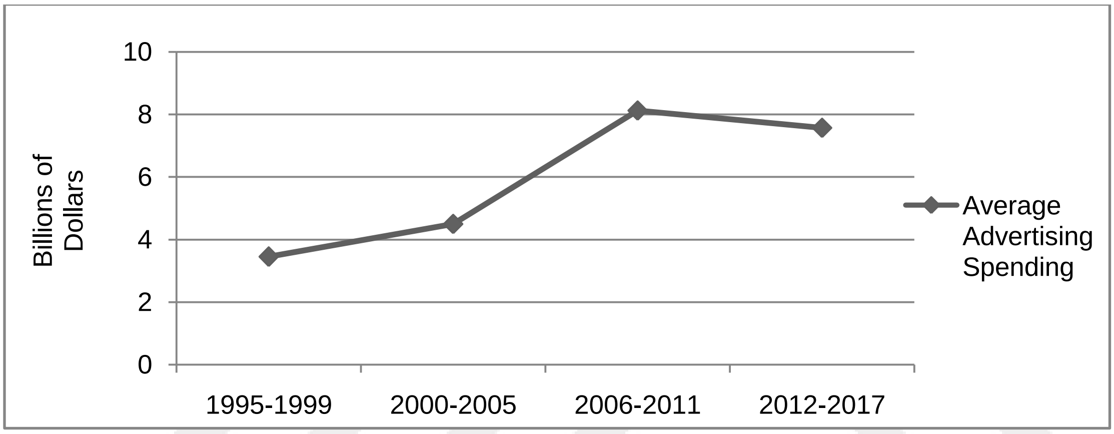
Graph 2: Distribution of Annual Sales by Regions (Procter & Gamble, 1999)

In addition, company have gained highest compound annual growth rates (CAGR) of sales in 2010 to 2015 from emerging markets (Asia Pacific, Middle East and Africa, Latin America), and Australasia (Graph 3). These indications may support the fact that currently P&G is better off with its global operations in overseas countries.



Graph 3: Compound Annual Growth Rates in Sales by Regions (Euromonitor, 2016a)

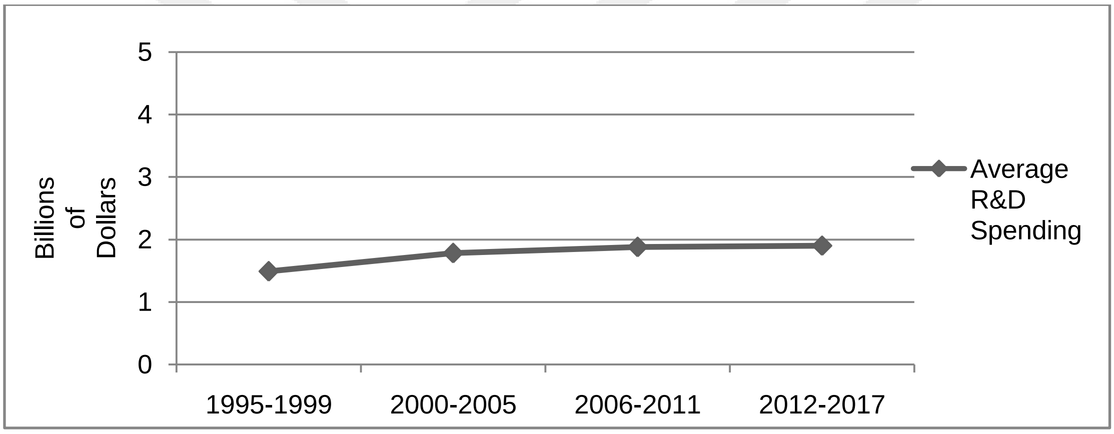
Company applies glocalisation strategy, which is to develop customised products under global brand according to market's needs, supported with heavy advertisement in order to succeed in foreign markets. Average advertising spending in period 1995-1999 has been more than doubled in 2013-2017 (inflation rate has not been considered) (Graph 4); however average growth in operating income growth has been decreased (Procter & Gamble, 1999 & 2007). As an example of this strategy, they have developed a specific



Graph 4: Average Advertising Spending by Periods (Procter & Gamble, 1999; 2005; 2011; 2017)

product for Indian market under global laundry detergent brand "Tide", which provides deep cleaning without causing skin irritation because high rate of (80%) Indian people have a tendency to wash their clothes by hand (Anthony and Brown, 2011). P&G have also applied two major rationalisation processes in order to increase efficiency, and to spend more energy on global brands. Organization 2005 has been applied in the period of 1999 to 2004; including readjustment of P&G's operations, standardisation of global production plants and technology, consolidation of main business services into Global Business Services organisation, and transformation from geographical structure to brand based global business units that adapt decision making accordingly concluded with approximately %100 percent increase in the mean operating profit of the next 5 year period (Procter & Gamble, 1999; 2005; 2009). Second application has been performed in the period of 2014 to 2017 that consolidating 100 brands that they are not strategic, and emphasising more on 65 core brands which P&G has leadership in markets that outcomes will be observed in upcoming years (Procter & Gamble, 2017).

In terms of technology, Procter & Gamble has been gaining advantage of internet and data services which are explained in Dicken (2015)'s K5 wave of technological revolution, and Baldwin (2013)'s information and communication technology revolution. Their research and development expenditure has been steadily increasing through five year periods (Graph 5).

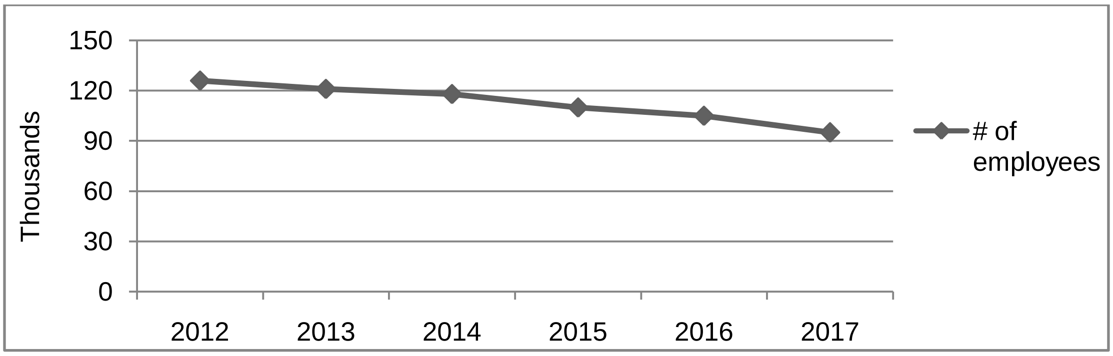


Graph 5: Average R&D Spending by Periods (Procter & Gamble, 1999; 2005; 2011; 2017)

In an interview Procter & Gamble's CEO Robert Mcdonald states that leadership teams from P&G operations in various countries are able to transfer knowledge and ensure control through virtual meetings. He further added that, through operational digital programs they are able to monitor all supply chain activities that bring cost decrease. Lastly, it has been declared that using standardised data warehouses enables Procter & Gamble to have instant connection with retailers digitally and manages the trade in an automated way (McKinsey, 2011). Thus it may bring advantage to P&G to control its global supply chain, and retailers which are its business partners and rivals. However, Wal-Mart also exploits this connection to possess more information about P&G’s customers than P&G itself (Appelbaum and Lichtenstein, 2006). Procter & Gamble has also utilised global know-how transfer, which is expressed as one of the advantages of radical changes in communication technology (Baldwin, 2013). In 1962, P&G engineers explored paper manufacturing process from Japan and transformed this method into a cost effective paper manufacturing business which was the backbone of its global tissue and paper towel brands (Procter & Gamble, 2017).

Retailers are one of the P&G’s threads with their private labels. According to data gained from Euromonitor (2017), in Western Europe national market brands have the dominance over producers. In addition, high level of moving to cities, and increase in earnings make emerging markets (especially Eastern Europe and Asia Pacific) potential for private label products. Retailers also exploit development of Internet by controlling online sales. In home care category, vast majority of current sales are being delivered through supermarkets and hypermarkets with lowest share in online sales. However, amount of online sales has been increased by 46% between 2014 to 2016, and reach 4 billion dollars (Euromonitor, 2017b). Moreover, vast majority (91%) of P&G’s home care category sales are in markets having significant level of internet access (Euromonitor, 2016a). Hence, retailers can be important concern for P&G by penetrating markets with both traditional and online channels. It has been advised that brand producers are better to focus on core brands in this environment (Euromonitor, 2017b), thus P&G’s mentioned current brand rationalisation process may keep their customers closer with well known global brands and can be considered as a precaution to this thread.

Procter & Gamble can be considered as a labour intensive company having average of 120,000 employees worldwide from the past 12 years (Procter & Gamble, 2012; 2017). However, it can be stated that they try to decrease the dependency of labour with constant mitigation of numbers through the last 6 years (Graph 6).

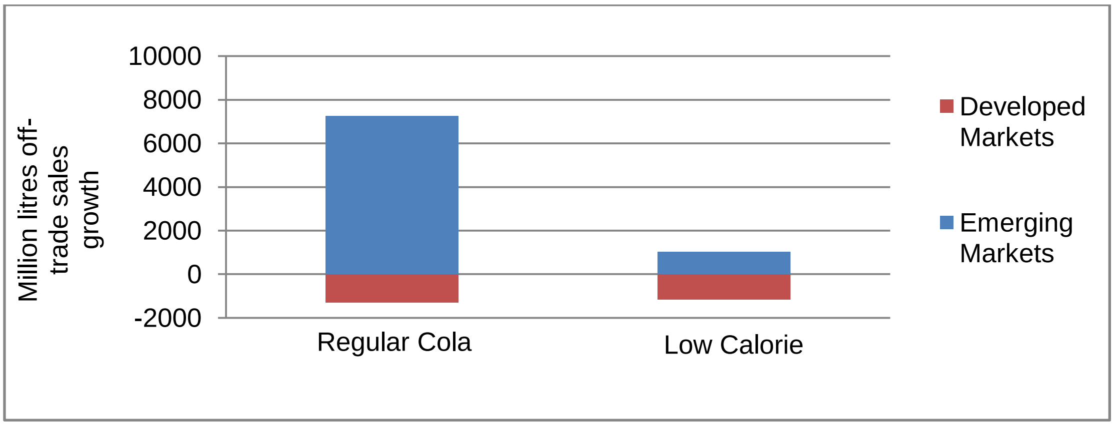


Graph 6: Number of Employees (Procter & Gamble, 2017)

On the other hand, P&G's situation about labour is at issue. Although P&G declared in its values section of the website that its suppliers do not employ child labour, and follow minimum wage and maximum hour principles (Pgsupplier, 2014), it has been criticised by Amnesty International to supply palm oil from the company called Wilmar in Indonesia that have a record for child labour abuse, long working hours, and salaries lower than minimum wage (Fortune, 2016). Thus, Procter & Gamble faces with labour issues in supplier part of its supply chain and not manufacturing part as in textile (Frederick and Gereffi, 2010) , may be because it owns manufacturing plants expressed in its annual report (Procter & Gamble, 2017).

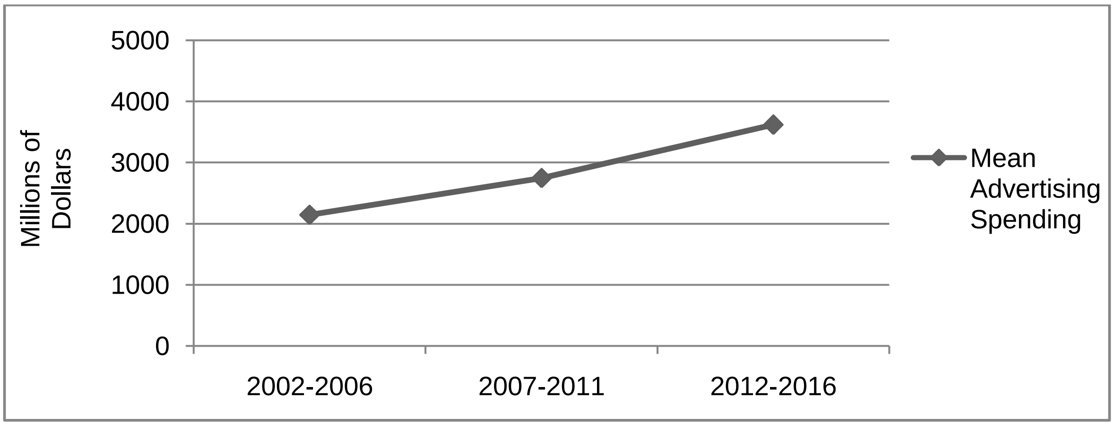
4.1.2 Coca-Cola

Coca-Cola is a leading soft drinks manufacturer with around 9 billion net operating income currently, and has also been taking advantage of globalisation by operating in local structures and distributing its products into 200 countries (Coca-Cola, 2016). As early as 1957, 33% of Coca-Cola's revenue was generated from overseas sales (Coca-Cola, 2017). Its majority of retail value sales are generated from emerging markets (55%) which the rest 45% is coming from developed markets (Euromonitor, 2015a). In addition, while its regular and low calorie cola brands has been performing growth in emerging markets, they had negative growth in developed markets through 2009-2014 (Graph 7).

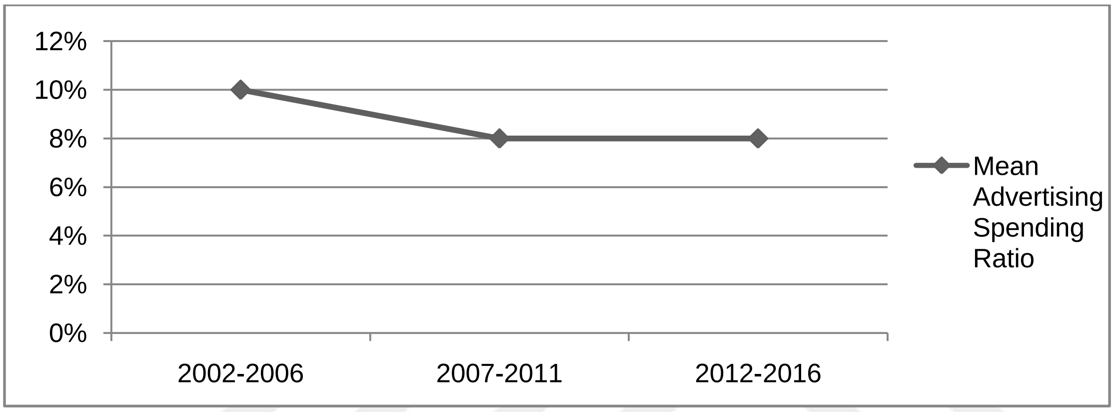


Graph 7: Off-Trade Sales Growth by Markets in 2009-2014 (Euromonitor, 2015a)

This may generate opportunity for Coca-Cola to offset some amount of reduction in developed markets with growth of sales in emerging markets. For instance, while developed markets were facing sales decrease in soft drinks during 2008 recession, two prominent emerging markets China and Brazil were demonstrating 12% and 5% growth respectively (Euromonitor, 2015a). Coca- Cola is also one of the massive advertiser FMCG companies as indicated in Wilken and Sinclair (2011). Its mean advertising spending has been increasing through the last three five year periods (Graph 8), but mean ratio of these expenditures to net operating revenue has been decreased and remain stable (Graph 9). Thus, it can be stated that Coca-Cola is successful to transform its immense advertising to global sales.



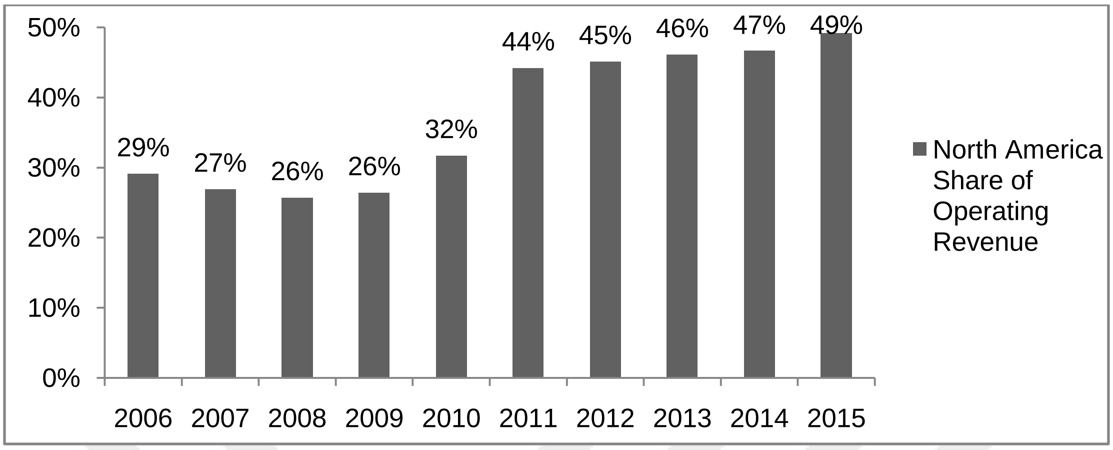
Graph 8: Mean Advertising Spending by Periods (Coca-Cola, 2004; 2007; 2010; 2013; 2016)



Graph 9: Mean Ratio of Advertising Spending to Net Operating Revenue by Periods (Coca-Cola, 2004; 2007; 2010; 2013; 2016)

Coca-Cola is applying localisation and glocalisation strategy according to observed examples as expressed in Wilken and Sinclair (2011). For localisation strategy, they have developed the global “Share a Coke” campaign in 2013 by tagging bottles with popular local names in 70 countries (Coca-Cola, 2017). Then, in 2016 they have developed “Taste the Feeling” campaign which aimed to merge different sub coke brands, and perform the marketing under one global brand but with alternative advertisements customised to cultural values (Coca-Cola, 2016). In 2010, company have applied rationalisation process to possess vertical integration, which is to control other businesses in supply chain, due to constant decrease of North America’s share in net sales revenue from 2006 to 2009. It acquired whole North American Coca-Cola Enterprises which equals to 75% of US bottler volume (Coca-

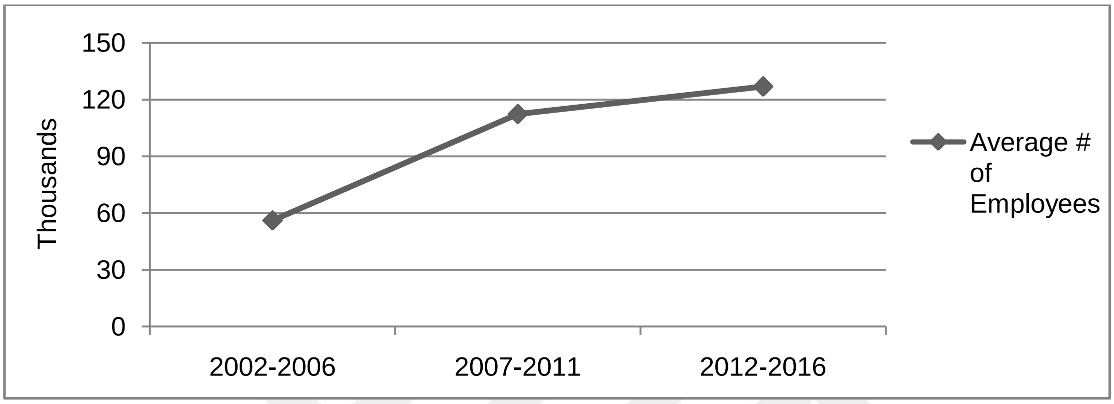
Cola, 2010), and it brought significant increase of North America's share on upcoming years (Graph 10).



Graph 10: Share of North America on Net Operating Revenue by Year (Coca-Cola, 2016; 2013; 2010; 2007)

Coca-Cola uses innovation to adapt its offerings in emerging markets with the aim of glocalisation strategy. It owns six global research & development facility that enables to connect with regional marketing groups, and to develop products customised to local needs (Coca-Cola, 2013). Also, in China 80 million dollars has been invested to a new R&D centre to reach this aim (Euromonitor, 2008). For instance, Coca-Cola has developed pulpy version of orange juice in China under the global Minute Maid brand via exploring the tendency of preferring pulpier juices by Chinese consumers, which then turned to be the company's first billion dollar brand in an emerging market (McKinsey, 2013). Furthermore, Coca-Cola exploits the dissemination of Internet revolution to develop tailored marketing campaigns. In Hong Kong market, they have developed an application to integrate consumers to advertisements with their smart phones by providing various promotions. They have conducted this campaign with using a cultural term to attract more consumers, concluded with 9 million advertisement view in multiple visual media channels (Kirby, 2013).

Coca-Cola can be considered as a labour intensive company with having annual average of 98,447 employees worldwide through the past 15 years of time (Coca-Cola, 2004; 2007; 2010; 2013; 2016), and it has been increasing its depending on employees with constant increase through past five year periods unlike Procter & Gamble (Graph 11).



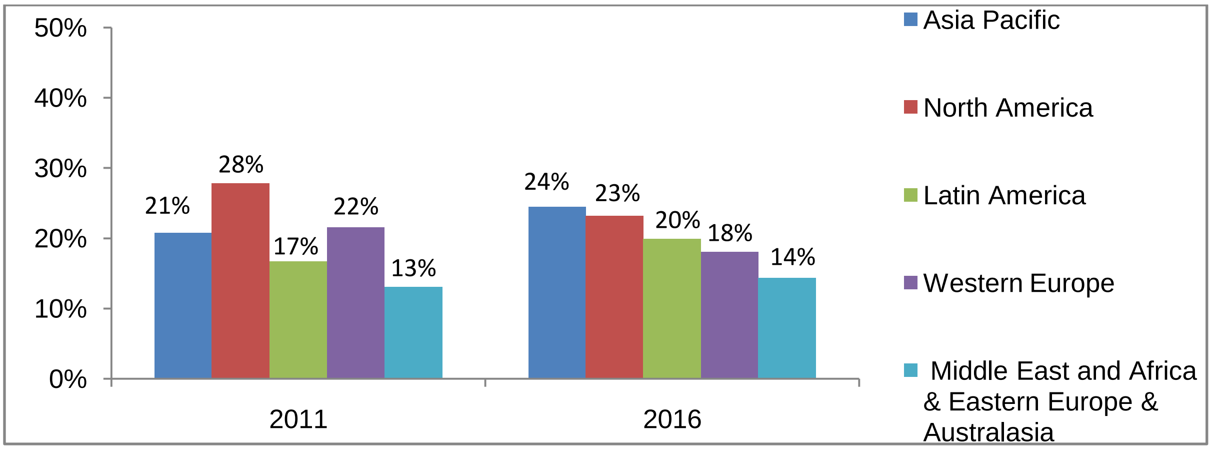
Graph 11: Average Number of Employees by Periods (Coca-Cola, 2004; 2007; 2010; 2013; 2016)

Coca-Cola has also been exposed to criticisms about labour conditions. They were mainly issues about child labour, bad working conditions, and low salaries that are generated by suppliers as observed in Procter & Gamble case as well. Coca-Cola is a major buyer of sugar. Even though Coca-Cola has a statement that it does not support or encourage child labour in its operations or in suppliers, its sugar suppliers are from Northern Mindanao area (the Philippines) that has a bad reputation for illegal child labour with low wages (CNN, 2012). Second case was from an area in a developed country. It has been investigated that thousands of African workers are employed in Calabria area (Italy) with low wages to pick oranges for manufacturing of fruit juices. Coca-Cola is also a major buyer of orange juice from Calabria, and they claimed that their supplier has a clean record but it is not possible to track every activity of suppliers because of their long supply chain (Independent, 2012).

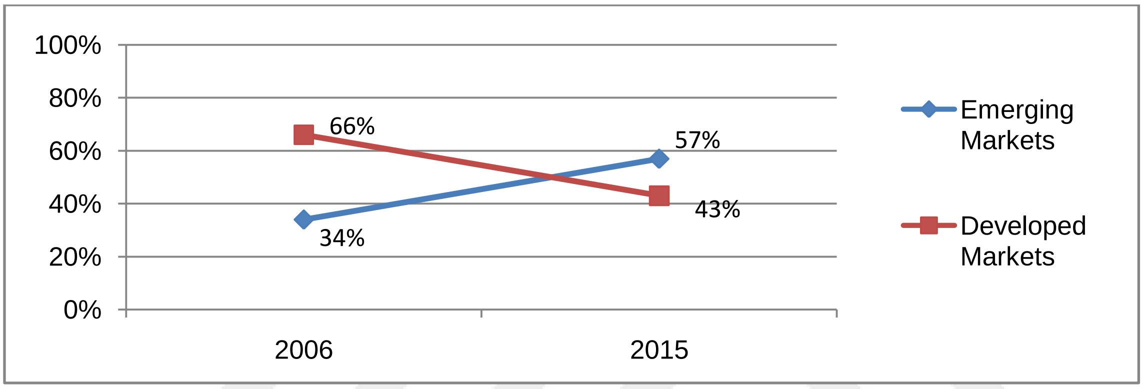
4.1.3 Nestle

Nestle is a leading global manufacturer in packaged food category of FMCG industry with a current 8.5 billion CHF operating income by distributing its offerings to 191 countries with manufacturing plants in 86 countries (Nestle, 2016). They have started to serve products as early as 1947 to civilian and troops. War conditions created opportunities for them. Since it was not possible to export milk from Europe, they moved to US and Latin America to serve products to Africa, Asia, and Australia. In addition, in post-war period people were tend to spend more money in the US and Europe, meaning more product development for Nestle (Nestle, 2017b).

Nestle also applies glocalisation strategy and adjusts global offerings to emerging markets based on their local needs. One of the examples of this strategy was its Popularly Positioned Products (PPP) campaign. It has been designed for markets with lower income consumers by producing specific lower cost versions of Nestle's global soup (Maggi), powdered milk (Nido), and coffee (Nescafe) brands. PPP category brought 27% and 12.7 % growth of sales in 2008 and 2009 respectively (Euromonitor, 2009; Nestle, 2010), and they are also started to sell in developed markets. During the period 2011- 2016, company has focused on acquisitions of global and local firms in emerging markets such as China, Egypt, and Turkey including research and development, and manufacturing facilities (Nestle, 2017a). This may be the reason to decrease of sales in developed markets, and increase in developing markets between 2011-2016 (Graph 12), and conclusion of shift to higher proportion of sales in emerging markets over developed markets (Graph 13). Thus, it can be stated that Nestle's marketing campaigns and rationalisation process focusing on emerging markets can balance the decline of sales in developed markets.

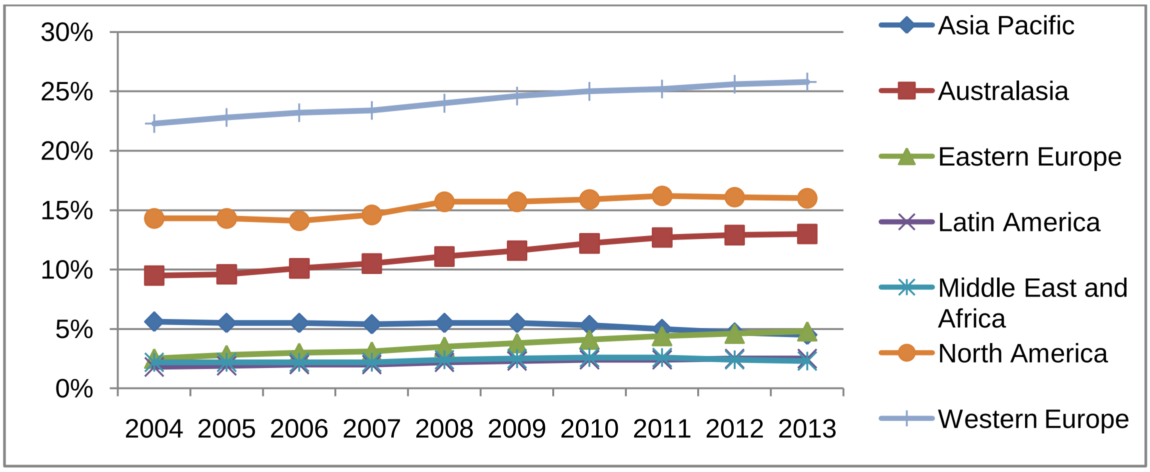


Graph 12: Annual Sales by Region (Euromonitor, 2017a)

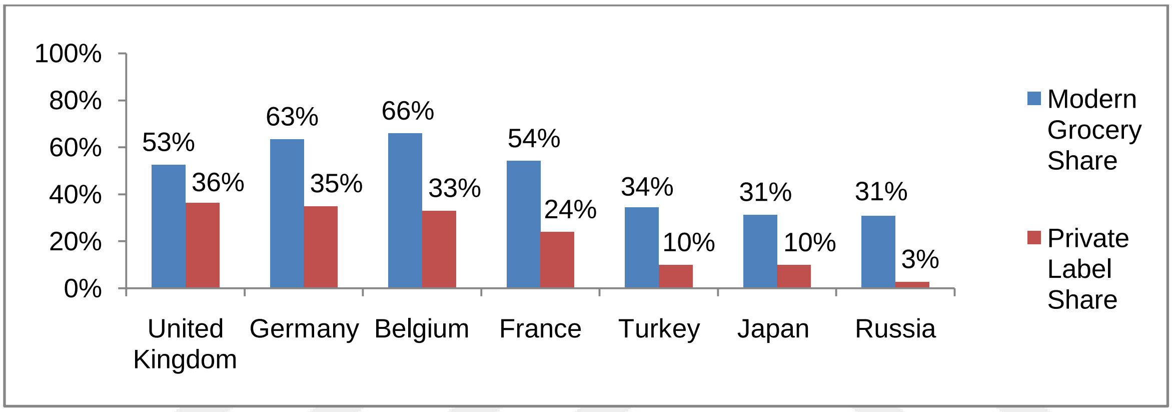


Graph 13: Annual Sales by Markets (Euromonitor, 2016b)

Packaged foods category seems to be affected by power of retailers through private labels significantly. Private label sales compose 12% of total packaged food sales with 258 billion dollars in 2015 (Euromonitor, 2015b). In addition, market share of private labels in packaged food category has been steadily increasing in most markets during 2004-2013 by reaching higher values in developed markets such as Western Europe, North America, and has been facing decrease only in Asia Pacific market (Graph 14). It can be expressed that increase in number of modern groceries is a contributing factor for increase in private labels. Developed countries possessing high level of modern grocery rate tend to have high market share of private label brands (Graph 15).



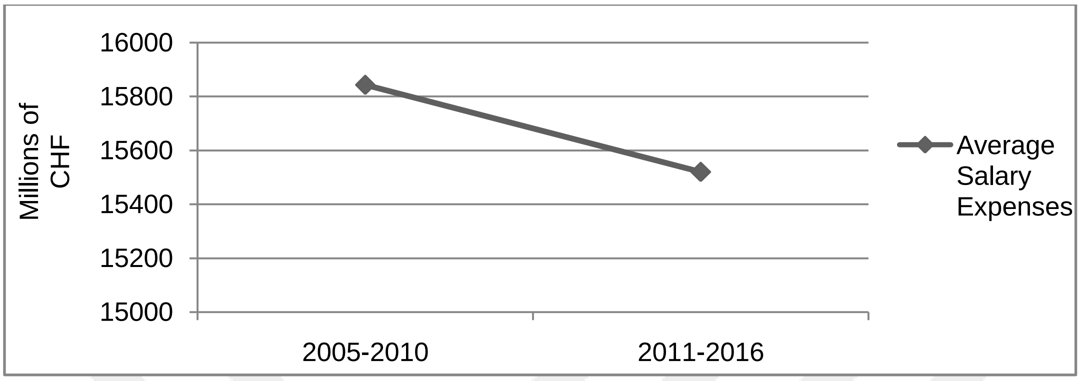
Graph 14: Market Share of Private Labels by Regions (Euromonitor, 2013)



Graph 15: Modern Grocery and Private Label Shares in 2013 by Countries (Euromonitor, 2013)

With increasing tendency of choosing private label products over branded products, FMCG companies try to increase advertising to focus their core brands (Euromonitor, 2009). However, Nestle exercises a different method to keep its customers against private labels. Firstly, they produce products with affordable prices to reach low income customers in emerging markets (PPP campaign) since they are not reached by private labels as much as developed market currently. Secondly, Nestle plans to reach customers by direct channels. Thus, they have started to exploit Internet revolution, and considered e-commerce as a big opportunity. Share of e-commerce sales in Nestle has increased from 2% in 2010 to 5% in 2017 (Euromonitor, 2017a).

Nestle also tries to decrease its dependency on labour like Procter & Gamble, unlike Coca-Cola. Its salary expenses have been decreased in the last six year period than former six year period (Graph 16).



Graph 16: Average Salary Expenses by Six Year Periods (Euromonitor, 2013)

Nestle has also been criticised for labour issues mainly about child labour and bad working conditions. Investigations conducted by Fair Labour Association in Ivory Coast found that child labour rate is 7% in observed cocoa farms (The Guardian, 2015a). Nestle accepts the situation and states in its website that no cocoa buying firm can eradicate child labour completely, and developed a project called Cocoa Plan to raise awareness about this topic (Nestle, 2017a). Second case was about seafood labour in Thailand. It has been stated that labourers from poorer regions in Thailand are employed with bad conditions, and charged illegal fees to find a job that Nestle has some business in this area (The Guardian, 2015b).

4.2 Discussion

All three FMCG companies sell their products and have manufacturing plants in various different countries, and can be named as operating internationally as mentioned by Filippaios and Rama, (2011). Procter & Gamble and Nestle apply glocalisation strategy while Coca-Cola apply localisation and glocalisation that may parallel with Rugman (2011, cited in Wilken and Sinclair, 2011, p.3)'s argument that leading companies started to apply regional strategies. These three companies were mainly keeping company standardisation between markets, and adjusting global offerings according to local requirements, as mentioned in Wilken and Sinclair (2013). In terms of distribution of markets, all three have operations in both developed and emerging markets. However, it can be argued that Coca-Cola and Nestle are trying to exploit growth in emerging markets while Procter & Gamble exploiting developed markets well. They all applied rationalisation processes to make their operations more efficient, and to focus on core global brands as declared by Schuh (2007). More marketing spending is a method to be applied by Procter & Gamble and Coca-Cola in order to reach this aim, while Nestle is focusing more on product development. In terms of technology development which is mentioned as information and communication technology revolution by Baldwin (2013), and K5 level of information technological revolution by Dicken (2015), all three companies exploit development of Internet to enhance communication, control supply chain, conduct know-how transfer, develop marketing campaign, and advance sales channel. Labour implications are highly discussed for these categories as for textile and industry. It can be observed that child labour is the prominent issue for manufacturers of these categories. The main difference between textile and observed FMCG companies can be that since these companies control production themselves, issues are generated from suppliers part of the supply chain unlike textile's manufacturing part mentioned in Frederick and Gereffi, (2010). Overall, the argument which can be generated with the scope of sources/companies observed is that structure of globalisation enabled multinational FMCG companies to expand their operations to overseas countries. It drove them to generate locally adjusted global strategies, and exploit internet technology for improving their businesses. Unfortunately, it may have also led them to have unfair labour practices that maintain demand for unskilled workers as mentioned by Baldwin (2013).

5. CONCLUSION

This research aimed to explore relationship between globalisation and fast-moving consumer goods companies. In order to do that, the research question has been generated as: "How globalisation influences fast-moving consumer goods companies' value chains in the period after Second World War to contemporary time?" In the literature review chapter, featured studies for the globalisation topic such as Gereffi (2001), Dicken (2015), Baldwin (2013), Appelbaum and Lichtenstein (2006), Levitt (1983) have been analysed. In addition, strategies associated with globalisation that have effects on FMCG companies as "glocalisation", "localisation", and "regionalisation" have been explored. Technological developments that fuelled globalisation associated internet & communication technologies have been observed. Labour issues related mainly with textile industry, and different forms in FMCG industry have been expressed.

In analysis part, three leading companies from different categories of FMCG industry have been chosen to explore deeply. Secondary sources mainly as company annual reports, market research reports, industry publications from consulting companies, business magazines, and media sources have been scanned. Effects of globalisation on these companies' marketing and sales strategies, rationalisation processes, technology development, and labour activities have been investigated. It has been observed that, all three companies exploited globalisation to expand their operations to foreign countries with strong presence in emerging markets along with developed markets. Three of them have used rationalisation processes in order to make their operations more efficient and give more attention to global brands. They have started to use brand strategies that gives attention to make offerings adaptable to local requirements. While Procter & Gamble and Nestle applies glocalisation strategy to develop customised offerings in local markets, Coca-Cola uses both glocalisation and localisation strategies to produce offerings based on local markets' preferences, and to adjust global brand campaigns in local markets. All three companies have exploited developments in internet and communication technologies associated with K5 waves of Dicken (2015) and second unbundling period of Baldwin (2013). They have used it to develop communication between employees, apply know-how transfer, create marketing campaigns, dominate supply chain structure, and enhance sales channels. In terms of labour, it has been observed that Procter & Gamble and Nestle have been reducing their need on labour, while Coca-Cola conversely increasing number of employees. As a downside of globalisation, all three companies have been found correlated with child labour issues along with bad working conditions, and low wages. The difference about labour issues between FMCG and textile industry was derived from differences in supply chain strategies. They have been found in manufacturing part of the supply chain in textile industry due to outsourcing applications (Frederick and Gereffi, 2010) while they have been observed in supplier part of the supply chain in FMCG industry.

Therefore, this study tried to fill the gap of previous studies for the topic of relationship between globalisation and FMCG industry. It was a qualitative research supported with empirical analysis derived from secondary sources. It can be argued that globalisation have remarkable effects on FMCG companies in terms of marketing and sales strategies, technology development, and labour issues. It may be differ from other industries that have been researched by various authors, with its own approach to value chain management.

5.1 Limitations & Future Research

This study has experienced several limitations. Issues related with collection of secondary data have been expressed in methodology chapter above. In addition to that, lack of previous research focusing on FMCG industry caused lack of analytical perspectives about this topic. Generating thesis by analysing several number of companies from several categories of FMCG industry may brings generalisation. Effects of small suppliers or states have been intentionally left out of the scope in order not to disjoint focus of FMCG companies and answer the research question properly. However, this may restrict to have a wider analytical perspective about the topic.

Therefore for future studies about this topic with larger time range and scope, it can be advised to conduct wide range of interviews with executives from FMCG companies supported with secondary quantitative data. Number of companies can be expanded from several categories of FMCG industry. Focus of the research can be widen and include more parts of value chain. Effects of globalisation on small suppliers, and role of states can be observed. Lastly, commonalities and differences of effects of globalisation between FMCG industry and other industries can be investigated to generate a broad view of this topic.

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FIGURES & GRAPHS

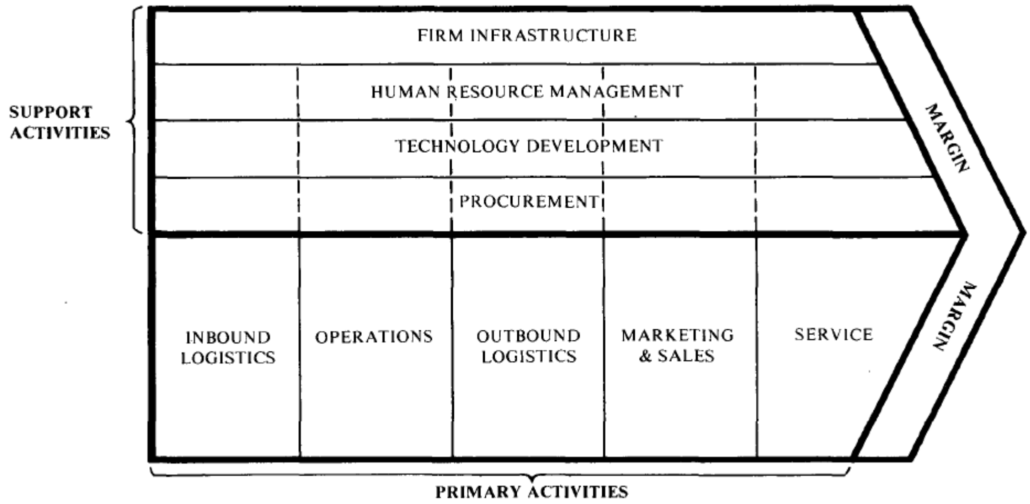
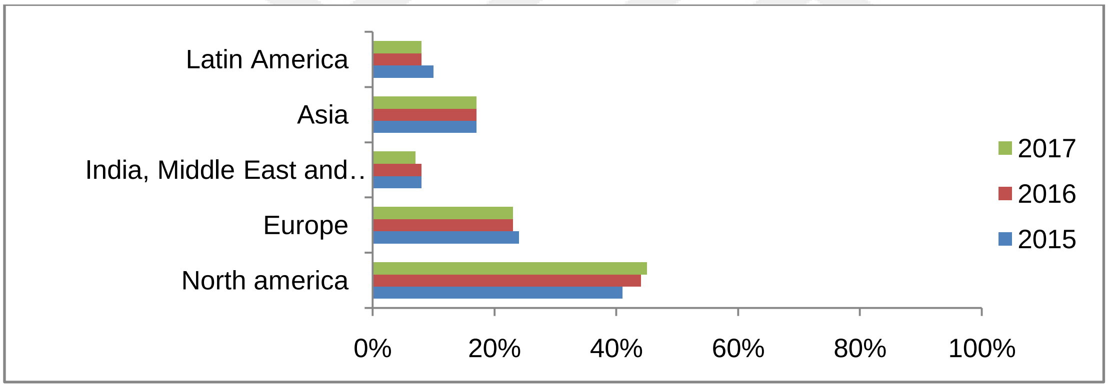
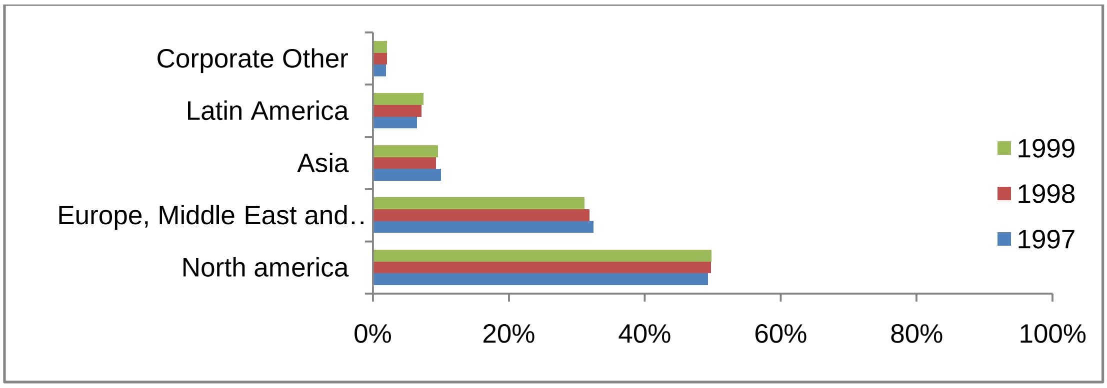


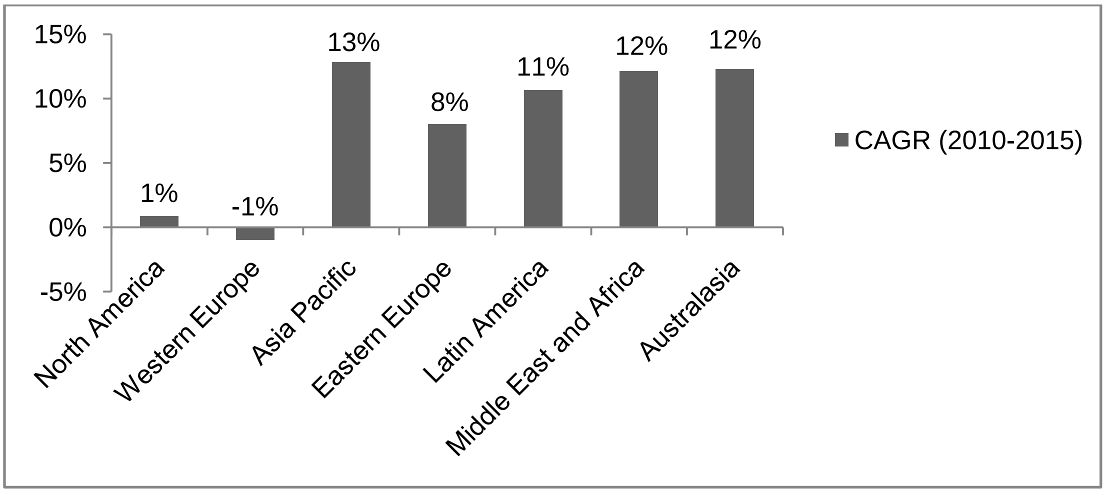
Figure 1: Activities of Value Chain (Porter, 1985, p.37)



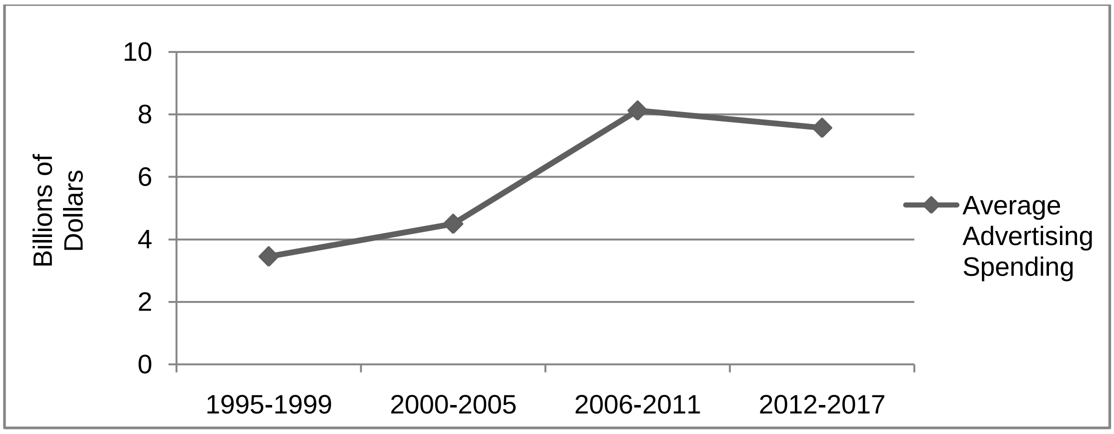
Graph 1: Distribution of Annual Sales by Regions (Procter & Gamble, 2017)



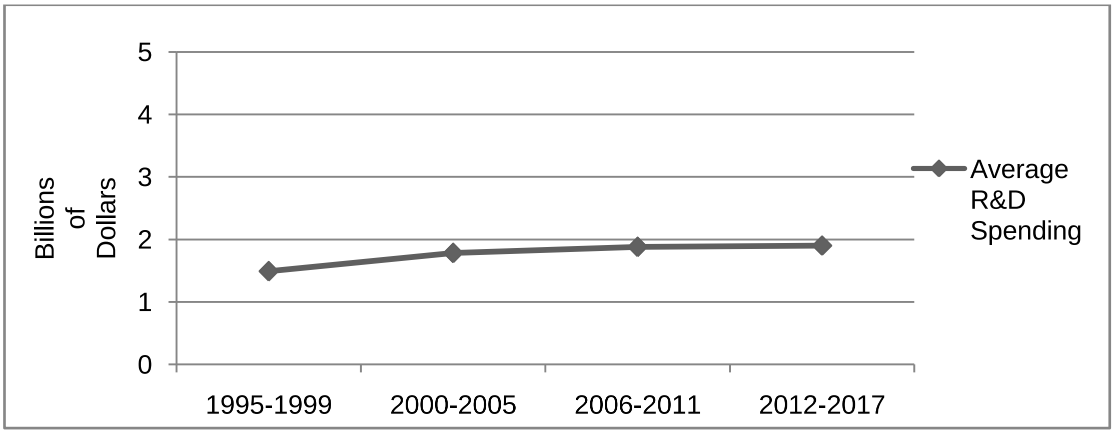
Graph 2: Distribution of Annual Sales by Regions (Procter & Gamble, 1999)



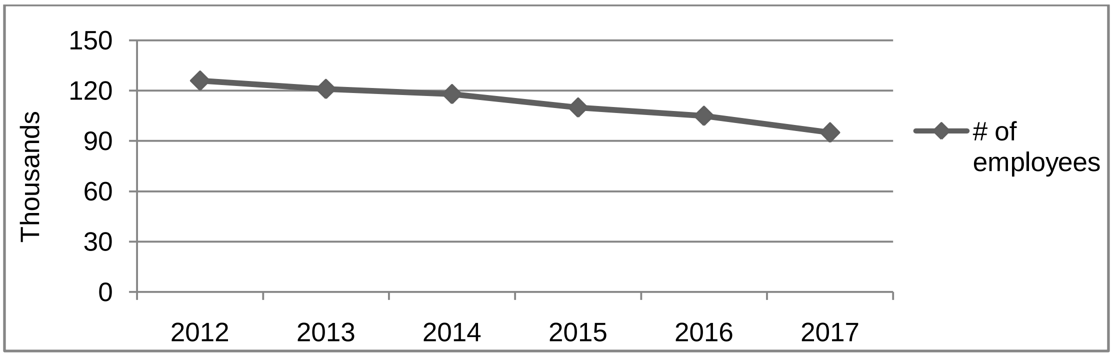
Graph 3: Compound Annual Growth Rates in Sales by Regions (Euromonitor, 2016a)



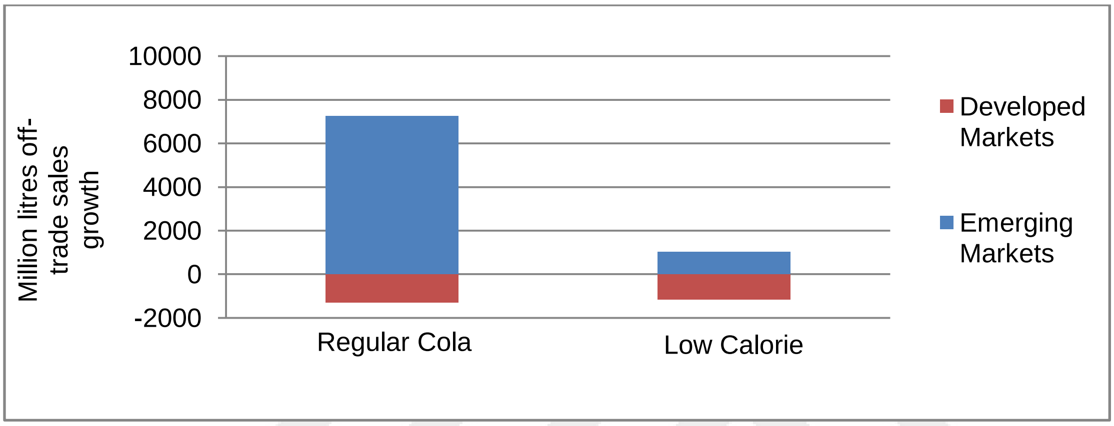
Graph 4: Average Advertising Spending by Periods (Procter & Gamble, 1999; 2005; 2011; 2017)



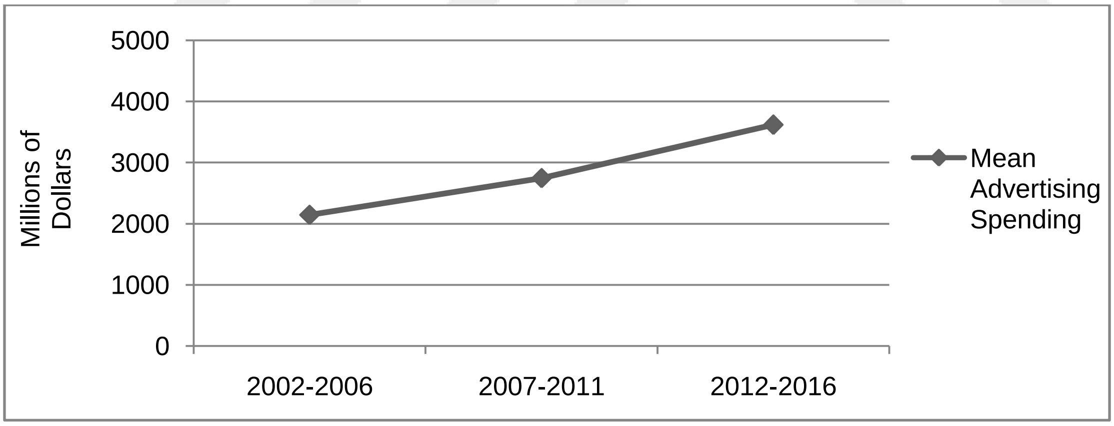
Graph 5: Average R&D Spending by Periods (Procter & Gamble, 1999; 2005; 2011; 2017)



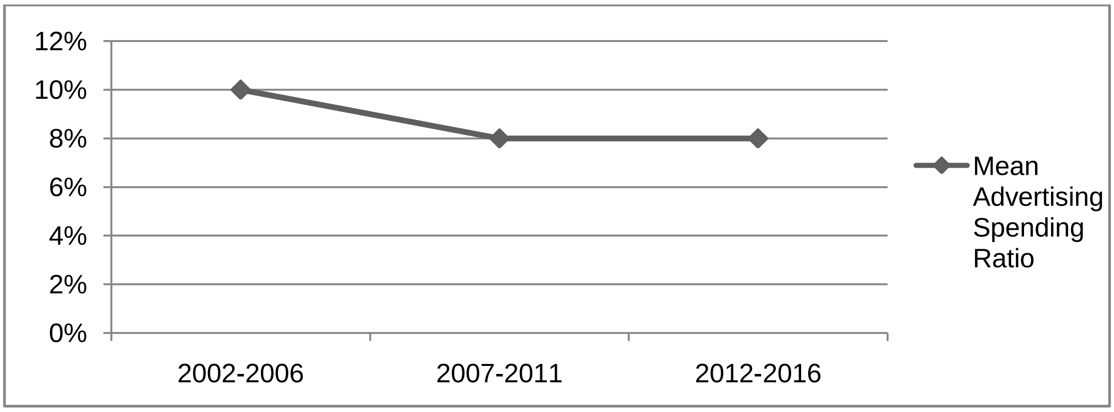
Graph 6: Number of Employees (Procter & Gamble, 2017)



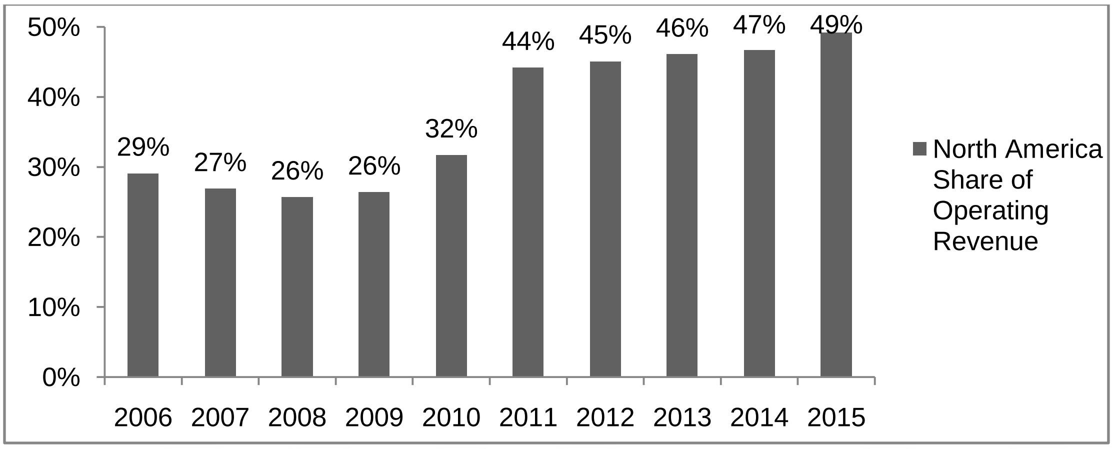
Graph 7: Off-Trade Sales Growth by Markets in 2009-2014 (Euromonitor, 2015a)



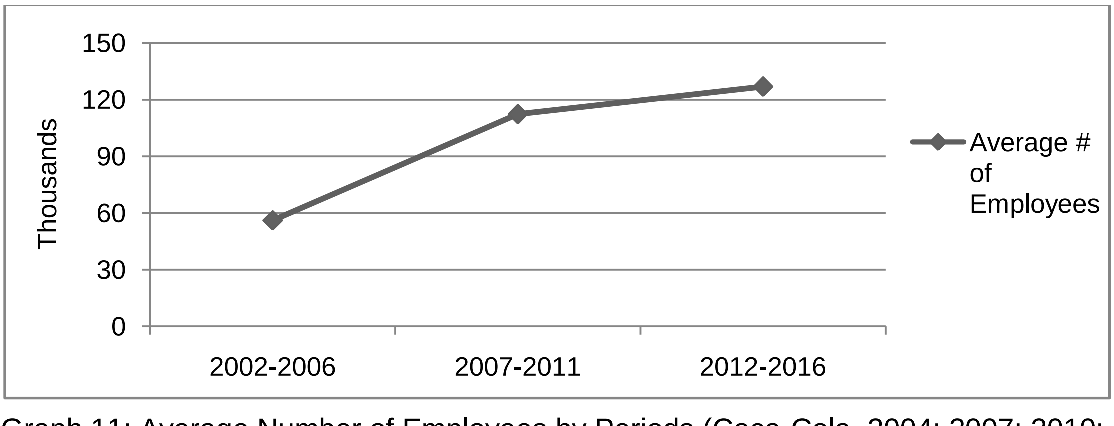
Graph 8: Mean Advertising Spending by Periods (Coca-Cola, 2004; 2007; 2010; 2013; 2016)



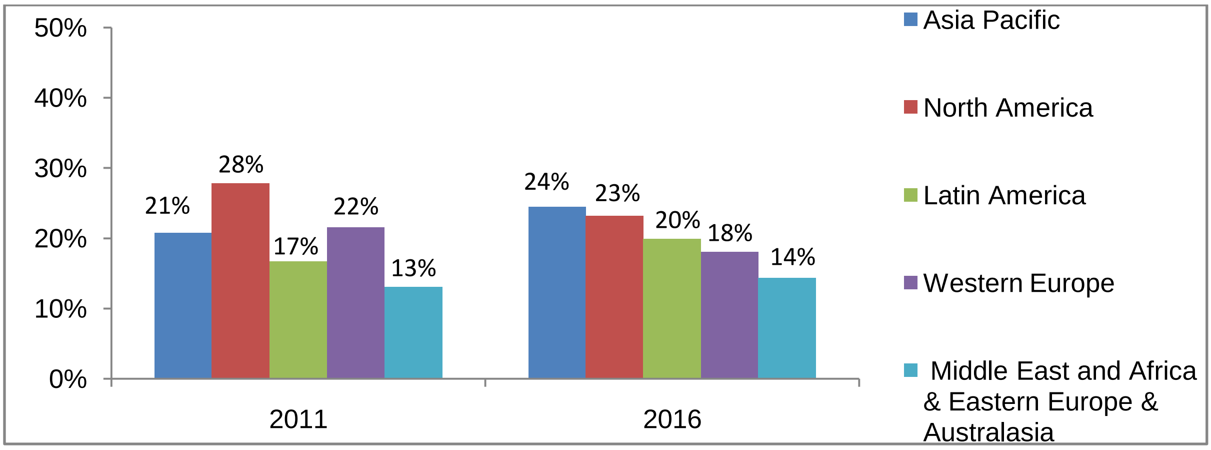
Graph 9: Mean Ratio of Advertising Spending to Net Operating Revenue by Periods (Coca-Cola, 2004; 2007; 2010; 2013; 2016)



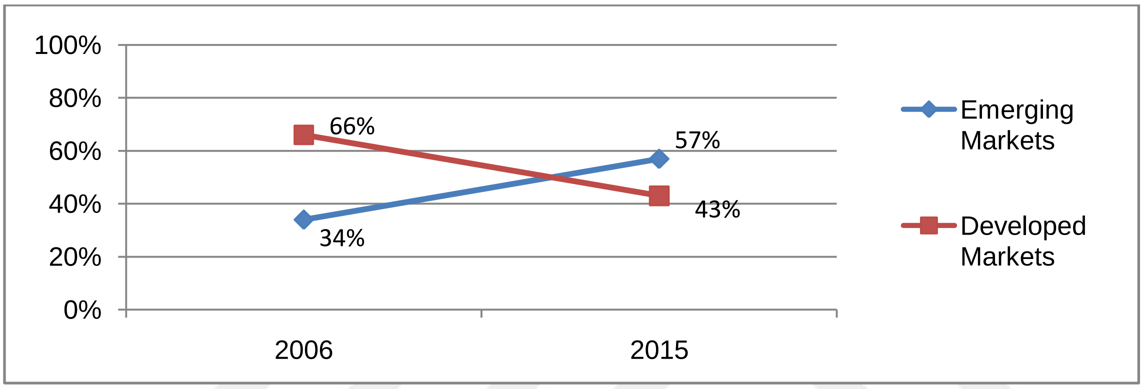
Graph 10: Share of North America on Net Operating Revenue by Year (Coca-Cola, 2016; 2013; 2010; 2007)



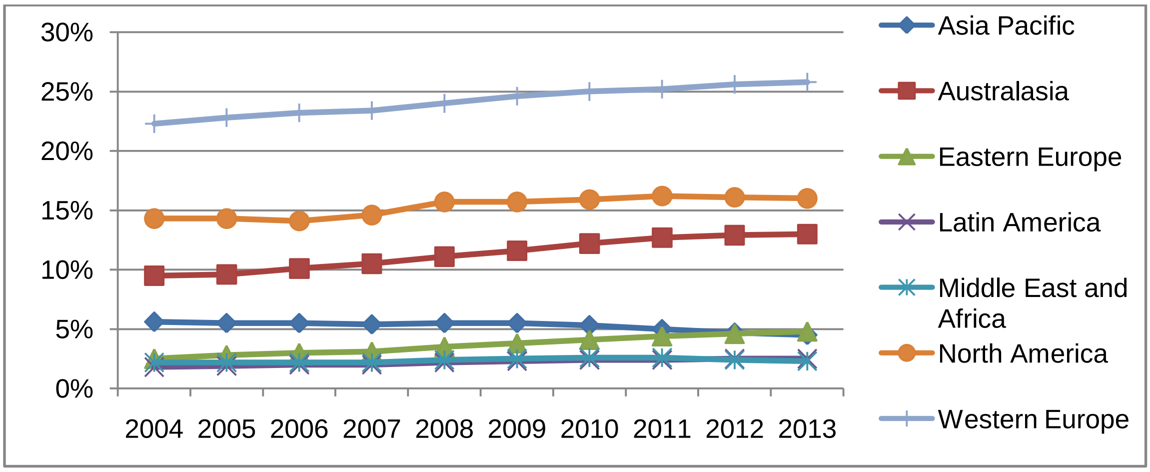
Graph 11: Average Number of Employees by Periods (Coca-Cola, 2004; 2007; 2010; 2013; 2016)



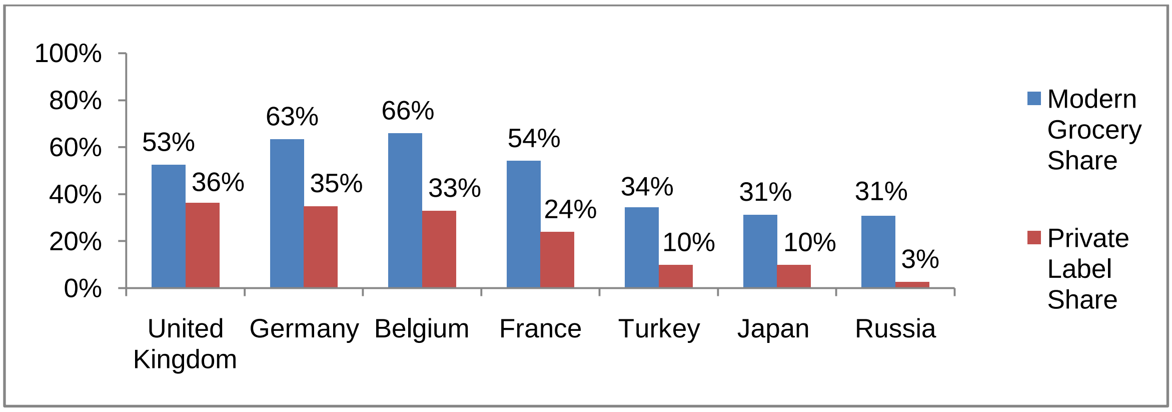
Graph 12: Annual Sales by Region (Euromonitor, 2017a)



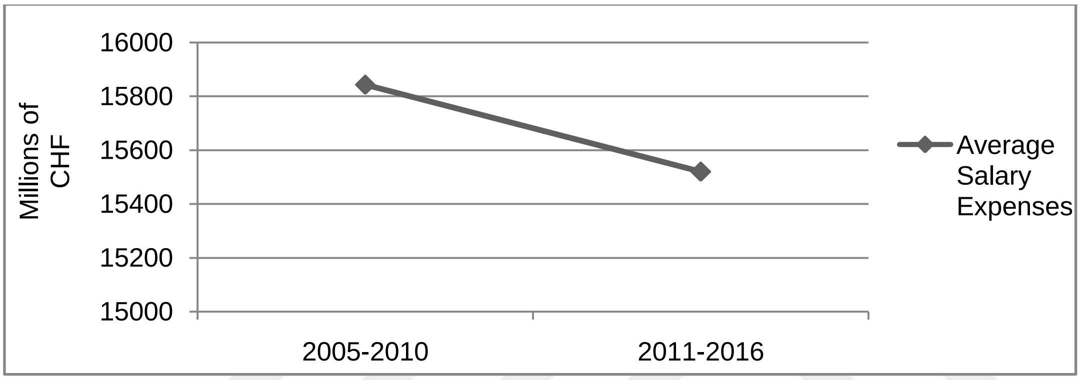
Graph 13: Annual Sales by Markets (Euromonitor, 2016b)



Graph 14: Market Share of Private Labels by Regions (Euromonitor, 2013)



Graph 15: Modern Grocery and Private Label Shares in 2013 by Countries (Euromonitor, 2013)



Graph 16: Average Salary Expenses by Six Year Periods (Euromonitor, 2013)