Quaker oats company.

QUAKER OATS PLAN FOR MARKETING EXPANSION TO TAIWAN, CHINA

Executive Summary

This marketing plan is a course of action for the Quaker Oats company, a subsidiary of Pepisco, inc., to expand their international sector in China. The Quaker Oats company is already in other major Chinese cities such as, Beijing, Hong Kong, and Shanghai, but we feel that Quaker should expand their line of breakfast and granola bars to Taiwan. In the Taiwanese culture the locals are very much on the go and do not really eat breakfast sitting at a table. The Taiwanese people also love fruit flavored items. Also, there will be no extra taffifs or other expenses because the Quaker company already has business setup in China. With this information, our group felt that this Taiwan expansion venture would be very profitable for the Quaker Oats company.

Country and Regional Environment Scan

Geographic

China stretches some 5, 026kilometers (3, 123mi) across the East Asian landmass bordering the East China Sea, Korea Bay, Yellow Sea, and South China Sea, between North Korea and Vietnam in a changing configuration of broad plains, expansive deserts, and lofty mountain ranges, including vast areas of inhospitable terrain. The eastern half of the country, its seacoast fringed with offshore islands, is a region of fertile lowlands, foothills and mountains, deserts, steppes, and subtropical areas. The western half of China is a region of sunken basins, rolling plateaus, and towering massifs, including a portion of the highest tableland on earth.

The vastness of the country and the barrenness of the western hinterland have important implications for defense strategy. In spite of many good harbors along the approximately 18, 000-kilometer coastline, the nation has traditionally oriented itself not toward the sea but inland, developing as an imperial power whose center lay in the middle and lower reaches of the Yellow River on the northern plains. China is the world's third largest country, after Russia and Canada. With an area of 9. 6 million square kilometers and a coastline of 18, 000 kilometers, its shape on the map is like a rooster. Five major lake regions can be identified:

1. The Northern lake Region

2. The Northwester Lake Region

3. The Qinghai-Xizang lake Region

4. The Eastern Lake Region

5. The Southwest Lake Region

The highest step of the typical ' ladder topography' is formed by the Qinghai-Tibet Plateau at the average height of over 4, 000 meters, with the Kunlunshan range, Qilianshan range and Hengduan mountain chain as the division between this step and the second one. The highest peak in the world, Everest, at 8844. 43 meters high is known as ' the Roof of the World'. The third step, abundant in broad plains, is dotted with the foothills and lower mountains, with altitudes of over 500 meters. Here are located famous plains: the Northeast, the North China, and the Middle-Lower Yangtze Plains, neighboring with each other from north to south.

China has numerous rivers and lakes. According to statistics, more than 50, 000 rivers have drainage areas that exceed 100 square kilometers. These rivers can also be classified as exterior and interior rivers. The Yangtze, the longest in China and even in Asia, is the third-longest in the world. The Yellow River, ‘ Mother River of the Chinese People’, is just behind the Yangtze, both flowing into the Pacific Ocean. The Yarlung Zangbo River belongs to the Indian Ocean water system, and the Irtysh River to the Arctic Ocean. On the other side, the interior rivers drain less area than the exterior ones.

Cultural and social

The traditional vision of family life in China is one of a strong family unit led be the father and husband, who largely has absolute rule and control of the family. Religion plays a major part in defining the roles and responsibilities of family members. Confucianism taught social order and behavior. This control also extended to selection of marriage partners, which was often arranged for the children.

Economic

China is the world’s most populous country and one of the largest producers and consumers of agricultural products. Over 40% of China’s labor force is engaged in agriculture, even though only 10% of the land is suitable for cultivation and agriculture contributes only 13% of China’s GDP. China’s cropland area is only 75% of the U. S. total, but China still produces about 30% more crops and livestock than the United States because of intensive cultivation, China is among the world’s largest producers of rice, corn, wheat, soybeans, vegetables, tea, and pork. Major non-food crops include cotton,

other fibers, and oilseeds. China hopes to further increase agricultural production through improved plant stocks, fertilizers, and technology. Incomes for Chinese farmers are stagnating. In China, most people have spent most of their time farming for the last ten thousand years. In northern China, people mostly farm wheat, while in southern China it is mostly rice. Since 1979, China has reformed and opened its economy. The Chinese leadership has adopted a more pragmatic perspective on many political and socioeconomic problems, and has reduced the role of ideology in economic policy. China’s ongoing economic transformation has had a profound impact not only on China but on the world. The market-oriented reforms China has implemented over the past two decades have unleashed individual initiative and entrepreneurship. The result has been the largest reduction of poverty and one of the fastest increases in income levels ever seen. China today is the fourth-largest economy in the world. It has sustained average economic growth of over 9. 5% for the past 26 years. In 2006 its $2. 68 trillion economy was about one-fifth the size of the U. S. economy.

Political and Legal

The 70. 8 million members of the Chinese Communist Party (CCP), authoritarian in structure and ideology, continue to dominate government. China’s population, geographical vastness, and social diversity frustrate attempts to rule by fiat from Beijing. Central leaders must increasingly build consensus for new policies among party members, local and regional leaders, influential non-party members, and the population at large.

The Chinese Government has always been subordinate to the Chinese Communist Party (CCP); its role is to implement party policies. The primary

organs of state power are the National People's Congress (NPC), the President (the head of state), and the State Council. Members of the State Council include Premier Wen Jiabao (the head of government), a variable number of vice premiers (now four), five state councilors (protocol equivalents of vice premiers but with narrower portfolios), and 25 ministers, the central bank governor, and the auditor-general.

Company Background and Overall Global Strategy

We plan to help market Quaker Oats Cereal Bars in Taiwan, China. Taiwan is one of the major cities in China that Quaker has not yet explored.

Brief History

The Quaker Oats Company was officially formed in 1901 when several American pioneers in oat milling came together to incorporate the now familiar name. In the late 1800s, each of three Midwest milling companies had independently begun to process and sell high-quality oats for the consumer. The product of a rocky union between three 19th-century millers, The Quaker Oats Company maintains a portfolio of strong branded products within the food and beverages sectors. Quaker's other main brands include Quaker oatmeal; Cap'n Crunch, Life, and other ready-to-eat cereals; Quaker rice cakes and Quaker Chewy granola bars; Rice-A-Roni, Pasta Roni, and Near East flavored rice and pasta side dishes; and Aunt Jemima mixes and syrups. Of total U. S. sales, 92 percent are derived from brands that are number one or two within their product categories. Quaker's overseas sales efforts are centered on Latin America, Europe, and China, generating about 18 percent of total revenues.

Global vision

Our responsibility is to continually improve all aspects of the world in which we operate environment, social, economic creating a better tomorrow than today. The goal of human sustainability is to nourish consumers with a range of products, from treats to healthy eats. We are proud to give consumers choices across the spectrum. Our products deliver joy as well as nutrition and always, great taste. The second component of purpose is environmental sustainability. Companies – like individuals – must act as custodians of our natural resources. As it is for each individual, it is a matter of moral urgency that companies do what they can. But it is a matter of business urgency too. Today, recruiting the best people is difficult without a good record on the environment – to say nothing of the direct link between resource conservation and business productivity. All of this activity is crucial in its own right and crucial in fostering the third part of our purpose aims: Cherishing our employees, what we call talent sustainability. PepsiCo is blessed with an extraordinary group of people. Talent sustainability is the process of treating them well and priming them to fulfill their dreams. So it is at PepsiCo. We pursue diversity to reflect the consumers we serve.

Mission Statement

Our goal is to be the undisputed leader in the food and beverage industry. We intend to do this by making Quaker a winning company a place where talented people have opportunities and are rewarded for contributing to an exciting, profitable growth story. Winning means that our products will be those for which consumers hunger and thirst. Winning also means that we outpace our competitive set with consistently strong financial results.

Analysis of Market Opportunity

Product Potential

Quaker Oats is a division of PepsiCo which gives it great advantage in Taiwan with the company's already established presence in China. The product potential for Quaker Oats Snack Foods is great due to the customs and culture of the Taiwanese people. The Taiwanese consumer prefers breakfast to be quick, even on Sundays. It is also commonplace to find street vendors selling cheap hot breakfast. Since Taiwan is a huge tourism spot for China many of the hotels have breakfast buffets and on-the-go snacks. So ideally, Taiwan would be a great area for Quaker Oats to move their breakfast snack foods to. The fast, on-the-go lifestyle coupled with the tremendous tourism makes a thriving market for such products. With the brand and products already successful with many of the American and European customers, it would be a recognizable product for many of the tourists that come to Taiwan. Packaged foods already constitute a $47 billion category that is expanding by 8% per year–a pace rarely seen these days in developed markets. By tweaking product formulations and packaging while modifying manufacturing practices so that prices can be set at lower levels, a company can make a premium brand appeal to a broader swath of customers.

Characteristics of the buyer

For our company to really be successful in Taiwan we need to understand the characteristics of the buyer such as geographic, demographic, education, income, and family characteristics. The island of Taiwan is mainly a mountainous region with capital city Taipei hosting 2. 6 million of the countries 23 million people. Like much of the other regions in the Republic of China the official language of Taiwan is Mandarin Chinese which makes for

great ease of business because there aren’t a variety of language barriers to overcome when doing business.

The average Taiwan citizen is 34 years old and is expected to live about 78 years. Taiwan’s education system is much different than ours. Since 1979, 9 years of education was satisfactory for Taiwanese students. This included 6 years of elementary school and 3 years of junior high. About 95% of junior high students continued their education at a senior high school or vocational school. Taiwan hosts about 162 institutes of higher learning with about 73% of applicants getting accepted into a college or university. Religion is also an important factor to consider when trying to do business in Taiwan. Over 93% of Taiwanese are adherents of a combination of Buddhism, Confucianism, and Taoism; 4. 5% are adherents of Christianity, which includes Protestants, Catholics, and other non-denomination Christian groups; Latter-Day Saints, and 2. 5% are adherents of other religions, such as Islam.

China has 340 million families, with 3. 63 people per household on average. In general, a Chinese family is composed of a couple and their children, but big families with three or more generations can also be found in China. Studies show that by 2010, 40 million households will earn more than 48, 000 renminbi ($6, 000) per year, equivalent to $24, 000 in terms of purchasing-power parity and enough to qualify a household as middle class by U. S. standards. This is great information for marketers to know about the Taiwanese household because this shows that they do have the purchasing power to consume our products without being faced with the decision on if they should spend so much money on such a product or not.

For Quaker Oats to do well in China we would need to incorporate as many Chinese producers as possible to elicit the support of the local businesses and attract the consumers. One thing we would need to consider is the agriculture in Taiwan. Agriculture comprises only about 1. 7% of Taiwan's GDP. Taiwan's main crops are rice, sugarcane, fruit, and vegetables. While largely self-sufficient in rice production, Taiwan imports large amounts of wheat, corn, and soybeans, mostly from the United States. Overall, U. S. agricultural and food products account for more than 30% of Taiwan's agricultural import demand. U. S. food and agricultural exports total about $2. 5 billion annually, making Taiwan the United States' sixth-largest agricultural export destination.

Cost of Serving Market

As mentioned above, an important aspect of being successful overseas is being able to cut costs as much as possible. This will be exceptionally difficult for our company entering the breakfast food market. China's import tariffs for breakfast cereals range from 25 to 30 percent. Since cereals are processed foods, they are also subject to an additional 17-percent value-added tax.

Since some of our breakfast snack foods include cereal bars, breakfast cookies, and granola bars we would be subject so to such tariffs. It is important to note, however, that with China's accession to the World Trade Organization, import tariffs are expected to decline over the next several years.

Analysis of Competition

The breakfast market in China is one that is growing in China as the years progress. Though it is not a very large market it is rising in popularity. Though we plan on being the best in this particular market, we are not the first. Kellogg's has a plant in Guangzhou that makes corn flakes and other cereals. Heinz also has been in Guangzhou for more than 10 years producing cereals for babies. Most of the imported breakfast cereals available in China are manufactured by Kellogg's factories in Australia, Malaysia and Thailand. The difficult part of entering the market in China is the presence of Kellogg's which is a dominant name in the breakfast food industry. Our only advantage is that we are marketing breakfast snacks to eat on the go which neither Heinz nor Kellogg's is doing. We're hoping to capitalize on this advantage as much as possible. Along with our competition we are also faced with other constraints.

Constraints in Serving the Market

The two biggest constraints on retail sales appear to be price and product awareness. The consensus among local importers and distributors is that breakfast cereals are too expensive for most consumers. A 20 to 30-percent reduction in the retail price would increase demand tremendously. Consumer education must also be a major part of any marketing campaign to teach the Chinese how to eat U. S.-style breakfast cereals. Although foreign breakfast cereal joint ventures have made some headway in product promotion, more effort is necessary before sales can expand.

Strategies for Addressing Marketing Constraints

Some of the geographical constraints of China are really crippling its market. Most of the 1. 3 billion potential consumers are not accessible because of a poor or nonexistent distribution network. Indeed, the true consumer market in China is probably limited to no more than 20 percent of those who live in the more affluent cities. No distribution channel system exists to effectively distribute products, so companies must become resourceful to compensate for poor infrastructure. Another area that seems to be doing more harm than good are its economical and legal constraints. Two major events that occurred in 2000 are having a major effect on China's economy: admission to the WTO and the US granting normal trade relations to China on a permanent basis (PNTR). Despite these positive changes, the American embassy in China has seen a big jump in complaints from disgruntled US companies fed up with their lack of protection under China's legal system, outside of the major urban areas of Beijing, Shanghai, and Guangzhou, even when they are local partners. Many are finding that Chinese partners with local political clout can rip off their foreign partner and, when complaints are taken to court, influence courts to rule in their favor.

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