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Assignment Title: Designing an International marketing mix



----- Global Marketing Strategy (M3X9086)

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Executive summary

According to Serpell's research on animal companionship(1989), with the improvement of people's living standards and lifestyle changes, people's consumption and the way of emotional sustenance have also undergone major changes (Tine,2015). As a popular way of life and leisure, keeping pets has been recognized by more and more people, which has caused the pet industry to grow explosively (Kestenbaum, 2018). According to data from the American Pet Products Association, nearly 85 million households have pets, and the pet ownership rate has risen from 56% to 68% in all households in the past 30 years.

The research object of this report is Yantai Pet Foods Co., Ltd., by analyzing the Korean pet market environment to design a suitable marketing mix strategy for the enterprise. Based on the analysis of the four aspects of price, product, channel and promotion, the following conclusions are drawn: Yantai Pet Foods company in South Korea should adopt low price strategy, at the same time, the data show that South Korea's local consumers prefer dry pet food and shopping channels to buy pet products, so the Yantai Pet Foods company need to notice when entering the South Korean market, and focus on developing network sales platform and dry pet food.

Since the current pet food market in South Korea has not yet reached saturation, its development space is still very large, and consumers also have great consumer demand, which brings great opportunities for Chinese pet food companies to enter overseas markets. Yantai Pet Foods company in the overseas market are also facing fierce competition among the same industry, so the company need to do a lot of marketing work to cope with the complex market environment.

1.0 Introduction

1.1 The brief description of Yantai China Pet Foods Co., Ltd.

As a professional high-end pet food production enterprise, Yantai Pet Food Co., Ltd.'s business philosophy is "Pets are not only our friends but also our family"(Wanpy,2017). Since its establishment in 1998, Yantai Pet Foods Co., Ltd. has been committed to developing nutritious and healthy pet food for pets. Yantai Pet Foods Co., Ltd.'s total sales in 2013 were around ¥1.5 million, of which pet-related products accounted for about 30% (China Pet Foods, 2017).

Although Yantai Pet Foods Co., Ltd. has a place in the local sales market, it still faces fierce competition to enter the Korean pet market. Various competing companies have adopted a variety of marketing modes to survive, it will make the marketing of Yantai Pet Foods Company difficult. It is important for Yantai Pet Foods Co., Ltd to formulate an appropriate marketing strategy in order to meet the differentiated needs of the Korean pet market and increase profit margins.

1.2 The structure of this report

This business report selects Yantai Pet Foods Co., Ltd as the research object, and analyses the marketing environment of Yantai company enters the Korean pet market by using relevant theories such as the international marketing mix strategies. In order to ensure the smooth implementation of Yantai Pet Foods Co., Ltd. 's international marketing mix, some recommendations are put forward from the following aspects, such as establishing modern international marketing concept, increasing investment in product research and development, cultivating international marketing talents and establishing good cooperation with suppliers.

1.3 The theories of report

The theory of international marketing from scholars Bandi and Bhatt (2008) shows that international marketing is different from domestic marketing, it is a "cross-cultural" marketing activity. Due to the unbalanced economic development in different countries in the world, the values, policies and legal systems are different, which makes the international marketing more complex and difficult than the domestic marketing environment.

The marketing strategy mainly has the following four aspects: product, price, promotion and place.

The combination of these strategies is called a marketing mix. The basic core of the marketing mix is to formulate product strategies, then formulate price, promotion and distribution channel strategies in order to achieve the purpose of "sending the product to the right place with the right product, the right price and the right promotion method" (Cousins,2018). The quality of an enterprise's operation also depends on the comprehensive effect of the above combination strategy decision and application.

2.0 Main findings

2.1 The pet food industry in the target market

With the development of China's economy, more multinational companies are in line with international standards (Changhong,2014). Yantai Pet Foods Co.,Ltd as one of the earliest companies engaged in the pet industry in China, also began to focus on expanding to overseas markets. South Korea, as one of the biggest potential market for Yantai Pet Foods Co.,Ltd. It imported \$148 million of pet food in 2015, while China accounted for the largest market share of 29% (\$43.3 million) in Korea's pet food imports, followed by the US, France and Thailand.(Youngsook,2016)

According to data provided by the Korean Ministry of Agriculture, about 17.4% of Korean households owned at least one pet in 2010, this proportion had risen to 21.8% by 2015. The increase in households with pets naturally leads to an increase in the market size of the pet industry (Petfair Asia, 2019) In 2012, the market for South Korea's pet industry was about \$790 million, and the market reached \$1.7 billion in 2015 (koisra, 2019).

2.2 Marketing mix for Yantai China Pet Foods Co., Ltd in the Korean market

2.2.1 Price strategy

Adopting a flexible pricing strategy is conducive to exploring market opportunities and achieving the overall goals of the enterprise (Roy,2015).

According to a survey by Mertes (2020), it is found that 85% of consumers think that the price should be appropriate to purchase pet products, and dog owners will not spend a lot of money on their pet products. They will look for online products or shop between stores to ensure that the purchased products do not exceed their budget. Because the pet market in South Korea is relatively mature, it is very sensitive to price (ExportNZ,2016). Price is one of the most important factors for their transactions, and these markets are close to China. Importers are also easier to understand the domestic situation and familiar with the domestic situation(Hye Rim,2019). Therefore, Yantai Pet Foods Co.,Ltd should adopt low prices to attract local consumers and win the market.

2.2.2 Product strategy

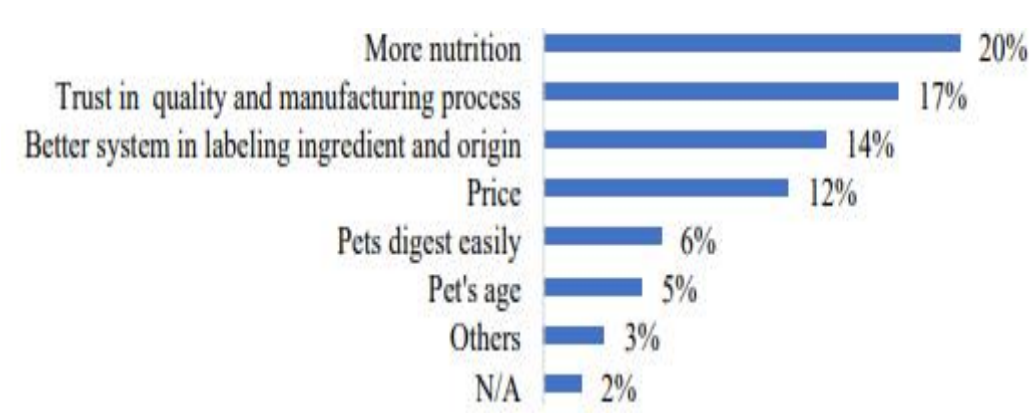
Marketing activities are based on satisfying consumer demand, and consumer satisfaction can only be

achieved by providing corresponding products or services (Dominici,2009).

Therefore, the products sold by Yantai Pet Foods Co., Ltd in the Korean market need to meet the consumption characteristics of local consumers. The company needs to avoid brand image damage caused by the disconnection between products and consumers' expectations, and it should allow consumers more choice in pet food varieties. In the Korean market, dry food products are different from pet snacks and wet food products. Dry food is a staple diet for pets and is a product that is consumed every day (doghealth,2017). Therefore, the dry food market is the most competitive. According to Euromonitor International (2015), dry food accounts for 95 per cent of the Korean pet market, while wet food accounts for 5 per cent. Therefore, most of the pet food purchased by Korean consumers is dry food, and Yantai Pet Foods Co., Ltd can provide more dry food products in the Korean pet market according to the consumption characteristics.

In accordance with research by pet industry expert Phillip Cooper (2018), most consumers do not want traditional pet food. They want to know the ingredients and care about the health and quality of products. According to figure 1, the current demand for pet food in the South Korean pet market is becoming more healthy. Therefore, Yantai Pet Foods Co., Ltd should promptly comply with the requirements of the South Korean market and change the traditional way of thinking to adapt to consumers and concern about the health needs of pets. In order to emphasize the characteristics of healthy and high-quality products, the company can develop health-oriented pet food to meet the pet's needs for vitamins, proteins, and minerals, and bring a brand new brand experience to consumers.

Figure 1: Reasons for Purchasing Imported Pet Food Products



Source: Korea Pet Food Association

2.2.3 Promotion strategy

Promotion is information communication activities carried out by enterprises to customers, and through the information transmitted to consumers, consumers are encouraged to have a good impression on the products of the enterprise and stimulate their willingness to buy. Companies need to use different promotional methods to gain an advantage in the competition (Dominici,2009).

According to Buelva (2020), as online pet food retailing becomes mainstream in South Korea in 2016, it contributes at least 30 per cent of pet food revenues each year. Therefore, Yantai Pet Foods Co., Ltd can cooperate with online media and promote its pet food through online promotion when entering the South Korean Market. The use of media communication through the way of advertising. At the same time, according to the characteristics of the Internet era, the company can intensify network promotion and use social media platforms to increase corporate exposure and visibility, so as to improve the public praise effect (Newberry,2018).

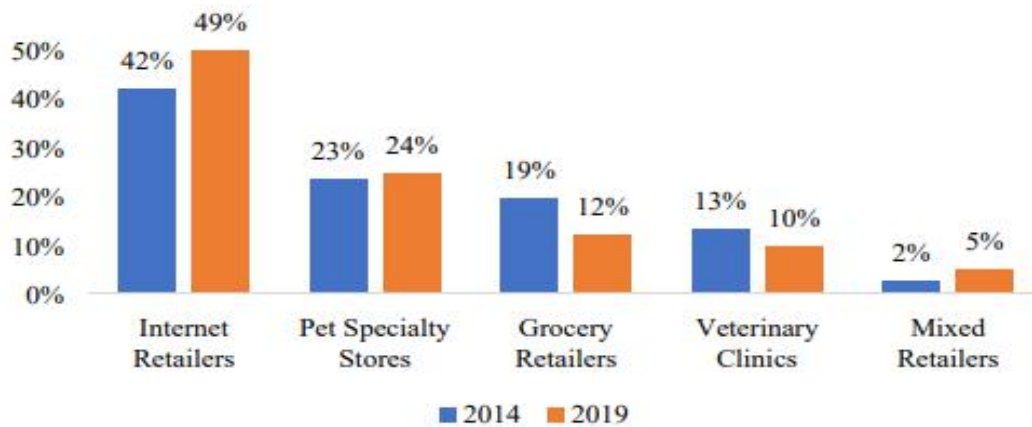
Moreover, the pet industry contains the emotional factors of consumers, so it can establish a caring image in the minds of consumers by participating in activities such as social welfare, the rescue of stray cats and dogs, and small animal protection associations(Sheril,2014).

2.2.4 Place strategy

The distribution channel refers to a series of links through which products move from production enterprises to end consumers (Louis, 2010). For the pet food industry, the construction of channels is crucial. According to the report of Euromonitor (2010), the pet market in South Korea is divided into traditional sales channels, such as the pet market, supermarket, farmers' market and so on. There are also online sales channels.

As one of the global leaders in Internet sales in 2016, the Korean e-commerce market is growing rapidly (s&p global,2016). According to South Korea Pet Food Market Forecast report(2019), pet food sold via the Internet by 2022 is expected to reach approximately \$ 180 million, accounting for more than 22% of the entire pet food market and surpassing other sales channels. As can be seen from figure 1, online retailers are the most popular pet food shopping channel in South Korea, therefore, Yantai Pet Foods Co., Ltd should currently focus on online channels and sell through B2B, B2C websites or its own official website. Since online sales do not have a series of expenses such as store rent and decoration.

Figure 2: Pet Food Distribution Channels (by Retail Value)



Source: Euromonitor

2.3 Competitor analysis

There are many brands in the pet food market. Similar products and brands that form a direct competitive relationship with Yantai Pet Foods Co.,Ltd include LUSCIOUS, PETDOG and some other Chinese pet food brands. Moreover, the survey finds that there are more than 30 local pet food brands in the Korean market. According to figure 3, Royal Canin is the most popular pet food brand in Korea (Stephen, 2013). To compare with the products of the above brands, Yantai company is less differentiated and it faces fierce competition. Moreover, relative to the Yantai company really started to pet food marketing is concerned, these pet food companies already have a wide sales channel and a relatively high market awareness in the South Korean market, which brought a certain obstruction to Yantai Company when entering the Korean market (Hye Rim,2019). Yantai company need to design a suitable marketing plan to gain a competitive advantage, and the successful experience of these competitors can also provide a certain reference for the development of Yantai Pet Foods Co., Ltd.

Figure 3: Pet Food Companies and Brands in Korea

	Dog Food	%	Cat Food	%
1	Royal Canin (Mars Inc)	14.3	Royal Canin (Mars Inc)	16.6
2	ANF (Kodo Inc)	7.6	Catsrang (Daejoo Co Ltd)	12.3
3	Natural Core (Natural Core Co Ltd)	7.6	Ciao (Inaba Pet Food Co Ltd)	6.3
4	Cesar (Mars Inc)	4.7	Natural Balance (JM Smucker Co, The)	5.2
5	Dograng (Daejoo Co Ltd)	4.0	ANF (Kodo Inc)	4.2
6	Prunus (CHD Medics Co Ltd)	3.8	Probest (Daehan Feed Co Ltd)	4.1
7	Probest (Daehan Feed Co Ltd)	3.3	Temptation (Mars Inc)	3.7
8	Jeil Feed (Harim Co Ltd)	2.9	Nutro Choice (Mars Inc)	3.5
9	Natural Balance (JM Smucker Co, The)	2.7	Purina Friskies (Nestlé SA)	3.5
10	Iskhan (Daehan Feed Co Ltd)	2.5	Purina Fancy Feast/Gourmet (Nestlé SA)	2.8

Source: Euromonitor

2.4 Market entry strategy

At present, there are mainly two types market entry strategies in the Korean pet market. One is direct export, such as Royal Canin, which occupies most of the main pet staple food imported market in South Korea. These imported products mainly enter the Korean market through agents. The other one is a joint venture, it means that the two companies agree to work together in a specific market (tradestart,2019), for example, Lotte announces a joint-venture with Nestle for pet care products (Si-soo,2014). For Yantai Pet Food Co., Ltd, it should choose the direct export as market entry strategy and export pet food through cooperation with Korean agents and distributors. According to Larrabee(2015), since China and South Korea signed the Free Trade Area Agreement in 2015, the import tax for pet food fell from 4.3% to 3.6%, it is good prospects for a further acceleration in the growth of pet food.

3.0 Conclusions

In general, Yantai Pet Foods Co., Ltd enjoys a high reputation in the pet industry, especially in the domestic pet industry (GlobalPETS,2016), but there is still a big gap between it and the big international companies. The main goal of the company is to base itself on the international high-end market. To meet the needs of local Korean consumer groups with low price strategy, and realize brand differentiation and channel differentiation to disperse the risks of the company. Combined with Yantai's own advantages, the company produces products that meet the requirements of Korean consumers so as to sell to the target market and win more profits.

4.0 Recommendations

4.1 To establish an international marketing concept

Yantai Pet Foods Co., Ltd. should establish an international marketing concept in the international market so that all activities of the company are centred on foreign consumers. By meeting the needs of foreign consumers, attracting more customers and having a larger market share, in order to achieve the company's marketing goals(Wasserman,2019). To this end, it must start from the following aspects: First, to strengthen internal customer service management awareness. The marketing model adopted by Yantai Pet Foods Co., Ltd. is mainly the model of direct orders placed by overseas customers. 90% of the company's existing products are exported to foreign countries, so by increasing internal

customer service awareness and improve logistics services(Petfair Asia, 2018). In this way, the whole company can serve the customers and the market, and it can attract more customers, develop and have a broader market. The third is to enhance the sense of competition and innovation.

4.2 Training international marketing talents

Human resource is an important resource of an enterprise, which can help the enterprise to realize the overall strategy effectively (Vulpen,2018). Therefore, Yantai Pet Foods Co., Ltd should cultivate international marketing talents. Training is essential to improve the professional skills of marketers(Burnett,2019). With the help of external training, combined with the advantages of the pet food company, the company can combine training with practice to set up marketing, management and professional skills courses required by the company for the purpose, so as to increase the training and provide personnel guarantee for the healthy and sustainable development of the company.

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