

CASE STUDY - HYBU CIG CYMRU HCC (MEAT PROMOTION WALES) and WELSH LAMB

Course: BA Business and Management

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In this report, analysis was done to find a new market for the company (Hybu Cig Cymru also known as Welsh Meat Promotion or HCC) to expand its products and services. Through the use of PESTLE analysis, we have picked out Hong Kong as the optimal market for the company to expand its region and products.

PESTLE Analysis of Hong Kong

Political

Hong Kong is a country that uses the, “One Country, Two Political Systems” ever since it was handed over from British colonisation to China in 1997. It's politics are based on the Basic Law that is approved by China. In 2016, Hong Kong is deemed as having the best governance indicators. With its leadership in pro-business policy, Hong Kong's businesses are mainly run by the private sector. The government's effectiveness in the implementation of the ‘Rule of law’ has resulted in a strong and successful economy where there are less government intervention and a free market regime.

The country's foreign policy is not affected by mainland China. Its presence as an independent country in both international and regional forums relating to trade and commercial. It would attract more foreign companies especially those looking to expand into the ASEAN market. Because the country has signed a Free Trade Agreement (FTA) with 10 of the ASEAN countries as of 2017. This allows them to trade with the ASEAN countries using Hong Kong as their agent into the ASEAN market.

Legal

The country's judicial system is based on the Basic Law. It acts as the fundamental laws of Hong Kong. This allows the judicial system to be independent from the government's executive and legislative branches. Thus, courts are making their own judgements.

Businesses in Hong Kong are most favourable for foreign investors as they have the freedom to choose any form of entity. Generally, the law is based on the British legal system, which gives them a range of commercial and company laws. The enforcement of contracts, settlements of disputes, and protection rights are provided in local courts. Both foreign and local businesses are applied by the same regulations.

Taxation is limited in Hong Kong. Where the withholding of royalties, and taxation on dividends are not subjected to the corporate sector, which means that the profits are the company's choice to be dealt with. Corporate Tax or also known as Profit Tax is the only tax that is implemented. 16.5% of profits are deducted to pay for it, and 15% for businesses who are incorporated.

Economic

Economically, Hong Kong is doing relatively well since 2016, as it has seen a rise in its economic growth of 2.1% (2016) and 3.8% (2017). The country's government predicts a growth of 3-4% in 2018.

Major Economic Indicators

	2015	2016	2017	Latest
Population, Mid-year (million)	7.29	7.34	7.39	
Gross Domestic Product (US\$billion)	307.5	319.3	341.4	
GDP Per Capita (US\$)	42,200	43,500	46,200	
Real GDP Growth (%)	+2.4	+2.1	+3.8	
Inflation (% Change in Composite CPI)	+3.0	+2.4	+1.5	+1.7 ^a
Unemployment Rate (%)	3.3	3.4		2.9 ^b
Retail Sales Growth (%)	-3.7	-8.1	+2.2	
Visitor Arrival Growth (%)	-2.5	-4.5	+3.2	

^a year-on-year change in January 2018; ^b seasonally adjusted, November 2017-January 2018.

source: Hong Kong Trade Development Council

GROSS DOMESTIC PRODUCT (GDP)

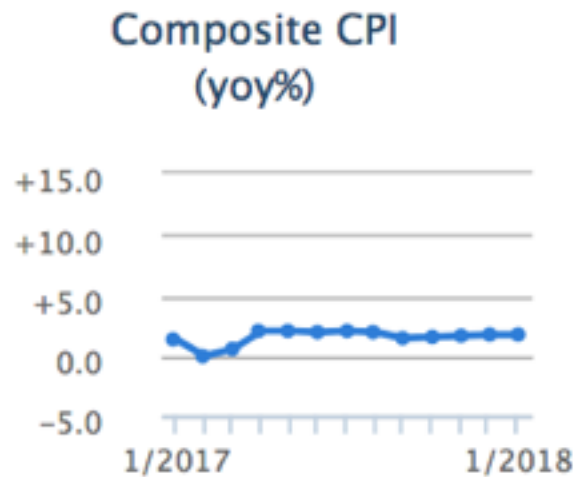
The country's GDP has increased from HK\$ 678,876 (Q4/2016) to HK\$ 720,897 (Q4/2017). In the current markets, its GDP per capita has increased steadily from HK\$ 339,490 in 2016, to HK\$ 360,220 in 2017.



Source: Census and Statistics Department (Government of the Hong Kong Special Administrative Region)

INFLATION RATE (CONSUMER PRICE INDEX, CPI)

The inflation rate of the country has maintained at a low level, below 3%. This means that the country is experiencing moderate inflation. The CPI of the country is separated into three households. Those of low income spent about \$5,800 to \$25,700. Middle income households are \$25,700 to \$46,400, and the high income, \$46,400 to \$93,800. Thus the overall CPI for 2017 is equivalent to \$5,800 to \$93,800. As of January 2018, it has increased 1.7%.

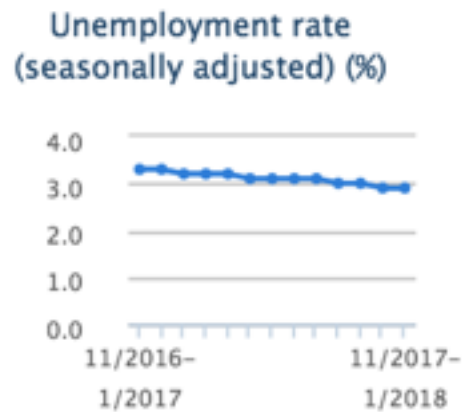


source: Census and Statistics Department (Government of the Hong Kong Special Administrative Region)



UNEMPLOYMENT RATE

The rate of unemployment in the country has steadily decreased from 3.3% in 2016, to 2.9% in January 2018. This shows that as the Hong Kong market expands overtime, it increases job opportunities for its citizens thus decreasing unemployment within the country. With the involvement if the HCC company into Hong Kong's Lamb market, it would increase more jobs for the citizens.



source: Census and Statistics Department (Government of the Hong Kong Special Administrative Region)

Social

The overall population of Hong Kong, is 7.3 million. The population of its citizens is measured through the natural increment and the net movement of its citizens. As of mid-year 2017, the population was at 7,391,700 people. From there it is revised that the population growth rate would be 0.8% from mid-2016 to mid-2017. The average life expectancy of the citizens are 81 years old for men, and 87 years old for women.

English being the lingua-franca of the world. Hong Kong stands at number 29 out of 80 countries, according to the English Proficiency Index (EPI). It is considered as moderate proficiency, as English is one of their major languages second to Chinese (mainly Cantonese). Thus making promotion and business deals run more smoothly.

The lamb meat consumption in Hong Kong is moderate at 3.1 kg per capita. In terms of volume, Hong Kong has a high per capita of meat and seafood consumption. “One in Four Hongkongers eat more than twice too much red meat daily” (Chiu, 2016). Though there are health concerns regarding the amount of their meat consumption as it could lead them to have cancer.

Technology

Hong Kong has six Research and Development (R&D) centres that prioritise in automotive parts and accessories, advanced materials and nanotechnology, management enabling technologies in logistics and supply chain, ICT, and the clothing and textiles industry. They encourage companies to conduct industry-oriented R&D to promote transfers of technology.

Environment

The country has many policies and ordinances regarding the environment. It mainly focuses towards the ecosystem of the country and public health. Priority is given towards water pollution, air pollution, and the solid waste management.

Suggested Market Entry Modes

The mode of entry is decided over the factors that were discussed in the previous analysis and further research. From there, it is found that the best mode of entry would be through an Agent. This could be justified through the factors below.

Hybu Cig Cymru or Meat Promotion Wales has promoted the Welsh lamb over 14 countries. Therefore the company has experiences of the international market and it has some departments within it to maintain the efficiency and quality it produces. The products that they are promoting would be the Welsh Lamb meat. The meat itself are of high quality, and it is Protected Geographical Indication (PGI) certified.

Recently, the company established a Welsh meat club in Hong Kong. The club members consists of retailers, chef, restaurateurs, and some of the company's staff. They had found that the local chefs, restaurateurs, and retailers often source the Welsh lamb meat to their customers. They implement the meat into their menus. It had helped in the promotion of the quality and exclusiveness of the Welsh lamb to their customers. It is possible that the club members promote the meat's flexibility and adaptation to the local pallet.

The social culture of both the United Kingdom (UK) and Hong Kong differ from one another. Language is not a problem when it comes to doing business and promotion in Hong Kong, because the country's main languages are English and Mandarin (mainly Cantonese). In term their business culture, Hong Kong is a country that does business in a fast and efficient pace. Therefore it is important that the company adopts agents who can keep up in fast decision makings of the local markets and are bilingual.

The market size of the lamb meat is moderate to low as compared to beef and pork. According to the WorldBank, the country's population is 7.347 million as of 2016. Thus the intensity of the competition is quite high. HCC would have to compete with China, Australia, and New Zealand. China being the biggest importer for lamb meat in Hong Kong at 46%, while the UK is only 2.1%.

In business, not everything runs smoothly. There are some risks and uncertainty that may occur during the operation. Beginning with the political risks, the new head of executive power embodies continuity. The main challenge is the poor management of discontent towards the relations with the opposition and the China government. Next, the arising prodemocracy party. Because of this, the freedom of speech and media is slowly loosing its power. Which might impose a problem in promoting the Welsh lamb through media. Other than that, the people of Hong Kong were promised of a universal suffrage in the 2017 elections of the country, but the Chinese government has insisted to poses the power to decide the nomination process of the candidates.

Next, the economical risks that might happen during operation year. In an article, it stated that the economical activities in Hong Kong may slow down due to the Chinese economy, and, the tariffs and trade barriers that has a negative impact on the export of goods and services. Another potential risk is that the Chinese government has suggested for Hong Kong to anchor their currency to the RMB instead of the USD. They refused and continued on anchoring their currency to the US Dollar because they deemed it unstable. There could also be a lag in the port industry as there is a high competition from the mainland China ports.

Conclusion

The country Hong Kong is a suitable market for Hybu Cig Cymru to promote the Welsh lamb. Hong Kong is a business centric country, making it attractive for many foreign investors to flock to the country and start their own business. Because of the country's "one country, two systems", it gives Hong Kong full independence of its political and legal institutions. The country's business is fully run by the private sector, thus the government intervention is low. There are no taxes that are implemented on both the local companies and international businesses. Though the corporate tax still applies to both parties. Economically, the country has seen a slow growth from 2015 to 2017, and it is expected to increase its growth further by 3-4% according to the Hong Kong government. The country acts as a gateway to both mainland China and the ASEAN countries, as they have recently formed a free trade agreement between themselves and the ASEAN countries.

The mode of entry is via Agent. Because it is found that it suits better in the situation they are in. They have already established a meat club in Hong Kong where its members consists of professionals from the food industry and the retail industry. The chefs and restaurateurs help promote the welsh meat through their menus in the restaurant and the dishes that they produce.

It is best to use them as the company's ambassador and agent. Because they know the Ins and Outs of doing business in Hong Kong. They are more knowledgeable towards the taste pallets of their customers and the business environment of the country.

Recommendations

It is recommended that the company chooses Hong Kong as their potential market. The recommended market entry would be via Agent.

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