

Threats to marketing in china assignment

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Executive Summary For industry sectors the threat of globalisation to their local market has increased competition which in turn has led to price cutting and increased spending to maintain a competitive advantage over the opposition. In New Zealand the wine industry has been on to benefit from globalisation as it has led to expansion of their target markets, effectively leading higher returns as they are able to expand production.

The increase in the supply of wine has led many wine producing countries to explore new and unexplored markets, already New Zealand's wine industry has been identified as creating themselves a niche market within the Association of South-East Asian Nations (ASEAN). This report aims to identify the strengths, weaknesses, opportunities and threats that exist in entering the Asian wine market. Situational Analysis Strength ??? For over twenty years the wine industry in New Zealand has enjoyed a share in the upper-premium wine market, the long stretch has established New Zealand's domestic wine varieties in the international market. Many of New Zealand's unique flavours such as their Sauvignon Blancs, aromatics and Pinot Noirs have already developed strong following throughout Asia (Barton, 2007). ??? Many in the Asian market believe that the New Zealand wine industry can be seen as somewhat of an example for the countries other exporting industries such as dairy, furthermore stating that the industry has created itself a niche market to be imitated (Barton, 2007). ??? Internationally, New Zealand is widely regarded as being clean and green.

New Zealand exports benefit from this image and the wine industry not one to be excluded from this list (Ministry for the Environment, 2001). For international consumers, association the New Zealand image in wine

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provides unique attributes that wines from other countries are unable to imitate, providing New Zealand wine exported with a competitive advantage. ??? New Zealand is well known throughout the world as being famous for agricultural produce which includes fruits, vegetables, dairy and meat.

The transfer of reputation for high agricultural standards transfers onto the countries wine. As a strength New Zealand is geographically positioned closer to the Asian market compared to Chile and France, the potential benefit this possess is that the country products would have less of a carbon foot print. Weaknesses ??? Wine has long been associated as being a luxury good, as is regard having an elastic demand. This is one of the major weaknesses for New Zealand, as the major segment in which domestic producer target is the upper premium end.

Price sensitivity which may occur from a recession or larger cost occurring from inelastic goods such as food and gasoline is likely to have a dramatic effect on demand. ??? At present the world's supply of premium wine exceeding demand, like New Zealand, countries that manufacture wine are also searching to cater the Asian market. Unfortunately due to lower outputs and smaller operations, countries that also cater for these segments are likely to be use dumping as a form of push out competitors like New Zealand who have lower market share. Unlike France, New Zealand is not recognised as a traditional wine producer. This could pose as problem when considering that the countries wine is positioned in upper-premium market, the weakness is that consumers may associate high quality wine to be from France or Europe. New Zealand does not have this attribute as it has been manufacturing wine for just over 20 years. Opportunities The growth

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potential for New Zealand within Asia is likely to be valuable in an effort to combat the rise in supply available internationally of wine.

China has long been identified as being a prime destination for export of luxury goods, this can be due to the increase in the number of individuals that belong to the upper medium class (Beverland, 2002). China is expected to become one of the top ten wine consuming countries by 2010 (JoongAng Daily, 2007), China as a consumer of New Zealand is deemed more attractive with the recent free trade agreement between the two countries (Goodger, 2008).

The fact that New Zealand wine manufacturers as a whole produce low volumes, the opportunities to market New Zealand wines with the exclusivity factor in Asia is likely to have an effect in reaching the upper-middle class. As much of the boom in wine purchasing was attributed to wealthy Asians purchasing wine in the super-premium market (Kubota-Cordery and Walker 1997, Robinson 1997, Tyson 1997. Cited in Handley & Lockshin, 2007), a minor supply of New Zealand wines in the market is likely to strengthen the appeal to this audience. On 7th of April 2008, New Zealand entered into a Free-Trade-Agreement (FTA) with China.

New Zealand is the first to enter into an agreement with China (New Zealand ministry of foreign affairs and trade, 2008), the benefit to the wine industry in New Zealand is that it has created a competitive advantage as many of the tariffs from exporting wine will be removed. A particular advantage that is beneficial to the wine industry is the introduction of a six-month period for business visitors, this gives the industry more time in the country to

establish their brand. Exploiting this advantage is essential in establishing the New Zealand variety with primary purpose of creating barriers for other wine manufacturing countries.

The Chinese have often been described as a high context culture, once a product is accepted they are much quicker at embracing it throughout their whole country. The introduction of the FTA between New Zealand and China which extends the maximum stay for business visitors from ninety days to six months allows for wine manufactures to develop relationships within China instead of working through middlemen in Hong Kong (Watkins & Eaton, 2008). Lui and Wang (1999) are one of many authors, who believe that developing relationships is essential for success in Asia (Beverland, 2002).

The geographical position of New Zealand poses as no barrier when using the world wide web, the internet has been widely renowned for increasing communication and is known for being tool for businesses (Belch & Belch, 2001. Cited in Stevens & Burns, 2005). The internet offer opportunities for the wine industry efficient and effective without leaving home, volume wise, the Asian population is rapidly becoming the largest users on the internet (Beal, 2003). Marketing a wine variety on the internet can pose as an advantage, especially considering the fact that New Zealand wine are considered to be price high compared similar varieties (Barton, 2007). The high price could mean more than a superior wine, for example a consumer may go on the internet to find a wine which would match a certain meal. The wine industry in New Zealand possesses a powerfully tangible product that can be associated with their wine, the tangible product being a restaurant or <https://assignbuster.com/threats-to-marketing-in-china-assignment/>

night stay at vineyards. This aspect that could have the potential to create a loyal following toward their product, this could potentially differentiate a product from another one of similar characteristics. Threats New Zealand's businesses currently face high interest rate that have been set by the reserve bank of New Zealand, the implication of high interest is likely to lead to a decrease in borrowing for investment purposes. This may cause flat sales as the industry output will be unchanged from that of the previous years. ??? New Zealand's currency is very volatile; this is like to be threatening to an importer as they will have to change their prices constantly. The resolution is often a fixed price in the local currency however; the ability of the manufacturer to forecast future revenues may be unfeasible. An international trend towards reducing carbon emission can be seen throughout the world, the geographical positioning of New Zealand compared to that of their competitors is likely to have an effect on buying decisions. ??? Internationally the price of commodities including rice, grains and oil is likely to have an effect on the purchasing decisions of consumer of luxury goods. New Zealand's wines are positioned in upper-premium segment, higher prices of inelastic goods is likely to ??? The wine industry in New Zealand has been enjoying a great success abroad; throughout the twentieth century growth has been dramatic.

Many speculators believe that success is near or at its peak; this can be largely associated to growth in the number countries that have not been traditionally recognised as wine producers or exporters. ??? One of the major threat facing exporters of wine is the environmental barriers that exist, these include political, communication, distribution channels and legal systems. ???

Many have speculated that 'boom' that was witnessed may have been attributed to wealthy Asians purchasing the world's best wine, merely due to the attributed image of drinking only the best (Kubota-Cordery and Walker 1997, Robinson 1997, Tyson 1997.

Cited in Handley & Lockshin, 2007). The move on wines being available to the average in supermarkets is likely to have an effect on the image attributed to wine being exclusive and above the reach of average consumers. Sales are likely to increase, however, the elimination this attribute of exclusivity is likely to have an effect on price. ??? Lack of quality control is likely to be a threat to the New Zealand wine brand (Beverland, 2002), this can be illustrated by an Australian wine company who had exported their wine to China only to have it left in a warehouse with the temperature unmanaged.

By the time the exporter decided to release the product into the market it was in a spoiled condition which was rejected by the Chinese consumers (Beverland, 2002). ??? Higher prices exporting due to increase in the price of oil is likely to be passed onto the consumer, this could pose as a threat New Zealand wine may become more expensive when compared to their competitors product within the same market. ??? New entrant into ASEAN such as South Africa and India who both manufacture wine pose as a potential risk as they may become more competitive and use dumping techniques.

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