

DEVELOPMENT STRATEGIES OF A NATIONAL COMPANY IN TRANSNATIONAL OLIGOPOLISTIC MARKET: The case of Cooperative Pascual**José G. Vargas-Hernández, M.B.A. Ph. D.**

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Abstract

The objective of this paper is to analyze the success reached due to the implementation of the strategies used by Cooperativa Pascual. An analytic approach is used to understand its most important problematic. After the labor shortcut in 1982 and posterior worker's strike that lasted more than 3 years that lead to the delivery of the company assets to the workers, the firm changed its name from "Pascual S.A." to "Cooperativa Pascual". Despite all this struggles, the company could perform as one of the best firms at national level in the beverage industry. Cooperativa Pascual is an example of strategy application in companies, because it competes with some of the biggest transnational like Coca-Cola, Pepsi, and others.

Keywords: Pascual Cooperative, successful firm, strategy

JEL: L13 L23 L25

Resumen

Este trabajo tiene por objetivo analizar el éxito alcanzado con las estrategias empleadas por la Cooperativa Pascual en su historia. Se emplea el método analítico a la problemática más relevante. A partir de la agresión laboral en 1982 y posterior huelga que duró más de 3 años sin actividades hasta 1985 y que después los bienes de la compañía fueran entregados a los trabajadores y la compañía "Pascual S.A." pasara a renombrarse "Cooperativa Pascual" por las circunstancias antes mencionadas, aún con todo esto lograra situarse en una de las compañías más exitosas a nivel nacional en la industria de bebidas, lo cual la convierte en un ejemplo porque compite con grandes transnacionales como Coca-Cola, Pepsi, entre otras.

Palabras clave: Cooperativa Pascual, compañía exitosa, estrategia.

1. Introduction

Pascual Cooperative (Cooperativa Pascual) is a company that has a long history of both popularity and growth. It has been a beverage brand that has had a resounding sales success in addition to being among the first to excel in the domestic market, in addition to currently provide a significant volume of sales abroad. First, the fundamental story started in 1940. The company itself was called with the name Pascual Anonymous Society (S.A). Although its origins date back to 1938 with its creator Victor Jimenez Rafael Zamudio, who initially undertook the business of pallets and water, and that in a future time, this triggered the idea enter into the beverage market, giving rise to its famous soft drinks "Pascual" and "Lulu".

Late in the decade of the 60's, the founder of this great national company makes formal agreement with Tetra Pak to start packaging of the peculiar and famous star product of the company, which is Boing. From 1982, after the strong workers' strike, completely lost the rights to this outstanding package, as well as the Canada Dry license. The strike mentioned above, was a "before" and "after" for the company because from this fact, it was when it began a series of actions that impacted so highlighted the future of Pascual SA by violent background.

Now, briefly summarizing the history of this Mexican company and likewise, entering over these unfortunate backgrounds, which were the defining for the cooperative course of this firm. It transcends from the idea that occurred during the term of the current president in the year 1982, Lopez Portillo, who took from the strong devaluation of the peso, and which is why companies in the country increased from 10 to 30 percent their wages. Therefore, given the situation ordered, the vast majority of firms have fulfilled this mandate with the disagreement with the founder Rafael Jimenez Victor Zamudio. As an act of response, workers erected a strike. They stopped all activity of both plants the 18th day of May of that year. The founder as a result, to end once and for all to this strike ordered to activate guns against their people causing two lethal deaths and 17 others injured.

In the eighth month of 1984 occurred the fact that gave rise to the name change to Pascual SA because the facilities were delivered to workers to solve the problem. In return, they took as a working structure the method "Cooperative" which is the subject matter of this article. The reasons why it has been an outstanding success, even before the large arrays of beverage companies that have tried to acquire this company, offering attractive offers very recently, but despite this, the cooperative has not relented and still stands, keeping identified and differentiated from other companies by most Mexicans, taking on the first example, the marketing phrase "fruit in your drink," something most companies belonging to this market not implemented.

2. Theoretical framework

This paper analyzes the strategies that have been implemented by Pascual SA but especially when formed into cooperative mode, which can have certain advantages and disadvantages when

compared to their competitors. Taking as an example, because they are working together, there may be certain trends that there is greater flexibility and other benefits as an example, would be to reduce transaction costs in this type of society. Everything is based on having the foresight and criteria to draw a competitive advantage from it, achieving an even stronger optimization than in capitalist corporations, according conclude Salazar and Galve (2008), although it should be noted that they are unsure whether it is confined to a particular area of the world, speaking in here, the area of Spain where they source their research data. This system also has its inefficiencies heavily highlighted. It is only a matter of time before placing them on the damage further additions.

This paper besides of creating an analysis of the decisions made throughout the history of Pascual S.A. and Pascual Cooperative makes a comparison with many of the strategies mentioned in the book of Vargas-Hernández, Guerra, Bojorquez A. and Bojorquez F. (2014). The comparison will be made mainly with the famous tripod strategy, since according to Peng (2012 a, b) tripod explained by the possibility of obtaining a high success and otherwise, the failure of firms, adding that from handling theories such as industrial theory, it is needed to look at the competitiveness of the company. According to the observation of resources theory, success is based on its value, so unique and difficult to imitate are. According to the institutions because it suggests that taking into consideration the rules, it should think globally and act locally. Therefore, it is clear that it can be maintained a competitive edge from the time the geographical location, which in this case is Mexico.

Something important to mention in this work, also is the agency theory, because the management of this Cooperative, is a very important fact to mention because this is the way it works and that makes it different from the rest of the market where it competes. According to Mahoney (2010), conceptualizes precisely this theory based on the agency that focuses on the analysis of corporate governance in strategic management. In this case, it is a form of cooperative work.

Speaking about the industry-based theory, in this case would be the differentiation and success that has caused such the creation of Boing, as it is one of its best-selling products and its origin occurred through innovation and a sharp distinction with the other counterparts competitors giving certain identity to the company, which was very wise because as mentioned by Salvador Torres Cisneros, who has the position of being president of the Board of Directors of the company, the juices and nectars have been the result of more than 80 percent of their products offered. Also he plans to apply the 5 forces model of Porter (1980) from the perspective that this company is standing.

Considering the point of view that is based on resources, one of the authors that most eco made in this field with its frame VRIO is Barney (1991), because if it is applied in the case of Pascual Cooperative, one of aggregates products from this company values would be that it is a national company and there are many people who are sympathetic to that kind of factors. Now in the case where it starts talking about rarity, it would be the fact in which it is the few companies that add real fruit to your drink, besides claiming to avoid derived sweeteners of high fructose corn using only source sweetener, cane sugar, which makes it to have a superior nutritional value

than drinks of most of their opponents. Besides Barney (1991) mentions that it is possible to get an edge in a competitive context, from which the resources are not distributed evenly.

Now taking into account the point of possible imitation that mentions the theoretical framework is that the manufacture of its products it is imitable. Finally the organization, in this case it is something that stands out, because they are a group of workers who are active in a cooperative and have remained on the market without any problem. As a final point, it is concluded that will be completed the management capacity based on sales volumes, since according to what said Penrose (1959), the line that marks the expansion of firms, is granted by the possibilities of leadership that holds at that time.

Finally now focusing on the point of view which is based on institutions that are what was defined by North (1990) as the "rules of the game", which in this situation Cooperative Pascual would occupy the group of formal organizations as it is an institution that is governed by law.

3. Development

Analyzing the strategies implemented the firm Pascual SA between the late 30s and 40s, it has always implemented strategies like any other company in the world, and like most companies that are starting, and it has empirical strategies, based on a vision that popularly is being called by "common sense". Analyzing the first strategy developed according it poses the website of the firm, is that the founder began to diversify its products, where its initial product were pallets and from there began marketing water in jug container where at some future time there was a diversification. The strongest of all, led to its popular carbonated soft drinks and later without gas, giving as a first step a corresponding advantage as the theory which is based on resources.

Now, continuing this same point of view, whose principle are resources, but going back to the 1980's, when he started the problems between the company in the area in which the logo had had a similar aspect, if not identical to the one of the firm Walt Disney, has meant that there has been a legal confrontation of the brand for more than three long decades. As an act of response, over the years, the company has gradually changed the logo to avoid having to pay legal problems. The firm has made more than one change to reason that Walt Disney was not found completely satisfied with the changes made effective the Mexican company, which had made an additional logo change in 2007 when the duck logo changes sailor hat for until then exchange it for one of a rapper, besides giving a more youthful image, (La Jornada, 2007).

Mentioning the part that corresponds this case study, part of the family of resources theory, only that in this situation inferred in the segment called "invisible resources", since according Itachi and Roehl (1987) pose, they can rank well in any right intellectual ownership referring to licenses and trademarks, market secret, the way they are organized, culture, and reputation, which in this case should be emphasized because Walt Disney, like other firms have done in similar situations, which was trying to avoid was a malicious use of the image they represent and they could affect future somehow and could be considered allegations that could be made in the line of defense actions was made.

As an addition feature, the start of this conflict of invisible assets became more than 4 decades ago. However, it was launched with the brand but with the fact that the image of their brand was called "Pato Pascual" different of "Donald Duck", as was already known worldwide. It is important to note that this logo was used from the beginning of Pascual S.A. for over 70 years.

Now speaking of the 5 forces of Porter (1980), noting the rivalry between competitors, here basically it refers to the number of competitors on the market, which in this type of market it could be said that is oligopolistic, because there really are not many. Regarding the size, at flavored beverage level, could include both soft drinks and many other competitors in that market where does not largely dominate the Cooperative Pascual as its soda has almost no ground share in the market. Instead juices and nectars is another world because of this classification is the most sold, and considering that more than 80 percent of its sales are in this category, that means there is a much stronger rivalry juices level and nectars that would come to be direct competition Jugos del Valle and Jumex.

The threat of potential entry into this segment refers to do everything possible that there be no new competitors. However, in the special case of an oligopoly, it is not so easy to enter that market because it has a significant amount of the market who came before. Now talking about the bargaining power of suppliers, this part is about the ability to raise prices or reduce the quality. In this respect the Pascual Cooperative seems to have no background as well as good prices handles that point to the superior quality of its products against the competition.

The bargaining power with buyers concerns among smaller the type of buyer, there is more to negotiate with buyers, generating what is called power. This section could say that the Pascual Cooperative has some advantages such as the fact that an entirely domestic business, while adding that a significant percentage of workers are also owners of the company. If that is the fact that in sector of juices and nectars has fruit these drinks, they certainly have a high bargaining power with buyers that feel identity with this. Regarding the threat of substitute products, in this case, since most of the products produced by the Cooperative are still not carbonated beverages, such as juices and nectars, one could safely say that a substitute could be a soda, because it is not the same, but however it can replace the star beverage of this company which is the Boing.

Moreover, mentioning a case in which the government influenced the performance of both the Pascual Cooperative and likewise their competitors, were the measures taken by the government to reduce obesity rates, generating a tax on drinks from a weight per liter sold, the tax so called IEPS, (Pallares, 2013). Transnational competence, to refer to Pepsi and Coca Cola as protection act, threatened to reduce domestic investment. Meanwhile, the Cooperative simply refused to accept such mandate of tax aggregation imposed on its products. This tax reflected a fall between 16 and 18% in sales of the Cooperative.

Coca Cola made a strategy in order to counteract the tax added by the government IEPS to flavored drinks. This strategy consisted of appointing the packaging company with the name of people. This strategy apparently paid off because there was not only a buffer of that tax, it also

was even a 2% increase in product demand. This is an excellent example of innovation strategy because they had enough creativity to maintain progress in a situation of adversity. Entirely different picture of what happened with the cooperative, because it was affected by the tax in a totally devastating way (Pallares, 2014).

Speaking a little of the implementation of generic strategies of Porter (1980), broadly speaking it can be said that implemented the price leadership as reported by Wal-Mart (2015) in May because it reported lower prices in specific Boing segment, compared to its main competitor (see Figure 1). Differentiation shows that its products do not use sweeteners derived from corn of high fructose, but simply use cane sugar, in addition to always use fruit, generating some nutritional advantages and segment that has to confront the rest of competitors. Finally the focus, because the market is focused on a younger consumers, so it has always been since its inception the famous logo of the Pascual duck that has generated intellectual property problems as mentioned above.

Furthermore, as additional data, it should be mentioned that just for the reason of its fully Mexican origin, there are consumers that consume it to support the Mexican market.

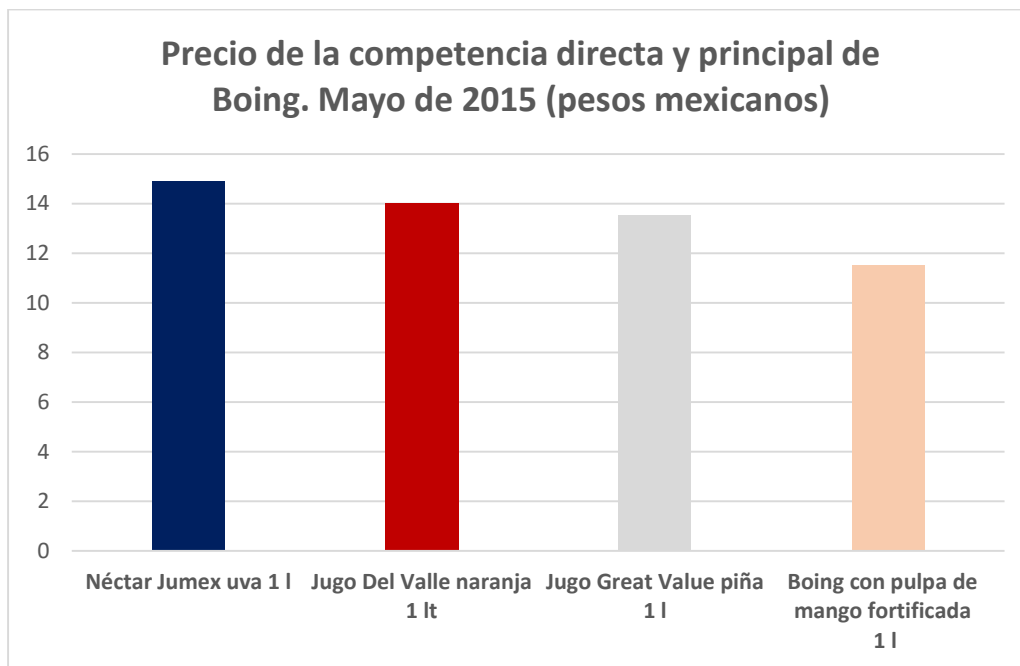


Figure 1. Price of direct and primary competition of Boing.

Source: Based on data published on the website of Wal-Mart Mexico (2015).

Now, already mentioned roughly the strategies that have been implemented by the company from its beginnings to more modern times, it is necessary to demonstrate the success that have had in recent years and show that the fact that it is a cooperative in which a large percentage of workers have ownership, has not affected them at all in its progress and continue to grow in the beverage industry in general (Pallares, 201).

A chart where it can be seen how it has increased market demand for juices, fruits and vegetables in the market and then a graph displaying the demand for production that has taken the company from 2001 until currently. In both chart and graph it can be observed without leaving any doubt that the performance has been positive and has grown along with the rest of the market, showing that it is able to compete with the multinationals, despite not having the same level of profits and not affected by the fact of working in cooperative mode.

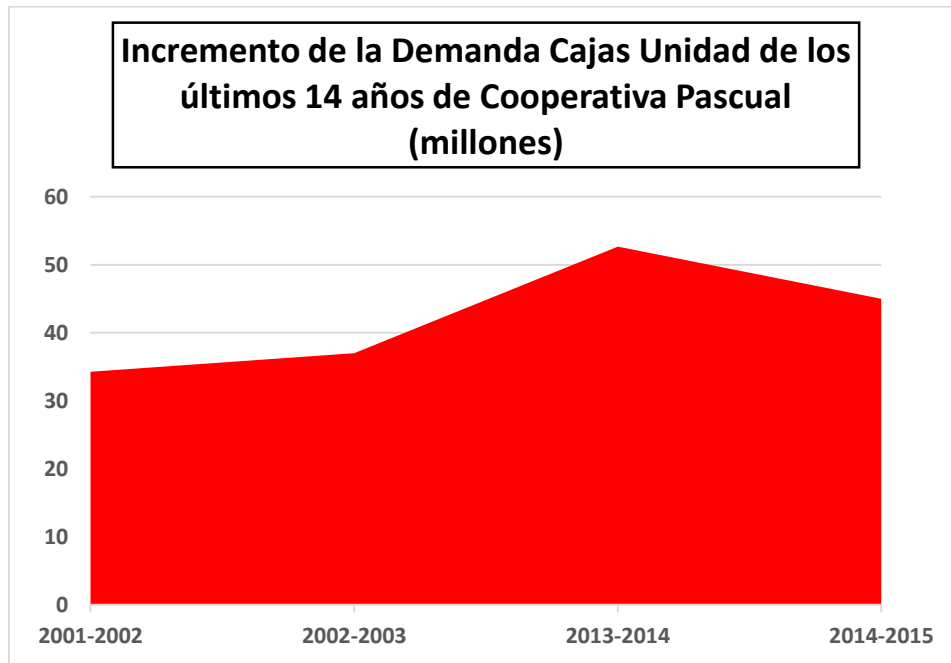


Figure 2. Increased demand of Banks Unit of the last 14 years of the Pascual Cooperative. Source: based on data published by the website of the daily La Jornada (2003) and Universal (2015) Development.

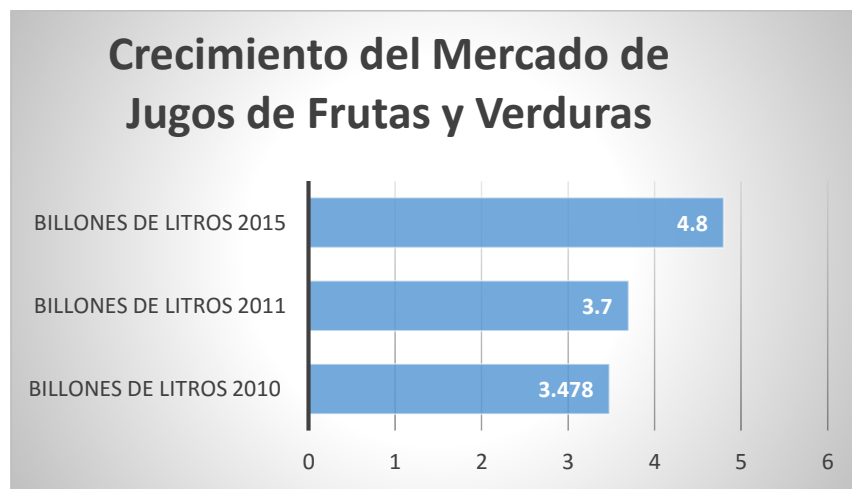


Figure 3. Growth market of fruit juices and vegetables.

Source: Own elaboration based on data published by the website of the newspaper Excelsior (2011)

4. Conclusions

Appreciating the strategies it has implemented the Pascual Company, before being a cooperative, to subsequently be and also evaluating the results of success it has had to date and how it has evolved with the rest of its competitors, it can be concluded that it has had a successful performance. It has maintained a constant average growth in demand from the market and has not been left behind even though there have been obstacles that have affected the entire industry, such as the IEPS and besides the adverse conditions that previously existed in the world market, 2008 that although they affected the performance, but in general, the company has always managed to succeed

It is a company that has had its own initiative and has neither left intimidated by its competition, nor sell and instead of doing that, have sought to move forward by implementing a number of strategies. Its implementation, even if it was empirical or not, has had positive results that have scale and sold to resist competition every year.

The fact that it is a cooperative, it has not shown it to be a visible problem, as well as graphs demonstrate, it has had an adequate administration and its ideology on using fruit and sugar unmixed with other sweeteners made from corn, high- fructose. It also shows that the workers have a firm and clear ideology about what they do and besides having the thought of continuing to grow as a company and its continuous development results and growth. They have placed a strong company that will still leave subject to talk the coming years and has a promising future despite their huge transnational competence.

Many of the strategies that have implemented this firm coincide with the tripod of the strategy, and it can be concluded that operates the timely implementation of each of the strategies of the respective theories that form them. Finally it can be concluded leaving no doubt that the firm can be taken as an example of national company to follow and that it can be successful working in cooperatives.

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