

Analysis of wagyu beef in australia economics essay



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This paper presents the strategic adviser specializing internationalization recommendation to company which pursue to grow their businesses overseas. First of all, this paper explains the business problem of this case that is the basis of expanding the business to the global market. Second, analyze the Wagyu beef with the consumer behavior in the US. And then present the policy and legalization in the US for Australian exporter. Next section is the basis and information of the ABC Company that needs to expand the business to the US. After that, the table presents the trend of value in the US and trend of import beef to the US. Moreover, this paper confirms the channel to expand the product, SWOT analysis, and PESTEL Framework. Lastly, this paper illustrates the approaches that can expand the product to international market.

Introduction

Nowadays, the beef market in Australia is limited because there are over suppliers in the market. Australia is the second largest farming to produce beef in the world, therefore many companies in Australia try to expand market share to international market. The US market is interested to export the product. There are three principle reasons to attract the exporter such as the number of people in the market, customer behavior and the culture and tradition. However, many companies get the failure from global business because they have the shortage knowledge in the cross culture and customer behavior. This paper analyzes the environment to expand the business to the US.

The Business Problem

ABC Company is the company that produces Wagyu, which is the premium beef. Australian beef market is growing to be the largest agriculture in 2009. Information from Australian Natural Resources Atlas confirms that Australia use the space to make the cattle farm approximately 220 million hectares that is the most area to spent in the agriculture industry. Therefore there are over suppliers in Australia. People in the country have many choices to choose beef in the domestic market. Moreover, beef market in Australia has the high competitive, so many cattle farmers try to find the markets that still have the power to purchase product. However, the companies have the good relationship with the customers because the companies produce the quality of product in order to make the loyalty of customers and repeat to purchase product with the companies. Market in the Australia has over suppliers and the limit customers, therefore the companies need to expand its product to the US that the largest market to consume beef. The beef market in the US is increasing to consume beef and the largest market in the world.

Furthermore, most of people in the US eat beef that is the main food, so the number of beef is the second of all kind of meat. Indeed, the companies have more power to produce Wagyu beef, but the requirement in Australia has the limit because there are number of people in Australia approximately 22 million people that less than the US about 290 million people. The companies can expand the product in 10 times of the people in the domestic market.

The companies should learn about the culture, legalization, behavior of the consumers, environment and more. Before the companies invest to expand business to there. However, this is the opportunity to extend the product to

the large country. The US is the world's richest market and Australia's
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second biggest export purpose with a nine per cent share of Australia's export market. The US is Australia's only biggest market and asset partner. Australia is the 14th biggest export endpoint for the US and the eighth biggest foreign investor in the USA.

Analysis Wagyu Beef in Australia

Wagyu or Kobe beef is the famous beef in the Japan. Wagyu has the good feather such as inherent marbling ability, softer fats enhancing meat flavor, high nutrition, finer meat texture, back fat not excessive. The beef industries produce and develop beef products for domestic and export markets especially the US market. Australia is one of the biggest exporters of beef in the world, trade that is very appreciated to its economy. Beef cattle production is extent through the country, and carried out under different situations. While beef is a top farming export earner, there is increasing interest in other meat product such as pork, game such as deer, goat and buffalo (Australian Government, 2009). For Australian beef is guaranteed the quality by customers in Japan that the original country to produce Wagyu beef. Australia Wagyu Association is the organization that improves the quality of Wagyu beef to the global standard. Likewise, this organization gives the knowledge to the farmers that the factor to produce the quality product. The good quality beef will get the good feed in all of their life. The food of them is the importance factor to build the good health for them and create the strong point to the product from Australia. Many countries accept the product from Australia

USA business and economy and trade policy and custom regulation

Kidane (2003) mentions that the United States is frequently established as one of the leader of destinations for foreign direct investment.

Unquestionably, the legalization system's strengths point contributes to this case. The United States is the first country partial self-government on the base of morals. The legalization system in the US contains of three measures: executive, legislative, and judicial. It has been showed essentially that this construction can guarantee the legalization system's effective process. Some of characteristic features should be disturbed by the global investors. Anevaluation from the World Bank difficult 181 countries shows the United States ranks third for luxury of doing business overall, first with esteem to employing workers, and sixth in terms of enforcing contracts. In addition, the high quality of the U. S. legalization system overall is protected by the open investment policy, which is based on the standard of national management specifically, that international investors should not be preserved differently from domestic investors. Although no system is impeccable in all esteems, the United States is justifiably satisfied of the overall high quality of its legalization system and the level of international investment subject to its protection.

Basic customer profile

There are many kinds of consumer behaviors because the people in the US come from several countries. They have the difference ages, genders, races, regions, and incomes. Moreover, income levels in totally difference in the social that the factor to define the customer level in the company market.

The target of ABC Company is the high income because the Wagyu beef has the high price and high quality. In terms of age and gender, there are the difference kinds of beef to eat as the number of consuming consist of male teenager had over 50 pounds per person in the ground beef. Moreover, there are the men ages between 20 and 39 old having about 30. 35 pounds love to eat stake beef. Overall in female eat beef approximately 56. 23 pounds per person. In stake category, there were only 3. 96 pounds per person that means the female do not prefer to eat stake. The conclusion of statistic with the people in the US is the men love to eat beef more than the female approximately two times of total beef in the US market. On the part of geographic and income, residents of the Midwest expended the highest beef of any section, consuming at 72. 92 pounds per capita. In the other word, American in the Northeast had the least beef, only 62. 53 pounds per person (allbusiness. com, 2009).

Value of U. S. beef industry statistics for last five years in The US

Year

Value of U. S. beef industry

2004

2005

2006

2007

2008

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\$70 billion

\$71 billion

\$71 billion

\$74 billion

\$76 billion

Year

U. S. cattle imports

2004

2005

2006

2007

2008

1. 371 million head

1. 816 million head

2. 289 million head

2. 495 million head

2. 284 million head

Follow this table (United Department of agriculture, 2009) there was a continue increasing in the consumer beef in the US. Then, the customers has expanded in this country, ABC Company can the import the product to support the needs in this market by using the appropriate strategy to present the product. In the part of quality, the company has the strength point to compete because the company develops and control cattle farm follow the law of Australia that guarantees the quality from the customer around the world. Moreover, the company has many experiences to make the business success in the Australia. In the other hands, the company does not have the experience in global market that has difference culture and customer behaviors. Firstly, the farmers in the US have the efficiency to produce the beef. Furthermore, they do not have the tariffs about the policy and legal system. The government supports the farmers in the country. However, ABC Company still has the premium product that has the niche market that is people love the premium beef for good healthy. Second, beef from Japan is the original country for Wagyu beef or Kobe beef. However, Japan has the limited areas to produce the product. Therefore, Most of Wagyu beef is imported from Australia because the quality of beef is quit same with beef in Japan. This point is the strong point to guarantee the beef that produce in Australia.

Marketing and distribution channel to reach customers

ABC Company should find the company that is the premium restaurant to make a joint venture. Joint venture means a prescribed contract joining together two or more groups for the objective of performing a specific business task. All of the groups accept to share in the benefit and damages

of the enterprise (investword. com, 2009). This approach will help the company to distribute its product in the US. Moreover, joint venture is short term strategy in order to open the new market. First time in other market has high risk about the culture, and consumer behaviors. This way, the company reduces risk because the partner company has the knowledge and experience in this market. ABC Company should make the presentation only part of product and the belief to the target groups. Besides the partner company has the channel to distribute the products; therefore the company just adds the capacity to distribute the product and the ways to keep the quality of product to the customers.

SWOT analysis

Strengths

Firstly the research to develop the quality of product is the Australian Natural Resources Atlas. From the research, Wagyu beef which produce in Australia is accepted in the several countries and push Australia to be the second exporter in the world.

Secondly, Wagyu beef that produce in Australia has the good quality for healthy because the fat in beef is softer fats enhancing meat flavor, high nutrition, finer meat texture, back fat not excessive. It is the best beef quality and reduces the risk of fat excessive.

Lastly, ABC Company has long term experience in domestic market; hence the company has the knowledge in requirement of product and the standard of quality.

Weakness

First, ABC Company does not have the experience in the US market that has the difference customer behaviors from Australia. Moreover, the culture in purchasing, distribution is totally difference from Australia. No one knows the ABC brand that popular in Australia; the company has to make the advertising to present the product to the customer in the US.

Then geographic factor, the company has the import cost that add in the product. Besides, when the company has the problems in the other country, it cannot solve the problem immediately because of geographic concern.

Opportunity

The US is the largest market to consume beef; there is the number of people more than people in Australia approximately 290 million people or 10 times of Australian people. And the import policy for Australia exports product not too much conditions. The US beef market continues grow for the exporter. The customer in US considers the quality of beef in the first priority and concern about the customer healthy. Wagyu can response in the healthy topics of the customer behavior.

Threats

The domestic farmers are growing to compete with the exporter. The number of local farmer is increasing from supporting of government. In the part of price, the price of beef in the local is lower than the beef from Australia. That factor makes the weak point to Australian exporter. However,

the target group of the company is the groups that love the high quality beef, so the price is not the main factor to make a decision.

PESTEL Framework

Political in the US concentrate in the free trade market, so ABC Company can get the competitive advantage. From this point, the law does not prevent the foreign company to invest in the US. The readjustment of American global free trade agreement device has an important consequence on the development of world economic incorporation.

Economic part, as the world's largest trading nation, the United States of America is the world's principal importer. In 2008, the total U. S. trade shortage was \$695. 9 billion, which contains \$2. 5 trillion in imports (Willis, 2009). The US has a growing number of agriculture imported products from Australia, who appears to increase more chances in trades between the US and Australia. Australian beef is one of the most competitive beef products in the world.

Social, American had beef for a long time both of the Native American and the people in the city. Many restaurants have the beef that is the main thing in cooking such as hamburger that the popular food uses ground beef in the main category. In term of kind of beef, most of people love to eat the beef that soft with the marbling that has the red meat switch a bit fat. Wagyu beef or Kobe beef has the quality both meat and fat color and especially for taste.

Technology, Australia Wagyu Association is established in order to reaction a real demand and need for quality figures that improves from the marbling <https://assignbuster.com/analysis-of-wagyu-beef-in-australia-economics-essay/>

bulgy in the Japanese heredities. As the result, the company uses the information to make the good quality product.

Environmental, most of people in the US eat beef approximately 70 pounds per person. Also there was a rapid increasing in the percentage of importer beef to the US from 1. 38 billion pounds to 2. 64 billion pounds between 2007 and 2009. From this information, ABC Company has the occasion to extend the market to the US; there are many demands in this market and the power to chase the premium beef.

Legal, the US tries to support the farmers in domestic. As the result, the price of beef in the US decreases, so the competitive advantage of the foreign producer is falling because the foreign farmer has transportation cost and custom cost.

Conclusions and recommendations

ABC Company needs to expand the product to the international market because of the over suppliers in the domestic market. Therefore, the US market that still has the power to purchase the product is the target for ABC Company. However, the company should have the quality of product to attract the customers. The price of product should be defined by comparing with the competitors in the market. Moreover, the strategy to distribute the product is the importance factor to keep the quality and make the difference from other rivals. Promotion is the factor to create the competitive advantage to the company. In the first period, the company should reduce the price and make the advertising to present the product in the market and find the target in the luxury restaurant and premium market.