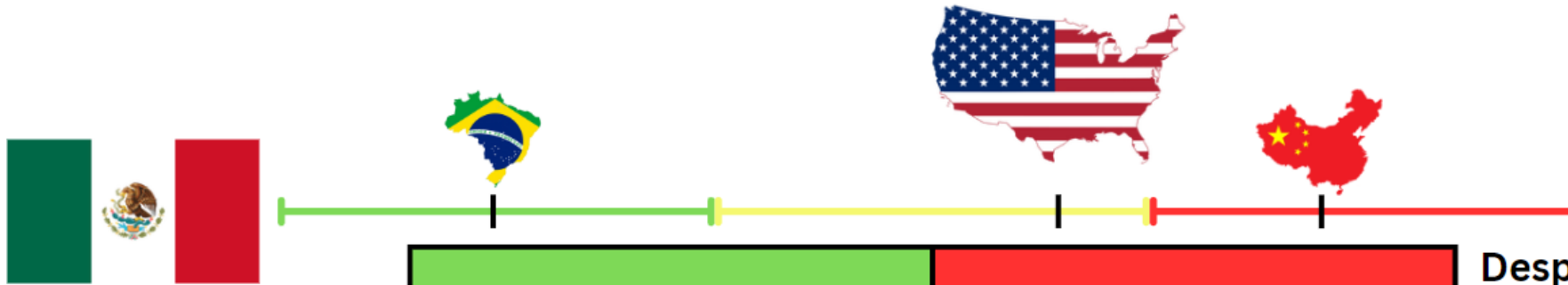


			U.S.A.	Brazil	China
C	Cultural Distance	<p>The cultural norms, values, and social beliefs that shape the behavior of individuals and organizations. Important factors include language, ethnicity, religion, and social norms.</p>	<ul style="list-style-type: none"> English is the primary (and often only) language spoken by many US citizens. Hispanics comprise about 20% of the US population, with Mexicans accounting for 59% of this number. Approximately 20% of the US population identifies as Catholic compared to 78% of Mexicans. Compared to Mexico, the US has significantly less multigenerational and/or multifamily homes. Industrial bread consumption very similar to Mexico but high brand loyalty in sweet products. 	<ul style="list-style-type: none"> Most Brazilians speak Portuguese. Although a Latin language, significantly different from Mexican Spanish. Although not classified as collectivist, Brazilians have strong social ties and identify with larger groups. Extended families are the norm, much like Mexico. Bread consumption is mostly from small, artisanal bakeries and consumed fresh. Emergence of hypermarkets. Should target retailing at these outlets for best reach. 	<ul style="list-style-type: none"> Mandarin Chinese may be the official language but there 8 main dialects, which are further divided into several subdialects. Highly collectivist society that views themselves as part of a whole, rather than individuals. Most are practicing Buddhists, followed by Taoists, Confucianists, and Folk religions. Less than 1% practice Catholicism. Industrial bread consumption mainly in the form of sweet-goods, rolls, and buns.
A	Administrative Distance	<p>The differences in history and politics among countries. From lack of shared currency to political hostilities and government corruption. Important factors include previous colonial ties, shared currency and monetary policy, political hostility, government policies, and the relative strength of government institutions.</p>	<ul style="list-style-type: none"> Strong beliefs of individualism and self-determinism. Strong Judicial system with well defined processes. Strong administrative agencies with exceptional regulatory power over commerce. Very stable government and monetary systems. Minimally corrupt government officials (or at least, not openly corrupt). Strong union ties make the independent operator model harder to implement in some markets. 	<ul style="list-style-type: none"> Strong beliefs in the preservation of hierarchy and that inequalities among people are acceptable. The Brazilian Real has historically been stronger than the Mexican Peso but has been weakening in recent years. Inflation slightly higher than Mexico but follows similar pattern. Higher levels of government instability than Mexico but similar practices around bureaucracy and bribery. Tax laws favor the independent operator distribution model and allow IOs to make more money. 	<ul style="list-style-type: none"> Vast power distance between classes, especially when wealth and/or government status are taken into account. Subordinate-superior relationships are polarized and there are minimal protections and recourse for those at the bottom. Respect for authority may be a bonus when running global production operations. Highly bureaucratic and protectionist policies stemming from decades of communist party rule.
G	Geographic Distance	<p>Geographic distance refers not only to the physical distance between two countries, but also a country's physical size, whether it shares borders with hostile or non hostile neighbors. Important factors include physical distance, common borders, waterway access, physical size, transportation, communication, and climate.</p>	<ul style="list-style-type: none"> The US and Mexico share almost 2,000 miles of common border. Well established ports of entry and over-the-road trade routes between US and Mexico. Extremely well established infrastructure including utilities, internet, and telecom. Free trade with the implementation of United States-Mexico-Canada Agreement. 	<ul style="list-style-type: none"> Brazil is approximately 4x bigger than Mexico. 6,924 km from the mainland Mexico, Brazil shares no common borders. Brazil has many ports along its Eastern seaboard and well established shipping lanes that connect to Mexico via the Atlantic. Independent operator distribution model well adapted to this market. 19 submarine cables make Brazil well connected to the internet. 	<ul style="list-style-type: none"> China's landmass is more than 4x bigger than Mexico. No common borders with Mexico. Highly sophisticated ports, shipping lanes, and logistics capabilities. Localized distribution available via bicycle couriers. Climate quite variable due to large size of landmass. Although controlled by the government and heavily censored, the internet and other communications methods are well established and effective.
E	Economic Distance	<p>The differences between relative measures of wealth and prosperity. Important factors include differences in income, relative purchasing power, cost of goods, and differences in the cost, quality, and availability of the inputs to production.</p>	<ul style="list-style-type: none"> The average US citizen is significantly wealthier than the average Mexican with a median household income of \$48,625. GDP per capita is currently \$76,330. High consumer expectation and demand for quality, affordable goods. Strong brand loyalty in bread market. Abundance of agricultural resources available. Highly skilled labor force available, but significantly higher wage rate than Mexico. Significant opportunities for premium products and differentiated offerings. 	<ul style="list-style-type: none"> Brazil is poor relative to Mexico with the median disposable income per household being only \$9,686 per year. GDP per capita is currently \$10,319 and PPP is currently \$19,391. High availability of land and water for agricultural use. Vast natural resources available. Industrial bread market hypercompetitive and driven by cost leadership. 	<ul style="list-style-type: none"> Median disposable income per household is very similar to Mexico, with a current value of \$14,246. GDP per capita is currently \$12,620 and PPP is currently \$23,319. Good mix of land availability and natural resources. Wage rates still relatively low, but increasing as economic conditions improve and education rates rise. High price sensitivity in bread category. Highly fragmented - Good opportunities for acquisition to take further market share in industrial bread.

Overall CAGE Distance



	Strengths	Challenges
Cultural Distance	<ul style="list-style-type: none"> • Large Mexican population makes for easy entry with familiar brands. • Highly multicultural environment. Not only accepting of global products but seeks them out. • Very similar consumption habits of industrial bread. 	<ul style="list-style-type: none"> • High brand loyalty to incumbent brands and products. • Different tastes and flavor profiles in sweet-goods. • Bread consumption highly susceptible to trends in health and diet.
Administrative Distance	<ul style="list-style-type: none"> • Strong laws that protect IP (processes, trademarks, etc.). • Stable monetary policy with relatively low inflation. • Self-determinism makes US workers highly productive. 	<ul style="list-style-type: none"> • Laws are firmly followed. • Minimal ability to “grease the wheels” with government officials. • Global policy highly affected by majority politics.
Geographic Distance	<ul style="list-style-type: none"> • Shared border and close proximity. • Well established freight lanes and border crossings. • United States-Mexico-Canada Agreement enables free trade. 	<ul style="list-style-type: none"> • Cultural tastes for Mexican goods diminish with distance from US/Mexico border. • Population centers are widely dispersed. Serving rural areas costly.
Economic Distance	<ul style="list-style-type: none"> • Significant wealth disparity to exploit. • Government programs (WIC, Food Stamps, etc.) cover bread products. • Great opportunities for high margin differentiated products. 	<ul style="list-style-type: none"> • US consumers have high expectations for quality, consistency, and cost. • Significant changes in consumption habits across classes. As income rises, consumption of processed food decreases.

Despite significant CAGE distance, the US is more attractive than Brazil or China due to its favorable administrative, geographic, and economic conditions; strengthening the case for wholistic analyses, rather than relying on a single metric such as CAGE distance.