



Meat Promotion Wales

Global Marketing Strategy

Qinqing Hu

1704763

1st March 2018



CONTENT

EXECUTIVE SUMMARY.....	2
1 INTRODUCTION.....	3
1.1 BACKGROUND.....	3
1.2 SCOPE OF REPORT.....	3
1.3 RESEARCH METHODOLOGY.....	4
2 DEFINITIONS OF MAJOR CONCEPTS.....	4
2.1 COMPARATIVE ADVANTAGE.....	4
2.2 DIRECT EXPORTING.....	4
2.3 INDIRECT EXPORTING.....	5
3 MAIN FINDINGS.....	5
3.1 MACROENVIRONMENT ANALYSIS.....	6
3.1.1 POLITIC ANALYSIS.....	6
3.1.2 ECONOMIC ANALYSIS.....	6
3.1.3 COMPARISON OF SOCIAL AND CULTURE.....	11
3.1.4 COMPARISON OF INDUSTRY.....	11
3.2 SCREENING OF MARKETS.....	13
3.3 MARKET ENTRY STRATEGY FOR CANADA.....	14
4 CONCLUSION.....	15
5 RECOMMENDATIONS.....	15
6 REFERENCES.....	16
APPENDIX.....	18

EXECUTIVE SUMMARY

The report will:

- Briefly introduce the background of the problem of Welsh lamb,
- Analyse macro environment and micro environment,
- Compare and evaluate four choices,
- And offer recommendations based on the findings finally to help it improve performance.

Sources for viewing this report include: academic journals, books, industry reports, the official HCC website and database like UN Comtrade.

Based on the background of Brexit in the United Kingdom, choosing a suitable exporting country for HCC.

By comparing macro-environment and micro-environment of Switzerland, Canada, Argentina and China, it is found that Argentina is the highest country, China is distant and has different culture though its potential market is huge, Switzerland is a landlocked country with limited mobility, Canada can be the best choice.

It is recommended that HCC can choose Canada as the exporting country. Then HCC can select a suitable agent to help it do marketing job.

1 INTRODUCTION

This report will:

- First determine the foreign market to enter for Hybu Cig Cymru (HCC).
- Analyse and compare these different market choices.
- Evaluate the risk of these possible options.
- Make a decision for the entry market.
- Make recommendations (Entry method) for course of action.

1.1 BACKGROUND

The rapid process of economic globalization has obviously accelerated and has greatly enhanced the opportunities for selling meat products abroad. Herbivorous livestock husbandry industries such as sheep are an important part of the world's livestock husbandry and the world's lamb production has been showing a rapid growth. Exporting can be the traditional and well-established way for lamb company to operate in international markets (Marta & Isabel, 2014). Welsh Lamb in Britain is popular for its good quality and are sold to many foreign countries. Official figures show that in 2014, approximately 35% of sheep meat produced in Wales was exported to the European Union, and up to 93% of Welsh lamb exports. However, The fact is that Britain has voted to leave the European Union and the negotiation will take at least two years, which can lead a huge decline of the EU market. HCC (Meat Promotion Wales) will now have to work hard to find new foreign markets for the 93% of lamb that is normally consumed in Europe. To develop existing markets and discover potential markets is the vital thing.

1.2 SCOPE OF REPORT

The purpose of this report is to identify suitable exporting countries to sell welsh lamb and recommend entry method to fill the gap that was left should Britain have no access to the E.U.

1.3 RESEARCH METHODOLOGY

The main research method adopted in this report is secondary research, and sources of information come from books, journals, reports websites, and database online. Although this method is less expensive, less time-consuming and more objective than doing research abroad, it also has some drawbacks. For example, secondary data in some developing countries is scarce and some data can be unreliable.

2 DEFINITIONS OF MAJOR CONCEPTS

According to the theory pioneered by Ricardo, the reasons nations trade is based largely on the theory of comparative advantage (Doole & Lowe, 2012).

2.1 COMPARATIVE ADVANTAGE

International trade is a vital part of world economic activity, the trade between countries takes place because the notion of relative cost. A comparative advantage can be achieved in a variety of ways: sustained period of investment, lower labour cost, proximity to raw materials, subsidies to help native industries and building expertise in certain key areas. This theory is often used to explain world trade classically (Doole & Lowe, 2012).

When export goods, selecting an export channel is one of the most important strategic decisions for any exporting lamb firm. Direct export and Indirect export are major type of that (Hollenson, 2013).

2.2 DIRECT EXPORTING

Direct export means that the company does not pass domestic intermediaries (institutions), the products are sold directly to foreign customers. Direct export modes including export through foreign-based agents and distributors. By using this model, the firm can build their experience in exporting, have access to local potential customers and get more control of their business. However, some disadvantages including more investment in sales teams and cultural

difference may have an adverse impact on exporting (Hollenson, 2013).

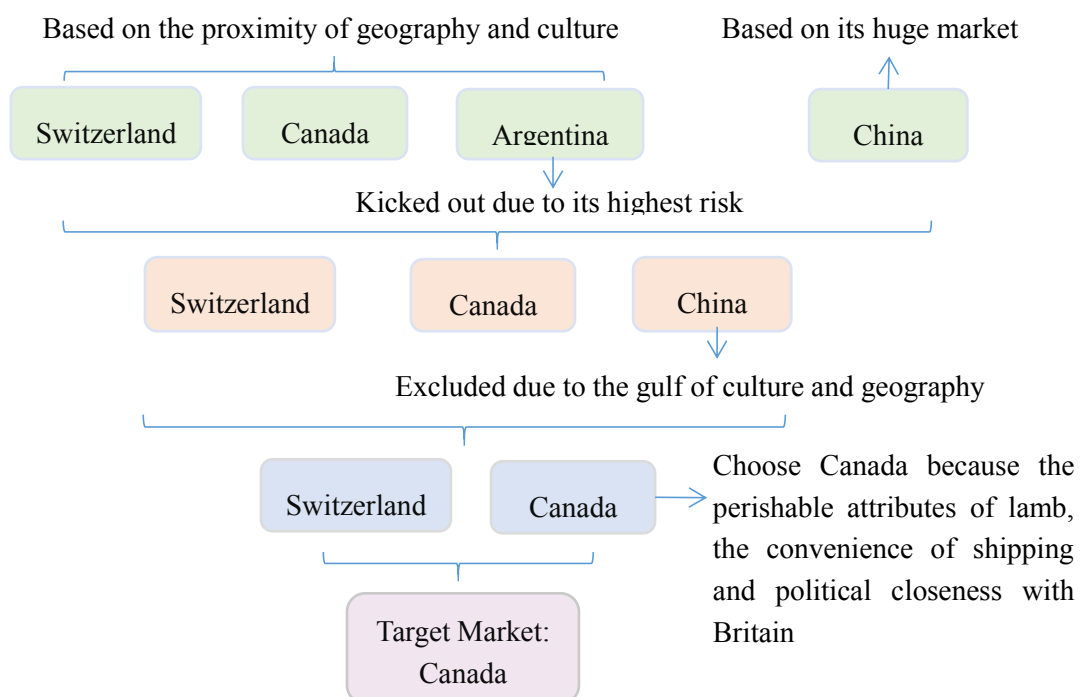
2.3 INDIRECT EXPORTING

Indirect export means that a manufacturer uses independent export organisations located in its own country. There are five main entry modes of indirect exporting: export buying agent, broker, export management company, trading company and piggyback (Hollenson, 2013). Indirect export mode allow the company to save costs of building channels, looking for new customers and monitoring process based on experiences of intermediaries. But, it also means spends on transaction costs and fees (Acs & Terjesen, 2006). Another disadvantage of using an intermediary the potential loss of control (Blomstermo, Sharma, & Sallis, 2006).

Both entry alternatives, direct and indirect exporting, have their own advantages and disadvantages, and which is better for a particular firm will depend on a number of different factors.

3 MAIN FINDINGS

The final choice of market entry is Canada.



In order to know market potential in these four countries, comparative analysis based on different aspects is conducted.

3.1 MACROENVIRONMENT ANALYSIS

The political and economic factors in the foreign environment can have a significant importance on the exporting choice. The marketer should monitor the government policies and its stability of host country environment before determining the final choice.

3.1.1 POLITIC ANALYSIS

Britain and Canada both belong to Commonwealth countries and are politically relatively close. As for Argentina, there is a dispute over the sovereignty of the Falklands between Britain and Argentina. Once Britain divorces itself from the EU, an important economy, Britain will certainly review its foreign strategy. The priority of developing relations with other large economies like China will be the top priority of diplomacy. Britain may pay more attention to the "golden age" of China-UK relations after it departs from the EU and give priority to the development of its relations with China so as to offset the negative effect of the Brexit. And China also actively seizes the favorable factors that the British government will take to exit the EU from Sino-British relations, adjusts and changes relevant policies in time, and actively strives for the Sino-British relations to develop in a more balanced direction.

3.1.2 ECONOMIC ANALYSIS

(1) GDP (Gross Domestic Product) & Inflation Rate

Gross domestic product is the most commonly used single measure of a country's overall economic activity (World Economic Outlook, 2017). Argentina is the most volatile one among these four countries, and China is the second one. Switzerland and Canada both keep a relatively stable GDP. In the past decade, China has slowed down, but it is still the largest one.

Inflation rate refers to the rate of increase of a specified price index (Black, Hashimzade, &

Myles, 2009). The inflation rate in the figure blow is measured using the consumer price index. The highest number of Switzerland is 6.5 in 1981. From that, the inflation rate in this country has been kept at a low and stable level. Similar to Switzerland, Canada's inflation rate is also one of the lower of these four choices of exporting country. The data of Argentina's inflation rate before 2010 was not found. It fluctuates slightly from 2010 and tends to increase. China's inflation rate has fluctuated widely before 2010 and has remained a relatively steady and low level since 2010.

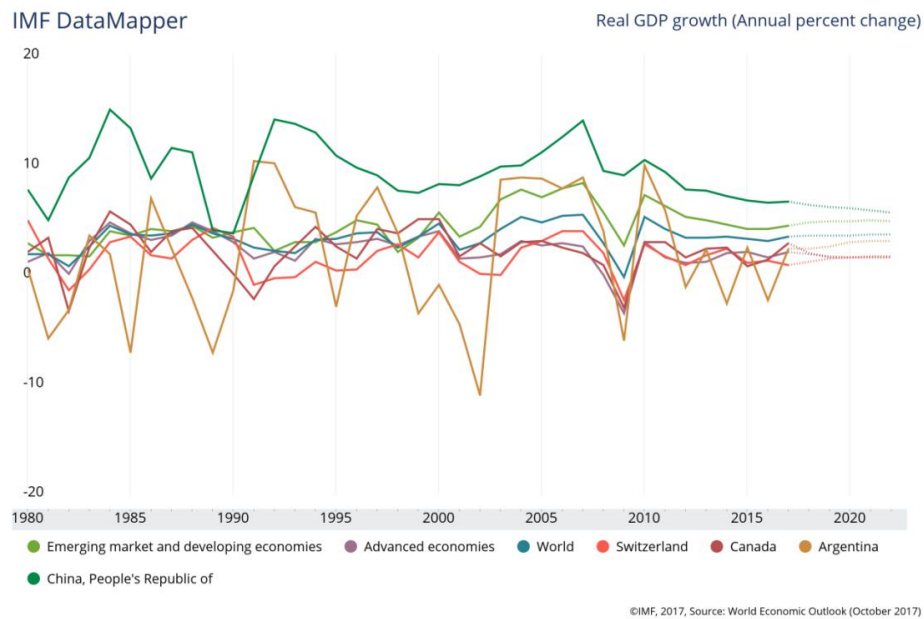


Figure 1. GDP in four countries from 1980 to 2017

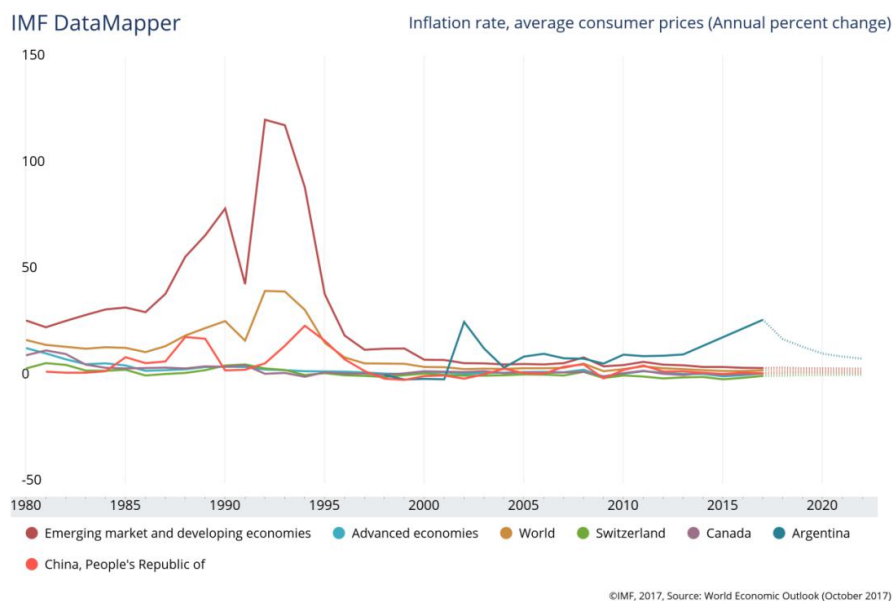


Figure 2. Inflation rate in four countries from 1980 to 2017

(2) GNI (Gross National Income)

For purposes of operational and analytical, the World Bank views gross national income as the vital criterion for classifying economies (World Bank 2014). It can represent total buying power in one country and then influence the market size and growth. Figure 1 shows that the GNI in four countries of the initial choice over the period 2013 to 2016. The GNI of these four countries all maintained a relatively steady state of development. The GNI in China is the highest one of the four countries, which means a powerful purchasing power, followed by Canada, Switzerland and Argentina.

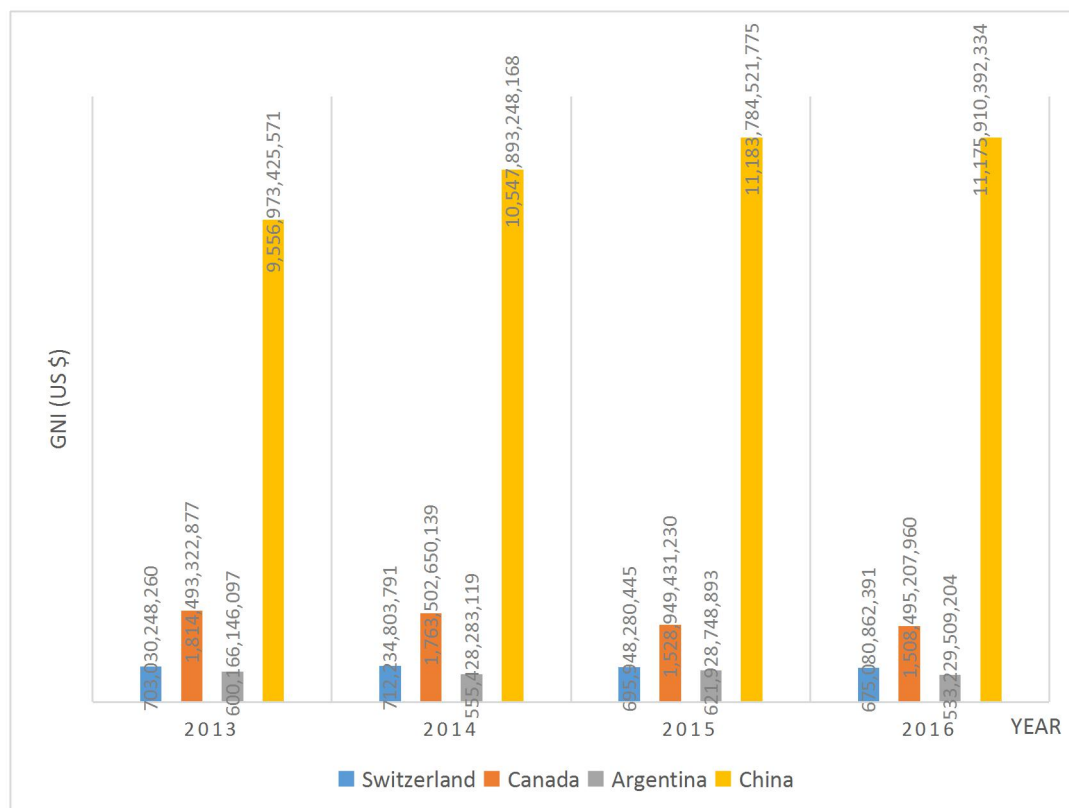


Figure 3. GNI in four countries from 2013 to 2016

(Data Sources: UNSD)

Apart from GDP, Inflation rate and GNI, stability of exchange rate of the host country is also one of the main factors that can affect the exporting.

(3) Stability of exchange rate

From the four pictures below, GBP, CHF, CAD, ARS, CNY are the currency of the United Kingdom, Switzerland, Canada, Argentina and China. GBP exchange rate against CHF、CAD and CNY are relatively stable in the last few years. Meanwhile, GBP exchange rate against ARS increased significantly from 7.5 to 29.7 units, is not conducive to exports to Argentina.



Figure 4. GBP/CHF from 2013 to 2018 (Data Sources: XE)



Figure 5. GBP/CAD from 2013 to 2018 (Data Sources: XE)

4 Mar 2013 00:00 UTC - 3 Mar 2018 22:44 UTC **GBP/ARS** close: **27.95053** low: **7.55220**
high: **28.20869**



Figure 6. GBP/ARS from 2013 to 2018 (Data Sources: XE)

4 Mar 2013 00:00 UTC - 3 Mar 2018 22:27 UTC **GBP/CNY** close: **8.75321** low: **8.18172**
high: **10.66081**



Figure 7. GBP/CNY from 2013 to 2018 (Data Sources: XE)

3.1.3 COMPARISON OF SOCIAL AND CULTURE

These four countries are viewed as strategically equivalent segments for Welsh lamb because of similarities across segments. Comparing to China, Switzerland, Canada and Argentina all have a cultural advantage. Britain and Switzerland both belong to the European countries; Welshmen arrived in Canada at the beginning of the 17th century and the mid-1800s Cariboo gold rush saw even greater numbers arrive; The Chubut province of Patagonia in Argentina was formed by Welsh settlers in 1865. Today there are still around 5,000 people who speak Welsh in the region (www.wales.com/language). These people who can speak Welsh and celebrate traditional Welsh festivals are more likely to taste Welsh lamb to some extent. Differ from western European countries, China has a high-context culture, which can make it difficult to communicate (Usunier & Lee, 1999).

Britain is closest to Switzerland, followed by Canada, then Argentina, and farthest from China. However, Switzerland is a landlocked country, which reduces the accessibility. In contrast, shipping lamb to Canada or Argentina is easier.

3.1.4 COMPARISON OF INDUSTRY

(1) Analysis of imports

The two bar charts below provide the information about the quantity and value of lamb import trade in four countries including Switzerland, Canada, Argentina and China over the period 2013 to 2016. Through the analysis of the characteristics of four countries' import trade of lamb, it is found that three countries except Argentina are all the major lamb exporters in the world. There was a sustained and stable quantity of Switzerland. At the same time, the total amount of lamb in Canada had risen steadily and reached about 320,800 kilograms by 2016. The data of Argentine lamb importing is not been found (Only the exporting data). For China, the number of lamb importing reached 13,186,947 kilograms in 2014. Compared with Canada and Switzerland, the fluctuation was dramatic in China but it kept the highest importing amount every year. Thus, the lamb market of China can be huge.

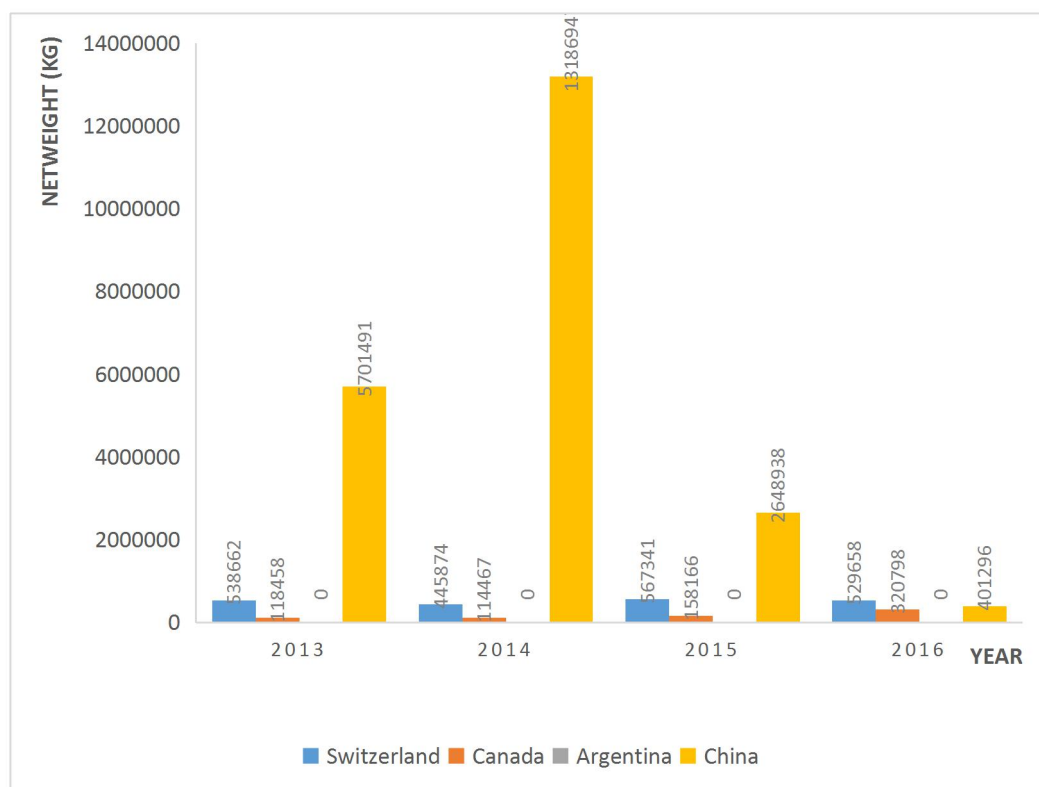


Figure 8. Importing trade of lamb amount in four countries from 2013 to 2016

(Data Sources: FAO & UN Comtrade)

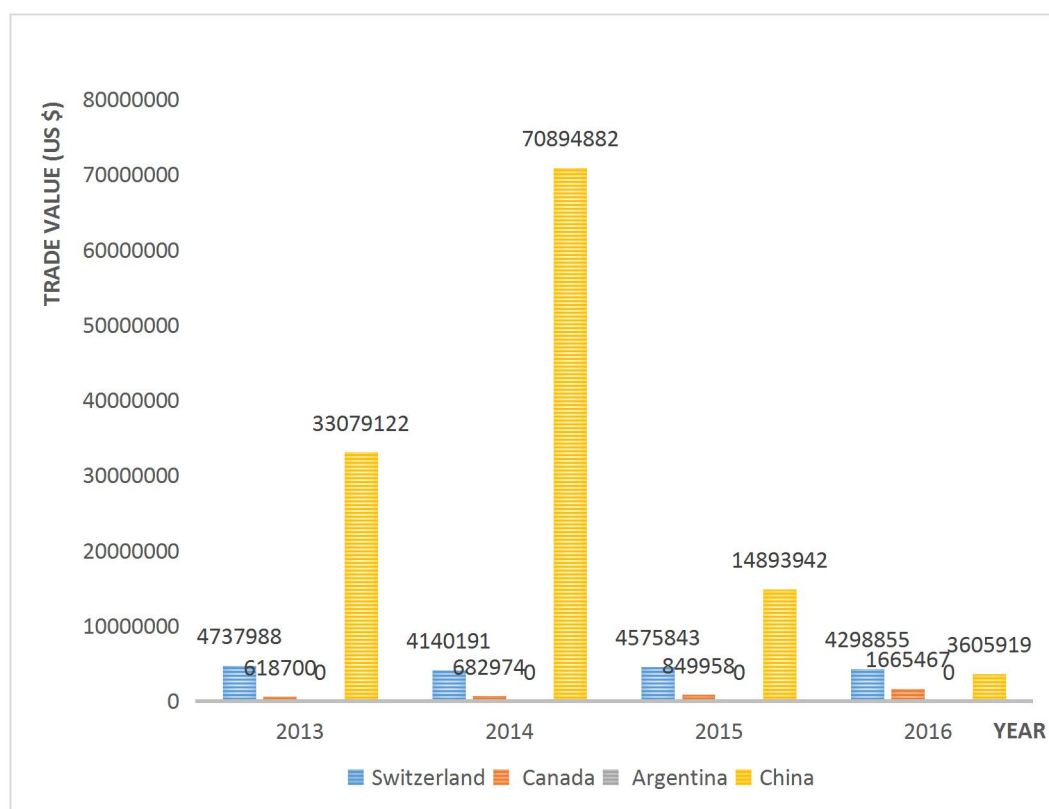


Figure 9. Importing trade value of lamb in four countries from 2013 to 2016

(Data Sources: FAO & UN Comtrade)

(2) Competitors of lamb exporting

New Zealand and Australia have been the two countries with the largest number of mutton exports in the world and the gap between the two countries' exports has been steadily shrinking. The total world export of lamb reached 6,704 million U.S. dollars in 2014, while that of New Zealand and Australia reached 2,540 million U.S. dollars , 2.534 billion U.S. dollars, accounting for 37.9% and 37.8% of the world total respectively. (Data Sources: FAO & UN Comtrade, calculated based on UN Comtrade database data). China - New Zealand Free Trade Agreement upgrade tend to achieve. other non-FTA partners like Britaib may loose price advantage because of the low tariff to New Zealand (Peter & Maureen, 2015).

3.2 SCREENING OF MARKETS

In accordance to the internationalization process of firms suggested by Uppsala school, environmental characteristics and firm characteristics can be potential determinants when a firm choose foreign markets. The screening process can be divided into two stages: preliminary screening and fine-grained screening (Gaston & Martin, 2011). Organisation like the Economist Intelligence Unit provide a risk service, and EIU uses five sets of indicator modules are Sovereign risk, Currency risk, Banking risk, Political risk and Economic structure risk. The EIU scored these 5 sets of indicator modules respectively, with scores ranging from 0 to 100. Then based on weight can calculate the value of each risk. The lower the score, the lower the risk. The corresponding levels from low to high are: AAA, AA, A, BBB, BB, B, CCC, CC, C, D. The following table shows that Argentina is the country with the highest risk and China is the second one. At the same time, Switzerland and Canada both keep a relatively risk.

	Sovereign risk	Currency risk	Political risk	Banking risk	Economic structure risk	Country risk	Rank
Switzerland	AA	A	AA	AAA	AA	AA	1
Canada	AA	A	AA	AAA	A	AA	1
Argentina	B	B	B	BB	B	B	3
China	BBB	BBB	BB	B	A	BBB	2

Figure 10. Country risk Evaluation in four countries

(Data Sources: eiu.com)

Considering the above factors, Argentina is the last one HCC will export Welsh lamb since its highest risk. Although China has a huge potential market, it is also excluded due to the gulf of culture and geography with Britain. Finally, both Switzerland and Canada can be a good choice for HCC to export lamb, but, because the perishable attributes of lamb, the convenience of shipping and political closeness, Canada is the best choice at this stage.

3.3 MARKET ENTRY STRATEGY FOR CANADA

Based on a long-term view, we are going to choose direct exporting strategy due to the following reasons. First, it can more quickly grasp the trends in foreign markets, which will help enterprises improve products, improve product adaptability to the international market and competitiveness; Second, it is conducive to accumulating cross-border marketing experience and establishing the reputation of enterprises in the international market, so as to be beneficial to exploring the international market. Third, it can increase the ability of enterprises to control the flow of products and prices (Hollensen, 2014).

We will export through a foreign-based agent. The reason for not choosing a distributor is that it is often appointed when after-sales services is required while lamb selling does not require too much . We can select the intermediary by finding information from institutions such as

trade association, poaching a competitor's agent and advertising in suitable trade paper.

4 CONCLUSION

By comparing macro-environment and micro-environment of Switzerland, Canada, Argentina and China, it is found that Argentina is the highest country, China is distant and has different culture though its potential market is huge, Switzerland is a landlocked country with limited mobility, Canada can be the best choice.

5 RECOMMENDATIONS

It is recommended that HCC can choose Canada as the exporting country. Then HCC can select a suitable agent to help it do marketing job.

6 REFERENCES

Black, J., Hashimzade, N., & Myles, G. (2009). *A Dictionary of Economics*. Oxford University Press.

Blomstermo, A., Sharma, D., & Sallis, J. (2006). Choice of foreign market entry mode in service firms. *International Marketing Review*, 23(2), 211 – 229.

China Agribusiness Report - Q2 2017, *BMI Country Industry Reports*, pp.1-129.

Dalvi-Isfahan, M., Hamdami, N., & Le-Bail, A. (2016). Effect of freezing under electrostatic field on the quality of lamb meat, *Innovative Food Science and Emerging Technologies*, Vol.37, pp.68-73.

Deborah, G., Frederick, E., Gewertz, D. & Errington, F. (2007). The Alimentary Forms of the Global Life: The Pacific Island Trade in Lamb and Mutton Flaps, *American Anthropologist*, Vol.109(3), pp.496-508.

Doole, L and Lowe, R. (2012). *International Marketing Strategy*, London: Thomson Learning. pp.40.

Hollenson, S., (2013). *Global Marketing*, London: Pearson Education Ltd.

Mahmut, Y. (2015). Direct and Indirect Exporting and Productivity: Evidence from Firm-Level Data. *Managerial & Decision Economics*, Vol.36 (2), p.109-121.

Marta, F. & Isabel, D., (2014). The Direct or Indirect Exporting Decision in Agri-food Firms, *Agribusiness*, Vol.30(2), p.148.

Peter, D. & Maureen, R. (2015). What's really at stake if the China FTA falls through, *Australian Mining*.

Usunier, J.C. & Lee, J.A. (1999). *Marketing Across Cultures*, Pearson Education Ltd.

<https://comtrade.un.org> [Accessed 26 Feb 2018]

<http://country.eiu.com> [Accessed 2 Mar 2018]

<http://data.un.org/Data.aspx?q=GNI> [Accessed 26 Feb 2018]

World Bank (2014). How we classify countries.

<http://data.worldbank.org/about/country-classifications> [Accessed 26 Feb 2018]

<http://www.imf.org/external/datamapper/NGDP> [Accessed 28 Feb 2018]

<http://www.wales.com/language> [Accessed 1 Mar 2018]

<http://www.xe.com/currencycharts> [Accessed 28 Feb 2018]

APPENDIX

Figure 1. GDP in four countries from 1980 to 2017 (Data Sources: IMF)

Figure 2. Inflation rate in four countries from 1980 to 2017 (Data Sources: IMF)

Figure 3. GNI in four countries from 2013 to 2016 (Data Sources: UNSD)

Figure 4. GBP/CHF from 2013 to 2018 (Data Sources: XE)

Figure 5. GBP/CAD from 2013 to 2018 (Data Sources: XE)

Figure 6. GBP/ARS from 2013 to 2018 (Data Sources: XE)

Figure 7. GBP/CNY from 2013 to 2018 (Data Sources: XE)

Figure 8. Importing trade of lamb amount in four countries from 2013 to 2016

(Data Sources: FAO & UN Comtrade)

Figure 9. Importing trade value of lamb in four countries from 2013 to 2016

(Data Sources: FAO & UN Comtrade)

Figure 10. Country risk Evaluation in four countries (Data Sources: eiu.com)