Module 2: Developing Strategies in the Food Industry: Challenges and Opportunities

Learning outcomes

On successful completion of this module you will be able to:

- Understand the role of the situation analysis in the strategic planning process
- Identify and discuss the micro environment in the food industry
  - Companies
  - Producers/middlemen/retailers
  - Customers/consumers
  - Sectors (e.g. seafood, meat, dairy, horticulture)
- Identify and discuss the macro environment in the food industry
  - Demographic
  - Economic
  - Cultural
  - Natural
  - Technological
  - Political/legal
Learning resources


Readings

2.1 Introduction

While Module 1 overviewed the food industry globally and in Australia, this module focusses on developing strategies for the food industry based on challenges and opportunities. Challenges and opportunities are identified through a market environment analysis, which incorporates both the micro and macro environments, as illustrated in Figure 2.1.

Figure 2.1: The Market Environment of the Food Industry

(Source: Adapted from: Kotler, Keller and Burton, 2009)

Throughout this module we consider the micro and macro environments and associated forces. The module concludes by outlining how to develop marketing strategies based on the implications identified in a market environment analysis of the food industry.
2.2 Strategy and Strategic Planning

Strategic planning is the process of matching the organisation's resources and capabilities with attractive market opportunities and involves planning, implementing and controlling. The final Module of this course (Module 12) addresses the development of strategy in detail (based on the understanding developed in all the preceding modules). Ferrell and Hartline (2014 p29) highlight that 'whether at corporate, business unit, or functional level, the planning process begins with an in-depth analysis of the organization's internal and external environments – a situation analysis'. Hence this module focuses on the external environment.

As a foundation and context for this situation analysis the key issues expanded on in Module 12 will include:

- Describing in detail the strategic planning process where the situation analysis is used as the basis for determining the corporate mission, goals and objectives of the firm. These corporate goals then inform business unit strategy, of interest to us, the marketing goals and objectives.

- Marketing goals and objectives then inform the development of the marketing plan that provides the blueprint or outline of the organisation’s marketing activities, including the implementation, evaluation and control of those activities’ (Ferrell & Hartline, 2011 p. 40). The marketing plan is the central instrument for directing and coordinating the marketing effort and operates at both a strategic and tactical level.

- Various strategies for business growth are then covered including market penetration (selling more to existing customers), market development (selling existing products to new customers) and product development (developing new products for existing markets). Integrative growth strategies such as backward, forward and horizontal integration are also outlined.

- Basic competitive strategies (cost leadership, differentiation and focus) are covered as well as competitive positions of market leader, market challenger, market followers and niche marketers.

- Sustainable competitive advantage is the final topic addressed in Module 12 and covers the three issues of the basis of competition (skills and assets), where you compete and whom you compete against.

2.3 The micro environment

The micro environment refers to the forces that affect companies in a specific industry or sector. Micro environmental factors are those in which the firm can relatively control and have a direct impact on a company's success. Here we consider four major forces: companies, producers/middlemen/retailers, customers/consumers and sectors.

Companies

Throughout the food supply chain there are multiple channels that can be used to get food from producers to customers and consumers. As the global food industry is a complex collective of diverse businesses, countless companies are involved in this process. Some companies may be considered as competitors and others horizontal and vertical partners (Grunert, Larsen & Madsen, 2011). Globalisation has many definitions, yet in relation to the food industry it can be defined as:
1. The multiplication and intensification of economic, political, social, and cultural linkages among people, organizations, and countries at the world level;

2. The tendency toward the universal application of economic, institutional, legal, political, and cultural practices; and

3. The emergence of significant spill-overs from the behaviour of individuals and societies to the rest of the world (von Braun & Díaz-Bonilla, 2008).

Globalisation is a hot topic, as the world agri-food system becomes increasingly globalised. The world’s top food and beverage companies are profiled and ranked annually. Table 2.1 outlines the top five global food and beverage companies for 2012.

**Table 2.1: Top 5 Global Food and Beverage Companies (2012)**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Product and Brand Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Nestlé</td>
<td>Milo, Ski yoghurt, Nescafe, Nespresso, San Pellegrino, Kit Kat</td>
</tr>
<tr>
<td>2.</td>
<td>PepsiCo, Inc.</td>
<td>Mountain Dew, Brisk, Starbucks ready-to-drink beverages, Aquafina</td>
</tr>
<tr>
<td>3.</td>
<td>Kraft Foods</td>
<td>Cracker Barrel cheese, Vegemite, Cadbury, Carte Noire, Pretzels</td>
</tr>
<tr>
<td>4.</td>
<td>The Coca-Cola Company</td>
<td>Bacardi liquor, Coca-Cola, Powerade, Goulburn Valley, Fanta, Eva water, Vanilla Coke, Vitamin Water, Diet Coke, Coke Zero</td>
</tr>
<tr>
<td>5.</td>
<td>Fonterra</td>
<td>Mainland cheese, Tip Top ice-cream, Western Star butter, Bega cheese</td>
</tr>
</tbody>
</table>

(Source: Food Engineering, 2012)

Which of the following companies do you think are Australian-owned?

- Cottee’s Cordials
- Streets Ice-cream
- Bundaberg Sugar
- Uncle Toby’s

Activity: See Appendix 1 to check your answers.

### Producers/middlemen/retailers

#### Producers

The world’s food production has increased substantially in the past century, as has calorie intake per capita (GRID-Arendal, 2014). Four billion metric tonnes of food are produced globally per annum (FAO, 2011) and the world currently produces enough food for its citizens; however the FAO recently reported:

> The world’s population is set to grow considerably over the coming years, albeit at a slower rate than in the past and with considerable differences across regions. Recent FAO estimates indicate that to meet the projected demand, global agricultural production will have to increase by 60 percent from its 2005–2007 levels (FAO, 2013a p. 123).

The Australian production industry provides fresh produce, meats and seafood to the public through various channels, both directly (sold from the farm or market) and indirectly (retail sale). Agricultural production utilises over 60 percent of Australia’s land. In 2011-2012, approximately 300,000 people were employed within farm and fisheries production (DAFF, 2013a).

The Australian industry also services the international market, generating $30.5 billion in export revenue over the 2011-2012 period, $3.3 billion higher than the previous year. The previous decade has seen a trend emerge of increasing exportation of unprocessed grains and oilseeds, compared with lower exportation of seafood and dairy products.

North Asian countries collectively constituted 34 percent of the total value of Australian food trade in 2011-2012. This indicates that Australia is strengthening their trade ties...
with the Asian market, and is able to compete for a share in the growing demand within the region (DAFF, 2013a).

Contrastingly, 90 percent of fresh food consumed in Australia is produced within the country (DAFF, 2013b), indicating that Australians rely on locally sourced produce. In comparison, Australia imported $11.3 billion worth of food products in 2011-2012, up 8.6 percent compared to the previous year, and were mostly sourced from New Zealand, supplying 18.1 percent of the value of Australian imports. However, Australia shall continue to rely upon domestic food production to supply its growing population (DAFF 2013a), which means that the nation’s food security should be evaluated.

It is of paramount importance to maintain Australia’s food security, which is defined by Bastian & Coveney (2013 p. 162) as:

*When all people, at all times, have physical and economic access to sufficient, safe, nutritious food to meet their dietary needs and foods preferences for an active and healthy life.*

Australian produce is estimated to feed the population and around 40 million people internationally (DAFF, 2013a), indicating that Australia has enough domestic supply to ensure that the population is serviced.

**Middlemen**

Once food is produced there are many functions to be carried out before the product is ready for the consumer. The Food and Agricultural Organization of the United Nations (FAO) highlights the value of middlemen, which identifies manufacturers/processors (both terms are used interchangeably) in the food industry:

*There are many functions to be carried out in moving the product from producer to customer. Those functions each require funding and, often, specialist knowledge and expertise. Few producers have either the resources or the expertise to carry out all of the necessary functions to get a product/service to the ultimate user (FAO, 1997).*

Watch “The journey of an egg from farm to table” video using this [link](#). This video is about Burnbrae Farms, a Canadian producer and processor of eggs that supplies grocery store chains, the food service industry, large bakeries and industrial customers.

This video explains the process in which an egg leaves local producers and is transported to middlemen, in this case Burnbrae Farms, who process (grade, wash, candle for imperfections, package) the eggs for shipping to retailers or customers (restaurants and other food service establishments).
Australia’s food processing/manufacturing industry is a particularly important part of Australia’s overall food production. The food and beverage processing industry represented approximately 20 percent of the food industry’s gross value added in 2011-2012, accumulating $22.9 billion over the period. The strongest sectors (in terms of industry value) within the 2010-2011 period were the meat, bakery and sugar/confectionery industries (DAFF, 2013a).

Food and beverage manufacturing also accounted for around 24 percent of Australian manufacturing employment in that period, which consisted of around 227,000 employees within 13,000 different businesses (DIISRTE, 2013). Currently, Australia’s processing industry is divided into a number of sub-sectors based on 2005-06 data (Australian Trade Commission, 2014):

- Other – 30 percent
- Meat – 25 percent
- Dairy – 14 percent
- Wine and beer – 13 percent
- Flour and cereals – 6 percent
- Bakery products – 5 percent

**Retailers**

Retailers include a wide range of outlets such as supermarkets and specialist grocery stores. Retailers are characterised by their dealing with the end user of the food product. Also considered here are restaurants and other food service establishments like cafes, fast food outlets and catering companies.

Food retailing accounts for approximately 40 percent of all retail sales worldwide (FAO, 2009). World food retail sales increased from EUR 100 billion in 2002 (AUD $150 billion) to EUR 110 billion (AUD $165 billion) in 2007; with supermarket, small grocery retailer, hypermarket, and discounter sales increasing by 2–3 percent per year on average, or 14–17 percent throughout the 2002–2007 period (FAO, 2009). The top 10 global retailers are identified in Figure 2.2.
The share of these retailers in global retail trade continues to increase. The leader group (top 10 retailers) as a whole is much more globally active than the top 250 retailers overall, with Deloitte reporting (2014 p.G20):

- On average, the top 10 had retail operations in an average of 16.3 countries in 2012, compared with 10 countries for the top 250.
- The world’s 10 largest retailers generated almost one-third of their combined retail revenue from foreign operations in 2012; this compares with less than one-quarter of total top 250 revenue.

The retail industry is the one that most Australians deal with on an everyday basis. Over the 2011-12 period, the retail sector (including supermarkets and grocery stores) generated almost $81 billion in revenue, employing approximately 275,000 people. The industry also averaged an annual growth of 2.4 percent from 2004-2014 (IBISWorld, 2013b).

The Australian supermarket industry is highly competitive, with a duopoly existing between Woolworths Ltd and Wesfarmers Limited who operate their respective supermarkets of Woolworths and Coles. Woolworths Ltd holds 41.4 percent market share, while Wesfarmers Limited holds 32.5 percent. Independent Grocers of Australia (IGA), who operate independent IGA stores through the country, are estimated to hold around 6 percent market share.

This article discusses the power that supermarket giants Woolworths and Coles have over producers in Australia’s food industry. Low market prices can have detrimental impacts on the food industry as farmers cannot sustain low prices, which could see more imported produce.

Activity

Read the following article using this link.

(Developer)
Retailers can have a huge impact on the food industry, as discussed in the suggested article. The introduction of foreign retailing brands within Australia has had an influence on the industry, particularly the introduction of German discount retailer, Aldi. The competitive environment is set to increase with the introduction of American company Costco in 2009 (IBISWorld, 2013a).

Customers/consumers

Customers

Customers include restaurants and other food service establishments such as cafes, hospitals and fast food outlets. This group is referred to as “customers” rather than consumers as they purchase food products that will be transformed and on-sold to consumers (for consumption).

A 2013 Euromonitor International report established that the global consumer food service industry was worth approximately **US$2.5 trillion in annual sales in 2012**, and also purported:

- The global consumer foodservice growth story is now firmly that of two major regions: Asia Pacific and Latin America, with these two regions contributing the majority of global value growth in 2012 and beyond.
- On a global level, fast food operators remain best positioned to benefit from consumers’ increasingly varied demands, with the format offering the flexibility necessary to offer a range of different experiences under the same brand (Euromonitor International, 2013 p. 4).

McDonald’s is the leading global food service retailer. The company promotes the statistics listed in Figure 2.3 on its website (McDonald’s, 2014):

**Figure 2.3**: McDonald’s Quick Facts

(Source: McDonald’s, 2014)
Imagine the quantity of food McDonald’s purchases to transform it into products for consumers worldwide. In Australia alone, McDonald’s has over 900 restaurants, employs 90,000 people (across restaurants and management offices), and more than a million people visit a McDonald’s restaurant every single day (McDonald’s, 2014).

Consumers

As everybody eats and drinks, we are all considered consumers. Unfortunately not all consumers have adequate access to food. Food security is concerned with the ongoing availability of food. The FAO’s “The State of Food Insecurity in the World 2013” report identified that around one in eight people in the world were estimated to be suffering from chronic hunger due to regularly not getting enough food to conduct an active life, and despite overall progress, marked differences across regions persist (FAO, 2013b).

The Australian Government states that most Australians can access affordable food, due to high levels of employment and income support services (DAFF, 2013b). They also purport that Australians spend 17 percent of their average income to purchase food (ABS, 2012, cited in DAFF, 2013b), and that Australia is listed as one of the top five countries in the world for affordable food (Economist Intelligence Unit, 2012, cited in DAFF, 2013b).

However, studies have shown that certain Australian demographics remain food insecure (e.g. single-parent households, homeless people, Indigenous Australians, those living alone and the unemployed) (Doljanin & van Herwerden, 2002; Sydney Food Alliance, 2010; cited in Lawrence, Richards & Lyons, 2013). Food insecurity is also influenced by geographics, with Indigenous Australians living in remote areas paying 50 percent more compared to capital cities.

Carte Noire is France’s number one coffee brand and produces instant coffee – Carte Noire branded products were recently launched in the Australian market. Watch two of the advertisements created for the French market on YouTube, using this link.

Activity:

What did you think of the advertisements? Are you the target market?

Do you believe that the advertising is suitable for the Australian market?

Do you consider Carte Noire to be a luxury brand or a staple food product?
Sectors

The Australian Government Department of Agriculture (DAFF), formerly the Department of Agriculture, Fisheries and Forestry has a role to “…develop and implement policies and programs that ensure Australia’s agricultural, fisheries, food and forestry industries remain competitive, profitable and sustainable’ (DAFF, 2014a). DAFF classifies sectors, or food supply industries and categories in the domestic market as spanning dairy, animal protein, horticulture, drinks and other major grocery food lines (Spencer & Kneebone, 2012). These food supply industries and categories are represented in Figure 2.4.

Figure 2.4: Food supply industries and categories

(Source: Spencer & Kneebone, 2012 p. 30)
The 11 key sectors in Australia’s food industry, as classified by DAFF, are outlined below (Spencer & Kneebone, 2012 pp. 32-78):

- **Meat**
  - **Beef:** includes the fresh beef segment and processed beef; beef has the largest share of per-capita fresh meat consumption in retail channels in Australia, for example supermarkets and butchers
  - **Lamb and sheep-meat:** lamb and sheep-meat is predominantly sold as fresh cut meats; there is a global shortage of sheep-meat
  - **Pork:** includes the fresh pork segment and manufactured pork meat which is processed into ham and bacon products
  - **Poultry:** includes fresh poultry meat and processed poultry such as chicken parmagiana sold in foodservice channels (i.e. restaurants)

- **Seafood:** includes the processed form such as fish fingers and whole seafood (which may have undergone processes such as gutting) as well as wild catch or aquaculture; Australia's seafood industry is highly reliant on imported product

- **Dairy:** includes milk and other fresh dairy products such as yoghurts and cream, as well as manufactured dairy products such as ice-cream

- **Horticulture:** refers to fruit and vegetables, and includes unprocessed perishable products and processed products such as canned tomatoes and other fruits

- **Eggs:** the vast majority of eggs are sold fresh although a portion are processed to create egg products that are powdered or pulp products – the three major systems used to produce eggs are cage, free-range and barn-laid

- **Grains (wheat flour products):** includes bread and pastry products; consumer products such as flour and foodservice products such as bread rolls

- **Beverages:** comprising the following major sub-categories: beer, spirits, wine, soft drinks and juice and hot beverages such as coffee and tea (milk is included in the dairy sector); all of these products are processed

- **Dry groceries:** refers to food products that are sold in packaged form and don’t require chilling or freezing; these products can be tinned, bottled or packaged in paper and exclude food products sold fresh; an example is two minute noodles.

## 2.4 The macro environment

Companies and every player in an industry operate in a macro environment of forces and trends. Macro environmental forces are all-encompassing global influences, and profoundly affect food preferences. Here we consider six forces: demographic, economic, cultural, natural, technological and political/legal.

Macro environmental forces are uncontrollable and a company must be prepared and positioned to react and adapt. Furthermore, many of these societal macro environmental forces are interrelated and impact the micro environment. Forces and trends shape opportunities and present challenges.

Trends are a direction or sequence of events that have momentum, durability and reveal the shape of the future, as well as provide many opportunities. The recent increase in online grocery shopping is a trend in which customers can conveniently do their supermarket shopping online 24/7 and have their groceries delivered to their door. This
consumer trend is changing the grocery shopping landscape, and has been impacted by almost all of the macro environmental forces.

Watch the following video for an overview of the various external environment factors which influence organisations. A PESTEL analysis is one of various tools used to identify macro environmental forces.

Before starting this topic, consider the sector you have selected for your Task 1 in this course. As you work through each of the six macro environmental forces think about the challenges and opportunities posed by each in relation to this sector.

Demographic

The demographic environment is a fundamental force for marketers to understand and monitor, particularly in the food industry. Demographic attributes are key factors in shaping tastes, choices, opinions and food knowledge. The key demographic attributes that marketers monitor include (Kotler, Keller & Burton, 2009):

- **Population:** the size and growth rates in cities, regions, countries and worldwide
  - For example, explosive population growth due to births may provide opportunities for companies to produce food for babies

- **Age distribution:** marketers typically divide the population into six age groups (pre-school children, school-age children, teens, young adults aged 25-39, middle-aged adults aged 40-64, older adults aged 65+) and the age mix varies
  - For example, growth in the school-aged population may provide opportunities for companies to produce “lunchbox” snacks (convenient for busy parents)

- **Ethnic mix:** populations vary in ethnic and racial make-up and this diversity influences food preferences
  - For example, ethnicities typically have religious beliefs that influence food choices (e.g. Islamic – Haram food, Buddhist – vegetarian food, Judaism - Kosher food)

- **Other markets:** cities and regions can attract likeminded people and similar cultures; Sunnybank in Brisbane has a large number of Chinese immigrants
  - For example, in Australia, migration is a large contributor to population growth with China the third-largest source, Chinese typically consume rice with every meal

- **Educational levels:** marketers typically divide educational levels into five groups (illiterates, high school dropouts, high school graduates, post-secondary education graduates, university graduates)
  - For example, educated and illiterate people may have contrasting eating habits as educated people may be aware of the importance of making healthy food choices

- **Household patterns:** household types vary and can include singles and couples with or without children (dependent or independent) which affects spending and buying patterns; “non-traditional” households are also becoming more common
  - For example, household size impacts on food serving sizes (e.g. single, family)

- **Regional characteristics:** the geographic distribution of the population differs between regions/countries, regional characteristics impact on food preferences
For example, consumers are more likely to purchase seafood the closer they are to the ocean or waterways as the product is perceived to be “fresher”.

Economic

The economic environment is concerned with the available purchasing power in an economy. Food is an essential part of everyday life, although trends affecting purchasing power can have a strong impact on non-essential food products that may be perceived as luxury items. The key economic attributes that marketers monitor include income distribution and savings, debt and credit availability (Kotler, Keller & Burton 2009).

Significant economic forces and trends that are occurring in the global macro environment include:

- **World Trade Organisation and trade**: agreements made as part of WTO negotiations are promoting the gradual dismantling of food industry trade barriers
- **Food security**: global food shortages in 2007 and 2008 led to some food exporting countries banning exports of staple foods; developing countries experience “food insecurity” when populations are chronically undernourished
- **Global financial crisis**: the GFC arose in industrial countries, yet also greatly affected developing countries through higher interest rates, sharp changes in commodity prices, and reductions in investment, trade, migration and remittances; for most low-income countries, shocks that affect food prices or wage rates for unskilled workers have the largest impact on poverty
- **High and fluctuating exchange rates**: countries that process food products, with a high exchange rate, make their food manufacturers less competitive against imports in the domestic market and competition in export markets.

Read pages 16–17 and 21-22 of the FOODmap report to identify some of the economic forces and trends impacting Australia’s food industry.

Cultural

The cultural environment largely influences consumer food tastes and preferences. Eating habits are dependent on the beliefs, values and norms of your culture, which can impact on fundamentals such as dining times, portion sizes and how you eat meals. The key cultural attributes that marketers monitor include worldviews such as views of themselves, society and nature, core cultural values and the existence of sub-cultures (Kotler, Keller & Burton, 2009).

Significant current cultural forces and trends in the global macro environment include:

- **A growing population**: projected to increase from 7 billion to 9 billion by 2050, placing a significant additional burden on the world’s food production capacity
- **Rising middle class**: the increasing purchasing power of the middle class across the world will alter global food consumption patterns from basic staples towards more appetising, nourishing and safe food; China is a classic example
- **Consumer preferences for health/wellness products**: this is a trend that is increasing in response to the rise of obesity and weight related diseases.
Read pages 24-27 of the FOODmap report to identify some of the cultural forces and trends impacting Australia’s food industry.

Natural

The natural environment is essential for food production, having a major influence on food. Environmental food impacts include climate change, food waste, raw material shortages, landfill and pollution levels, water, increased cost of energy, food production lifecycle and concepts such as paddock to plate and organic (Kotler, Keller & Burton, 2009).

Significant natural forces and trends that are current in the global macro environment include:

- **Sustainability**: many farming practices are unsustainable, i.e. the deforestation of rainforests, the use of non-renewable water resources for irrigation and the production of low-value water-intensive crops on irrigated land
- **Organic food**: a major emerging trend that is reducing the environmental impact of food production systems; greatly impacts natural, economic and cultural forces
- **Water security**: there is growing pressure on world water resources, largely due to the increasing demand for food

Read page 14 of the FOODmap report to identify some of the current consumer preferences that have resulted from concerns for the environment.

Technological

The technological environment is central to food manufacturing and the entire food supply chain. Technology is a dramatic force shaping our lives; innovations in the food industry include freeze-dried coffee, eco-friendly food packaging and phone apps that allow you to order takeaway coffee from retailers. The key technological attributes that marketers must consider include the accelerating pace of change, unlimited opportunities for innovation, varying research and development (R&D) budgets and the increased regulation of technological change (Kotler, Keller & Burton, 2009).

Current technological forces and trends that in the global macro environment include:

- **Agricultural research**: the future increase in food production will be brought about by improvements in technology on existing cultivated land (e.g. research into genetics and modern farm machinery)
- **Disease control**: as demand for food grows, more animals/foods will be moved around the globe creating greater disease control issues among trading partners
- **Computer technology**: has impacted the entire supply chain, e.g. retailers through activities like online grocery shopping, restaurants through diners’ online reviews and consumers through social media and online “food bloggers”
- **Food science**: innovations in food technology, particularly in food processing/manufacturing, are revolutionising the way we live; enhancing the shelf life of food and creating new food products are two key examples.
Political/legal

The political/legal environment can create both challenges and opportunities for the food industry. This environment consists of laws, government agencies and pressure groups, all of which can influence organisations, individuals and food products. The key political/legal attributes that marketers must consider include the increase in business legislation and growth of special interest groups (Kotler, Keller & Burton, 2009).

Significant political forces and trends that are current in the global macro environment include:

- **Political stability**: there has been significant political unrest in regions where the population suffers from food shortages i.e. Middle East and North Africa
- **Political concerns about “land grabs”**: investors from countries such as China, the US and Europe are buying vast tracts of agricultural land in developing countries, either for speculative purposes or to ensure their own food security.

The primary legal force that is significant in the global macro environment is Codex international food standards. Codex food safety policies are considered as international best practice, and most countries align with these policies. The FAO and the World Health Organization (WHO) established Codex in 1963 (Codex Alimentarius, 2014) as the reference point for food standards in international trade (DAFF, 2014b). Figure 2.5 identifies country entry requirements for trade access.

**Figure 2.5**: Country Entry Requirements Complex

(Source: Madigan 2014)
Visit the Codex webpage using this link. Read through the additional information such as the foundation history and understanding Codex. Consider the impact Codex has on the political/legal environment as well as other macro environmental forces.

2.5 Developing strategies

Marketing strategies are developed based on the implications of challenges and opportunities identified in the market environment analysis of the food industry. The collection and analysis of this micro and macro environmental marketing information, and often as well as the internal environment, is known as a situation analysis.

The internal environment is concerned with challenges that come from inside the organisation as well as the following activities conducted by the organisation:

- Current marketing objectives, strategy, performance
- Allocation and availability of resources
- Structural and cultural characteristics (Ferrell & Hartline 2014, p. 58).

Before you can formulate marketing strategies, it is essential that you conduct a situation analysis. There are many issues to be considered in a situation analysis; however, when they are viewed together it provides you with a “big picture” of challenges and opportunities faced by an organisation, sector, or industry. For organisations, these efforts drive the development of competitive advantages (Ferrell & Hartline, 2014).

Read pages 4-7 of the FOODmap report, which discuss the major findings of a macro-environmental analysis and highlight opportunities and challenges for consideration by food industry participants.
2.6 Conclusions

This module has presented an analysis of the market environment of the food industry, both globally and in Australia. Firstly, the micro environment was identified and the four major forces discussed: companies, producers/middlemen/retailers, customers/consumers and sectors. This was followed by an overview of the macro environment in which six environmental forces were considered: demographic, economic, cultural, natural, technological and political/legal.

It was highlighted that macro environmental forces are interrelated yet uncontrollable and impact on the micro environment of which an organisation can somewhat control. The module concluded by outlining how to develop marketing strategies based on the implications and evaluation of challenges and opportunities in the food industry, as identified in the situation analysis. Next, we look specifically at supply chain management issues and the concept of supply chain management, as it relates to food.
References


Ferrell, OC & Hartline, MD 2014, Marketing Strategy: Text and Cases, 6th edn, South-Western, Mason, USA.


References for Golden Circle Vignette


Stateline Queensland (2010), *Nicole Butler reports not many changes since Heinz took over*, *ABC*, viewed 2nd April 2014, available from: <www.abc.net.au>
## Appendix

### Appendix 1

**Australian companies no longer Australian-owned** –

<table>
<thead>
<tr>
<th>Brand</th>
<th>Original Aus. Owner</th>
<th>Now Foreign-owned by</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beverages</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P&amp;N, Frantelle, Waterfords</td>
<td>P&amp;N Beverages</td>
<td>Asahi Breweries</td>
<td>Japan</td>
</tr>
<tr>
<td>Andronicus Coffee</td>
<td>Andronicus Co</td>
<td>Nestle Limited</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Cottee’s Cordials</td>
<td>Cottee’s Foods</td>
<td>Asahi Breweries</td>
<td>Japan</td>
</tr>
<tr>
<td>Dairy Farmers, Dare Iced Coffee, Oak, Moove</td>
<td>Dairy Farmers</td>
<td>Kirin Holdings</td>
<td>Japan</td>
</tr>
<tr>
<td>Harris Coffee &amp; Tea</td>
<td>D.E. Harris Pty. Ltd.</td>
<td>Douwe Ebberts/Sara Lee D-E N.V.</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Berri</td>
<td>Berri Ltd</td>
<td>San Miguel (50 %)</td>
<td>The Philippines</td>
</tr>
<tr>
<td>Bushell’s Tea</td>
<td>Bushells</td>
<td>Unilver</td>
<td>UK</td>
</tr>
<tr>
<td>Jarrah Coffee</td>
<td>Jarrah</td>
<td>AB Food &amp; Beverages</td>
<td>UK</td>
</tr>
<tr>
<td><strong>Biscuits, pies and snack foods</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Arnott’s Biscuits – Tim Tam, Sao, Scotch Finger</td>
<td>Arnott’s Biscuits</td>
<td>Campbell Soup Company</td>
<td>USA</td>
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<tr>
<td>Salada</td>
<td>Brockhoff Biscuits</td>
<td>Campbell Soup Company</td>
<td>USA</td>
</tr>
<tr>
<td>Chiko</td>
<td>Frances McEnroe</td>
<td>J.R. Simplot &amp; Co.</td>
<td>USA</td>
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20
Golden Circle: Australian

Golden Circle began operations in 1947, opening its first canning factory in Northgate, Queensland (Golden Circle 2014). The company, named ‘Queensland Tropical Fruit Products’ at the time, processed and canned pineapples and produced fruit hams. Over the years the company expanded to produce canned fruit and vegetables, fruit cordials, juices, carbonated beverages and baby goods. Today the company produces over 150,000 tonnes per year of canned pineapples, fruit juices and cordials (Golden Circle 2014). The fruit crops, of which pineapple is the largest, come from the Sunshine Coast hinterland, Maryborough, Woodbury and Northern Queensland. Golden Circle operates the world’s largest steam peeler and new beetroot processing lines (Golden Circle 2014). Golden Circle employs between 700 and 1700 people depending on the season (Palmer 2009).

As of 19 December 2008, Golden Circle ceased as an Australian owned company with major shareholder Heinz, a US corporation buying all remaining shares (Golden Circle Limited 2008). Heinz purchased the Australian company for $1.65 per share, a 313 percent premium compared to a share price of $0.40 just 2 months earlier (Golden Circle Limited 2008). Before the takeover, the farmer owned cooperate was in dire financial straits, however an investment of $20 million from Heinz helped ensure employees and Australian farmers that their jobs and industry is secure and likely to expand (Stateline Queensland 2010). In May 2011, Golden Circle announced it would move all beetroot production to New Zealand (Australia Food News 2012). The company has put great effort into making people aware that the company is no longer Australian owned, all products besides beetroot are Australian grown and always will be (Stateline Queensland 2010).

Discussion Questions

1. What macro environmental influences may have led Golden Circle to sell their remaining shares to major shareholder Heinz in 2008?
2. What micro environmental influences may have led Golden Circle to sell their remaining share to major shareholder Heinz in 2008?
3. What elements of Golden Cirdes internal environment would be considered essential in developing their strategies?