

Exporting skipjack tuna to thailand marketing essay



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As Port Lincoln last cannery was shut down, TBOASA have to market its Skipjack tuna overseas. Skipjack is commonly used in producing canned tuna. In this report, profound analysis, using PEST model, Porter's Five Forces framework, and SWOT, is presented. Strategies of entering Thailand and reasoning behind are also shown.

Thailand is one of potential options, due to its extensive market size, consistent growth, low-cost, reduced trade barriers, communication infrastructure, and logistics systems. Nevertheless, global economic crisis, commodity price fluctuation, currency exchange rate, Thai political instability, and terrorism are the threats TBOASA should concern.

Opportunities of going to Thailand, however, outweigh risks and TBOASA's strength of quality tuna, fishery expertise, and logistics allow it to do so. TBOASA's export-supporting facilities and financial capability still needs improving further.

Urbanization and product quality are significant to TBOASA to seize the opportunities, because growing people embrace modern lifestyle and TBOASA can deliver high quality tuna to satisfy their needs. There are a few major leaders, dominating canned tuna market in Thailand, and several small followers, taking some shares. TBOASA may either use contractual agreements or exporting by targeting at the followers to enter in the country. Differentiation can be adopted. Selling its tuna to exclusive producers, developing tuna quality, promoting its brand and presence, and having key opinion leaders adopt its products can be done, accordingly. Marketing mix is also operated in order to support local product introduction

and international growth. 2 million dollars are expected to be met within 3 years.

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1. Background

As Tuna Boat Owners Association of South Australia (TBOASA) closing its cannery at Port Lincoln, South Australia, exporting Skipjack Tuna to Thailand is the new objective of the organization due to the vision that there are opportunities overseas. It is apparently because canning is cheaper doing overseas . Therefore, off-shoring/outsourcing cannery activities to low-cost countries and exporting raw tuna are potential solutions to survive in the business for TBOASA.

Thailand, a new target market of TBOASA, is the world's largest exporter of canned tuna . Even though the country locates next to the ocean, tuna caught in Thailand is very small. The country lacking of domestic supplies needs to import a large amount of tuna every year so that Thailand is also the world's biggest importer of tuna . 98 percent of tuna used in cannery is imported from other countries. It can be divided into 3 groups: Skipjack 80%, Yellow Fin 15% and Albacore 3%. However, merely a small amount of Skipjack tuna from Australia is annually transported to Thailand . This implies potential possibility for TBOASA to offer its tuna to Thailand.

According to Central Intelligence Agency , Thailand, located in Southeast Asia, is one of the developing countries, having a population of 67 million people. Thai people typically are Buddhists, accounted for 95 percent, and the country values in family and hospitality. Indirect communication is commonly found in Thailand, as similar to other Asian countries.

Confrontation is not encouraged among Thai people. Ethnicity in Thailand consists of a majority of Thai (75%), Chinese (14%), and others (11%). Its

political system is constitutional monarchy with parliamentary system. King
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is highly respected. Thailand employs civil law as its legal system, influenced by common law. In economic perspective, Thailand relies mostly on export and tourism industries.

2. Situation Analysis

To explore Thailand markets of tuna, PEST framework, Porter's Five Forces Model, and SWOT analysis are applied to illustrate the entire picture of the markets in various aspects, as follows.

2. 1 PEST Analysis

PEST framework comprises of four external perspectives, i. e., political, economic, social-cultural, and technological, that enhance understandings of a particular market . It can be seen as PESTLE analysis as legal and environmental aspects can also be included. In this analysis, legal and environmental dimensions are analyzed and included into the four aspects.

2. 1. 1 Political

Thailand can be considered having political instability from time to time since the former prime minister Thaksin Shinawatra was forced out of the country by coup d'état . The conflicts were created between supporters of the former prime minister and the opposition. Although the country is currently governed by his sister as the prime minister, Yingluck Shinawatra, the country still experiences ongoing, unstable situations which both of the groups try to disrupt each other, regardless of whether the country's system allows to. Basically, Thai supreme power is divided into legislative power, judicial power, and executive power, which are systematically managed by senate, court of law, and the prime minister, respectively . Making a political

change though the three systems is what the country should go, so that Thailand continues developing in other dimensions further, such as economy, without interference from politics. Terrorism is another concern of the country, especially in the lower southern part connecting to Malaysia. However, tuna industry does not seem to be influenced much by political issues. To illustrate, some companies in tuna business, e. g., Thai Union Group, have continually grown since Thailand faced political crisis in 2006 . Regulation concerning processed food industry also supports exportation. Thailand-

Australia Free Trade Agreement (TAFTA), for example, was signed by both countries in order that tariff barriers are significantly reduced, canned tuna included .

2. 1. 2 Economic

Thai economy depends moderately on exporting of agricultural products, including cannery, as well as exporting other non-agricultural products.

Therefore, one of the important risks to Thai economy is an economic situation of the countries that purchase goods from Thailand. Particularly, global economic crisis starting in the U. S. has a direct impact on Thai exporters . Likewise, in the case of tuna, TBOASA should be vigilant of the end countries' economy. Nevertheless, as Thai government encourages foreigners to invest in Thailand, the country provides supportive policies, infrastructure, and related measures to promote foreign investment .

Moreover, given that ASEAN countries are changing to be a single economic community, similar to EU, in 2015 , Thai economy is projected having a bright future.

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2. 1. 3 Social

Thai people increasingly adopts modern lifestyle, having little time to cook, as seen in growth of canned food driven by convenience in term of meal preparation . Besides, dietary/nutritional concerns are another factor driving growth of canned food, particularly canned fish . As a result, canned food grows 6 percent in 2011. Furthermore, as urbanization in Thailand continues increasing , growing 1. 8 percent in 2010, processed food is gradually demanded in urban areas. In other words, not only is canned tuna sold extensively in foreign markets, domestic markets can also be another potential channel for TBOASA. However, Thailand has high-context culture, which is opposite to Australia having low-context culture . Therefore, doing business with Thai people, TBOASA needs to consider about how to communicate effectively to both business partners/suppliers and customers.

2. 1. 4 Technological

According to The World Bank , Thailand's logistics system/facility is globally ranked 35th, 3rd in Southeast Asia region behind Singapore and Malaysia, based on customs, infrastructure, international shipments, logistics competence, tracking & tracing, and timeliness, see Table 1 and Appendix 1. It evidently shows that logistics in the country is adequately capable to assist business activities, both local and international. International freight can be shipped effectively to its destination. Communication system in Thailand, e. g., high-speed internet coverage, is also well developed . Additionally, due to not being an endangered specie, Skipjack tuna can be fished without quota restriction . However, global warming may have an impact on changing Skipjack tuna's habitat, as current is altered.

Table 1: The table shows logistics performance index of selected countries, calculated from 5 aspects in the scale of 5 .

2. 2 Porter’s Five Forces Analysis

This Porter’s framework, useful to enhance understandings of a particular competition, consists of threat of new entrants, bargaining power of suppliers, bargaining power of buyers, rivalry among existing competitors, and threat of substitute products/services .

2. 2. 1 Threat of New Entrants

As Thailand buying tuna from many countries, the market seems to be open and this posts threat to the existing incumbents. However, given that TBOASA is to sell its tuna to Thailand, barrier of entry should be in consideration. Participation in various free-trade agreements , low customer switching cost due to tuna being common, supportive distribution system, and no quota restriction in Skipjack tuna fishery reduce entry barrier essentially. On the contrary, capital requirement in international trade, supply-side economy of scale needed, and several risks of increased supply chain length still maintain the barrier. Therefore, moderate barrier of entry is likely perceived.

2. 2. 2 Bargaining Power of Suppliers

Global Skipjack catches have been constantly escalating, particularly in the Pacific Ocean, and recently touched 2. 5 million tons, covering over 50 percent of the world’s tuna fishery . Without quota restriction, TBOASA can still obtain the tuna easily from its own fishery or trading. However, the tuna catches by Australia fishery is relatively small, compared to other countries,

see Figure 1. It is possible that capacity of Australia fishery in tuna catches is limited. Therefore, in order to serve the high demand market, Thailand, TBOASA need to assess its operation capability whether it deliver an adequate amount of tuna ordered. In contrast, existing tuna suppliers in Thailand can approximately cover large-volume orders and dominate the market shares . In other words, despite the fact that tuna supplies in the ocean are abundant, TBOASA's capability to capture the power is being questioned.

Figure 1: World tuna catch by country .

2. 2. 3 Bargaining Power of Buyers

As tuna sold to manufacturers in Thailand ends up being canned/processed, demand of raw tuna relatively rest on canned tuna demand from both domestic and overseas. According to Euromonitor International and Miyake et al. , owing to export trend of canned tuna and global disasters, tuna will remain in strong demand from food-importing countries, see Figure 2. As a consequence, consistent demand from the manufacturers will continue for tuna suppliers. To this point, it is expected that manufacturers offer to buy tuna in a larger volume. Nevertheless, food processing industries in Thailand are basically formed by a number of small/medium companies . Thus, given low product-switching cost and abundant tuna supplies, bargaining power of manufacturers/buyers is moderate.

Figure 2: World exports of canned tuna by country .

2. 2. 4 Rivalry among Existing Competitors

Even though Thailand opens widely to international trade, seafood industry in Thailand is controlled by a small number of suppliers, which are from Taiwan, Vanuatu, South Korea, and Japan, having market shares of 25%, 19.4%, 13%, and 13%, respectively . Specifically, tuna trading in Thailand is dominated by three major suppliers: ITOCHU Corporation, FCF Fishery Company Ltd (FCF), and TriMarine . They altogether account for 75-80 percent of tuna supplied to the canning industry . Nonetheless, as the products are not differentiated and the canning industry is continuously growing, moderate rivalry among existing tuna suppliers is possibly happened. However, shipping tuna from Australia to Thailand takes considerably long distance, compared to other suppliers being in the same region. TBOASA, therefore, should consider this perspective, as it directly affects profit margin.

2. 2. 5 Threat of Substitute Products

It is apparent that Skipjack tuna is plentiful and not differentiated. Cost of switching from one supplier to another is low. Moreover, in cannery, when canned sardines were not sold well or sardine supplies were short, tuna somewhat substituted for them . In addition, canned tuna can be a cheap substitute for canned salmon . Therefore, substitution among canned fishes can be seen and this results in either threatening or promoting tuna suppliers.

2. 3 SWOT Analysis

SWOT provides a comprehensive view of internal capabilities and external environment .

2. 3. 1 Strengths and Weakness

Owing to Australian tuna fishery operating in one of the world's cleanest areas, raw Skipjack tuna caught is of high quality . Australia marine time logistics facility/infrastructure is also well arranged so that the country connects to other countries easily. Therefore, Thailand can be received Skipjack tuna in best condition. Good reputation of Australian exported seafood can be advantageous, in this case. Furthermore, as aquaculture increases from 20, 800 million tons to 59, 700 million tons in the last 10 years , TBOASA can offer larger volume deals due to more fishes caught. In addition, sharing information among TBOASA members can benefit to the organization entering into the market. On the contrary, having no local market for raw Skipjack tuna, after shutting down Port Lincoln cannery, forces TBOASA to adopt exportation, as a main source of revenue. Longer lead time and payment cycle also require more inventory and cash flow. Another, to ship tuna to Thailand, freezing facilities are additionally necessary, as well as equipment needed in transshipment. Consequently, financial capability is needed in order that TBOASA improves its operation and effectively enters to Thailand, ultimately.

2. 3. 2 Opportunities and Threat

Growth of Thai canned tuna industry, communication technology, and logistics facility/infrastructure allow TBOASA to explore more opportunities in

Thailand. Offshoring/outsourcing cannery in Thailand is another option for TBOASA and its partners to capture larger profit margin, while canning operation can achieve lower costs, compared to doing it locally in Australia. Further, canned tuna could be sold more, once ASEAN economic community is officially started in 2015. Various tariffs among the countries will be diminished. Urbanization of the countries is also beneficial to selling canned tuna. However, global economic crisis is one of the major threats to the industry, as several importing countries of canned tuna are facing financial drawbacks, i. e. EU group, see Figure 3. Fluctuation in oil/commodity prices, currency exchange risk, terrorism, and political instability are still threatening to the business. In short, although there are important risks posted to TBOASA, opportunities apparently outweigh the risks.

Figure 3: World imports of canned tuna by importing country .

In brief, SWOT analysis is presented in a table, see Table 2.

Strength

Weakness

Quality of tuna.

Fishery productivity.

Logistics capability

Financial capability/ limited source of revenue.

Facilities in tuna exportation, e. g., freezing and cold chain.

Opportunity

Threat

Growth of Thai canned industry.

Communication technology.

Offshoring/outsourcing cannery to Thailand

Reduced trade barriers.

Urbanization.

Global economic crisis.

Fluctuation in oil/commodity prices.

Currency exchange risk.

Political instability.

Terrorism.

Table 2: SWOT analysis of the project.

3. Marketing Opportunity Analysis

3.1 Tuna Quality

From the aforementioned analysis, a considerable part of the canned tuna is exported to other countries, Australia included. Canned tuna quality should meet standard requirements of the end market, especially given that the major markets of Thai canned tuna manufacturers are The U. S., E. U., and Japan . Therefore, raw tuna quality would be one of what manufacturers seek <https://assignbuster.com/exporting-skipjack-tuna-to-thailand-marketing-essay/>

for. According to Miyake et al. , several manufacturers currently purchase loins of Skipjack tuna instead of the whole tuna, because it reduces transshipment cost and Skipjack loins, having less mercury content, can be used to reduce mercury content of yellow-fin tuna, having high mercury content, by mixing their loins together, in order to meet U. S. FDA standard. As a result, TBOASA can capture this opportunity by offering high quality Skipjack tuna in both whole fish and loin to manufacturers in Thailand. Whole fish can be shipped directly from Australia to Thailand, while loin can be done by shipping whole fish to be processed in a nearby country, e. g., Indonesia, before shipping it to Thailand. Specifically, there are 6 companies available for TBOASA in Indonesia . Additionally, if yellow-fin tuna is regularly caught by TBOASA, TBOASA can mix it with Skipjack tuna before selling. Consequently, not only does selling loins create more value/quality, transport cost also reduces substantially due to bone and unnecessary parts of tuna removed. Moreover, country of origin of tuna can be utilized, as seafood and meats exported from Australia are reputable.

3. 2 Urbanization

As people in various countries around the world, including Thailand, have adopted modern lifestyle and less consumers are eating out , it provides opportunities for canned tuna manufacturers to offer their products meeting their customer needs. Manufacturers progressively develop their image of health, quality, and freshness . Convenience and added-value meal solution options are increasingly sought by consumers . Therefore, high quality Skipjack tuna can be introduced to consumers in order that they perceive the value of having the quality canned tuna made of Australian Skipjack.

TBOASA can employ various communication channels to enhance this perception in consumers' mind. To illustrate, social media, as well as local advertisement, can be used to directly communicate with customers who are interested in healthy food and tuna. Country of origin, quality of Skipjack tuna, process hygiene, and freshness can be focused in the message conveyed to consumers. In doing so, TBOASA's Skipjack tuna will be demanded the same way that Intel chip is requested to install in a computer. Pull strategy is embraced.

4. Critical Analysis

To this point, there are two distinctive approaches that TBOASA can employ. Firstly, TBOASA embracing push strategy sells its tuna to manufacturers in Thailand. TBOASA can mainly rely on this B2B model from the beginning of entry to Thailand, because it is required minimal competency in any other aspects, except fishery and shipment arrangement. Secondly, TBOASA adopting pull approach communicates directly to consumers and make them want to buy the products made of TBOASA's tuna. Both of the strategies can be executed in parallel and complement each other. However, the latter approach is required a significant amount of media budget and in-depth understandings of communication in Thailand, as well as markets in other countries. Therefore, it can be delayed until TBOASA is ready to expand its tuna share. Social media to consumers may be an appropriate choice at present.

Furthermore, merely employing the first approach may be sufficient to succeed TBOASA's objective. To demonstrate, given that sales of at least 2 million dollars, approximately 500 tons, needs to be achieved, it is likely <https://assignbuster.com/exporting-skipjack-tuna-to-thailand-marketing-essay/>

that this amount of Skipjack tuna does not have a significant impact on the current competition. To illustrate, 15 companies account for 2, 770 tons of production capacity per day in Thailand . This number is also estimated to increase consistently, according to the abovementioned analysis and various positive factors. Therefore, 2 million dollars target is not too difficult to accomplish, as it equals to only a few days of capacity for a canning plant in Thailand.

In this case, hiring a local trading profession who is expert in the tuna market would be helpful to TBOASA to initially enter. B2B marketing aiming at manufacturers in Thailand can be applied to create the organization presence. High-end manufacturers are another area TBOASA should focus on, as they need quality raw material to produce and their added value will complement to TBOASA's. In addition, relationship between TBOASA and selected manufacturers can be easily maintained if the objectives of both parties are aligned.

5. Market Segmentation

In market segmentation, it is important that related customer information be accurately collected so as to develop strategic marketing . According to Cateora et al. , relatively similar groups of consumers with identical consumption patterns are identified through market segmentation. In this case, the B2B market is segmented by applying the four dimensions (major type of customers, customer behaviors, market sizes, and the composition of customers) and the results is presented as follows.

Firstly, it is noteworthy that the segmentation is somewhat difficult to identify accurately, as limited data of purchase detail found. 90 percent of tuna used in cannery is imported from overseas and local tuna used accounts for merely 10 percent. Canning manufacturers in Thailand can be separated by the market they sell their products to. Thus, there are three types of them: exporter, local marketer, and dual-channel player. They also produce products other than canned tuna, such as canned sardines and other canned food. Thai Union Group, the largest canned tuna producer, for instance, has three main product lines: tuna, pet food, and seafood. Those manufacturers also produce canned tuna for private label sold domestically, even though market shares of private label are insignificant. Top ten of the canned tuna manufacturers ranked by market shares are shown in Table 3. Moreover, vertical and horizontal integration is exercised by leading manufacturers, i. e., Thai Union Group and SeaValue, in order to obtain reliable supplies and capture more margins.

As seen, according to their presumed/found behaviors, it is suitable that the manufacturers are classified into 2 groups: leading/major manufacturers (Thai Union Group and SeaValue) and following/minor manufacturers. The leaders have ability to control canned tuna prices in consumer market, as well as involve in supply activities, whereas minor manufacturers follow the prices set by leaders. Leaders also prefer dealing with large suppliers to trading with several small suppliers, as they need a reliable source of supplies, reducing time spent, and cost-saving from larger volume. Therefore, trying to sell TBOASA's Skipjack tuna to the leaders is probably

difficult, as TBOASA is new in Thailand, lacks of some facilities and financial support, and has initial limited sales target. As a result, starting relationship

Table 3: Market shares of top ten of the canned tuna manufacturers .

6. Strategies and Recommendation

6.1 Mode of Market Entry and Positioning Strategy

According to Cateora et al. , exporting, contractual agreements, strategic alliances, and direct foreign investment can be exercised to enter markets. Due to having relatively smaller size of tuna supplies and the market dominated by three main tuna suppliers, it would be difficult to obtain significant presence in canned tuna industry in Thailand if TBOASA did not directly invest in either greenfield operation or acquisition. However, as the market is very competitive, TBOASA may be hard to gain break-even return. Strategic alliances also need sharing costs, including investment, risks, and profits among the alliances. It would be better to be profitable, compared to direct investment, owing to having a local partner helping TBOASA minimize risks. Nevertheless, TBOASA may face difficult time finding a partner, because the organization is new and its Skipjack tuna has not been differentiated yet. As a result, it is applicable that TBOASA employs either contractual agreements or exports. TBOASA can make an agreement with a manufacturer to co-marketing of its Skipjack tuna in order to create awareness among consumers, while TBOASA supplies its tuna to the manufacturer. Exporting the tuna is another suitable low-cost choice to initially introduce TBOASA's tuna to manufacturers in Thailand.

Customer targets, competitor targets, and competitive advantage are considered in positioning strategy . In this case, minor manufacturers are targeted by TBOASA as potential business partners. Also, it is recommended that TBOASA focus on gaining a market share from both growth of the market and shares of small tuna suppliers, because TBOASA has comparable capabilities. Further, high quality Skipjack tuna and good reputation can help the organization obtain competitive advantage in term of marketing toward consumers. In short, TBOASA should position in high quality and good reputation selling Skipjack tuna exclusively to a small manufacturer.

6. 2 Marketing Objectives and Porter’s Generic Marketing Strategies

Practically effective objectives should be specific, measurable, achievable, relevant and time-based . In this instance, TBOASA can introduce marketing objectives, as follows.

Achieving Skipjack tuna sales of 2 million dollars from canning manufacturers in Thailand within 3 years.

Obtaining a 5% market share of canned tuna produced from TBOASA’s Skipjack tuna in Thailand within 4 years.

Maintaining at least 30% growth rate of Skipjack tuna sold on average over 3 year period in Thailand.

Cost leadership, differentiation, and focus/customization are generic strategies of Porter. In the case of TBOASA, differentiation can be applied as a strategy to enter to Thailand. Quality of tuna and fishery capabilities of

TBOASA can be distinguished from abundant Skipjack tuna of other suppliers. Branding and marketing activities of raw material, i. e., Skipjack tuna, toward consumers can help increase their awareness of TBOASA's tuna quality. Key opinion leaders in Thai society can be incorporated into the campaign in order to enhance credibility and reference.

6. 3 Stage of Product Life Cycle

As Thai domestic markets are met with plentiful, similar canned tuna supplies, demand of raw Skipjack tuna mainly depends on exportation of canned tuna. To this point, there are two perspectives of product life cycle. On one hand, introducing high quality tuna is considered as introduction stage, that the product experience slow growth and marketing effort is needed to change consumers to adopt the product. On the other hand, using Skipjack tuna in exported cans can be considered as growth stage. Demand in export markets is growing due to urbanization and some specific factors driving behind. To illustrate, as tsunami in Japan has an impact on tuna supplies in the country, demand for importing tuna to Japan increases substantially .

6. 4 Marketing Mix Strategy and Sale Forecasts

To effectively execute aforementioned strategies, marketing mix is used to facilitate marketing resource allocation, as follows.

Product: Maintaining high quality of Skipjack tuna and creating significant difference in the tuna. Biotechnology and fishery expertise can be utilized.

Price: As tuna of high quality, its price should not be low. However, it is raw material that needs processing further. High price would not attract manufacturers to purchase. Maintaining a price as the same as the market is initially recommended, until the tuna is differentiated enough.

Place: Hiring a local expert to help TBOASA enter the market. Getting involved in local industry association in Thailand allows TBOASA to form a channel. Reliable logistics providers should be partnered with.

Promote: Using social media to convey marketing messages. Promoting TBOASA's brand of Skipjack tuna through inviting key opinion leaders in its marketing activities in Thailand. Trade marketing and promotion to manufacturers can be used.

Sale forecast is constructed on data found in papers of Miyake et al. and Kuldilok . Sales forecast is also based on assumption that TBOASA can make a contractual agreement with one manufacturer to produce canned tuna using TBOASA's supplies. As one small manufacturer may has approximately 200 million dollars sales of canned tuna annually, cost of raw Skipjack tuna would be accounted for about 2 million dollars. Therefore, if the manufacturer uses only TBOASA's tuna, TBOASA will achieve its marketing targets. However, in practical, it is difficult to change the manufacturer, as the manufacturer has relationships with its former suppliers and several risks are involved in this change. As a result, first-year sales of 0.5 million dollars is likely to meet. Therefore, it is expected that annual sales for a period of three year are 0.5, 1, and 2, for 1st, 2nd, and 3rd year, respectively.

7. Conclusion

Skipjack tuna is commonly used in cannery. As Port Lincoln cannery was shut down, TBOASA needs to market its Skipjack tuna overseas. In this paper, in-depth analysis, employing PEST framework, Porter's Five Forces, and SWOT, is performed. Strategies for TBOASA to enter Thailand, and rationale behind are also presented.

Due to extensive market size, consistent growth, low-cost, reduced trade barriers, communication infrastructure, and logistics systems, Thailand is one of the potential countries for TBOASA. However, global economic crisis, commodity price fluctuation, currency exchange rate, Thai political instability, and terrorism are apparent risks TBOASA should be aware of. Nevertheless, opportunities of going to Thailand outweigh risks and TBOASA's strength of quality tuna, fishery expertise, and logistics allow it to effectively enter Thailand. Facilities supporting tuna export, and financial capability are the area TBOASA have to improve further.

Urbanization and product quality are key to TBOASA to capture opportunities in Thailand, because increasing people adopts modern lifestyle and TBOASA can offer high quality tuna to meet their needs. In Thai canned tuna market, there are a