

Market Selection and Entry Strategy for Welsh Lamb



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1 Introduction

This report is going to identify a new market and offer entry strategy for the Welsh lamb. In the market identification, Johnnasson's model will be used to screen and select a country by three stages: country identification, preliminary screening and in-depth screening. Switzerland is chosen as the key market and direct exporting is evaluated as a proper entry strategy for HCC with analysis.

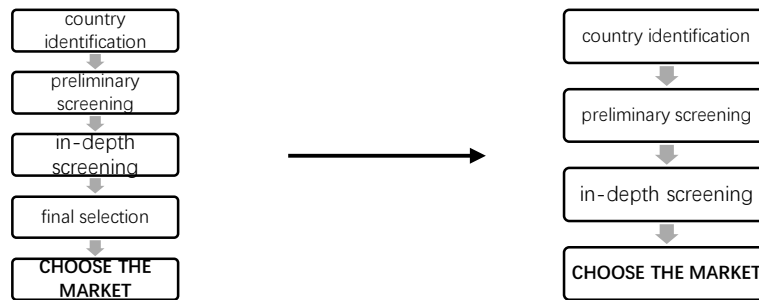
2 Background information

HCC is an organization that helps to promote Welsh red meat and support the activities relevant to each part of the supply chain. HCC aims to improve quality, increase cost effectiveness and add value to red meat products across the whole supply chain in Wales. Meanwhile, HCC seeks to raise awareness of and demand for Welsh Lamb and Welsh Beef on a global scale (hccmpw.org.uk, 2018). Welsh lamb is high quality and reliable as it being award the PGI status by the EU. But as the Brexit issues, HCC is probably export lamb to EU with high tariff and barriers. So it is urged to promote a new market for Welsh lamb.

3 Identifications of new markets

Switzerland is potential to be the next new market for Welsh lamb. Because it has a short geographic and psychic distance to the UK which allow HCC to decrease the cost of transportation and avoid huge cultural differences. Moreover, Switzerland has stable situation for doing business, compared to the other part of Europe. And it shows high market attractive.

In this part, Johnnasson(1997)'s model is applied to select the new international market for HCC. Different from the original model, this article uses a modified edition due to the limitation of recourse that can be accessed to.



	Objective	Action
Stage 1 country identification	identify candidate region and countries	wide-ranging and informal analysis about the macro situation and meat industry
Stage 2 preliminary screening	eliminate some risky countries by macro-level analysis	PEST analysis
Stage 3 in-depth screening	evaluate market attractiveness (market potential) then elect the key market	market attractiveness/ competitive strength matrix (choose criteria, assign weight, score, rank, pick out the key market)

3.1 Stage 1 – country identification

Looking around the global market, dividing the market by the continents is an informal but effective way for doing a research in the beginning time. So I mainly divide the market into 4 part: Asia, Europe, Africa, America.

Asia

According to the data from FAO, Asia is the biggest sheep meat importer during the continents in recent five years. And China contributed the biggest part to the market. In 2017, the sheep meat consumption of China was 4,852 thousand tonnes, which was more than four times that of the EU

countries (1,114 thousand tonnes) (OECD, 2018). This is resulted from the increase of personal incomes, Chinese urbanization and the 1.4-billion population. Besides, some small markets like Malaysia and southeast Asia had a considerable demand for sheep meat.

Although the huge volume of market in China is attractive, fierce competition exists between many exporters. New Zealand has been the largest supplier throughout the 2008 to 2014 period, with market share ranging from 52 to 56% and the rest of the market was mainly taken place by Australia and the UK (Colby, 2015). However, the geographic and psychic distance between the UK and Asia cannot be ignored. Organizations are supposed to spend a lot in dealing with cultural differences and transportation.

Europe

Europe has been the second largest sheep meat importer since 2012 and it kept being in the first place before Asia overtook it (FAO, 2018). It is inevitable that the UK market plays an important part of global sheep meat trade. On the other hand, either geographic or psychic distance between the European countries are so closed that trade can be less risky.

It is considerable that Brexit are influencing the trade activity between the UK and the EU countries in varies aspect. That may finally result in losing of the majority of the European market.

Africa

The Middle East/North Africa (MENA) and especially the Gulf States is a critical region for imports. In 2013, sheep meat trade for the region amounted to over 180,000 tonnes (Colby, 2015). Besides, South Africa has traditionally been the UK's largest export and import market in Africa (Ons.gov.uk, 2016). With the economic growth led by oil and the tradition of consuming sheep meat, this region shows high buying power in lamb.

Although African countries are geographically closed to the UK, there are significantly difference in culture aspect, like religious and social structure, between these two areas. Moreover, the issues

of polity in some African countries, such as wars and terrorism, cannot be ignored when doing trade and business among them (gov.uk, 2015).

America

Data from FAO shows that the quantity of sheep meat imported by American countries was more than three times less than that of Asia and Africa. And the geographic distance between America and the UK is rather long which may cause extra cost in oversea transportation.

	Distance (geographic & psychic)	Demand	Problem
Asia	Relatively Long	The largest sheep meat importer	Fierce competition
Europe	Short	The second largest sheep meat importer	Brexit
Africa	Relatively short	Crucial area, increasing market	Unstable political situation
America	Long	Not notable	

- ✧ **In this stage, Europe was chosen as the potential region. Because the cultural similarity between the European countries allow the HCC to avoid risk of that. And there are still much active markets among non-EU countries, which shows the great volumes of market in the Europe.**

3.2 Stage 2 – preliminary screening

Due to Brexit, the political and economic situation in Europe changed significantly and became more unpredictable. The following is a brief macro analysis about Europe.

Political	During the Brexit negotiation, the trade relation between the UK and the EEA countries are not clear. And the tariff and trade barrier are unavoidable after
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	Brexit (Stone, 2018).
Economic	● Eastern Europe shows lower purchasing power parity (PPP) across Europe (CityLab, 2016). ● Compared to western European countries, Nordic countries have lower disposable incomes, especially in Denmark (CityLab, 2016).
Social	● the UK society's attitude toward the eastern Europe immigrant is tough. ● The religious difference between the central and eastern European and the western European are notable (Pew Research Center's Religion & Public Life Project, 2017). ● Language barrier. English-language penetration in Eastern European countries is basically lower than others (Languageknowledge.eu, 2012).

✧ **In this stage, according to the PEST analysis, EU countries and eastern European countries were eliminated because of the high political and social risk. Therefore, three countries (Switzerland, Iceland, Norway) are selected to be into the in-depth screening part in the last stage.**

3.3 Stage 3 – in-depth screening

Referencing to Decuseara(2013), some indicators and their weights are chosen to appropriately evaluate the potential markets.

Indicators on market attractiveness:	
GDP/capita	GDP is commonly used as an indicator of the economic health of a country, as well as a gauge of a country's standard of living. It measures the ability of people to consume goods, cars and homes (Decuseara, 2013). Switzerland has the highest GDP, followed by Norway and Iceland (Imf.org, 2017).

Population	Population influences the market size. Switzerland has the largest population, followed by Norway and Iceland (Worldometers.info, 2018).
Consumer spending	Depending on the size of consumer spending, we can assess the consumption level of consumer goods (Decuseara, 2013). Norway has the highest consumer spending, followed by Switzerland and Iceland (Tradingeconomics.com, 2017).
Market entry barrier	Norway and Iceland are EEA countries which may cause tariff and trade barrier after Brexit.
The volume of import	It shows the level of opening of the country to goods and services coming abroad (Decuseara, 2013). Switzerland has the highest consumer spending, followed by Norway and Iceland (FAO, 2018).

	Indicators	The weight of factors	Switzerland		Norway		Iceland	
			grade	Weighting value	grade	Weighting value	grade	Weighting value
Market attractiveness	GDP/ capita	0.25	4	1	3	0.75	2	0.5
	Population	0.25	4	1	3	0.75	2	0.5
	Consumer spending	0.25	3	0.75	4	1	2	0.5
	Market entry barrier	0.15	4	0.6	3	0.45	3	0.3
	The volume of import	0.10	4	0.4	3	0.3	2	0.2
	Score	1	-	3.75	-	3.25	-	2

- ✧ **Switzerland gain the highest score between three countries, followed tightly by Norway. But Iceland get a notably low mark. Therefore, Switzerland shows high market attractiveness and become the selection for HCC.**

4 Entry strategy

In terms of the market entry strategy, HCC should apply the direct exporting strategy. This strategy is less risky than foreign direct investment and allow HCC gain more power of controlling. Also, HCC is experienced in exporting welsh lamb and beef to foreign market, which means that they are capable to operate it. For direct exporting, the approach of using agents or distributors would be appropriate to HCC. Because it is a normal and widely used approach for most of the meat product exporting that needs more control on the business.

4.1 Market similarity

High degree of similarity between Switzerland market and EU market decrease the cost in dealing with region differences and the risk of failure. No matter when communicating with consumers or managing distribution business, this similarity helps to narrow the gap between HCC and their customers or distributors.

- **A tradition of consuming sheep meat**

Switzerland has a tradition of consuming sheep meat which reduce the risk of cultural difference in food. Swiss cuisine combines influences from the German, French and North Italian cuisine and these countries are one of the biggest sheep meat consuming areas in Europe. Besides, some data shows that Swiss generally prefer eating lamb rather than other meat. In 2015, an average American consumed 95.4 kg of meat while an average resident of Switzerland ate 47.1 kg, slightly less than half the amount. But the only meat where Swiss consumption was ahead of American was lamb (Le News, 2017).

- **Consensus on quality standard**

Welsh Lamb and Welsh Beef were granted Protected Geographical Indication (PGI) status by the European Commission. Through the logos, consumers can easily recognize these traditional quality products and can rely on their authenticity (European commission, 2017).

Welsh lamb is viewed as high quality meat product in Europe which allow it to satisfy Swiss lamb consuming need and being accepted by Swiss people who are in higher living standard easily.

4.2 Highly experienced and capable exporter

As the fact that HCC has exported Welsh lamb to EU successfully, they are experienced and capable to do that. And through experience, HCC gain the ability to reduce operational uncertainties and financial risks.

- **Communicating ability and information access**

Successful direct exporting requires organization to be capable in communicating with consumers and representatives because this ability allows them to precisely understand the want of consumers and effectively manage the representatives. Besides, the degree of information access decides the extent of distribution network and the speed of reflection. For HCC, they access industrial information and searching potential buyers by attending some international food trade shows. Meanwhile, HCC produced documents in a number of foreign languages to promote the qualities of Welsh meat to potential importers, while point of sale material has been produced for some key markets to promote the unique flavour and versatility of Welsh Lamb to shoppers abroad (hccmpw.org.uk, 2018). These behaviours indicate a strong willing and positivity to keep touch with the market from HCC.

- **Operational capacity**

HCC has already exported Welsh meat to more than ten EU countries for years, gaining high experience in doing this exporting business. And it means that HCC has the basic operational ability to export Welsh lamb. Moreover, HCC are financially supported by government which guarantee the funds of operating oversea exporting business.

4.3 Necessity of control for meat exporting

The degree of control can significantly influence the quality of meat product and the interaction with end users. Having right to choose the appropriate distributors for organization can help to offer fresh lamb and collect feedback from users.

- **Keep the lamb fresh**

Direct exporting allows HCC to decide how to distribute lamb and who to sell lamb. The storage and transport of meat should be done under proper environment condition, such as temperature and hygiene.

- **Feedback is valuable**

Feedback from end users is valuable. Because it is a kind of interaction with customers and offers organization a chance to collect the real reaction from them.

5 Conclusion

To sum up, Switzerland is believed to be a key market for Welsh lamb and finding agent to help distributing product is an appropriate opinion for Welsh lamb to enter Switzerland. Considering the distance, stability of macro situation and market attractiveness, Swiss market shows much potentiality for Welsh lamb. For the entry strategy, direct exporting allows HCC to control more part of the business which is important for meat exporting. And the risk of it can be effectively avoided because of the market similarity and operational capacity.

6 Recommendations

- ✓ HCC should sell Welsh lamb to Switzerland.
- ✓ HCC should apply direct exporting strategy and employ representatives to distribute product for them.

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