

# Pestl analysis and swot analysis of arnott's company

[Finance](#), [Financial Analysis](#)



## 1. 0 Introduction

Arnott's is seeking to expand their operations internationally with the product Tim Tam into Myanmar. In this report will estimate by SWOT analysis and PESTL analysis following with recommendations.

Arnott's is one of the largest food companies with manufacturing biscuit products in Australia. Tim Tam is one of the product of biscuit of Arnott's which coated by two layer of chocolate malted biscuit and a chocolate cream filling between two layers. It is very famous in Australia that around 35 million packs are sold each year. (Arnott's Biscuits Limited 2011) The recommended method is to import the ingredients such as cocoa bean to Myanmar and manufacture the final product in Myanmar. As the average monthly salary of manufacturing workers are very low compared with other international countries that's only got USD\$200. (ERI Economic Research Institute) As the lower salary in Myanmar, Arnott's can increase their profit of their operation.

## 2. 0 Political Environment

### 2. 1 Government stability

The incumbent president of Myanmar is Thein Sein since 30 March 2011 who set policies to achieve a stable economy in Myanmar. (The New York Times 2011) The head position of Myanmar is not elected by Myanmar people directly but is elected by three separate committees in government. It proved a success situation of government by good policies set by past-president before and stabilized Myanmar in internal and external.

### 2. 2 Government and contribution

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Being one of the members is in Association of Southeast Asian Nations. (ASEAN Secretariat 2011) Myanmar has a good relationship with other members such as Malaysia and Singapore. Annual growth rate in 2011 in Myanmar is 3. 2%, it attract more investment increasing the competitiveness in the world. (U. S. State Department 2011) 2. 3 Analysis

A good growth rate will attract the foreign investments and stimulate the local market in Myanmar. Political stability also will push the economic growth and production increased that's providing a larger market and consumer power of citizens. As Myanmar provide a good environment for business. What's more, Myanmar has a good relationship with the other countries in Asian. It means the main material imported from near countries will be easier and avoid tariffs.

### 3. 0 Legal Environment

#### 3. 1 Regulatory framework

In Myanmar, it provides old age, disability and survivors, Sickness ; Maternity and Work Injury for social security. (U. S Social Security Administration 2010)

#### 3. 2 Business laws

Importers or exporters are required to register with the Export Import Registration Office under the Directorate of Trade, Ministry of Commerce as an enterprise permitted is under the FIL. (Myanmar's NET 2010) Bribery payment is not allowed and discouraged in Myanmar. 3. 3 Labour laws

The employees who worked at companies, trading centers or factories cannot works over 48 hours a week. Then, the cost of labour is very low compared to other near countries as it is fixed on mutual arrangement

between the employee and the employer. What's more, the minimum working age is thirteen. 3. 4 Taxation laws

Myanmar will levy income tax and profit tax on public consumption and domestic production. Import goods also will be taxed by Myanmar government such as chocolate or biscuit. (Myanmar's NET 2010) 3. 5 Analysis

Basically, all the law is protecting the business and workers in legal. Myanmar government hopes those things can attract more investment to come with legally expanding operation.

#### 4. 0 Economic Environment

##### 4. 1 Interest rates

The current interest rate in Myanmar is 12% and the commercial bank prime lending rate is 17%. (The Central Intelligence Agency 2011) 4. 2 Inflation rate

The inflation rate is 7. 7% in 2010. Compare to 2009, it is lower than 2010 as the inflation rate in 2009 was 1. 5% only (The Central Intelligence Agency 2011) 4. 3 Currency exchange rate

The currency exchange rate in Myanmar is referring to 1 US dollar with 6. 4560 MMK (Myanmar Kyat). It shows stable situation within half a year. (The Central Intelligence Agency 2011) 4. 4 Free-market/command/mixed economies

Myanmar still has lots of barriers to move toward free market. In a world ranking of index of Economic Freedom, Myanmar just got rank 173 out of

200 countries. The source that Myanmar can get is only 38.6 and it seems to be repressed. (The Heritage Foundation 2011) 4.5 Economic trends/forecasts

By the GDP counting in Myanmar, the forecast of economic growth is predicted to increase 3%~4%. (The Central Intelligence Agency 2011) 4.6

Tax policies

There are five main taxes policies in Myanmar such as profit tax, income tax, commercial tax, lottery tax and stamp duties. As the income tax for corporate is 30% , the income tax for individual is 20% of the total income and the commercial tax rate is around 5% to 30%. (Myanmar.com 2011) 4.

7 Analysis

High interest rate and high tax are the reasons to increase the capital of investment. The inflation rate and the currency exchange rate also show that the economic growth of Myanmar is increasing. It is difficult to entry the market and Myanmar cannot produce a free market for business as it is lots of barriers to avoid the investor coming.

5.0 Socio-cultural Environment

5.1 Hofstede's Cultural Dimensions (Geert Hofstede 2009)

Australia

Myanmar

Collectivism

Vs

Individualism

Very

high

Relatively

low

Power

Distance

high

low

Uncertainty

avoidance

Relatively

low

Very

high

Time

orientation

Very

low

medium

Quality

Vs

Quantity

Medium

Very low

5.

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Analysis

In Collectivism Vs Individualism, it is relatively high and got around 85% in Australia and Myanmar only got 51% that's lower than Australia. A group works are good for Myanmar employees rather than having an individual works. In Power Distance, Australia is higher than Myanmar which got 31% and 25%. It shows that the relationships are very well between managers and employees when Australia employees are less communications with their bosses. In Uncertainty avoidance, Australia is relatively low and got around 47% and Myanmar got nearly 90% that's higher than Australia. They work flexible and freedom. In Time orientation, Myanmar is 45% that is relatively higher than Australia where it only got 28%. For the Myanmar employees, it is acceptable and fulfills the loyalty of social responsibility. In Quality Vs Quantity of life, for the index of Quality of Myanmar, it got only 23% and Australia got a higher percentage that is 45%. Myanmar workers do

not get a positive respect from employers. Affording more welfare is recommended to employers to keep motivate for working.

6. 0 Technological Environment

6. 1 Technological infrastructure

As Myanmar absence the basic technological infrastructure in their countries,

but they get help from ASEAN and two powerful countries such as China and India. Myanmar also now gets ready to exhibit relative readiness in human resources, skills and well preparation for catching up the world-change.

(Myanmar Info-Tech 2007) 6. 2 Communication networks

The networks between Myanmar are not good as possible compared with other countries. It now has just 41600 fixed line phones with a density of eight phones per one thousand citizens. (Today in Myanmar 2011) Furthermore, not many people cannot afford the fiber cable connection for internet as the citizen in Myanmar are using a slower cable connection such as 128Kbs at home, 256Kbs at office , 512Kbs at business. (Mizzima News 2011)

6. 3 Logistics networks

The common transportation in Myanmar is waterways, roadways, railways, cargo, heliports and airport runways. Besides, the roadways in Myanmar have not been improved by government that lots of roadways are difficult accessible by cars. (AsianInfo 2011) 6. 4 Analysis

Being the basic technological infrastructure in Myanmar also is not totally complete that shows the ' hardware' may not suit the operation for business.

Furthermore, the communication networks are also weaker than other countries. It cannot support promotions and research from those. Also the roadways are not being well as a lot of parts are not accessible cars normally.

## 7. 0 SWOT Analysis

### 7. 1 Strengths

-Arnott's is a world-known brand over 140 years not only in Australia, but also in other Asian region countries. -A powerful and steady financial background can make suppliers and workers more confidence and reliably.

### 7. 2 Weakness

-Managers have to use lots of time for training unskillful works. -The type of product may not suit the eating habit of Myanmar people

### 7. 3 Opportunities

-The labour cost is relatively cheaper than Australia in Myanmar. -Myanmar gets a lower GST for attracting investments

-The number of citizen in Myanmar are increased that's mean the market will be bigger in the future. -The forecast of economic growth are increased as the consumer power will be also increased.

### 7. 4 Threats

-The cost will be more expensive because of high interest rate. -Many rules and laws increase the barriers to import materials. -It is a high tax in Myanmar to reducing the revenue.

## 8. 0 Recommendations

To start up a new market in Myanmar, there are lots of problems and concerns such as demographic factors, high tax and interest rate, and restriction, affecting the business profit and the operation future in Myanmar.



It is acceptable if having a cheaper workers and increasing a consumer power. In the political, legal and economic environment, it is all suitable for investigating a new market in Myanmar. However, in socio-cultural and technological environment, they make a lot of threats from now to the future. In Myanmar, it is lack of skillful labour to work and the communication network is too weak. For example, business cannot completely promote products via internet and phone, is making a decreasing sales if the situation is unchanged. In addition, we may employ some skillful worker from Australia to Myanmar and lead the other local workers for some technical works. Standing on the position of profit, it is not recommended to expand the operation TimTam to Myanmar.