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ANALYSIS OF THE PORK MARKET IN CHINA AND ITS OPPORTUNITIES

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TIIVISTELMÄ

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Kiina on suurin sianlihan tuotannon ja kulutuksen maa. Opinnäytetyön tarkoituksena on analysoida sianlihamarkkinoita Kiinassa ja arvioida, onko suomalaisilla yrityksillä mahdollisuuksia viedä sianlihaa Kiinaan. Työssä kuvataan markkina-analyysin elementtejä sekä analysoidaan nykyisiä Kiinan sianlihamarkkinoita.

Sekä laadullista että määrällistä tutkimusta käytettiin tutkimusmenetelminä. Teoreettinen viitekehys kuvaa markkina-analyysin elementtejä eli teollisuuden, ympäristön, markkinamahdollisuuksien, kilpailijoiden ja asiakkaiden analysointia. Empiirinen tutkimus toteutettiin haastatteluiden ja kyselylomakkeen avulla, jotta voitaisiin arvioida kiinalaisten asiakkaiden ostoaikeita tuontisianlihan suhteen.

Opinnäytetyön tuloksena on, että Kiinan sianlihamarkkinat ovat vakaassa kasvussa. Elintason noustessa markkinoilla on kysyntää laadukasta sianlihaa kohtaan, jota myös poliittinen ja taloudellinen ympäristö tukevat. Huomioiden kaikki markkina-analyysin osatekijät, Kiinan markkinoilla on hyvät mahdollisuudet sianlihan tuonnille, aliarvioimatta kuitenkin liiketoiminnan riskejä.

Lopulta opinnäytetyössä esitetään ehdotuksia markkinointistrategioille, joiden avulla yritykset voivat laajentaa markkinaosuuttaan laadukkaan sianlihan markkinoilla Kiinassa.

ABSTRACT

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China is the largest pork production and consumption country. The purpose of the thesis is to analyze the pork market in China and assess whether there are opportunities for companies in Finland to export pork to China. The thesis introduces the elements of a market analysis and the analysis of the current Chinese pork market. The aim of the research is to provide a base for a Finnish company to make decisions.

Both qualitative research and quantitative research were used for the research. The theoretical framework is based on the elements of industry, environment, market opportunity, competitor and customer analysis. In the empirical study, interviews and a questionnaire were used to estimate the Chinese customers' purchase intentions of imported pork.

As a result from the thesis we can claim that the Chinese pork market grows and develops in a stable manner. With the improvement of living standards, customers have a demand on high quality pork. The political and economic conditions support the establishment of high-end pork market. In general, considering all the factors of market analysis, the Chinese pork market shows a good prospect for imported pork. Nevertheless, the risks of the business cannot be underestimated.

Finally, some suggestions are presented for companies to expand their market share in the Chinese high-end pork market. It can be suggested that combining new products with experiential marketing methods companies can meet consumer needs and explore the existing potential consumer demand.

Keywords Market analysis, pork market, China

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1 INTRODUCTION

1.1 Background of the Study

During the past decades, trade between countries have been growing with rapid pace. In Finland, people purchase more than 6000 tonnes of ham in the Christmas holiday. Among them, the ham in the market that was produced in native accounts for over 90%, the amount of pork production has exceeded the demand in domestic. Sweden, Germany and Russia are Finland's three largest exporters. In 2013, Finland exported about 5000 tonnes of pork to Russia. However, Russia has banned to import all pork and dairy products form EU zone at the beginning of 2014, which brought a decreased profitability of Finnish meat and dairy industry. Since the volumes of export to Russia was large and the increased international competition, Finnish pork has to search alternative market to replace it. (The Pig Site 2015)

China is the biggest meat consumption country, especially pork is the most popular category of meat. Today, the consumption of pork accounted for 64% of the total meat consumption in China, annual per capita pork consumption was about 39 kg which ranked the second place and only lower than the average level of the whole 24 countries in EU (Brasch 2014). The giant consumption amount and the high price in Chinese market have become the motivations for entering the Chinese pork market. The pork price increased rapidly from 2011 and hit three-year highs which was the main factor to stimulate the imported pork.

After the sanction trouble with Russia, China has authorized the Finnish meat industry to export pork to China. Currently, there are two Finnish companies have been confirmed by China's Agriculture Ministry to have the permits which are Atria and HKScan. Combining the considerations of the pork market in China and the costs of the long transportation chain, Finnish meat companies are finding the possibilities to export their pork and other food products to China in long term. (The Brics Post 2015)

1.2 Research Problem and Objective

Companies have to go through many steps when considering to enter a new market. Firstly, the process of assessing the potential of the target market decides the profitability of the business (Inc 2013). The main purpose of the research is to help Finnish meat companies to identify the growth opportunity of the pork market in China. After defining the market clearly, performing market analysis is very important and develops a deeper understanding of the market growth, predicted demand, competitors and potential barriers to entry (Inc 2013). Therefore, the objective of the thesis is to analyze the main forces included in the market analysis, which are industry analysis, environment analysis, market opportunity, competitor analysis and customer analysis, and then give the suggestions to companies according to the research results.

In order to discover the problem which is whether Chinese pork market has potential and opportunity for imported pork, the thesis combines the knowledge of the market analysis with the practical knowledge of the Chinese market. Each dimension of the market analysis will be described theoretically, methods of the evaluation will also be stated as well. After that, the empirical analysis of the aim market demand and forecast will be presented. To observe the acceptance of customers to imported pork is also an objective of the research.

The industry analysis gives an overview of the pork industry in China to companies. The environmental analysis measures macro business environment with PEST model. The market opportunity analysis identifies the potential of the market and the opportunity to share the market position. It predicts the development and trends for the company. A competitor analysis uses SWOT model to investigate the strengths and weaknesses. The company can develop the competitiveness in the competition by the means of this analysis. A customer analysis examines target customers and consume behavior through conducting a survey in the market. It helps to improve marketing strategies for the company. All the empirical analysis and the results are based on the theoretical literature.

1.3 Structure of the Study

The thesis consists of five parts. The first chapter introduces the background of the meat industry trade in Finland and the demand of pork market in China. Then, it defines the purpose of the thesis, the research problem and the objectives, which guide the structure of the study.

Chapter 2 consists of the theoretical background on market analysis. It describes the definition of the concept firstly, then the main elements in market analysis are introduced in detail. The chapter states the knowledge of factors that include industry analysis, environment analysis, market opportunity, competitor analysis, SWOT analysis and customer analysis. The method and analysis approach of each factor is explained.

Chapter 3 is a part of the market research. This chapter discusses the qualitative and quantitative research method as well as their use during the study. It also describes how the interview and online survey will be conducted. The process of the research will be presented in this chapter.

In the empirical part, the model of analyzing factors in the market will be used to assess Chinese pork market in Chapter 4, the results of the data from the questionnaire will also be exhibited. The final chapter includes the conclusion of the Chinese pork market analysis and gives the suggestions for companies who are eager to enter the market.

2 THEORETICAL BASIS FOR MARKET ANALYSIS

Chapter 2 is the literature review of market analysis which firstly focuses on the definition and explanation of the concept. Then the theory of the elements in the market analysis will be introduced, including the industry analysis, environment analysis, market opportunity, competitor analysis and customer analysis. It also describes the the methods of each analysis in order to provide base for empirical study.

2.1 The Concept of Market Analysis

Market analysis involves studying about a current market status and its trends which is based on the research of company's customers and competitors as well as the general industry and environment (Proctor 2000, 82; Clow & Baack 2010, 26). Market analysis is conducive to arrange resources with rational allocation between regions through assessing the potential market and its prospects. According to the results of analysis, company can understand the relationship between the proportions of market supply and demand for commodities and service better, which benefits to deciding and forming business strategy to meet market needs along with enhancing economic efficiency of business activities, especially when considering a new product or market.

Measuring market size and its trends offer a direction of development in the future which are able to guide company aware growth rate and profitability of the market. It is also very vital for enterprise to have a better understanding of the key factors that decide whether a company will be successful (Proctor 2000, 82). Undoubtedly, market analysis is an indispensable part in any business operations.

The objectives of market analysis are analyzing the environment of market, knowing strategies of competitors, understanding customer demands, forecasting industry trends and assessing business risks. In a general way, the typical items included in market analysis are industry analysis, environmental analysis, market oppor-

tunity analysis, competitor analysis, as well customer analysis (Clow & Baack. 2010 27).

The emphasis of industry analysis is on the basic characteristics of the market which refer to history, size, growth, structure as well as trends and developments (Aaker 1988, 23). Environmental analysis monitors all external factors that have influence on the industry. The method of assessment used widely is the PEST analysis model including forces in political, economic, social and the technological. Market opportunity analysis is to assess the potential of target market. It helps companies discover unsatisfied need in the market then provide products and services more efficiently to reach market objectives. Competitor analysis is used to identify the competitive rivals and investigate their marketing strategy, performance, strengths and weaknesses. The approach of SWOT model is used for analyzing competitors' strengths, weaknesses, opportunities and threats. Gathering competitors' information is helpful to group them and aware the market reflections to their strategies in order to develop owns competitiveness more efficiently. Customer analysis is a wind vane in marketing that includes identifying their consumer preferences and characteristics (Aaker 1988, 23). Each analysis has different emphasis and combining all the considerations benefits the assessment of the market.

2.2 Industry Analysis

Industry analysis is a tool of market assessment that research the status of an industry and its dynamics (Investopedia 2015). Every industry has its own characteristics, the understanding of the nature of industry and the way it changes are both vital to know whether business strategies can be worked by external environment.

One of the main objectives of the analysis is to identify the degree of industry activity and attractions to competitors which determines the returns that participants are able to obtain in a long term investment. Another one is to understand the industry's structure and how it will develop. To achieve the objective, the analysis needs to be guided by a strategic method with measuring opportunities, threats

and trends. Therefore, the elements included in the industry analysis are industry size, industry growth, industry structure and industry trends (Aaker 1988, 93).

The knowledge of industry size is helpful for providing investment advice for companies. Information from government sources and competitors can be taken as basis to become familiar with the target market. For instance, governments usually publish the statistics of domestic production, imported and exported amounts and geographic market demands and consumptions through websites and various media. From competitors, financial reports is an approach to estimate their market share and industry size. Besides, the consideration of potential market is also very useful to predict industry growth opportunities. (Aaker 1988, 93)

Industry growth indicates the trend of size that will be increased or declined in the future. In order to forecast the growth of industry, it is important to identify the driving factors first. For instance, the growth rate will be affected by product cost, technology development and policy restrictions which are from product level or environment level (Aaker 1988, 96). One useful approach of estimating future sales is analysis of historical data. The issue that need more attentions is to know the facts behind the past data, which will increase the accuracy of projection. And it can also be based on asking experience from previous similar industry (Proctor 2000, 85).

Industry structure has an impact on a company's profits. The competition will be much stronger if there are too many companies provide similar products or services in the market. The market share of each company will be decreased and it will bring the result of less profits. Besides competitors, there are five components of industry structure in total that affect companies' profitability as Figure 1 shows bellow, which are threat of potential entrants, threat of substitute products, bargaining power of customers and bargaining power of suppliers (Aaker 1988, 98). These five forces in the industry determine the scale and extent of the competition and the integration of them affects the attractiveness of the industry.

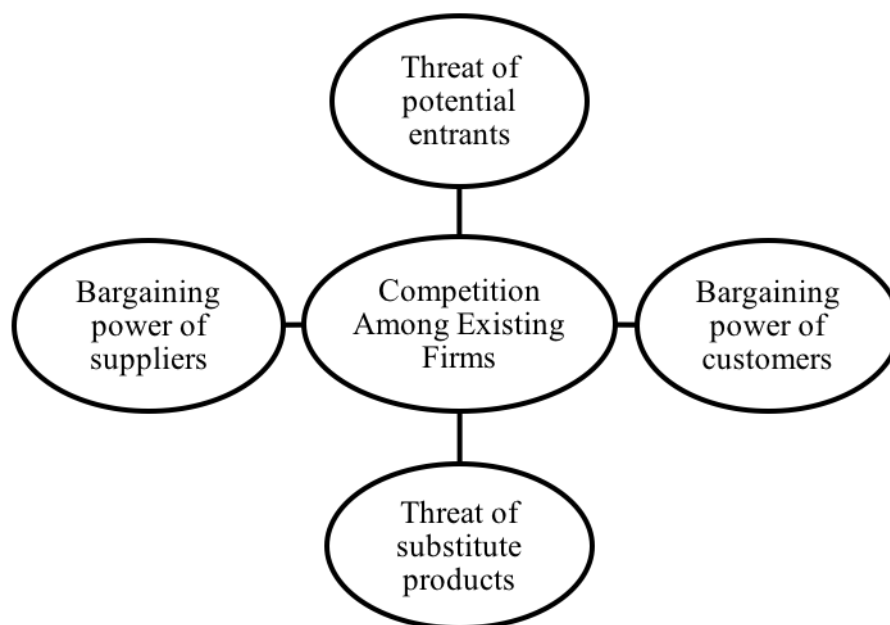


Figure 1. Forces driving industry competition (Aaker 1988, 98).

Industry competitors are companies doing business in the same target market. The objective of the analysis is to understand exit and entry barriers for competitors and potential entrants. Substitutes are the products for easing the intensive competition, an increase of one product's sales will reduce the primary one's potential sales. If customers of the companies in the industry have more bargaining power than sellers, they are able to gain lower prices or more services and it influences the profitability of firms (Aaker 1988, 100). When suppliers have more bargaining power through rising prices, transforming extra costs to industry or reducing the products they provide, then the profitability flows out of the industry to suppliers (Porter 2007, 4).

Industry trends are activities and changes that will happen to the industry. Analysis of industry trends which refers to the product, consumers and competitors provides bases for companies to be more competitive in the market. Identifying the factors affect profitability in the future help manufacturers allocate resources effectively and reasonably (Worth 2015).

To sum up, industry analysis acquires a company to have an overview of the factors that can decide industry structure behind the market phenomenon. To understand the industry where the company exists is helpful to obtain a competitive advantage and formulate the strategy more effectively.

2.3 Environment Analysis

Marketing environment is consisted of the external environment and the internal environment in general. Figure 2 below shows that the external environment focuses on all forces happened outside the firm and it has further divisions which are macro-environment and micro-environment (Blythe 2012, 27).

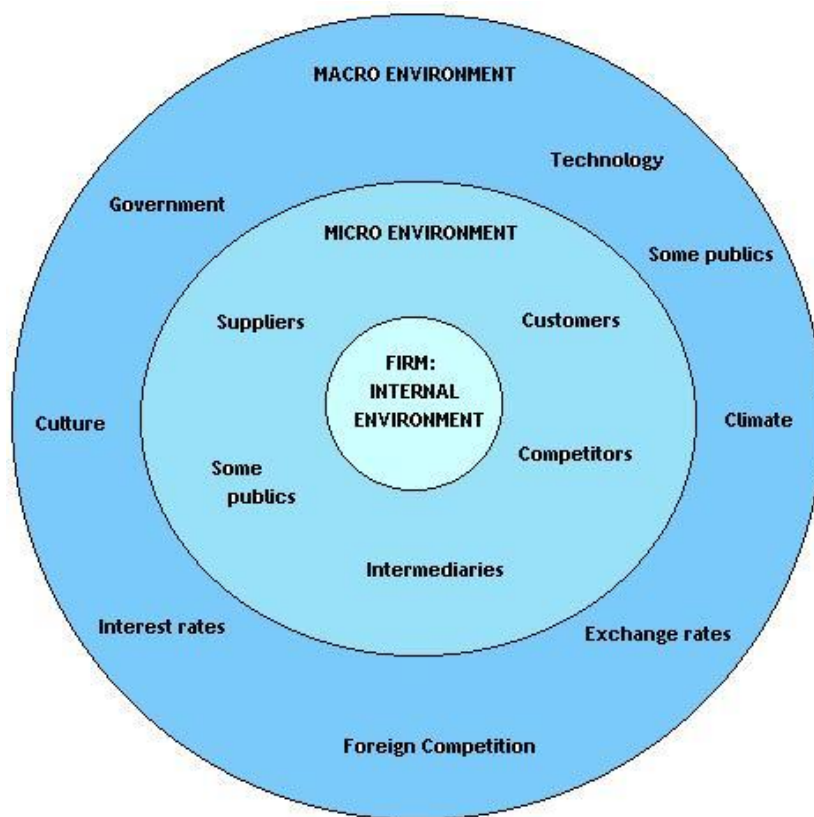


Figure 2. Micro- and macro-environment forces (Blythe 2012, 27).

Macro-environment refers to the changes of national economy, society and social developments. These factors in the environment cannot be controlled by enterprises. To analysis the environment, PEST model is the commonly used method, including political environment, economic environment, social environment and technological environment (See Table 1).

Table 1. Environment forces. (Clow 2010, 29).

Political	<ul style="list-style-type: none"> • Laws and regulations • Courts and judgements • Taxes and subsidies • Government competition
Economic	<ul style="list-style-type: none"> • Economic conditions • Price and availability of raw materials
Sociocultural	<ul style="list-style-type: none"> • Changing demographics • Cultural trends and changes • Rising educational levels
Technological	<ul style="list-style-type: none"> • New products • Product improvements • Improvements in product methods

Political forces refer to political power, relevant laws and regulations that have actual and potential impacts on the organization's business activities, for example, tax law, environmental protection law and foreign trade regulations. When the government issues laws or regulations binding business, business strategy of enterprises must be followed to make adjustments. Other factors such as government spending, budget and selection can also affect all the industries and profits. Thus,

it is necessary to develop the corporate's strategy with the judgments of the government's long-term and short-term policy. (Ferrell & Hartline 2008, 103)

Economic forces have direct influence on the financial status of enterprises. Economic environment includes national economic system, economic structure, as well as the level of development and future trends. The main indicators that reflect the environment are GDP, interest rate, inflation rate, disposable income, energy supply costs and exchange rate. Since enterprise is a micro-economic individual in macro environment, economic forces impact the enterprises in the process of making decisions. In addition, globalization has brought the economic interdependence among countries, decision makers also need to predict and access the economic situation in other countries. (Ferrell & Hartline 2008, 102)

Sociocultural forces are influences related to social and cultural environment that bring changes in values, customs, religions and attitudes. The main components of sociocultural factors are population size, income distribution, population mobility, people's lifestyle and consumption structure. Among them, population size directly affects the capacity of national or regional market, age structure determines the types of promotion. Different groups do not have same social attitudes, preferences and behaviors, which result in showing different market demands and consume behavior. (Ferrell & Hartline 2008, 105)

Technological forces is one of the most important way to possess competitive advantage in business. Rapid changes have taken place in the technical field over the past 30 years, the rise of high-tech companies such as Microsoft and General Electric is changing people's lifestyle. Technical elements include not only those inventions caused revolutionary changes, but also include the emergence of new production-related technology and application trends of new materials. (Ferrell & Hartline 2008, 104)

2.4 Market Opportunity

Market opportunity refers to the present demand in the market that has not been met by its competitors. Any market opportunity is an objective reality, it is fair

and public to every enterprise. The feature of openness means if the company cannot find and utilize the opportunity, the market will be occupied by competitors. Therefore, seizing market opportunities is a key factor in business to gain a competitive advantage and it requires companies to use correct methods to seek. The market opportunity analysis is to identify the unmet needs, so that enterprise can organize and allocate resources effectively to satisfy the demand.

In order to define the market opportunity, companies need to know the overview of current market potential and predict the market trends. Market size and capacity are directly determined by three factors which are purchaser, purchase power and purchasing desire. Meanwhile, market possess direct impact on what people produce, how much and time to market as well as sales status through feedback. While market owns features of timely and sensitive, it is unable to reflect the long-term trends in supply and demand. Market opportunities also arise or disappear with the changes in the environment. Since market regulation is an ex-post adjustment, mastering aspects of information and recognizing the trends shows its importance in gaining the market share. The proper understanding of market growth enables both profitability and development strategy of companies (Proctor 2000, 82). After having a reorganization of potential customers and specific need, company needs to estimate its capacity and decides the proportion of market share that might can be captured, which indicated the market opportunity for the enterprise.

Except for identifying the marketing environment, companies can also find market opportunities through comprehensive analyzing their situation, the integration of available resources, the industry chain and the strategic direction of enterprise development. The new idea of identifying market opportunities may come from various departments in the enterprise. Paying attentions to the views from different sectors is a major source. Secondly, reforming the industry chain and looking for opportunities for integrated development. If the industry where the company exists is promising, the business can be extended to all the aspects of production, supply and marketing to increase sales and profits. The activities include owning or controlling its market supply system and enhancing sales forces to seek devel-

opment. Another integration is horizontal, which is to fight for the ownership of the similar companies or joint operation with various forms, in order to expand the business scale and take advantage of common opportunities. (Baidu 2011)

Market segmentation is the process of dividing the overall market into a number of consumers groups according to consumer demand characteristics. Every consumer group is a market segment and the customers in a group share similar needs tendency. Companies can effectively analyze and understand the needs of satisfaction and competitive market conditions on each customer group. The analyze is used to find what types of customer demands have been met, what kind of meet is not enough and which market segment has less competition or can be developed. (Blythe 2012)

Perfect market information system provide a large amount of data for market opportunity analysis, as well as the regular market research are the foundation and the key to seek market opportunity. The market is fickle, it requires companies to combine their own development status and a reasonable integration of resources with the existing laws of the market. Decisive decision-making can capture opportunities quickly and lead the business prosper, but it has to be based on the correct analysis, evaluation, selection and utilization. (Blythe 2012)

2.5 Competitor Analysis

Competition exists in the market where firms provide products or services to target customers. The capacity of identifying customers' demands is not the only factor that affects success, which also depends on the ability of satisfying their needs better than competitors (Proctor 2000, 102). Therefore, understanding the activities of competitors is essential for companies to obtain advantages in the competition.

Competitor analysis is a systematic way of thinking and analyzing competitors. The main purpose of the analysis is to estimate the responses and strategies that competitors might take in the competition in order to develop company's own strategic direction and measurements more effectively. There are two primary ac-

tivities included in competitor analysis which are gathering important information of competitors and predicting the competitors with that information (Aaker 1988, 77).

The investigations of competitors require the organizations pay attention to how firms market their products and locate competitors' strategies through collecting information from various sources (Proctor 2000, 102). The sources of competitive information are various. Web sites are the most efficient way to monitor the actions of competitors such as the products they provide, strategies adopted and market trends. Promotion tools including advertisements, media articles and online blogs are also used widely. Besides, the other internal sources of collecting information are customers and salespeople. Salespeople have the first impressions on the product and the strategy, customers have direct feelings about the competing brand products and they are willing to express their experience. (Clow & Baack 2010, 31-32)

When conducting the competitor analysis, it is necessary to be able to recognize the different types of competitors especially for the competitors who might produce a significant impact on the company's marketing strategies and tactics today or in the future. The most obvious competitors are direct competitors who share same customer group with similar products and services. Attention also needs to be paid to competitors who have same speed or faster growth, and it is important to understand how they use competitive advantages, as well as potential competitors who are going to enter the market. Hence, it is a critical part of formulating marketing strategy.

Profit is the expectation of companies without exception, however, it does not tend to be the sole or primary objective. Behind the profit target, the goal of competitors is the combination of the possibility of profitable, market share growth, cash flow, technology leadership and service leadership. Aaker (1988, 77) indicated that there are six elements influence the competitive actions in total, which can be summarized as competitor's capabilities, strategies, objectives and assumption (See Figure 3).

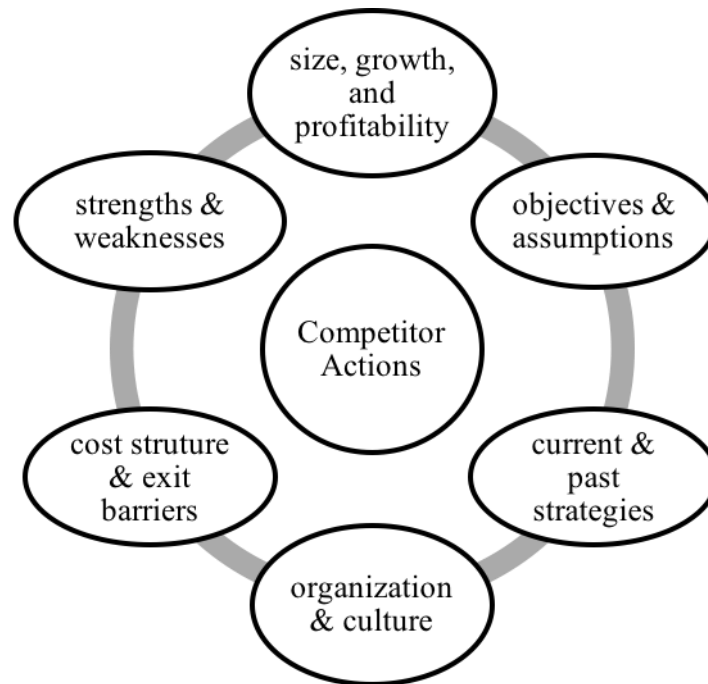


Figure 3. Understanding the Competitors (Aaker 1988, 77).

The first assessments of competitor analysis are company size, market growth rate and profitability which provide evidence of a strategy's effectiveness in operation. The abilities of competitors can be measured according to their market share as well as the analysis of their strengths and weaknesses. Knowledge of competitors' strengths gives an insight of how the strategy works in the field, furthermore, the significance of being familiar with the weaknesses is to guide the company to establish or develop these shortages as its strengths in order to obtain competitive advantages. (Aaker 1988, 77-80)

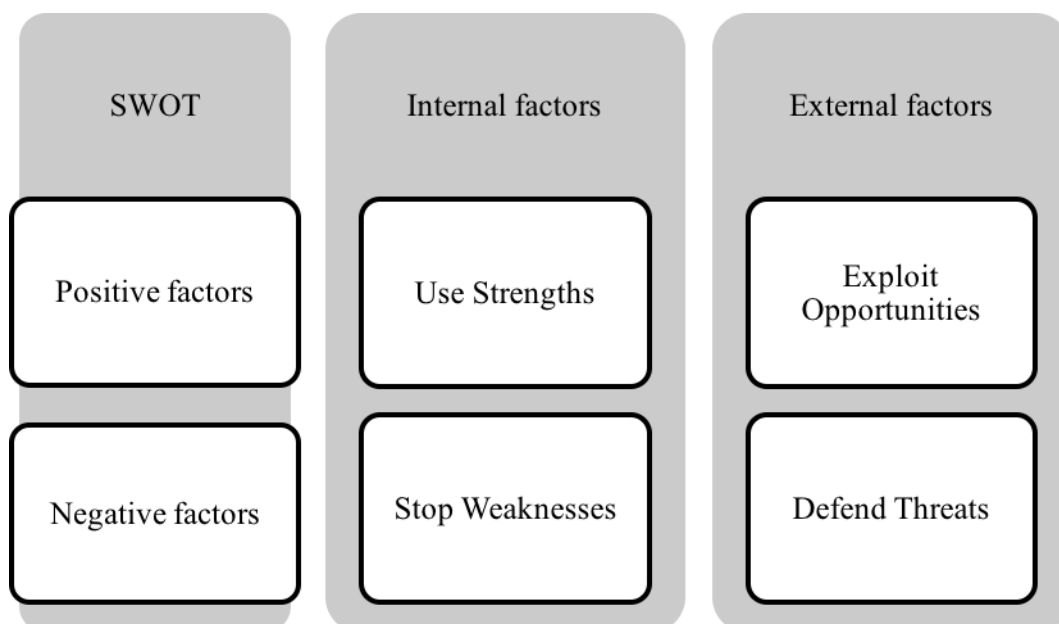
The third aspect of identification includes the investigation of cost structure and organizational culture. Especially for the competitors who adopt low-cost policy, financial analysis consists of costs and assets reveals their pricing strategy in the future and its sustainability. Organizational culture that depends on its structure, mechanism and people influence the implementation of strategy. For instance, a well-managed organization with highly motivation reaches the goal more effectively. (Aaker 1988, 79)

Objectives and assumptions indicate the competitor's willingness of participating or expanding the business operations, and it also reflects the differences between the current performances of competitors and their considered projection. The aim that competitor wants to achieve decides the strategy will be used in the future. Except the prediction of competitor's actions, the knowledge of their past strategy and the analysis of reasons why it was success or failed is a precious experience for company. Also, the assessment of competitor's current strategy is helpful to identify the market and customer demands in order to form the company's own strategy with more efficiency. (Aaker 1988, 78)

2.6 SWOT Analysis

As an effectiveness analytical tool, SWOT model is one of the basic methods of marketing which is used to analyze the competitive situations. It is a way of evaluating the company's strengths, weaknesses, and opportunities, threats faced in competition through combining its internal resources and external environment. (Ferrell & Hartline 2008, 117-121)

Table 2. SWOT analysis (Blythe 2012, 25).



SWOT analysis helps enterprise establish a depth comprehensive of itself and position the competitive advantage before making business development strategy.

The goal of the analysis is to gather resources and actions in company's strengths and the place with the most opportunities. As analysis elements shown in Table 2, strengths and weaknesses mainly focus on the comparison between the enterprise's ability with competitors, while the opportunities and threats emphasize on changes in the external environment and the possibility of impact on the business. Environmental threats refer environmental challenges formed by unfavorable trends. The negative factors will weaken company's competitive position if there is not any decisive strategic behavior. Environmental opportunities are the fields which are attractive to corporate operations, and the company will gain a competitive advantage in these areas. (Ferrell & Hartline 2008, 127)

Strengths are the enterprise's adept abilities when comparing with its competitors. The competitive advantage helps company achieve higher profitability or profit potential. In contrast, weaknesses decrease the ability of profitability. Strengths can be any superior thing in the entire value chain and the measurement need to stand on the existing potential customer's perspective, rather than standing the enterprise's point of view. Enterprise needs to understand its own resources and ability in the process of maintaining strengths. There are three key factors which affect the competitive advantage and the duration, which are how long will it take to establish the strengths, how much can be obtained by strengths and how long does the competitor take to make response. After analyzing these factors, the enterprise will clear the position established in the competitive advantage. (Ferrell & Hartline 2008, 127)

The survey of various factors is sorted according to priorities or the extent of effect and presented as SWOT matrix. Appropriate action plans can be developed after the matrix construction is completed. The basic idea of the plan is to use strengths, stop weaknesses, exploit opportunities and defend threats. Aligning with the considerations of various factors and the comprehensive analysis draws optional countermeasures for the future development. (Ferrell & Hartline 2008, 128-130)

2.7 Customer Analysis

Customer analysis is conducted to give more understanding of customers for company (Clow & Baack 2010, 39). The objective of designing strategy is targeted to provide products or services to target customers and achieve corporate profits. Therefore, a reasonable marketing strategy needs to be formulated with full considerations to the customer needs and examination of customer behaviors.

The scope of customer analysis consists of understanding segmentation, purchase motivation and unmet needs. Segmentation is the first step to identify the target customers. The most common approach to define segments is according to customer characteristics, including geography, lifestyle, income, gender, age and occupation. Purchase motivation is considering the reasons of consumer behaviors. The analysis of customers' purchase amount, purchase place, purchase frequency and their brand loyalty is the foundation of marketing decision-making. The final step of analysis is to make market research to identify the needs that are not satisfied. Approaches usually used in the research are user's interview and questionnaire. (Aaker 1988, 56-59)

Generally speaking, the influence of gender, female usually focus more on the benefits and convenience, while male pay attention to the quality, availability and efficiency. Considering the influence of age, the youth pursues fashion and novelty, it is easier for them to accept new things. The consumption of middle-aged is more rational with a certain economic basis, they usually consider living standards and focus more on the quality. Consumption attitudes of elderly consumer are conservative and more sensitive to price, they pay attention to the cost of the product. In terms of personal income, the high-income consumers tend to purchase high quality life so they pay more attentions to the quality and shopping environment compared to the relative low-income customers. (Clow & Baack 2010)

3 RESEARCH METHODOLOGY

Market research refers to information and data required to solve these issues, finds scientific methods for collecting purposefully and systematically, records and collates information relating to marketing, analyzes market, understands the market situation and development trends, forecasts market and provides objective information for making marketing decision. The contents of market research include market environment survey, market conditions survey, sales possibilities investigation, distribution channels and the research is also available to the survey of consumers and demands. (Kolb 2008)

3.1 Research Method

Any business can develop marketing strategy only if they have actual knowledge of the market situation. Market research provides decision-making basis for managers of enterprises. The considerations need to be various when formulating a specific business strategy, for instance, what type of the market is suitable for the company's product sales and development, how much sales volume is expected in a tangible market, how to price the product in order to achieve both expending sales and increase profits, and how to allocate distributions and costs. The concentrate answers of the problems come through conducting market research. (Blythe 2012)

On the other hand, market is constantly changing which makes enterprises adopt targeted measures to adapt to the environment. New inventions and creation emerge with the rapid development of technology. Extensive market research helps companies obtain information timely and enhance their competitiveness and viability. There are two main methods of market research used in the thesis which are qualitative research and quantitative research. (Blythe 2012)

Qualitative research is a scientific research to determine the essential nature of the event or the phenomenon. The objective of qualitative research is to study the features or behaviors of the target in-depth and explore its causes. The conclusion of the research is drawn from the observation, experimentation and analysis of the

research object to examine whether it has some attributes or characteristics, and whether there is any relationship between the objects. Qualitative research emphasizes more on the significance, experience and description. Researchers usually use history, literature analysis, interviews, observation and other non-quantifiable means to acquire the information and the method of obtaining conclusion. The research is conducted in the small-scale sample group, which does not need a statistical significant. Therefore, the experience of the researchers and the relevant technology used in the research have influence on the effectiveness of the study. (Blythe 2012)

Qualitative research aims at “why” question, then quantitative research is used for solving the problem of “what”. Quantitative research is the method to measure the issue or phenomenon with specific amount. The processes of analysis, test, explaining are all based on the digitized symbol to quantify. Quantitative research is closely related to the experimental science research, so the main methods of designing a quantitative research are survey method, correlation method and experimental method. (Blythe 2012)

Survey is a commonly used method, it means to develop a comprehensive plan or collect materials from some aspects of the object in order to analyze, to synthesize, and to obtain a conclusion. Correlation is the method to explore the relationship between variables through the use of correlation coefficient. The main purpose of the research is to determine the extent and direction of the relationship between variables. And experimental method refers to gauge the causal relationship between the independent variables and dependent variables with manipulating one or more variables and controlling the research environment. (Blythe 2012)

3.2 Data Collection

Data collection plays an essential role in both qualitative research and quantitative research and it directly determines whether the results of a study is valid and reliable. The typical methods of data collection used in quantitative research include experiments, gathering relevant data form observing structured events and management information system. The results from the research are easy to be summa-

rized and compared. As far as qualitative research, the methods for evaluation are classified in three categories which are in-depth interview, observation method and document review. (University of Wisconsin 2015)

The data used in the customer analysis was collected from the questionnaire which is the method of quantitative research. The questionnaire research was conducted online and created by a survey website called SO JUMP. In addition, the questionnaire was designed in English and Chinese in order to increase the range of participates, and they are both presented in appendix. The questionnaire was sent to the public in the form of a link on the survey website. There are 454 respondents in total who come different provinces in China with different characteristics of gender, age, occupation and income. The content of the questionnaire includes the research of pork consumer behavior, reorganization and purchase intention. The original data was saved automatically in the survey website and the results of the research can be imported into Excel and SPSS.

In terms of the competitor analysis, the information of competitor's marketing strategy came from the interview in Beijing Walmart which is located at Haidian district. The interview was conducted on April 10th 2015 and the target group includes people who were buying pork and pork sellers in the supermarket. This kind of focus group is easy to reach and the respondents were selected by using the method of convenience sampling.

Convenience sampling is a sampling technique with low cost in the aspects of time and funds. Besides, the unit of sampling is accessible, easy to measure and willing to attend the research. However, the main disadvantage of the sampling method is that participates are not able to represent the whole population (Blythe 2012). There were 8 customers and 2 sellers selected in total, and all of them agreed to participate the research. The interview took one day to collect the data for the analysis and the detailed results will be displayed in Chapter 4.

3.3 Reliability and Validity

Reliability refers to the degree to which an analysis methodology of the research generates consistent findings. Test-retest reliability is a type of measure to evaluate the stability of the result by taking a second test in a period of time to a group of individuals. Owing to the impact of various factors to the reliability of the study, inter-rater reliability is another tool of reliability used when comments are relatively subjective. It is useful because the observers stand on the different point of views. (Phelan & Wren 2005)

A relative large sample size which is 454 respondents involved in the questionnaire strengths the reliability of the research in the thesis. Snow sampling method was used when conducting online survey. The website links was sent to friends and relatives through messages and e-mail. Furthermore, the language and questions of the questionnaire should be neutral and understandable for every survey respondent.

Validity is about how well the result of a research measures what it is intended to evaluate. Reliability is necessary for a study and it is also need to be valid. The way of improving validity is to define the goals or objectives clearly and operably. Additionally, expectations and the assessment measure should be written down before the research. (Phelan & Wren 2005)

In order to enhance the validity of the thesis, the research problem is specific and it is supported by abundant references from various sources, which include Internet, library and pervious study. Also, the method such as market analysis used in the empirical research was related to the literature concepts.

4 ANALYSIS AND RESULTS IN CHINESE MARKET

4.1 Current Industry Description

In Chinese culture, pork has been regarded as the central of farm breeding and food traditions for thousands of years. China is not only the largest pork producer but also the major consumer country in the world in terms of its large population. In 2013, the national pork production reached 5493 million tons, which accounts for 64.35% of the livestock industry and 51.15% of the total production of pork in the world (China Animal Industry Yearbook 2013).

The purchasing of pork dominates a large proportion of meat consumption in China. Before the 1980s, the quantities of production were far less than the demands of entire population. Meat consumption was limited for most Chinese people. At that time, the proportion of pork accounted for over 95% of the whole meat consumption. The development of pork industry has been grown up rapidly especially from China's reform and opening. Dramatically growing economy and resident income result in the increased expenditure of meat. In the recent 30 years, urban and rural residents decreased the expense of grain products and meat has become normal dishes in their diet (Sharma & Schneider 2014, 12). With the diversification of meat supply, although the amount of pork purchasing maintained growth, its share began to decline. So far, the consumption of pork occupies more than 60%, and the rate of growth is still stable. (China Animal Industry Yearbook 2013)

Since the impacts of ethnic characteristics, consumption habits and market changes, the differences of pork production and consumption between regions in China are obvious. From the view on regional economy of the industry, the swine production zone has been formed in the Lower Yangtze Region and gradually spread to the north and south areas. In comparison, sales areas are still concentrated on the coastal regions which have economically developed. And Han people is the main component of population in sales areas, such as Shanghai, Beijing, Guangdong and Zhejiang. In addition, pork in the northeast region has been converted

from shortage to self-sufficiency, and it has become a new area of pig breeding. (China Animal Industry Yearbook 2013)

One notable issue is that the scale of the swine breeding was dropped sharply in recent five years. According to the statistics provided by China Animal Industry Yearbook (2013), large-scale hog farms which have annual slaughter capacity of 50,000 head or more account for only less than 1% of the domestic supply of pigs. This will directly lead to the further enlarged gap between the balance of supply and demand, namely, the acquisition price of pig will also be widened. At the same time, it is expected that the upgrading of the consumption structure of the pork demand in the main market will drive the slaughtering and processing enterprises build their meat products processing bases in the sales areas. (China Animal Industry Yearbook 2013)

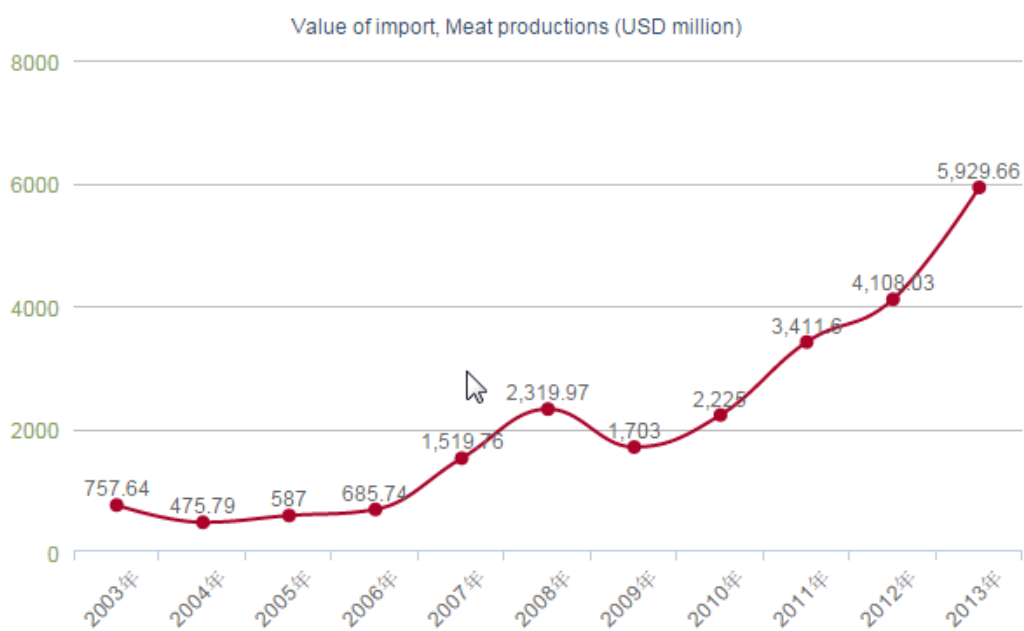


Figure 4. Value of import, meat productions (National Bureau of Statistics of China 2013)

The sensitive factor that affects the volume of import is price. Chinese pork trade was export-oriented for the most years before 2006 and the amount of import was

less than 15 million tons. However, the transnational trade of pork has become net import for seven consecutive years from 2007 and it still shows an increasing trend (Korves 2015). Impacted by the domestic pork price increases in 2008, imports rose quickly to 37.33 million tons and the top record appeared 58.4 million tons in 2013 (Figure 4). The value of import pork has experienced a sustained increase for three years from 2010. Compared with the amount of 29 million tons in 2008, the pork net imports realized an expansion and reached 51 million tons in 2013. Among the import, products mainly include fresh frozen pork and pig offal, and 65% of them come from Europe countries which are primary in France and Denmark. (China Animal Industry Yearbook 2013)

The future development trend of China's swine industry is scale operation and brand management. Taking into account the current situation, firstly, the degree of swine industry integration is still low, and the market share of Chinese largest farming enterprise is below 1.5%. Moreover, most brands of pork in the market now are regional, there have rarely appeared any national well-known brand even in the largest pork production areas which are Sichuan, Hunan and Yunnan district. The positive progress is that the awareness of the brand management has been established in some large-scale livestock enterprises such as Shuanghui and Yurun. Business managers are developing appropriate brand and marketing strategies, which will lead swine industry shift from price competition to brand competition. (Wang & Watanabe 2008)

Brand is an intangible asset to companies whose philosophy should be based on customers' satisfaction and the responsibility of food safety. Cultivating brand equity starts with identifying the driving factors of brand from customers' point of views, then analyzing own positioning through demand analysis, competitive analysis and self-analysis. Marketing mix strategy plays an essential role of supporting brand positioning and forming a unique brand association in customers with integrated marketing communications (Proctor 2000). It is worth mentioning that, under the crisis of food confidence, China National Cereals, Oils and Foodstuffs Corporation (COFCO) has implemented the whole industry chain management which controls from the source of breeding, logistics, chain shores and to

build professional brand image in customers. Enhancing the recognition of quality safety to brand and obtaining customers' trust is the direction of development in the future for companies to gain a competitive advantage ultimately (COFCO 2012). The detailed marketing mix strategy of COFCO will be presented in the later part of competitor analysis.

4.2 Macro-environmental Analysis

Any industry is conducted under a certain macro-environmental constraints including pork industry. This part will use PEST model to analysis the main external environmental factors that affect the pork industry in China (See Table 3).

Table 3. PEST analysis of pork industry.

Political	<ul style="list-style-type: none"> • Policy measures reduce fluctuation and ensure food security; • Government increased efforts to support the industry.
Economic	<ul style="list-style-type: none"> • Rise economic indicators ensure the growth of pork market, • Incomes promote consumption upgrade; • RMB appreciation caused the rise of pork's nominal price; • CPI kept the price increase.
Sociocultural	<ul style="list-style-type: none"> • Growth of total population increase the demand; • Urbanization upgrade keep the expansion of pork market; • Residents' meat consumption tends to brand; • Influence of Chinese characteristic culture.
Technical	<ul style="list-style-type: none"> • Livestock cultivation techniques improve. • Logistic and preservation capabilities get progresses.

4.2.1 Political Conditions

From 2007 to 2008, the price of meat production suffered a sharp decline and the slump reached the bottom until 2009 (See Figure 5.). The significant fluctuation

caused widespread concerns to pork industry from governments at all levels. During this period, the State Council unveiled a series of notification documents to regulate the volatility. The policy measures refer to the processes of hog breeding and processing which is consisted of subsidies, tax breaks and market interventions (Gale, Marti. & Hu. 2012, 15).

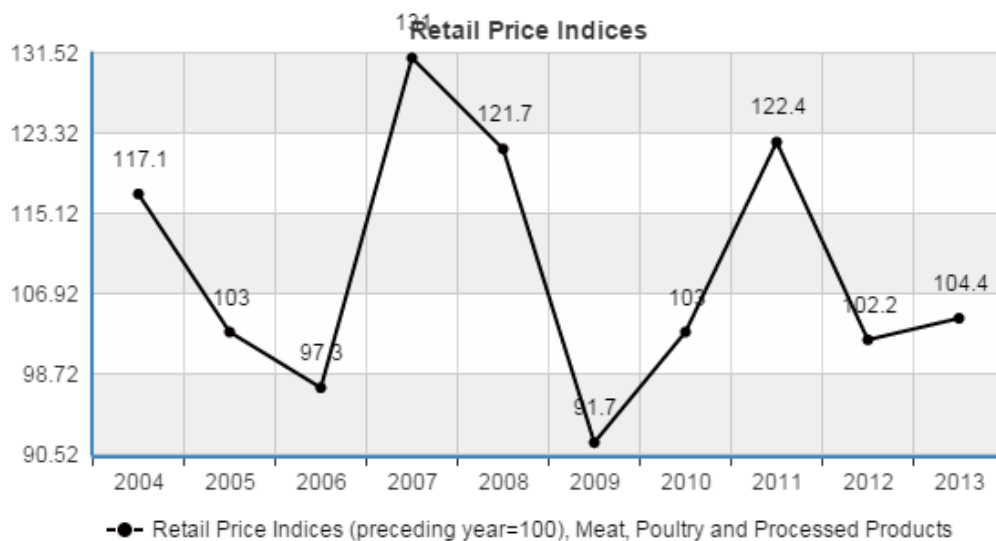


Figure 5. Retail price indices of meat, poultry and processed products (National Bureau of Statistics of China 2013).

The fluctuation of pork price also contributed to the national efforts to support the pork production and to promote standardization of the market. At the same time, food security issue has become a major problem concerning the people’s livelihood. Chinese officials decided to improve safety and quality of pork through establishing pork traceability and accountability system. Moreover, pig slaughtering links need strengthen management to ensure the qualification of meat quarantine inspection. (The Economics 2014)

At the current stage, China’s pork imports are mainly driven by price. The significant growth of pork imports occurred in the year when the price sharply increased, such as in 2008 and 2011, because the domestic supply could not satisfy demands

(Gale et al. 2012, 3). In 2014, China has successively approved the import of pork and products from many countries. France and Denmark are approved to export cooked pork products to China from April, and four enterprises in Hungary can export frozen pork products from September. Additionally, there are intentions for China to expand the scale of trade with major meat exporting countries. Portugal is also expected to export pork products in 2015. (Yu 2014)

4.2.2 Economic Conditions

In recent years, China's GDP growth has continued to maintain a high rate of development. The proportion of food expenditure has been essentially flat with the increase of residents' disposable income. The statistics from National Bureau of Statistics of China state that Engel's coefficient of urban and rural household are 35% and 37.7% in 2013. According to the experience of developed countries, meat consumption expenditures will be relatively stable when the index is lower than 30%. Various economic indicators ensure the growth space of pork market demand. Meanwhile, increased residents' income and relative stable Engel's coefficient make upgrading of meat consumption structure become inevitable, chilled fresh meat will be the main direction among them. (Cheng 2011)

Before 2005, the exchange rate of RMB to US dollar remained stable at around 8.2. RMB started continuous appreciation from 2006, the same rate declined to 6.12 in 2015, while the exchange rate of RMB to Euro dropped to 6.6 from over 10 (State Administration of Foreign Exchange 2015). The appreciation of RMB accelerated inflow of foreign capital, incremental money supply and excess liquidity resulted in the nominal price of foodstuff added, which boosted the increase of price gap between domestic and foreign pork continuously.

Consumer Price Indices (CPI) indicate the trend and degree of the consumer goods' price changes that residents purchased during a given period. The force of index increase is mainly from the price of agricultural products while pork price is an integral part of the CPI fluctuations. The relative a constant CPI from 2012 in China improved the rise of pork products' price (State Administration of Foreign Exchange 2015).

4.2.3 Sociocultural Conditions

It is obvious that the growth of total population greatly contributes to the demand of pork market, per capital meat consumption and presents the rising trend as well. With the influence of characteristics culture, pork plays an essential role in Chinese people's meat structure. Chinese pork consumption reaches 50 million tons every year, and it accounts for nearly three fourths of its meat consumption. Most Han nationality population in China distribute densely in Guangzhou, Shenzhen and Pearl River Delta region which are primary marketing sites of pork. (Larsen 2012)

Meanwhile, China's urbanization level has been continued to increase from a rate of 26% in 1990. There were 54.7% of the total population lived in urban areas at the end of 2014, and the figure still grows with the speed of 1% per year (Wikipedia 2105). The improved level of urbanization decreases the gap both in income and recognition between urban and rural household which provides tremendous growth potential to daily meat consumption. Therefore, urbanization promotion offers pork market to maintain the expansion.

What is noteworthy is that Chinese consumer market has been gradually charged from commodity consumption to brand consumption, and more and more purchasing power has tilted to focus the quality and famous brand. Referring to the residents' daily consumption of agricultural products, including meat and fresh pork products, customers also start to pay attention and buy brand products instead of requiring quantity only. Green, health, environmental protection and energy conservation have become the focus of concerns of more consumers. (Larsen 2012)

4.2.4 Technological Conditions

Progresses of science and technology have a significant impact on the whole chain of hog industry. In terms of the mode of breeding, Chinese traditional framing mode for thousands of years which is in backyard has been already changed, instead, professional farms with technical guidance has enhanced the levels of farm-

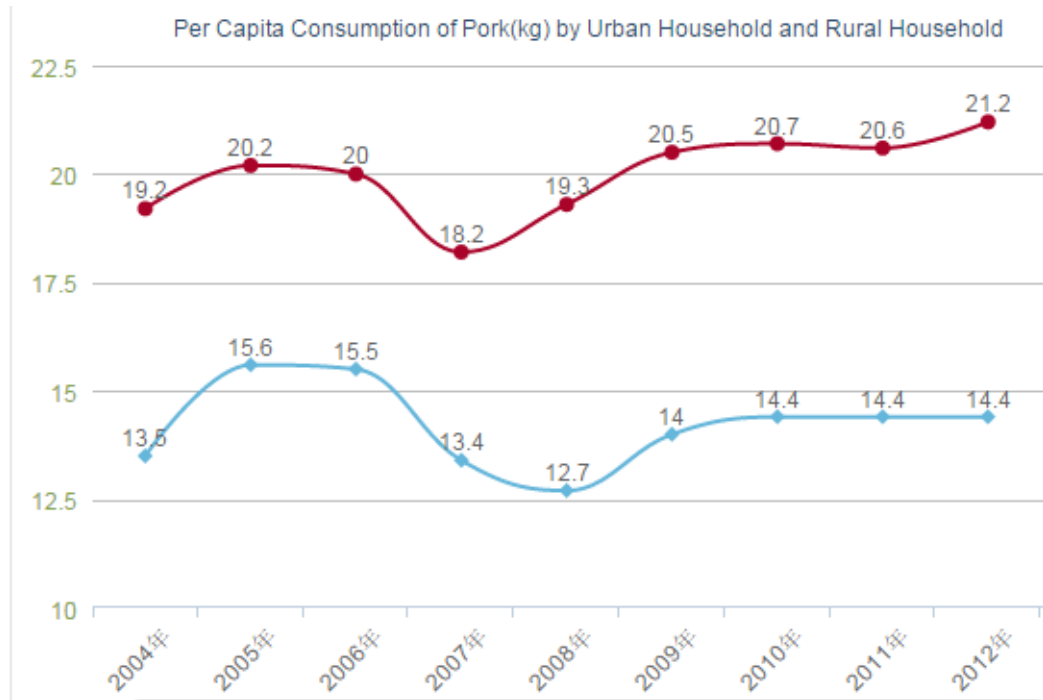
ing and it also has improved the capability of controlling hog disease occurrence. (Pig Progress 2009)

At the same time, as for hog and meat products, they both have higher requirements in the aspects of transportation radius and speed. Increased technological capabilities of cold chain and logistics sectors make a wide range of transport sales become possible. Coupled with advanced packaging and preservation technology, the issue of choosing plant site whether in main producing or sales areas for traditional pork companies has been solved, and site selections are also able to be more diversified. (Pig Progress 2011)

4.3 Market Opportunity

Pork is the most important source of protein in the Chinese diet. China's per capita consumption of pork has exceeded the Europe on average level, which is just below Germany and Denmark, but far higher than the United States and Japan (Larsen 2012). According to National Bureau of Statistics calculations (2013), per capita consumption has increased to 40.65 kg in 2013. Compared to the consumption in 1985, the rate of increase is 164% and the average annual growth rate is 3.5%.

Pork consumption accounts for nearly sixty percentage of Chinese customers' major meat consumption, while this proportion has shown a slight downward trend with the improvement of people's living standards and the diversity of meat commodities provided, the growth rate is slower than the other meat varieties as well. The growth rate began to decline from 2000 to 2013 and the average rate per annum is 2%. (See Figure 6)



—●— Per Capita Purchases of Pork (kg) of Urban Households

—◆— Per Capita Consumption of Pork (kg) by Rural Households

Figure 6. Per capita consumption of pork (kg). (National Bureau of Statistics 2012)

Beef and mutton consumptions have a certain rigidity because they are consumer discretionary for the parts of the national minority consumer groups, whereas the overall sales volume is not large. On the other hand, the substitution of poultry for pork is also more pronounced because of the industrialization. The industrial development of domestic poultry industry has greatly improved the production rate, which leads to a lower price than other meat. Coupled with the wide popularity of fast-food majored in fried chicken and the consideration that customers generally believe it contains more nutrition than pork, poultry has become a fast alternative to pork. (Sharma & Schneider 2014)

Furthermore, the pork product demand has undergone significant structural changes. Chinese traditional pork consumption has based on the frozen meat and room temperature meat for a long period. In recent years, the demand structure of frozen meat has been shifted to fresh meat, then trends to chilled meat. Driven by the development of cold chain technology, chilled meat has become the growth opportunity of pork market. (Sharma & Schneider 2014)

One key factor contributing to the consumption is pork price. Pork market suffered a great volatile in 2007, and the consumption reduced substantially due to the high price (Badkar 2013). Besides, seasonal consumption is another feature of pork, as demands in winter are usually higher than in summer. The reason is that customers in most regions have habits to purchase pork before some Chinese traditional holidays such as the National Day, Mid-Autumn Festival and Spring Festival, which are in the months from September to December. Therefore, the price of pork is generally high since that the consumer demand is at the most prosperous stage during this period.

Speaking of the pork consumption structure of urban and rural households, the proportion of pork consumption in rural residents is high, likewise the urban residents' pork proportion in the total meat purchasing has been dropped year by year. Compared with urban households, residents in rural have more strong intentions to increase the consumption of pork when incomes rise and prices fell. Increased pork consumption driven by incomes is able to get further released along with improvements of the social security system in the countryside. (Sharma & Schneider 2014)

In addition, the quality of pork has become an important non-market factor affecting the consumption. More concerns on quality rather than quantity only follow the step of the income level improvement and the demand for high quality pork will become increasingly strong. The leading brand of high-quality pork will dominate the consumer orientation of residents. (Sharma & Schneider 2014)

Another trend appeared in the pork consumer market is that eating pork in restaurants has accounted for a considerable proportion of pork consumption, particular-

ly in urban households' customers (Sharma & Schneider 2014). Over the past five years, China's urbanization process was boosted at nearly 1% every year. According to the 12th Five-Year Plan (2011), the level of urbanization is expected to reach 51.5%, which has remarkable effects on promoting rural pork consumption and outdoor consumption will have more energy to rise sharply.

4.4 Competitor Analysis

In the early 21st century, green pork and organic pork have been shown in Chinese pork. Compared with ordinary pork, it not only has more health protection, but also has good flavor and better quality. Under the background of frequent events of pork quality and safety, the appearance of high-end pork meets parts of customer demand. (Gale et al. 2012).

According to the 6th national census, the resident population of Beijing is 1961.90 million and Han people accounts for 95.9% (Chinese Statistical Yearbook 2013). The large population provides the purchase base for the market. The level of resident average income in Beijing is higher than the national average, so the demands of high-end pork have the economic foundation in Beijing market. At present, there are several companies with relative high popularity in metropolis who are Jinqishen, Joycome, Black six and Hormel.

The analysis will take two competitors in Beijing market as example. One domestic local company in China and a foreign competitor from America are chosen for the research, which are COFCO Meat Investment Corporation and Beijing Hormel Foods Corporation. Detailed analysis will discuss the marketing strategy that both companies operated in Chinese pork market. Moreover, the SWOT model will be used to present their strengths, weaknesses as well as the opportunities and threats that pork companies face. Competitors' information is gathered from their official website and the field research in Beijing Walmart supermarket.

4.4.1 Local Competitor

COFCO Meat Investment Corporation is a division of China National Cereals, Oils and Foodstuffs Corporation (COFCO). The products mainly include two se-

ries which are meat and poultry. Joycome is a meat brand, whose raw materials of chilled fresh meat come from quality swine fed in its self-breeding park. The products which undergo the processes of precooling, expelling acid, partition and factory vacuum packing. The production processes free the customers out from tedious dishes preparation. More additional value-added services provided create greater customer satisfaction, which also develop customers' higher loyalty to the brand. (COFCO 2012)

In order to be a leader in the industry, COFCO Meat Investment Corporation conducts strategic cooperation with MIY composed of Mitsubishi and other two transnational companies in Japan who lays the foundation for improving the meat quality. This move not only enables the company to obtain funds for supporting other areas, but also gains advanced technology and management experience from well-known meat processing enterprises. In addition to highlighting the product quality, the company specially emphasizes brand building with creating a healthy green meat brand. Joycome (Figure 7) has been marked a green product certification to ensure the quality safety. (COFCO 2012)



Figure 7. COFCO Meat Investment Corporation's brand. (COFCO 2012)

In terms of the product positioning, fresh food and meat products aim at the customer group at the level of middle and high-end. Moreover, Joycome's pricing

strategy follows its market positioning. Based on the interviews of sellers and investigation of the local stores, the prices are high in the overall price level. It is higher than the normal pork prices, but also has a certain gap compared with the highest pork prices. Judging from specific level, Joycome adopts demand differential pricing and mantissa pricing strategies. As for the demand differential pricing, the division of pork is according to the customers' preferences and the price of different part is distinctive. Competitive prices are labeled on the parts with lower yields and better quality such as ribs, pork butt, tenderloin and streaky pork. Conversely, other parts of the meat use relative low price to meet the needs of customers at different levels in order to maximize profits. The pricing strategy of mantissa is applied to the unit price. Number 9 is appeared in the last digit of the pork price to reduce the visual perception of the price, so that consumers can get benefits from the psychological sense.

COFCO Meat Investment Corporation's distribution channel relies on the advantages of COFCO enterprise group with capital and management. Nowadays, the overall layout is formulated by building 22 large scale breeding bases in Tianjin, Hubei and Jiangsu. Since the distribution of fresh pork is limited by transportation radius. The strategy of aiming at seizing high-end pork markets such as Beijing, Shanghai, and Guangzhou is undoubtedly establishing a favorable channel at the macroscopic level. Concerning about the detailed distribution, chain stores, supermarkets and exclusive agencies are channels based on high-end positioning. Additionally, COFCO's own shopping site – womai.com is also utilized to sale its products. (COFCO 2012)

As far as its promotion strategy, COFCO Meat Investment Corporation propagates brand all directionally. Advertisement was played in various major media because COFCO was a senior supplier Shanghai World Expo in 2010 and the special sponsor to the 22nd informal APEC leader's meeting. In 2012, Joycome became dedicated meat supplier of Chinese sports delegation and served Chinese Olympic Committee until 2015. More than that, the patronage to campus activities also contributes to enhance social propaganda and marketing effects. (COFCO 2012)

4.4.2 Foreign Competitor

Hormel Foods Corporation founded in 1891 is a multinational food and meat products manufacturer and distributor, which is located in Minnesota of America. With the innovation sectors and strict quality standards, the company has been recognized as the leader of pork production and sales in America. As one of Fortune 500 Company, Hormel Foods Corporation has over 10,600 food products and 275 registered trademarks. Hormel are exporting their products to over 60 countries on five continents. Besides the most commodities are processed in the United States, Hormel also signed license agreements or built joint venture companies with many countries, including China, Japan, South Korea, Australia, and Britain. In 2010, the total sales in worldwide reached \$ 6.5 billion. (Hormel Food Corporation 2015)

Beijing Hormel Foods Corporation (BHFC) founded in 1994 is a Sino-US joint venture which was jointly invested by Hormel Foods Company and Beijing Sanyuan Group Co., Ltd. Beijing Hormel Foods Co., Ltd. inherits the vision of innovation and quality from Hormel Foods Corporation which is considered as a successful pillar for over 120 years. (Hormel Food Corporation 2015)

Currently, Hormel processes bacon, ham, chilled meat and more than a dozen varieties of species which cover three series of retail, dining and fresh. The products contain both western-style flavor and Chinese-style with providing relevant recipes for each product, which offers more values to customers as convenient as possible. Abundant varieties of products offer customers more choices, such as the chilled pork has different positioned for organic pork, distinctive pork and ordinary pork. In the aspect of brand, BHFC employs co-branded strategy (See Figure 8). Among them, the organic pork is provided by Liaoning Zhenxing Ecology Group and the distinctive pork is the black swine from Beijing Capital Agribusiness Group (Sunlon 2010). Moreover, frozen pork comes from Hormel's own brand with the certification of Green Food. (Hormel Food Corporation 2015)



Figure 8. Hormel Foods Brands. (Hormel Foods Corporation 2015)

Pricing of Hormel Foods Corporation is different according to the differentiated market positioning and customers' demands. Except normal chilled meat, the price of high-end organic pork has a great gap between other types of products. Field research found that Hormel prices 2-3 Yuan higher than the same level of other meat manufacturers' products. The guaranteed quality with brand reputations shows the superiority of its products which caters to the need of consumers' high consumption psychology. The normal price of pork in the supermarket is at the range of 12 to 25 Yuan/kg. As for the most common organic pork gift in the high-end pork group of Hormel, the price reaches 200 Yuan/kg, while the better quality of organic pork is marked even higher and belongs to high-priced level in the market.

Hormel's mainly distribution channel is the traditional large supermarket counters to facilitate the customers' purchase. Secondly, the approach that Hormel adopts to solve large-scale sales and transportation radius restrictions is the mode of online sales. Hormel owns the online shop on Chinese biggest C2C site which is

taobao.com and purchasing items on its official website expands target customers for the company as well. (Hormel Food Corporation 2015)

As for the aspect of promotion strategy, Hormel develops advertisements for related products to convey information to customers. In addition, sales adopt measures of traditional methods such as discounts and complimentary gift for publicity. On their website, the company have a special dishes homepage that provides food information, receipt demo video, gourmet club which maintains customer relationship in a more convenient way. Besides, their website sets up a promotion channel to publish promotional information. (Hormel Food Corporation 2015)

4.4.3 SWOT Analysis

A marketing strategy need to be formulated with the consideration of enterprise's advantages and disadvantages, as well as the opportunities and threats that the business is facing. In an increasingly competitive market, more and more enterprises begin to develop marketing strategies based on combining themselves' development and consumer characteristics. Form the demand-based strategy of production to the pricing strategy based on the consumer perceived value, they both reflect the marketing position of market SWOT analysis. (Ferrell & Hartline 2008)

The study of the competitors' situations as well as the analysis of the target market and customers is particular necessary and important to develop marketing strategy. The detailed comparison of the picked companies in Beijing high-end pork market which are COFCO Meat Investment Corporation and Beijing Hormel Foods Corporation (BHFC) is shown in the Table 4. Moreover, the opportunities and threats that exist in the pork market for all the companies are also displayed in the SWOT matrix.

Table 4. SWOT analysis of competitors.

<p>Strengths</p> <p>COFCO Meat:</p> <ul style="list-style-type: none"> - supports from headquarters - fully intergrated value chain - brand promotion <p>BHFC:</p> <ul style="list-style-type: none"> - advanced production and management philosophy - strong research and innovation capacity - brand 	<p>Weaknesses</p> <p>COFCO Meat:</p> <ul style="list-style-type: none"> - lack of product characteristics - short of technology and management experience <p>BHFC:</p> <ul style="list-style-type: none"> - no free production base - high risks and instability exist in co-branded operation
<p>Opportunities</p> <ul style="list-style-type: none"> - increased demands with the rising of living standards - occoured pork problems of quality drive the high-end market's formation - no monopoly in the high-end pork market at present 	<p>Threats</p> <ul style="list-style-type: none"> - disease and market volatility - threat of substitution products - facing more stormy competitions of market share

COFCO Meat Investment Corporation has the strengths of capital, technology and management experience due to its headquarter - CFOCO who is a state-owned enterprise enjoying unique advantages in policy and funding from the government. As a subsidiary, relying on a large scale firm benefits the development of rational strategy as well as promoting the integration of operations. The whole industry chain ensures the products' quality, whereas the control of multitudinous links across the country has considerable difficulties for the swine industry. Compared with other Chinese manufacturers, the strategy of COFCO is that building a full integrated value chain supports a more guaranteed ability to achieve the overall steering. In addition, the company can access all profits during the whole industry chain. Also, brand promotion with the background of headquarters leaves consumers a better impression on its meat products. (COFCO 2012)

As a centennial old store, Hormel has achieved worldwide successes in a number of countries with its super strengths. Compared with the meat companies in China, BHFC owns more advanced production technology and management philosophy. Hormel always regard innovation and quality as two cornerstones of successful business. Based on the reliable quality, attaching great attentions on product development and innovation creates the most various kinds and food ranges compared to the same type of companies, and the capacities ensure the diversification and characteristics of products in the competition. Besides, a hundred year of historical story gives a special brand advantage to BHFC. (Hormel Food Corporation 2015)

Considering the weaknesses of COFCO Meat Investment Corporation, in fact, the products are relatively lack of characteristics. For instance, the features of Green Food certification and quality products with the whole industry chain are quite common in the high-end market. Another weakness need to be mentioned is that although the company has relative advantage of production and management in domestic business, there does exist deficiency compared to enterprises abroad.

As for the disadvantages of BHFC, Hormel brought its technology, management mode and brand into China without their own swine production base. However, the high-end pork proposes higher demands to quality and safety which makes the integrated operations be the best choice in the market. In some extent, the absence of breeding base has become a disadvantage for Hormel to compete with local Chinese companies. Also it has to be said that co-branded strategy brings risks and instability in operations. As is known, quality problems are most likely to occur in the breeding part which is totally out of control for Hormel. Therefore, enterprise cooperation increases uncertainty factors in the business.

In the pork market, different companies are facing almost similar opportunities. Figure 9 shows the income balance of Chinese urban residents. Engel's Coefficient is the figure to calculate the proportion of the total amount of food expenditure in total personal consumption expenditure. The proportion of food expenditure share will be larger in a family with less total income. It is one of the main

criteria to measure a family or a country's wealth (Dong 2005). According to the China Statistical Yearbook (2011), the development of Chinese economy reaches the level of well-off, and it reveals that rising income levels and living standards produce more demands of residents to high-end pork market.

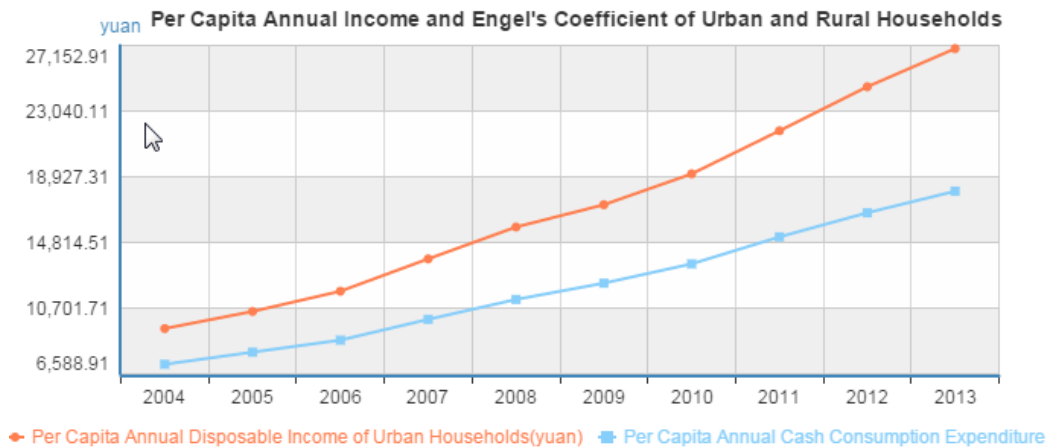


Figure 9. Per capita annual income and Engel's coefficient of urban and rural households. (National Bureau of Statistics 2013)

In addition, the grim situation of food safety in China objectively drive people to emphasize more on quality which accelerates the formation of the high-end market. The development of high-end pork has not been gone through for a long period, so there has not formed a market leader yet who occupies an absolute market share. It means that each company has opportunities to share a larger market among competitions.

Speaking of threats, companies not only have to settle various particular problems from inside, but also must face difficulties to the whole pork industry such as epidemic disease. At the meanwhile, increased customers' demand on beef, mutton, poultry and aquatic products results in the proportion of pork consumption relatively declined (See Figure 10). Considering the principles of economics, as nor-

mal goods, consumers will spend less expenditure on pork with rising price. Thus, the threat of substitutes for high-priced pork cannot be underestimated.

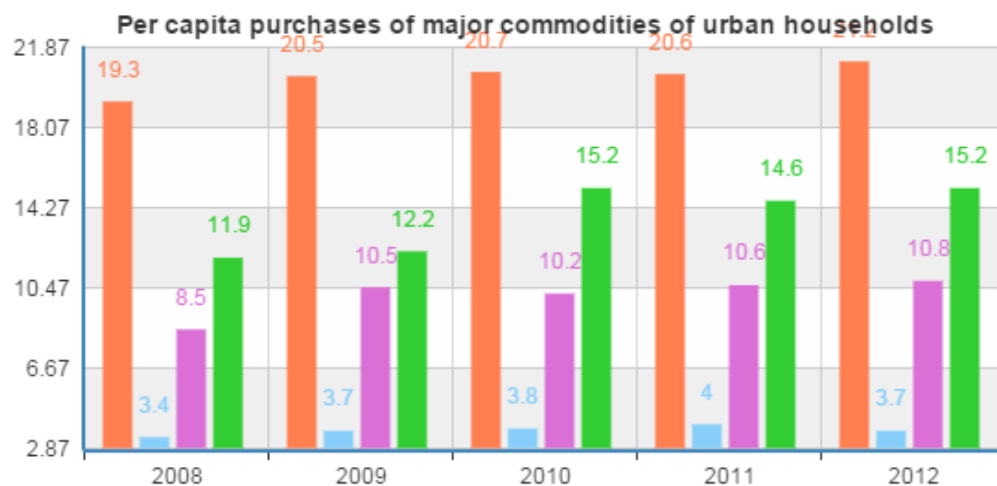


Figure 10. Per Capita Purchases of Major Commodities of Urban Households, Pork (kg), Beef and Mutton (kg), Poultry (kg), Aquatic Products (kg). (National Bureau of Statistics 2012)

Affected by the macroeconomic environment and other factors, pork market will certainly suffer fluctuations to some extent. Therefore, how to response quicker than their competitors is the challenge that companies face.

Companies who target the same customer group with providing similar products are the threats in the market. Each enterprise has its own advantages and competitiveness, in order to obtain greater profits, they all have intentions to expand market share. Depending on the product life cycle theory, the high-end pork lies in the growth stage as a new product at present. As the matter of fact, the threshold of entering the pork market is not high, more and more firms begin to share the market under the driven of much higher profits than ordinary products. New entrants who aim at target customers and desire to seize market share will make the segment market compete intensely.

4.5 Customer Analysis Results

This chapter will display the results of customer analysis that gathered from the questionnaire which emphasize on collecting the information about customers' buying behaviors and their intentions of purchasing imported pork. In the survey, there were 454 questionnaires returned in total, which provided a basic grasp of Chinese customers' main characteristics of purchasing pork through collation and analysis. The questionnaires both in English and Chinese are shown in the Appendix.

4.5.1 Data Structure

The basic customer characteristics included in the survey were gender, age and family income. The proportion of the female respondents was 63% and higher than the proportion of the male which was 37%. As for the age distribution of the respondents, the age range from 23 to 30 accounted for the largest proportion which was 34.4% and 33.7% of the total respondents was made up of the group of under 23 years old. The following range of age were 31-40 year-old and 41-50 year-old which accounted for 12.1% and 11.2%. The respondents of 50-60 year-old had the proportion of 7.7% and there were only 4 people who answered the questionnaire were over 60 year-old.

The third question of the survey considered the occupation of the respondents. The number of people who were students was 238 and it represented 52.4% of the entire respondents. The people at work accounted for 36.6% in the survey. The remaining respondents' professional status included retired, unemployed and housewives which represented 11%.

Considering the pricing of products is closely related to the market positioning and the income level of customers, the question about the average monthly income also included in the survey. The people whose monthly income was less than 3,000 Yuan had the highest proportion, which accounted for 59.2%. And the number of respondents with 3,000-6,000 Yuan every month was more than the group in the range of 6,001-9,000 Yuan, the proportion respectively are 24.5%

and 9.9%. The following rankings were 4% and 2.4%, which belong to the income level of 9,001-12,000 Yuan and the group of over than 12,000 Yuan.

4.5.2 Consumer Behavior

The results are described and analyzed in Appendix 3.

4.5.3 Purchasing Intention

The results are described and analyzed in Appendix 3.

5 CONCLUSION

The last chapter will present the summary based on the previous theoretical study and empirical research, which also includes the suggestions for the pork companies operated in Chinese market.

5.1 Summary of the Thesis

The purpose of the thesis is to analyze the pork market in China in order to identify the opportunities for a company in Finland and the results of the market analysis will help company make decisions.

Industry analysis indicates that the meat consumption in China is still at the stage of stable growth. The gap of consumption between the urban and rural residents is narrowing. Pork is still the first category for the consumption but the proportion will be decreased. With the leading of giant enterprises, the pig and pork products industry enters a growth process, and the consumption will be diversified.

The environment analysis conducted by the PEST model shows that low temperature meat products have a more optimistic prospect to upgrade traditional meat consumption with the future direction of development in the Chinese market. In order to expand the proportion of pork products consumption and adapt to the contemporary rhythm of life, increased income level need the pork products provide more varieties to be chose. Moreover, the low-income residents and rural households will be the potential of the meat consumption.

A competitor analysis was done by using the SWOT analysis. The analysis of two existing competitors are COFCO and Hormel Food Corporation. As for the current Beijing high-end pork market, COFCO meat Investment Corporation has the obvious advantages among the numerous Chinese enterprises, but the disadvantage of the company that products provided are lack of special flavor need to be noticeable. Beijing Hormel Corporation have equal advantages and disadvantages, which is regarded as an important competitive force in Beijing high-end pork market. The purpose of analyzing competitors is to avoid the weaknesses and enhance the advantages. The manufacturers can occupy a certain position in high-end competition if they can leverage their strengths.

The customer analysis presents a comprehensive understandings of consumer behavior and purchase preferences of Chinese customers. The customers' concerns of pork has shifted from quantity to quality and freshness. The respondents com-

monly believe that the pork sold in supermarkets generally has higher barriers to entry. But the recognition of the high quality pork in supermarkets is lower, which may be related to the propaganda is not in place. Some consumers have not heard of imported pork, so that the general consumer still sit on a fence. Under the existing conditions of households' income, the ability of consumers to afford the price of pork in supermarkets is limited. People in their middle-ages have a higher demand for high quality pork. Price consideration will be the important factor that hinder customers purchase imported pork

In conclusion, considering all the dimensions of market analysis, Chinese pork market has market potential and consuming basis for imported pork. Whereas, the risk of high-end pork project is also obvious. Firstly, the market period of pork is long. The second risk is whether the consumer accept the products. And the third one is the high-involvement in brand promotion and maintenance. A problem occurred in links of the whole process will fall short of success for lack of a final effort.

5.2 Suggestions for the Companies

In Chinese pork market, the competitions between branded pork enterprises with medium-quality and medium-priced are very intense. Taking into account that consumers' demand on quality will gradually increase, as well as the current high-end pork market vacancy, the high-end products with the medium price is the product positioning. After gradually gain a larger market share by brand, the enterprise need to re-introduce a new brand to meet the needs of high-income groups with choosing a right time. Following the step of making an initial market position, the strategies should be developed to expand a greater competitive advantage.

Firstly, determining the brand's strategic direction of the enterprise. Product positioning intends to occupy a unique and valuable position in customers' minds. Brand equals to the total of product and differentiation. Therefore, the best competition is to avoid competition by the means of a unique differential positioning. For example, swine companies can determine the positions through combining their resources. The brand positioning is supported by the differentiated factors

including breeding pigs, feed type, farming methods, slaughter time and security control.

New products can also enhance the brand differentiation. So far, the development of the Chinese meat industry is relatively stable, but the overall level of profits is low. The enterprises need to enhance product differentiation to compete and lead the market. Low temperature meat products in China has already accepted by consumers, especially the younger generation of consumers, but even the best taste will be tired. Maintaining the stability of the product quality is important, while the essential element of attract new customers is to create new products. Keeping to develop various new product is an invaluable asset of well-known brand

The second strategy is to excavate customer demand with experiential marketing. Good products is the fundamental of business, while products need to be popular with penetrating marketing. Consumer behavior is complex, it is based on rational analysis, judgment selection, as well as impulse factor.

In order to play the maximum advantages of the brand, the experiential marketing can begin with experience store. Customers can feel through sight, smell, hearing, taste and many other senses to fully experience the product and understand the concept of the brand. The store also provides personalized taste design, namely the purchase of the raw materials and ingredients is according to the customers' own personal taste. Customers can custom personal recipes with nutrition experts. The goal of experiential marketing design is to deepen the brand concept, and it is a process from products selection to the products loyalty.

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APPENDIX 1. INTERVIEW QUESTIONS.

Question for the seller of Joycome and Hormel:

1. What kind of marketing strategies were be used to promote pork products?
2. What is the marketing plan in high-end pork market now?
3. What do you think are the three biggest competitors in high-end market?
4. What are the advantages and disadvantages of the products compared to other brand in your opinion?

Questions for the buyer of Joycome and Hormel:

1. How often do you purchase pork?
2. Do you always buy products of same brand?
3. What are the advantages and disadvantages of the products compared to other brand in your opinion?

APPENDIX 2. Questionnaire in English

Market Research of Purchasing Intention for Imported Pork

1. Gender:

- a. Male b. Female

2. Age:

- a. Under 23 years old b. 23-30 years old c. 31-40 years old
d. 41-50 years old e. 51-60 years old f. Over 60 years old

3. Professional Status:

- a. Student b. Employed
c. Unemployed d. Retired e. Other

4. What is your monthly average income?

- a. Less than 3 000 Yuan b. 3000-6000 Yuan
c. 6001-9000 Yuan d. 9001-12000 Yuan
e. More than 12 000 Yuan

5. How often do you eat at home every day?

- a. Three meals b. Two meals
c. One meal d. Seldom eat at home

6. How often do you purchase pork?

- a. At least twice a week b. Once a week
c. 1-2 times for a month d. 3-5 times for half a year

e. Rarely

f. Never

7. What is the amount of pork do you purchase for one time?

a. Less than 1 kg

b. 1-2.9 kg

c. 3-4.9 kg

d. 5-7 kg

e. More than 7 kg

8. Where do you usually go for purchasing pork? (Multiple choice)

a. Vegetable market b. Supermarket

c. Hypermarket

d. Retail Store

e. Online shop

f. Other place

9. What do you concern mostly when purchasing pork? (Multiple choice)

a. Taste

b. Quality

c. Safety guarantee

d. Price

e. Origin of source

f. Brand

g. Package

h. Advertisement

10. What is the range of price for pork that you usually buy?

a. Under 15 Yuan/kg

b. 15-20 Yuan/kg

c. 21-25 Yuan/kg

d. 26-35 Yuan/kg

e. Over 35 Yuan/kg

11. What kind of product would you prefer to purchase, ordinary pork of domestic breeding with normal price or Europe standard imported pork with higher price?

a. Ordinary pork

b. Imported pork

12. What would be the reason for you not to purchase imported pork? (Multiple choice for choosing ordinary pork in 11)

- a. High price
- b. Worse taste than normal
- c. Unstandardized quality
- d. Suspicious for the product
- f. Never heard before
- g. Other reason: _____

13. What would be the reason for you to purchase imported pork? (Multiple choice for choosing imported pork in 11)

- a. Better taste
- b. Quality and safety
- c. Higher nutrition
- d. Elegant package
- e. Well-known brand
- f. Advertisement
- g. Good reputation
- h. Other reason: _____

14. Since quality pork has higher feeding cost and longer raise period, what price range of imported pork will you accepted?

- a. 30-45 Yuan/kg
- b. 46-60 Yuan/kg
- c. 61-75 Yuan/kg
- d. 76-90 Yuan/kg
- e. Concerning about quality only

15. Would you prefer to choose restaurant using imported pork when deciding eat outside?

- a. Yes
- b. No
- c. Never mind

Thanks for your participation!

APPENDIX 3. Questionnaire in Chinese

进口猪肉购买意愿的市场调查

1. 您的性别:

- a. 男 b. 女

2. 您的年龄:

- a. 23 岁以下 b. 23—30 岁 c. 31—40 岁
d. 41—50 岁 e. 51—60 岁 f. 60 岁以上

3. 您目前的工作状态:

- a. 在校学生 b. 工作 c. 待业 d. 退休 e. 其他

4. 您的平均月收入:

- a. 3000 元以下 b. 3000—6000 元 c. 6001—9000 元
d. 9001—12000 元 e. 12000 元以上

5. 您一般每天在家做饭菜吃的次数是:

- a. 三餐 b. 两餐 c. 一餐 d. 几乎外食

6. 您家庭购买猪肉的频率是:

- a. 每周一次 b. 一个月 1~2 次 c. 半年 3~5 次
d. 很少购买 e. 从不购买

7. 您每次购买猪肉的数量:

- a. 1 公斤以下 b. 1—3 公斤 c. 3—5 公斤
- d. 5—7 公斤 e. 7 公斤以上

8. 您通常在哪里购买猪肉 [可多选]：

- a. 农贸市场 b. 普通超市 c. 大型商超
- d. 附近的零售店 e. 网上直销 f. 其它

9. 购买生鲜猪肉时，您一般会关注： [可多选]

- a. 味道 b. 品相品质 c. 质量安全保证 d. 价格
- e. 产地 f. 品牌 g. 包装 h. 广告宣传

10. 您一般购买猪肉的价格区间：

- a. 15 元/公斤以下 b. 15—20 元/公斤 c. 21—25 元/公斤
- d. 26—35 元/公斤 e. 35 元/公斤以上

11. 在选购猪肉时，对于价格处在一般水平的普通本地猪肉和价格较贵但有更高质量标准的进口猪肉，您更倾向于选择：

- a. 普通本地猪肉 b. 进口猪肉

12. 您不会选择购买进口猪肉的主要原因是[可多选]：

- a. 价格过高 b. 味道不如普通猪肉 c. 品质不好
- d. 对产品宣传持怀疑态度 e. 没有听说过
- f. 其他原因

13. 您会选择购买进口猪肉的主要原因是[可多选]：

- a. 味道更好 b. 保质保鲜 c. 营养价值更高
- d. 包装精美 e. 知名品牌 f. 广告宣传
- g. 亲戚朋友介绍 h. 其他原因

14. 由于高品质的进口猪肉有较高的饲养成本，包括无添加饲料，人工管理和高达两倍多的饲养周期，您能接受的进口猪肉的价格区间是：

- a. 30—45 元/公斤 b. 46—60 元/公斤 c. 61—75 元/公斤
- d. 76—90 元/公斤 e. 不关注价格，只关注品质

15. 在外就餐时，您是否会倾向于选择使用进口猪肉的餐厅：

- a. 是 b. 不是 c. 不关心

问卷到此结束，感谢您的参与！

APPENDIX 4. Empirical analysis and conclusions based on Consumer Behavior and Purchasing Intension.

Appendix 4 is declared as confidential.