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1. Introduction:

We have been approached by Arnott's Biscuits Limited ('Arnott's') of Australia to produce a marketing plan with the objective of successfully marketing a product similar to the 'Tiny Teddies' range available in Australia to Guangzhou, China.

Arnott's has supplied biscuits to the Australian market for the past 144 years and is now one of the largest food companies in the Asia Pacific region. Arnott's continues to be a valuable asset to the Australian economy, employing more than 2,600 people and spending over \$300 million per annum purchasing Australian grown agricultural products (<http://www.arnotts.com.au/about-us/corporate-profile.aspx>).

Having exporting operations in over 40 Countries throughout the world, including Japan, the USA, Canada, United Kingdom, Indonesia and New Zealand, Arnott's is no stranger to the complexities and uncertainties associated with launching a new product in a new location (<http://www.arnotts.com.au/about-us/corporate-profile.aspx>). It is important that Arnott's continues to adapt to the changing nature of global business and this is why we have been engaged to produce a marketing plan taking a new product to a location Arnott's has not conducted business within previously.

The 'Tiny Teddies' product range consists of a variety of sweet tasting snack sized biscuits. The product is primarily produced for young children while also being something that people of all ages can enjoy. The product has recently been reformulated so that it offers a healthier alternative to confectionary as a snack and can be enjoyed as part of a balanced diet. It is intended that the product will be developed slightly in order to fully maximise the specific attributes of the Chinese market.

Guangzhou is the largest city in the South of China having a population approaching 12 million. This location has been chosen as it has a major port and appropriate internal infrastructure to support transportation of the product. It has also been found that the Guangzhou population has a bit of a 'sweet tooth' in comparison to other areas of China (*reference required*) and is also has affluence that will be conducive to the purchasing of a good quality snack food.

We have been asked to provide Arnott's with an extensive marketing plan that not only identifies and overcomes any problems that may occur with the launch of the product in China but also to ensure the ongoing success of the product in the Chinese market.

2. Mission Statement:

3. Environmental and Internal Analysis:

3.1. Political System

It is important for Arnott's to have a good understanding of the political system in China to ensure that it can effectively operate business within the current political environment that exists there.

A. Political System – An Overview

According to China Guide (2008), the People's Republic of China is a socialist country lead by the Communist Party of China (CPC). The CPC is the only party with power in the People's Republic of China, but the eight other political parties which exist may take part in state affairs under the recognized leadership of the CPC. As a whole, China's fundamental political system is the National People's Congress (NPC) which is an organizational form for the state power and is also the highest authority of state power.

The 11th NPC, held in March 2008, confirmed the appointments of President Hu Jintao, Premier Wen Jiabao and the Chairman of the NPC Wu Bangguo for the next five years. The focus of the 12th NPC (3-13 March 2009) was maintaining economic growth and social stability in the face of the current global economic crisis. This provides Arnott's with some certainty looking to the future as it clearly shows that China is committed to continuing to grow its economy.

Moreover, as the country is led by a sole party and there is very little threat of the current Government being overthrown it is unlikely that the economic principles being followed by China at present will change in the short to medium-term future.

B. Opportunity for Trade policy review

China clearly follows an Outward Trade Policy. This is evidence by the Chinese Government continuing to peruse a Free Trade Agreement ('FTA') with Australia along with the vast array of trade agreements and trade organisations China has already become privy to (e.g. WTO, APEC).

In 2008, China was Australia's largest import source (\$36.7 billion) and second-largest export destination (\$37.1 billion)¹. This clearly shows the Governments' of both countries are committed to allowing trade between the countries to be as free as possible.

The Chinese Governments focus for the development of its economy is on sustainable growth (*reference required*). The Government also recognises that it faces many other considerable economic challenges arising from such things as strengthening the social safety net, sustaining adequate job growth for tens of millions of migrants and reducing rules relating to investment from foreign countries (*reference required*).

According to the Australian Department of Foreign Affairs and Trade (DFAT) (2008)(*full reference required, website?*) the Australian Government pursues constructive and friendly relations with China. Further, the focus of the Trade and Economic Framework (TEF), signed in October 2003, is to cooperate in developing strategies to promote business opportunities in areas of high potential. Moreover, the TEF included a commitment by

¹ World Factbook 2009

Australia and China to agree to undertake a joint FTA feasibility study. That study concluded that the negotiation of a FTA would result in significant economic benefits for both China and Australia (cited in Policy Trade view, 2005)(*full citation required*).

It is also outlined by the Eurasia Group that although the globe has experienced a serious financial crisis the political risk for China can be ranked very low compared with, for example, the United States (*reference required*).

In addition, during the past ten years, China has implemented major changes in its trade policies and measures, particularly in connection with its accession to and subsequent membership of the WTO and APEC (WTO 2005). China has also reduced other barriers to imports, notably import prohibitions and restrictions, and the import licensing regime has been simplified.

C. Political System Summary for Arnott's

It is clear from the information outlined above that the Chinese political system and the current political regime makes China a favourable place for Arnott's to conduct its business affairs.

The Government has continued to pursue the overall objective of allowing foreign companies to conduct business as freely as possible especially in relation to Australian entities.

There is very little risk of political change in China and this gives Arnott's certainty that the capital spent in entering this market will not be wasted as a result of a changing political atmosphere in China.

3.2. Legal System

It is important that Arnott's are acutely aware of the applicable legal rules and regulations it will be subject to when conducting business in China.

As outlined above the political environment in China is favourable to foreign trade. As the leaders of the Country are also responsible for implementing the law it should follow that the applicable laws are also favourable for foreign trade.

A. Chinese Common Law System

China's legal system is based on a civil law system. This means that China's law's are mostly codified based on traditional customs, rules and regulations, primarily derived from Soviet and continental civil code legal principles (*need reference*).

B. Applicable Laws

As Arnott's is conducting business within China the laws of China will apply² (*reference required*).

C. Organisation of the Judiciary

The Judiciary is organised differently in China than in most Anglo countries as the legislature retains the power to interpret statutes. This means there is no separation between the legislative and judicial branches of government³.

In Australia the legislative and judicial branches of government have been separated which means the legislature is responsible for drafting and implementing the law and the judiciary is responsible for interpreting the laws handed down the legislature. This can be said to have the effect of the laws being interpreted consistently with the political goals of the time rather than being consistent with a strict literal reading of the law.

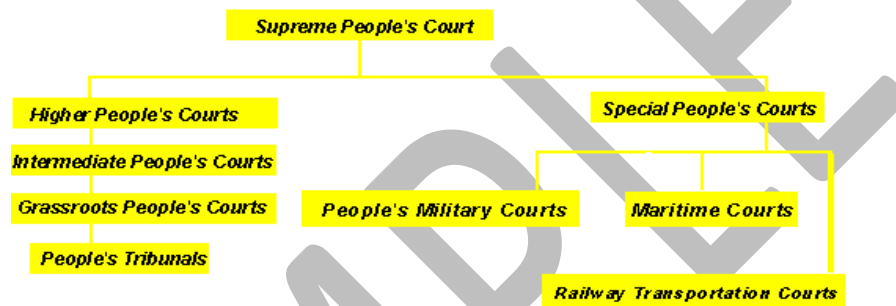
²

³ Central Intelligence Authority website <<https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>>

The biggest risk Arnott's faces as a result of this is that if they conduct business contrary to the way the Government wishes for business to be conducted, even though this may not strictly be a breach of any written law, they could face serious legal consequences. However, as the current political environment is conducive to foreign trade this is a very minimal risk.

B. The Court System

The table below⁴ shows the Court hierarchy in China:



If Arnott's is in breach of any law in China it is most likely that the case would first be heard in the 'Grassroots People's Courts'. This Court deals with all criminal (i.e. tax fraud) and civil (i.e. breach of contract) cases in the first instance. If the case is deemed to be of a serious nature the Grassroots People's Courts can refer the case up to the superior Courts⁵.

The 'Higher People's Courts' are utilised for cases dealing with very serious crimes or with complicated areas of law⁶. If Arnott's were to commit a

⁴ Chinese Government website <http://www.china.org.cn/features/judiciary/2002-04/22/content_1031280.htm>

⁵ The Chinese Government website <http://www.china.org.cn/features/judiciary/2002-04/22/content_1031280.htm>.

⁶ Ibid.

serious crime or had a serious crime committed against them resulting in substantial amounts of money being lost it is likely that the case would be heard in this Court.

D. Patents

As there are already many similar products to the 'Tiny Teddies' being sold within the Chinese market Arnott's will not be able to obtain a patent for the product and therefore the applicable Chinese Patent law is not important.

E. Applicable Tariffs to the Product.

China has a Tariff system that requires any good that is to be exported to China be placed in a specific class that has a corresponding applicable tariff. If a country has in place a bilateral agreement with China it exports from that Country will be subject to slightly lower average tariff rates. There is also another rate of tariffs which relates to Most Favoured Nations (MFN), these apply to WTO members and nations who have established trade agreements with China. As Australia is a WTO member the MFN rate is the applicable rate (*reference required*).

The product would fall within the class sweet biscuit under HS No. 19053100 which has an MFN rate of 15%. By comparison, a sweet biscuit being exported from a Country that does not fall under the MFN rate would be subject to an 80% customs duty in addition to 17% tariff rate (*reference required*). It can therefore be concluded that the tariff on the Tiny Teddies is very favourable for Arnott's.

Australia also does not see China as a threat to national security and as a result no sanctions will be put in place when exporting to China⁷.

⁷ DFAT website <http://www.dfat.gov.au/un/unsc_sanctions/unsc_sanctions_whatare.html>

F. Potential Free Trade Agreement

As stated above the TFE concluded that a FTA between Australia and China would be beneficial to both countries and as a result a FTA is currently being negotiated. As of 17 December 2008 the FTA has been through 13 rounds of negotiations and its progress is now being made as to the precise issues such an agreement will include.

If a free trade agreement is implemented between the two countries in the foreseeable future this will be a benefit to Arnott's as it is likely the tariffs could be further reduced along with further weakening of the administrative requirements associated with exporting goods to China.

G. Legal Summary

As originally stated the legal regulations that apply follow the political goal of optimising foreign trade in China and therefore Arnott's ability to conduct business in China will not be hampered by the current legal framework.

Arnott's should be aware that due to the nature of the penalties that exist for breaches of Chinese Law and the fact that politics plays a role in the interpretation of Chinese Law is strongly advised that all business activities are conducted lawfully.

We also advise that Arnott's takes appropriate legal advice in relation to the applicable taxation requirements and the how far limited liability extends to directors under a company structure before conducting business in China as this report does not extend to those issues.

3.3. Economic Statistics and Activity

During the past 20 years of reform and opening up, China's national economy has been keeping a high-speed development. Over the past 5 years it can be seen from **figure 1** that there has been an average increase of over 10% and has topped the countries all over the world.

China's government has energetically implemented positive financial policies to stabilize the exchange rate and reduce the deposit interest rate so as to promote the development of the economy. (*Why China, full reference needed*)

From figure 1 (Appendix 1) it can also be seen that the overall world GDP percentage has declined in 2008. China has declined by 2.2% in 2008 compared to 11.4% in 2007. The downward trend is due to world economy recession in 2008. Nevertheless, as weighting the fifth largest economic entity of the world, China, still has highest growth rate which compares to other countries.

Figure 2 (see appendices) shows China's macroeconomic data on year 2000, 2005, 2006 and 2007. We can see that, China steadily has increased of PPP per capita from the past 3 years and increase by \$ 6Million from 2006 to 2007. The Chinese government in April 2002 issued the newly amended "Catalogue for the Guidance of Foreign Investment Industries," encouraged more foreign investment to flow into target industries (Why China). That's one of the main reason we can see that increased of FDI, net inflow at \$2.1 Million which rose by 32% or \$ 700,000 compared to 2006.

As for foreign trade management, China has greatly reduced the customs, gradually called off the plan, quota and warrant management, ensuring the transparency of establishment and implementation of related policies. In

addition, foreign exchange control will also be loosened step by step. (Why China)

On the other hand, annual Inflation, based on GDP deflator, has inclined to 4.9% in 2007.

Figures 1.3 and 1.4 are the distribution of wealth based on distribution data for 20 countries in 2000. As the data estimation is based on population, average wealth level, distribution of wealth, wealth inequality is still very high across countries. From figure 1.4, regional wealth distribution chart, China occupied much of the middle third of the global wealth distribution, it shows that China, as with largest population country, still consists of high purchase power in the global market.

Due to richest natural resources, China's main industries are still on mining and ore processing, coal, textiles and apparels. For consumer products, industries focus on footwear, toys, and electronics; automobiles and other transportation equipment including rail cars and locomotives, ships, and aircraft; and telecommunications. Total export in 2007 reached \$1.221 Trillion whereby import in 2007 reached 917.4 Billion, products including electronics, machinery, mineral fuel and oil, chemicals, plastic (US. Department of State)

3.4. Geographical Setting – China/Guangzhou

A. Topography

The topography of China is higher in the Northeast and lower in the Southwest. North and Northeast are mountainous area with waters; on the other hand Southern China is an alluvial plain – the Pearl River Delta. Guangzhou average elevation is about 10 metres on the sea level.

(We need to address the topography of Guangzhou more specifically if possible)

B. Location

China is in the eastern part of Asia. The East coast of China is bordered by the Pacific Ocean, the East China Sea, Korea Bay, Yellow Sea, and South China Sea and is surrounded principally by North Korea, Vietnam on the east side, Russia, Kazakhstan and Mongolia on the North side.

Guangzhou is the largest metropolis in South China. It is located in the Southeast of Guangdong province and in the North of the Pearl River Delta. Geographically is located between longitude 112°57' to 14°3' East and latitude 22°26'2 to 23°56' North, bordering on the South China Sea, adjacent to Hong Kong and Macao, It is known as a regional central city in South China, and China's Southern Gateway to the world⁸.

GUANGZHOU LOCATION

⁸ *Guangzhou Foreign Experts Bureau, 2006; www.gz.gov.cn/vfs/subsite*



Source: www.chinahighlights.com/guangzhou/map.htm (needs to be correctly referenced)

C. *Area*

China is the fourth largest country in the world after the USA, Russia and Canada with a total area of 9,596,960 sq km including a landmass of 9,326,410 sq km. This vast scope of area provides a numerous access to international investors to develop subsidiaries, business prospects and opportunities inside the country.

Guangzhou covers an area of 7,434 square kilometres, 0.077% of China's total territory

D. Climate

China:

The climate is extremely diverse; tropical in the south to sub arctic in north.

Four different seasons can be described in China due to the influences of different landscapes and the broken up changes in the monsoons patterns.

The seasons are different and vary from tropical rain forest, deserts, cold waves, cyclones and spring showers, the temperatures range from tropical to mild to very cold and they can vary from a region to another one due to the monsoons. The cyclone inflicts a considerable amount of damage to the city (*should this be to the 'Country' rather than 'city'*).

Temperature varies widely from -10 degrees Celsius to 41 degrees Celsius, but the average annual temperature is 16 degrees Celsius. The city (*again should this be city or country*) has a frost-free period lasting up to 230 days a year, and receives an average annual rainfall of 1,200 millimetres. However, nearly 60% of the precipitation comes during the May-September flood season, which is divided into three rainy periods, namely, the Spring Rains, the Plum Rains and the autumn Rains.

(Where did all this information come from? This will need to be properly referenced)

Guangzhou:

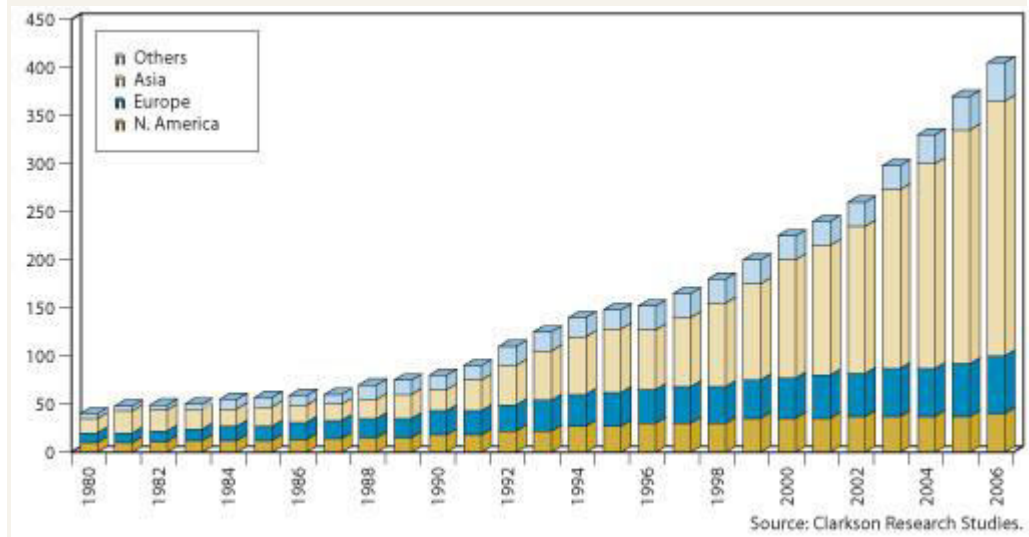
There is neither intense cold in winter or severe heat in summer, It enjoys plenty rainfall. The average temperature is 22.8 degrees Celsius, the annual rainfall at the urban area is over 1,600 mm/ year, the average relative humidity is about 68%.

Source: <http://www.gz2010.cn/08/0819/13/4JNAU3Q90078008N.html>

E. Surface Transportation and Communication

China is building a 53,000-mile National Expressway System which, when complete in 2020

Figure 1. Asia Dominates Growth in Container Cargo Worldwide, 1980–2006



Source: <http://www.transportation1.org/tif1report/global.html>

You haven't said anything about figure 1 Andreas? The figure relates to Container Cargo Worldwide not surface transportation and communication

For the past decade China, with a population of 1.3 billion, has generated economic growth of between 8 and 10 percent annually. To support its economic expansion, the government of China has devoted extraordinary resources to the development of its transportation system including its trunk highway system, regional and local highways, ports, freight railroads, intercity passenger rail, subways, and public transportation.

3.5. Social Environment

'The social environment, as the milieu, is the identical or similar social positions and social roles as a whole that influence the individuals of a group. It is made up of the demographics, cultures, institutions, educational background, communities and networks of individuals and group, informal and formal, which add to people lives, while the social capital is productive value inherent in people relationship'. (B-Sustainable & Wikipedia, 2009)

A. **Demographics for the different Cities of China** **Geographical Segments**

For many organizations segment market, they just use the Demographical basis such as the city size, urban, suburban, rural population distribution, certainly, some companies market is only in a limited demographical area. For instance, they are marketed only in their home or region. For Arnott's company market, they use the demographic basis which includes city and village to sale the biscuits. **Figure X in Appendix X (pie chart)** illustrates the demographic on 5 Major Cities in China (Beijing, Shanghai, Guangzhou, Wuhan and Chengdu). Due to factors such as demographic level or population level, we will select Guangzhou for our biscuit products' market in China. Although it does not show the highest population in the graph, but it is very good biscuits market in Guangzhou. Moreover, Figure X (see appendix) (Column graph) shows the great percentage of population growth rate and births rate in Guangzhou province which has 3.94% of growth rate and 9.10% of births rate in the next year. (Zhizhong Zhang, 2002)

Distribution of the Age in different cities

Table 1 (Appendix) shows that the distribution the 3 different levels of age in 5 major cities which includes Beijing, Shanghai, Guangzhou, Wuhan and Chengdu in China.

Age segments

The graph shows the statistical of human population and its distribution which are talking about people characteristics, such as: age, gender,

geographic concentration and density, etc. As a professional company, we have to adjust the products with those characteristics. We must have the target market which are can be specifically or generally by knowing the age of the consumers. Products of Arnott's can be consumed by kids, teens, even adults whether man or woman. Its price is also not too expensive. In other word, people who have low income can buy it. The domestic market of china is a large consumer market with a large population of 1.3 billion; especially the child and teenage market have great potential. The graph indicates 16.44% of age between 0 and 14 year-old in Guangzhou, which is great number for Arnott's products to sale in this province.

B. Living Standards and Leisure

Food safety is significantly very vital to the food industry. Inevitably, Reputation could be seriously damaged when food safety goes badly wrong. Their emphasis on food safety and origins of ingredients highlights that Arnotts has reinforce the food quality and the reputation of this company:

Diet and Nutrition

According to the body's own nutrients investigation, it is necessary to have milk protein, dietary fiber, carbohydrates because of lack of vitamins of people. Therefore the family will would like to buy a small package biscuits for their children which is includes those nutrition. Arnott's products have high protein, high fiber, high nutrition, and delicious which is a new generation of high protein the Green Foods.

Recreation

Recreation is the expenditure of time in a manner designed for therapeutic refreshment of one's body and mind. (Wikipedia, 2009) Especially, the children need provide more active recreation for their life. The product of Kaile Koala biscuits (Happy Koala) will make the children more fun, when they have lunch with those lovely biscuits at school.

3.6. Cultural Environment

'The culture environment is made up of institutions and other forces that affect society's basic values, perceptions, preferences and behaviours. People grow up in a society that shapes their basic beliefs and values. They absorb a world view that defines their relationships to themselves and others' (Philip K. 2006, p. 101)).

In china, it is not easy to brief the civilization of Chinese Food in a short message, because there are more than 56 folks inside the Mainland Chian, and the large area causes difference dining habits among the difference districts. First of all, we need to know that, the old China was developed in a farming society, and most of the dining habits and meals culture are based on this factor. (Nice Chinese Food, 1999)

To enter the Chinese market, we should look the following 2 parts of environment:

- 1) ***The essential factor of culture environment (Zikoo 2009)***
 - *the philosophy of health consumption in China*
 - *the philosophy of brand consumption in China*
 - *the philosophy of fashion consumption in China*
 - *the philosophy of archaize consumption in China*
 - *the philosophy of gift ideas consumption in China*
 - *the philosophy of Festival consumption in China*

- 2) ***The Key Elements of Macro Environment for consumption (Zikoo 2009)***

- *consumer motivation in China*
- *the habits of consumption information acquisition in China*
- *analysis of factors effect on consumption*
- *analysis of consumers sites in China*
- *analysis of the consumptions disseminate*

3.7. Technology

A. Manufacturing

China is now the largest recipient of foreign direct investments (FDI) in the developing world. For the past 10 years, China's economy has grown four times faster than the U.S. economy, and the U.S. economy has grown slower than the world economy.

All those changes are been affected by factors like:

1. Continually updating and increasing manufacturing competence
2. Low labour and set up cost
3. Constant increasing of quality

Manufacturing activity continues to accelerate and, growth is faster than others because latest foreign direct investments have made positive changes in manufacturing process, they are invested in technology that help to be competitive in local and foreign market, also all those changes have helped to improve and keep the quality products.

A enormous workforce has make low cost labour which it is really attractive for companies that are losing market because of product price which is influenced in more than 50% for labour cost.

Companies like General Motors, Motorola, Procter and Gamble that have been installed their companies in China are increasing they profits by reducing cost, and also because they are using Chinese market to sell their products.

Run your business in China and you will have your cost reduce regardless.

The latest manufacturing statistics in China show that the sector has become a magnet for foreign investment. China's manufacturing sector now ranks the 4th in the world after the United States, Japan and Germany.

Source: <http://www.jimpinto.com/writings/chinachallenge.html> (reference correctly)

Now-a-days production and packing equipment to produce biscuits are manufactured in China at low cost and this encourages often produce low cost (copies of machines used to produce biscuits) of successful brands. This is a threat for the local (China) biscuit producers because it drives poor quality biscuits and damage the consumer's perception on whole market sector, but on the other hand it's a opportunity for foreign companies to introduce new products with better quality.

Source: www.the-list.co.uk/acatalog/bp2500315.html

B. Information Systems

Nowdays China is developing its information systems rapidly as part of new technology used to be more competitive and make the business faster. In order to compete with India and Japan. Its manufacturing sector means that in order for them to be efficient they need to improve systems that can continue and keep up with high demands of their production, and services, keeping their good quality. Information systems also include systems that can be managed by both Chinese organizations and foreign partners that can get access to the Chinese company and the other way. China economy growth needs to be sure that their companies are using the right information system than can help to reach a high accurate and reliable environment to get the top position in the global market.

Resource: Graziadio Business Report,
http://gbr.pepperdine.edu/093/itoutsourcing.html#_edn6

C. Strategic Systems

Producing goods at less of half of the cost of many other countries is a key area for China's strategic system. This strategic has focused on producing quality goods at minimum cost. It's helping China to overtake many other producer countries, and survive in the manufacturing market of particularly countries with similar production cost such as Cambodia, Korea, Thailand and Vietnam.

China should be focused on keeping their wages and manufacturing costs low, being efficient and using technology to produce high quality global products as their key strategic.

Given the nature of China and its enormous market, it is extremely important to understand that it is continuing to develop the right technologies, strategies and systems to keep it efficient and effective.

3.8 Trading Infrastructure

A. Overview

In China, before 2001, the traditional wet and dry markets, sidewalk stalls and family owned grocery stores still dominate and were the main source of goods for the majority of people, particularly those living in the rural areas and low income groups in urbanised areas. However, with its rapidly growing economy and prosperous manufacturing sector, as well as the accession to the WTO, China has become one of the leading places for enterprises around the world to source their products. Many multinational companies have already set up their sourcing networks in China, such as Wal-Mart, Carrefour, Metro AG and Auchan.

Guangzhou is one of the richest and most developed markets in China. The hypermarket sector is highly developed. Moreover, there are many key cities nearby offering many opportunities for future expansion such as Xiamen and Dongguan. The size of the market, coupled with the growth of modern retail, implies that all types of markets – hypermarkets, supermarkets, mini-marts and convenience-stores will continue to operate successfully well in the future.

B. Wholesale environment

In China, wholesale markets could be classified into three types: industrial products, agricultural products and other products markets, which would lead to more than one kind of product group. Some specialized markets are classified based on the product group they carried: clothing, shoes and headgears; food, beverage, tobacco; metal; building materials; pharmaceuticals and medical equipment; furniture; small commodities; grains; vegetables; and others. For instance, in 2005 in Guangdong province, there are two main specialized market: Buji Agricultural Product Center in Shenzhen and Xiqiao Light Textile City in Guangdong.

As important as many traditional market, from 1996, wholesale market is an important trading platform in the areas, which was a primary tool streamlining the circulation of goods. China Commodity City (CCC) is located in Yiwu city of Zhejiang province. It is the largest small commodities wholesale market in China with a realized transaction volume of over 26 billion yuan in 2004.

According to the “Statistical Yearbook of China Commodity Exchange Market”, in 2005 the wholesale market in Guangzhou has 64 market included 24 410 stores for which the volume of sales was about 41.2 billion yuan. The increasingly developing domestic consumption and China’s policies to stimulate domestic consumption during its 11th Five-year Program period (2006 to 2011) imply that the potential of wholesale markets — a link between manufacturers and consumers — is tremendous and will provide unprecedented opportunities not only to foreign investors but also local enterprises.

C. Retail Environment

In China, the retail sectors could be divided into 3 types: the small hypermarket, supermarket and Convenience store (C-store). Because of Chinese shoppers’ habit of buying goods following a routine schedule and put more value on money, supermarket and small hyper market might become the best choice. Some big foreign retailers such as Wal-Mart, Carrefour, Metro, Telsco, Lianhua and Hualian, apart from sourcing products for their own retail outlets, they also act as wholesalers by distributing goods to other smaller retailers.

Leading food retailers in China 2007

Company	Ownership, Headquarters	Store Formats
Domestic Companies:		
Lianhua	China SOE	Super/Hypermkt/ Convenience
Wumart	China PVT	Supermkt/ Convenience
Suguo	China SOE	Supermkt/ Convenience
Nonggongshang	China SOE	SupermktHypermkt/ Convenience
Shanghai Hualian	China SOE	Supermkt/Hypermkt/ Convenience
Multinational Companies:		
China Resources Vanguard	Hong Kong JV	Hypermarket
Carrefour	France	Hypermarket
Wal-Mart	United States JV	Hypermarket
Trust-Mart	Taiwan JV	Hypermarket
Metro	Germany JV	Hypermarket

Sales include food and non-food items. SOE= State-Owned Enterprise; JV= Joint venture; PVT Privately owned.

Source: USDA, 2008b.

In Guangzhou, the hypermarket sector is well developed and although the convenience sector is not as saturated as in Shanghai, it is well – developed. Hypermarket industry is expected to grow 20.5 percent to \$47.5 billion in 2008, according to Euro Monitor International. Moreover, supermarket industry should expand roughly 16 percent in 2008 to \$151.2 billion.

D. The role of e-market

Besides traditional types of market, e – market is also a primary tool in connecting the providers to the consumers. China Commodities E-City, Global texnet.com, China Textile City Online and Alibaba are other effective channels of e-commerce. It was estimated that the category of Alibaba could contain of up to 500,000 kinds of products that are produced in China for local and overseas buyers, as well as the latest market updates of each commodity. ‘Global texnet.com’ even set up a chat room for both buyers and sellers to conduct businesses on line. This sharing of

information lowers the risks of excessive inventories and shortages of stocks; reduces costs for the participated enterprises and increases overall efficiency.

E. Sale channels

In most of the company's markets, sales activities are conducted by the company's own sales force and through broker and distributor arrangements. In the Asia Pacific region, the company's products are generally sold to consumers through retail food chains, convenience stores and other retail, commercial and non-commercial establishments. The company makes shipments instantly after receipt and acceptance of orders.

The company's largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 16% of the company's consolidated net sales during fiscal 2008 and 15% during fiscal 2007. All of the company's segments sold products to Wal-Mart Stores, Inc. or its affiliates. No other customer accounted for 10% or more of the company's consolidated net sales.

In China, with a long time of operating from 1996, until the end of June 2009, Wal – mart has 258 total retail units, including 3 Sam's Clubs, 104 Trust-Mart Hypermarkets and 146 Wal-Mart Supercenters. It was planned that there would be one more Sam's Club in Guangzhou from November 2009.

F. Summary

In general, the trading infrastructure in Guangzhou is of a mixture of traditional and modern market, in other words, a multi-format market. There would be large potential for the company to sell through traditional and strategic partners such as Wal-Mart, Trust-mart. However, for long – term business and sustainable development, the role of e – commerce as well as the importance of building business partnership with local retailers such as HuaLian, LianHua, Wumart could not be underestimated.

3.9 The Market

A. Competition

'Markets vary in the intensity of competition that buyers and sellers face'.

(Douglas M. T. 2007, p.60) It includes Want Want, Garden, and Tingyi

(Cayman Islands) etc. Although they are so many competitors in China, let's focus on the two major competitors; Want Want and Garden, both of which have been growing company and Arnott's can no longer avoid their strong existence in the market.

Every company faces competition from three main sources:

1. **Brand** – Arnott's has many competitors in making the similar products. Example: Similar biscuits and snacks which are made by other companies.
2. **Substitute products** – There are dissimilar products that satisfying the same needs. Example: We do not have to buy biscuits and snacks but we replace those by bread or something else.
3. **Indirect** – Other firms which are trying to win customers purchasing power. Example: By attractive advertising which can make the consumers interested in that products.

Identification of the Main Players

In recent years, the biscuit industry is moving very quickly, according to the National Bureau of Statistics showed that from 2001 to 2005 the national production and sales of biscuits increase of 20% growth rate at an average annual in the entire food industry in China. Biscuit industry output 1,785,000 tons which increase 21.4% in 2006, sales revenue 31.38 billion Yuan (increase 28%), total profit is 18.7 billion Yuan (increase 70.2%); the total amount taxes was 13.7 billion Yuan (increase 0.49%) , export products about 1.3 billion Yuan (increase 28.8%). (Zikoo, 2007)

The Biscuit Competitor's in China:

1. Want Want China Holdings Limited has a small package of biscuits which is similar to our Kaile Koala (Happy Koala) Biscuits. The market price of Want Want Little Bear Biscuit is 5.00 Yuan (32 gram) for a small pack of biscuits. It has 5 small packets for one bag. (Want Want) Advertising is one of the most important promotion strategies for Want Want to maintain for decades. In addition to the usual media like television, radio, and newspaper, they significantly use of billboards and signage, sponsors sporting and makes a small gift with their logo available for local events of all kinds. To date, Want Want has used its own slogans in China advertising, as well as a few different doll faced Wangzai in the wrapping paper.



2. The Garden Company Limited also has a small pack of biscuits; the basis price is 3.5 Yuan which is cheaper than Want Want Little Bear Biscuit. (Garden Company Limited, 2003)



Four types of competitive structure:

- 1) **Pure competition**

‘Under pure competition, the market consists of many buyers and sellers trading in a uniform commodity such as wheat, vegetables or financial securities. No single buyer or seller has much effect on the going market price’. (Philip K. 2006, p.340)

2) Monopolistic competition

According to Philip K., the monopolistic market consists of many buyers and sellers who trade over a range of prices rather than a single market price. A range of prices occurs because seller can differentiate their offers to the buyers. (2006, p.341) Each seller attempts to gain a differential advantage over its competitors. The advantages might be differences in the product, its brand or packaging etc.

3) Oligopoly

‘The oligopoly market consists of a few sellers who are highly sensitive to each other’s pricing and marketing strategies. The product can be uniform (aluminum, sulphuric acid, mobile communication) or non-uniform (food processors, cars)’. (Philip K., 2006, p. 341) The biscuit products have many sellers because it is not hard for new sellers to enter the market in China. Therefore, the oligopolist has to retract its price increase or losing customers to competitors.

4) Monopoly

A market structure where there is only one supplier of a product, for which there are no substitutes. A pure monopoly will not affect the biscuit products; there are many biscuit products in China

4Ps-QSC&V

QSC&V acts as a benchmark, which is established by all of company, used to evaluate standard of its own products and other others operated by franchisees. QSC&V, as a cornerstone in the operation of Arnott's corporation, is a significant part of the daily life of Arnott's employees.

- Q--- Quality, Arnott's set up a lot of rigorous guidelines for keeping the characteristic of the product. All material must be detected by lots of quality inspection processes. (Arnotts, 2009)
- S---Service, according with the principia of consumer first, Arnott's order their all franchisees provide the service quickly and circumspect. (Arnotts, 2009)
- C---Cleanliness, the employees of Arnott's must comply many strict term of cleanliness, including the production and employee individual. (Arnotts, 2009)
- V---Value, it means that the products which are supplied by Arnott's are valuable. (Arnotts, 2009)

B. Market size and sales estimates

1) Market analysis

According to the National Bureau of Statistics (NBS), sales of biscuits in China reached 24.9 billion yuan in 2005. Annual growth of biscuits sales has been exceeding 20% since 2001(China national commercial information centre). In fiscal 2007, the market for biscuit was approximately \$1.3 billion.

In 2008, total sales of supermarket retail is 3769.5 million. Retail sales of food is 409.8 million (National bureau of statistics).

As for a company's market share in different Chinese cities, regional variations are evident but few consistent patterns exist. For example, the French firm Danone Group has produced biscuits in Shanghai since 1993 and has a 16 percent market share in the city, but can claim only a 5 percent share of the national biscuit market.

The local market share of America's Kellogg's breakfast cereal, produced in Guangzhou, is about 9 percent; and Keebler biscuits, a British brand made in Shanghai, claims a 19 percent stake in that city. The national market shares for both products, though, are roughly the same as their local market shares (Food for thought, the China business review, 1997).

The major retail chains such as Carrefour, Wal-Mart, Park n Shop, CRC continue to expand and a majority of young families in the main cities shop in supermarkets as opposed to traditional wet markets. This drives rationalisation in the baking industry and strong branding and promotion. The top fourteen biscuit makers now account for 33% market share with sales of over 330,000 tonnes per year, valued at Rmb 5.0 bn (US\$ 600m). Several foreign companies have established leading positions in the biscuit and cake market, Kraft, Danone, Lotte, Orion, Kangshifu. In addition The Garden Company from Hong Kong has the second largest capacity for biscuits and cakes. However there remain some very large Chinese companies producing both packaged and bulk biscuits. These are now mainly private or shareholding companies and some have foreign investment, for example, Jessica, Dali, Shandong Navigable, Qing Yuan, each with capacity of more than 30,000 tonnes per year. (<http://www.thelist.co.uk/acatalog/bp2500315.html>, statistic 2004).

China

- In 1998 Chinese biscuit market was 8.778bn Yuan and the apparent market demand was 0.9217mn ton, an increase of 12% over 1994.
- In terms of the regions, the output from Guangdong was the largest followed by Shandong, Henan, Fujian, Hubei, Jiangsu, Shanghai, Hebei and Zhejiang.
- In October 1999, the top three biscuit brands were Dannone, Keebler and Kangyuan, which totally had a market share of 37.13%.
- Based on sales, the market share of domestic enterprises accounts for 54%, while that for enterprises invested by foreigner/businessmen from Hong Kong, Macao and Taiwan is 45.4%, and the imported ones account for 0.6%.
- In 2005, the output of biscuits is expected to be 1.1mn tons and the domestic demand to be 1.05mn tons

(Source: China: Biscuit/cookie industry report 2000)

According to the diagram as above, the major customers group of biscuit is the younger generation who aged below 35. It is also noticeable that the percentage of teenagers living

in Guangzhou takes up a large portion, compared with that of another developed city in China.

According to figure,,(China Bereau of Statistics
<http://www.stats.gov.cn/tjsj/ndsj/2008/indexeh.htm>

the mean income of household from

Those people have secure job and moderate income. Therefore, these people who can afford some luxury products from Austrilia and have a good taste are the target population.

(part 3)

Positioning strategy

Product

Happy Koala has its own strategies to position its product on specific product attributes. Product offerings on three levels core product, actual product and augmented product. (Kotler et al. 2006) The figure has labeled these three levels clearly and correctly.

Figure 1 Three levels of product



According to figure 8, firstly core product is the most basic level which consists of the problem-solving services or core benefits that consumers achieve when they buy a product. (Kotler et al. 2006) An example of our product is Happy Koala which has a combination of milk chocolate savour and refreshing rose aroma.?

Secondly actual product is combined with parts, styling, features, brand name, packaging and other attributes. (Kotler et al. 2006) Therefore our company creates our own brand name – “Happy Koala”. The intention of the brand name is to provide a fresh sensation of biscuit though high quality and special favors, such as sandwich, peanut butter,. Finally augmented product is additional consumer services and benefits built around the core and actual product. (Kotler et al. 2006) Our company provides a membership to customers. Consumers spend more than 20 yuan in any Arnott’s store will have one point reward to their Happy Koala membership card. Accumulation of ten points will be accredited to a free gift. According to the research, this membership program has never been implemented in other biscuit company.

Price

Arnott's set price by setting cost-based pricing approach though cost-plus pricing which adds a standard mark up to the cost of the product. (Kotler et al. 2006) Many reasons can explain why our company chose cost-plus pricing. Firstly company are more certain about costs than about demand. Secondly by using this price method, prices tend to be similar and price competition is thus minimised. Finally company can earn a fair return on the investment.

For example the variable cost per unit of Happy Koala is \$0.5(3 yuan) that includes d, milk and cocoa etc. The fixed cost is \$10000 per month which includes the rental payment and the salary of supervisor. The expected unit sales are 15000. Company supposes to earn twenty percentage margins on sales. So the markup price of Happy Koala is \$1.45.

Promotion

Integrated marketing communication entails coordinating the organisation's promotional efforts using such major communication element as advertising, sales promotion, public relations, direct and online marketing, and personal selling. (Kotler et al. 2006) Since ARNOTT'S is a new company in China, the promotion for Happy Koala is very important.

Our company use mass media such as newspaper, magazine and outdoor. Advertisements will be infiltrated in famous magazines to introduce Happy Koala and promote its idea, goods and services. Also, special package is designed for our product.

Placement

Arnott's is determined to have its products sold across Guangzhou, especially in Tianhe district as this area is well developed and has large target population. Some major supper market or shopping center, such as Wal-mart selected to establish the outlet. This is due to the selected locations are frequently visited by the target population.

3.10. Campbell-Arnotts

Campbell Soup Company is a global manufacturer and marketer of high-quality, branded convenience food products. Prior to the second quarter of fiscal 2008, the company's operations were organized and reported in the following segments: U.S. Soup, Sauces and Beverages; Baking and Snacking; International Soup, Sauces and Beverages; and Other. Other included the Godiva Chocolatier worldwide business and the company's Away From Home operations. As of the second quarter of fiscal 2008, the results of the Godiva Chocolatier business were reported as discontinued operations for the periods presented due to the divestiture of the business. Beginning with the second quarter of fiscal 2008, the Away From Home business was reported as North America Foodservice. The company's well-known brands are sold in approximately 120 countries. Its principal geographies are North America, France, Germany, Belgium, and Australia.

Since the establishment, Campbell soup company carried out many acquisitions as a strategy to develop and expand markets. In 1997, Campbell acquired Arnotts, the largest biscuit manufacturer in Australia with the history of more than 144 years in biscuit industry. Arnotts biscuits are popular and have large market share in Australia. After being acquired , Arnotts as a wholly owned chain of Campbell soup company, sustains to develop under overall strategy and support of Campbell soup company.

- a) **Organisational factor:**

Current performance

Fiscal Year	2008(1)	2007(2)	2006(3)	2005	2004(4)
(Millions, except per share amounts)					
Summary of operations					
Net sales	\$ 7,998	\$ 7,385	\$ 6,894	\$ 6,652	\$ 6,288
Earnings before interest and taxes	1,098	1,243	1,097	1,082	986
Earning before taxes	939	1,099	947	902	818
Earnings from continuing operations	671	792	720	614	549
Earnings from discontinued operations	494	62	46	93	98
Net earnings	1,165	854	766	707	647
Financial position					
Plant Assets – Net	\$ 1,939	\$ 2,042	\$ 1,954	\$ 1,987	\$ 1,901
Total assets	6,474	6,445	7,745	6,678	6,596
Total debt	2,615	2,669	3,213	2,993	3,353
Shareowners' equity	1,318	1,295	1,768	1,270	874
Per share data					
Earnings from continuing operations – basis	\$ 1.8	\$ 2.05	\$ 1.77	\$ 1.5	\$ 1.34
Earning from continuing operations – assuming dilution	1.76	2	1.74	1.49	1.33
Net earnings – basis	3.12	2.21	1.88	1.73	1.58
Net earnings – assuming dilution	3.06	2.16	1.85	1.71	1.57
Dividends declared	0.88	0.8	0.72	0.68	0.63
Other statistics					
Capital expenditures	\$ 298	\$ 334	\$ 309	\$ 332	\$ 288
Weighted average shares outstanding	373	386	407	409	409

On March 18, 2008, the company completed the sale of its Godiva Chocolatier business for \$850 million, pursuant to a Sale and Purchase Agreement dated December 20, 2007. The purchase price was subject to certain post-closing adjustments, which resulted in an additional \$20 million of proceeds. The company has reflected the results of this business as discontinued operations in the consolidated statements of earnings for all years presented. The company used approximately \$600 million of the net proceeds to purchase company stock. See Note 3 to the Consolidated Financial Statements for additional information.

In the third quarter of 2008, the company entered into an agreement to sell certain Australian salty snack food brands and assets. The transaction, which was completed on May 12, 2008, included salty snack brands such as *Cheezels*, *Thins*, *Tasty Jacks*, *French Fries*, and *Kettle Chips*, certain other assets and the assumption of liabilities. Proceeds of the sale were nominal. The business had annual net sales of approximately \$150 million. This transaction is included in the restructuring initiatives described in Note 7.

In July 2008, the company entered into an agreement to sell its sauce and mayonnaise business comprised of products sold under the *Lesieur* brand in France. The business had annual net sales of approximately \$70 million. The assets and liabilities of this business were reflected as assets and liabilities held for sale in the consolidated balance sheet as of August 3, 2008. The sale was completed on September 29, 2008. See Note 3 to the Consolidated Financial Statements for additional information.

In June 2008, the company acquired the Wolfgang Puck soup business from Country Gourmet Foods for approximately \$10 million of which approximately \$1 million will be paid in the next two years. The company also entered into a master licensing agreement with Wolfgang Puck Worldwide, Inc. for the use of the *Wolfgang Puck* brand on soup, stock, and broth products in North America retail locations. This business is included in the U.S. Soup, Sauces and Beverages segment. The business had annual sales of approximately \$20 million. See Note 8 to the Consolidated Financial Statements for additional information.

On August 15, 2006, the company completed the sale of its businesses in the United Kingdom and Ireland for £460 million, or approximately \$870 million, pursuant to a Sale and Purchase Agreement dated July 12, 2006. The United Kingdom and Ireland businesses included *Homepride* sauces, *OXO* stock cubes, *Batchelors* soups and *McDonnells* and *Erin* soups. The purchase price was

subject to certain post-closing adjustments, which resulted in an additional \$19 million of proceeds. The company has reflected the results of these businesses as discontinued operations in the consolidated statements of earnings for all years presented. The company used approximately \$620 million of the net proceeds to purchase company stock. See Note 3 to the Consolidated Financial Statements for additional information.

In June 2007, the company completed the sale of its ownership interest in Papua New Guinea operations for approximately \$23 million. This business had annual sales of approximately \$20 million.

Workforce satisfaction

Pension Benefits — Substantially all of the company's U.S. and certain non-U.S. employees are covered by noncontributory defined benefit pension plans. In 1999, the company implemented significant amendments to certain U.S. plans. Under a new formula, retirement benefits are determined based on percentages of annual pay and age. To minimize the impact of converting to the new formula, service and earnings credit continues to accrue for active employees participating in the plans under the formula prior to the amendments through the year 2014. Employees will receive the benefit from either the new or old formula, whichever is higher. Benefits become vested upon the completion of three years of service. Benefits are paid from funds previously provided to trustees and insurance companies or are paid directly by the company from general funds. Plan assets consist primarily of investments in equities, fixed income securities, and real estate.

Postretirement Benefits — The company provides postretirement benefits including health care and life insurance to substantially all retired U.S. employees and their dependents. In 1999, changes were made to the postretirement benefits offered to certain U.S. employees. Participants who were not receiving postretirement benefits as of May 1, 1999 will no longer be eligible to receive such benefits in the future, but the company will provide access to health care coverage for non-eligible future retirees on a group basis. Costs will be paid by the participants. To preserve the economic benefits for employees near retirement as of May 1, 1999, participants who were at least age 55 and had at least 10 years of continuous service remain eligible for postretirement benefits.

In 2005, the company established retiree medical account benefits for eligible U.S. retirees, intended to provide reimbursement for eligible health care expenses.

On July 29, 2007, the company adopted SFAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)." SFAS No. 158 requires an employer to recognize the funded status of defined postretirement benefit plans as an asset or liability on the balance sheet and requires any unrecognized prior service cost and actuarial gains/losses to be recognized in other comprehensive income.

b) Marketing factors:

Relative market share in the domestic markets: Arnott's biscuits are enjoyed in 97% of Australian households. In New Zealand, Arnott's currently holds a 30 percent share of the biscuit market, and is strengthening its hold on the chocolate segment with the *Tim Tam* and *Marshians* brands.

Breath of products: Chocolate Tinny Teddy is one of various biscuit products of Arnott's subsidiary. There are 95 biscuit kinds, including 5 types of Tinny teddy.

Dealer network: In the Asia Pacific region, the company's products are generally resold to consumers through retail food chains, convenience stores and other retail, commercial and non-commercial establishments. The company makes shipments promptly after receipt and acceptance of orders. In most of the company's markets, sales activities are conducted by the company's own sales force and through broker and distributor arrangements.

c) Financial factors

2008	2007	2006
53 Weeks	52 Weeks	52 Weeks

(Millions, except per share amounts)

Net Sales	\$ 7,998	\$ 7,385	\$ 6,894
Costs and expenses			
Cost of products sold	4,827	4,384	4,100
Marketing and selling expenses	1,162	1,106	1,033
Administrative expenses	608	571	552
Research and development expenses	115	111	103
Other expenses/(income) (Note 15)	13	(30)	9
Restructuring charges (Note 7)	175	—	—
Total costs and expenses	6,900	6,142	5,797
Earnings Before Interest and Taxes	1,098	1,243	1,097
Interest expense (Note 15)	167	163	165
Interest income	8	19	15
<hr/>			
Earnings before taxes	939	1,099	947
Taxes on earnings (Note 10)	268	307	227
Earnings from continuing operations	671		720
Earnings from discontinued operations	494	62	46
<hr/>			
Net Earnings	\$ 1,165	\$ 854	\$ 766

Total net earnings in 2006-2008

Source: Financial Report of the Campbell Soup Company 2008

Although there was an increase in total costs and expenses due to the impact of cost inflation and other factors, it could be seen that there was a steady increase in net sales and net earnings. Gross profit, defined as Net sales less Cost of products sold, increased by \$170 million in 2008 from 2007 and by \$207 million in 2007 from 2006. As a percent of sales, gross profit was 39.6% in 2008, 40.6% in 2007 and 40.5% in 2006. The percentage point decrease in 2008 was due to the impact of cost inflation and other factors (approximately 3.8 percentage points), a higher level of promotional spending (approximately 0.5 percentage points), partially by higher selling prices (approximately 1.5 percentage points), productivity improvements (approximately 1.7 percentage points) and mix (approximately 0.1 percentage points).

SAMPLE

An analysis of percent change of net sales by reportable segment from 2006-2008

	2008	2007	2006	% Change	
				2008/2007	2007/2006
(Millions)					
U.S. Soup, Sauces and Beverages	\$ 3,674	\$ 3,495	\$ 3,265	5	7
Baking and Snacking	2,058	1,850	1,747	11	6
International Soup, Sauces and Beverages	1,610	1,402	1,257	15	12
North America Foodservice	656	638	625	3	2
	\$ 7,998	\$ 7,385	\$ 6,894	8	7

Source : Financial Report of the Campbell Soup Company 2008

According to the analysis, Baking and snaking increased by 6% from 2006 to 2007 and 11% from 2007 to 2008. Arnott's sales increased, primarily due to the favourable impact of currency and strong branded biscuits sales performance, partially offset by volume declines in the Australian snack foods business. Moreover, it was partially offset by the divestitures of certain salty snack food brands and the business in Papua New Guinea.

In 2008, baking and snaking became the second largest sales contributed to the total sales of the whole company. Moreover, there was great potential for sales increases in this segment in the future, as could be seen by the gradually increasing over years from 2006 to 2007.

Earnings from Baking and Snacking decreased 50% in 2008 from 2007. Earnings in 2008 included \$144 million in restructuring charges. Earnings in 2007 included a \$23 million gain from the sale of an idle Pepperidge Farm manufacturing facility. Excluding these items, the remaining increase

in earnings was due to earnings growth in the Australian biscuit business, the favourable impact of currency and gains in Pepperidge Farm.

SAMPLE

Net sales by region (2006 – 2008)

	2008	2007	2006	% Change	
				2008/2007	2007/2006
Net sales					
United States	\$ 5,448	\$ 5,133	\$ 4,834	6	6
Europe	770	680	597	13	14
Australia/Asia Pacific	1,074	965	900	11	7
Other countries	706	607	563	16	8
Total	\$ 7,998	\$ 7,385	\$ 6,894		

Source: Financial Report of the Campbell Soup Company 2008

As could be seen from the table, total net sales in the United States developed with the same speed throughout the year, while there was a slight decrease in the accelerate of total net sales for Europe. However, the net sales in Australia and Asia Pacific increased sharply, which was 7% from 2006 to 2007 and 11% from 2007 to 2008.

d) Manufacturing factors



SUBSIDIARIES OF CAMPBELL

Name of Subsidiary and Name

Under Which It Does Business

AB Australasia Pty Ltd

Arnott's Biscuit Company Singapore Pte. Ltd.

Jurisdiction of Incorporation

Australia

Singapore

Arnotts Biscuits Holdings Pty Ltd	Australia
Arnott's Biscuits Limited	Australia
Arnott's Biscuits Holdings (PNG) Pty Limited	New Guinea
Arnott's Biscuits (PNG) Pty Limited	New Guinea
Arnotts Ltd	Australia
Arnott's New Zealand Limited	New Zealand
Arnott's Philippines Inc	Philippines
Arnott's Sales Pty Limited	Australia
Arnott's SBAH Pty Ltd	Australia
Arnott's SBH Pty Ltd	Australia
Arnott's SBF Pty Ltd	Australia
Arnott's SBI Pty Ltd	Australia
Arnott's Snackfoods	Australia
Aulsebrooks Limited	New Zealand
CAH Corporation	Delaware
Campbell Australasia Pty Ltd	Australia
Campbell Canada Holdings Ltd.	Canada
Campbell Canada Limited Partnership	Canada
Campbell Cheong Chan Malaysia Sdn Bhd	Malaysia
Campbell Company of Canada	Canada
Campbell Coordination Center n.v./s.a.	Belgium
Campbell EU Investment Company	Delaware

Source: Financial Report of the Campbell Soup Company 2008

Campbell's branches in Australia were largely of Arnott's Biscuits, a potential product segment of the company.

About the facilities, Campbell has more than 10 subsidiaries in Australia and New Zealand. However, on April 28, 2008, the company announced a series of initiatives to improve operational efficiency and long-term profitability, including selling certain salty snack food brands and assets in Australia, closing certain production facilities in Australia and Canada, and streamlining the company's management structure. The closed facilities in Australia were mostly of salty snack food sector, due to the lack of demand and other factors. This was reflected in the income statement as 175 million in the Restructuring charges.

About environmental matters, the company has requirements for the operation and design of its facilities that meet or exceed applicable environmental rules and regulations. For instance, of the company's \$298 million in capital expenditures made during fiscal 2008 in America, approximately \$6 million was for compliance with environmental laws and regulations.

3 SWOT Analysis

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6. Appendices

Figure 1

Gross Domestic Product (GDP) in real terms¹

	% Weighting	% Growth				
		2004	2005	2006	2007	2008
United States	27.24	3.6	3.1	2.9	2.2	1.1
Eurozone	20.56	1.8	1.6	2.8	2.6	0.9
Germany	6.26	1.1	0.8	2.9	2.5	1.2
Southeast Asia	6.77	6.2	5.1	5.5	5.5	3.3
China	6.32	10.1	10.4	11.1	11.4	9.2
Latin America	6.94	4.6	3.7	4.3	4.5	5.2
World	100.00	4.1	3.5	3.9	3.7	2.1

¹ Sources: IMF, Ifo Institute, Global Insight, National Statistical Offices.

(full reference needed)

Figure 2.

Data Profile				
	2000	2005	2006	2007
Economy				
GNI, PPP (current international \$) (billions)	41,825.93	56,266.60	60,980.39	65,752.31
GNI per capita, PPP (current international \$)	6,887	8,713	9,332	9,947
GDP (current US\$) (billions)	31,969.00	45,179.29	48,863.33	54,583.79
GDP growth (annual %)	4.1	3.5	4.0	3.8
Inflation, GDP deflator (annual %)	4.5	5.2	5.6	4.9
Agriculture, value added (% of GDP)	4	3	3	..
Industry, value added (% of GDP)	29	28	28	..
Services, etc., value added (% of GDP)	67	69	69	..
Exports of goods and services (% of GDP)	25	27	28	..
Imports of goods and services (% of GDP)	25	27	29	..
Gross capital formation (% of GDP)	22	22	22	..
Revenue, excluding grants (% of GDP)	..	25.3	25.8	26.8
Cash surplus/deficit (% of GDP)	..	-1.7	-0.9	-0.8
Merchandise trade (% of GDP)	41.1	47.1	50.1	51.0
Workers' remittances and compensation of employees, received (current US\$) (millions)	131,519	267,820	307,366	371,263
Foreign direct investment, net inflows (BoP, current US\$)	1,518,702	1,116,849	1,457,091	2,139,338
Official development assistance and official aid (current US\$)	57,878	107,671	105,645	105,056

Figure 2 China's Economic Data Profile (source from : The world bank group, Report 2008)

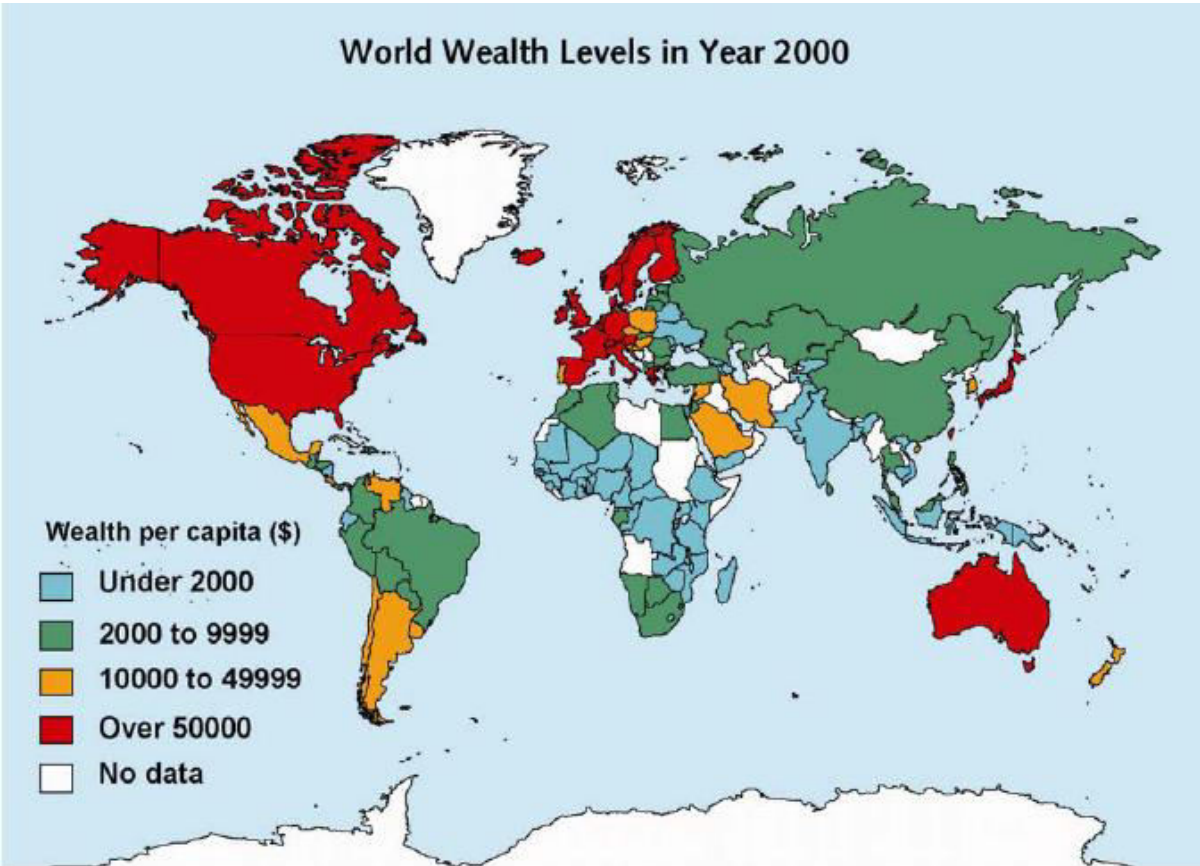


Figure1.3 : World Wealth Levels in Year 2000 (Source from The World Distribution of Household Wealth)

Regional Composition of Global Wealth Distribution

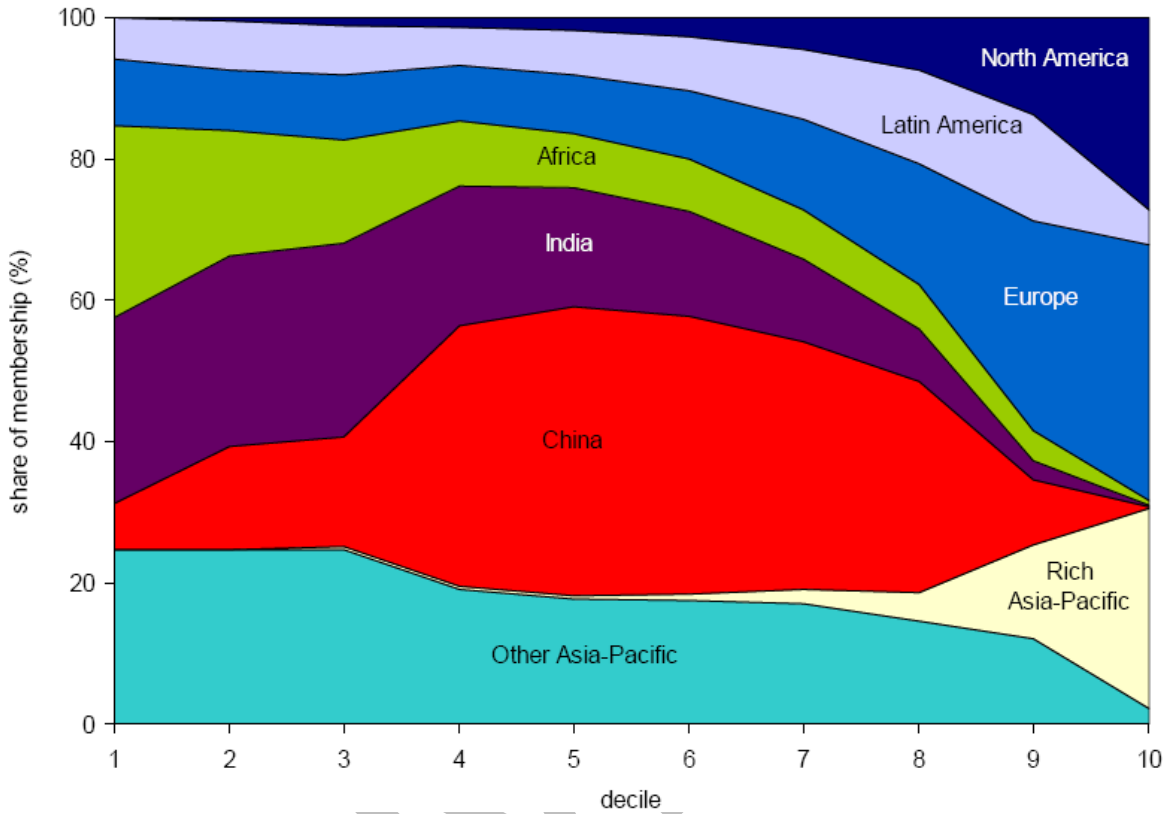


Figure 1.4 : Regional Composition of Global Wealth Distribution (Source from The World Distribution of Household Wealth)

Figure

X

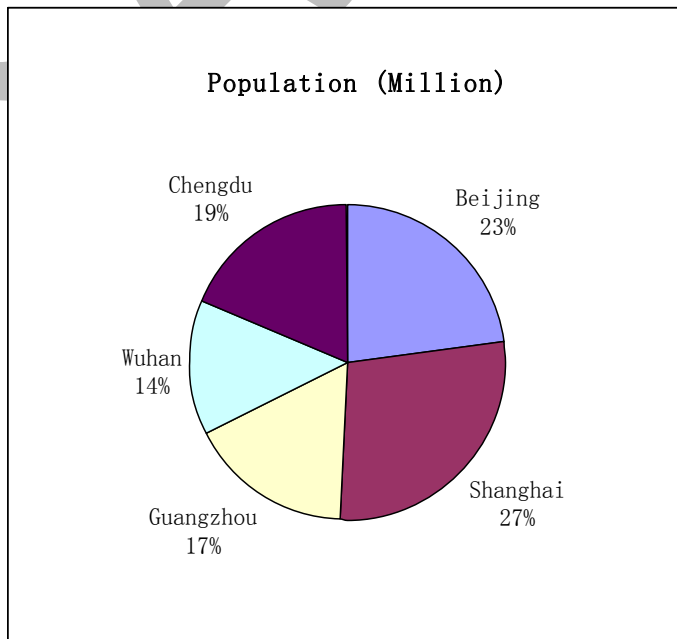
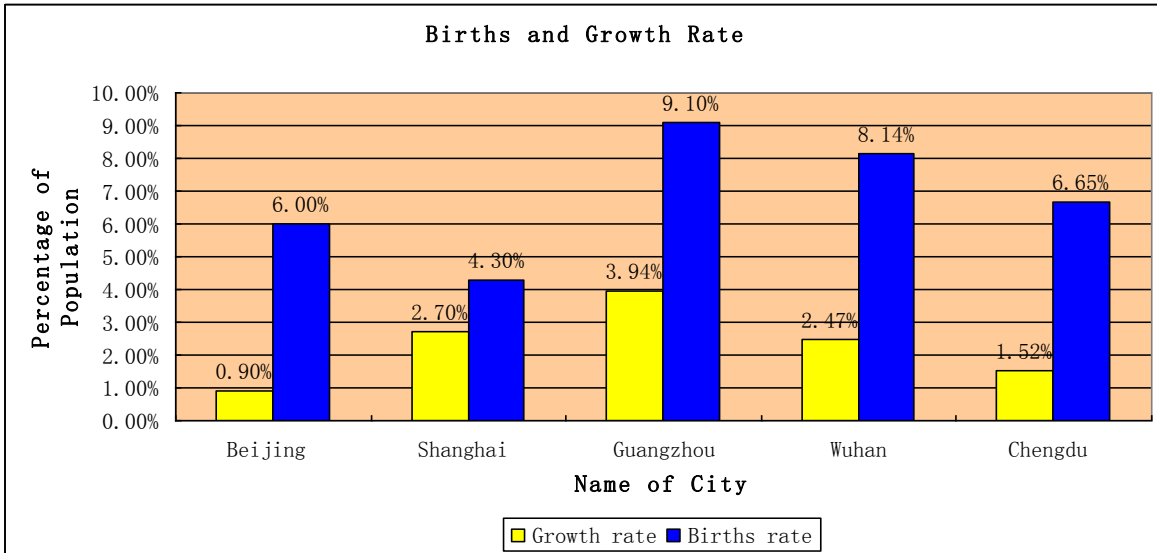


Figure X

Population Growth Rate and Births Rate



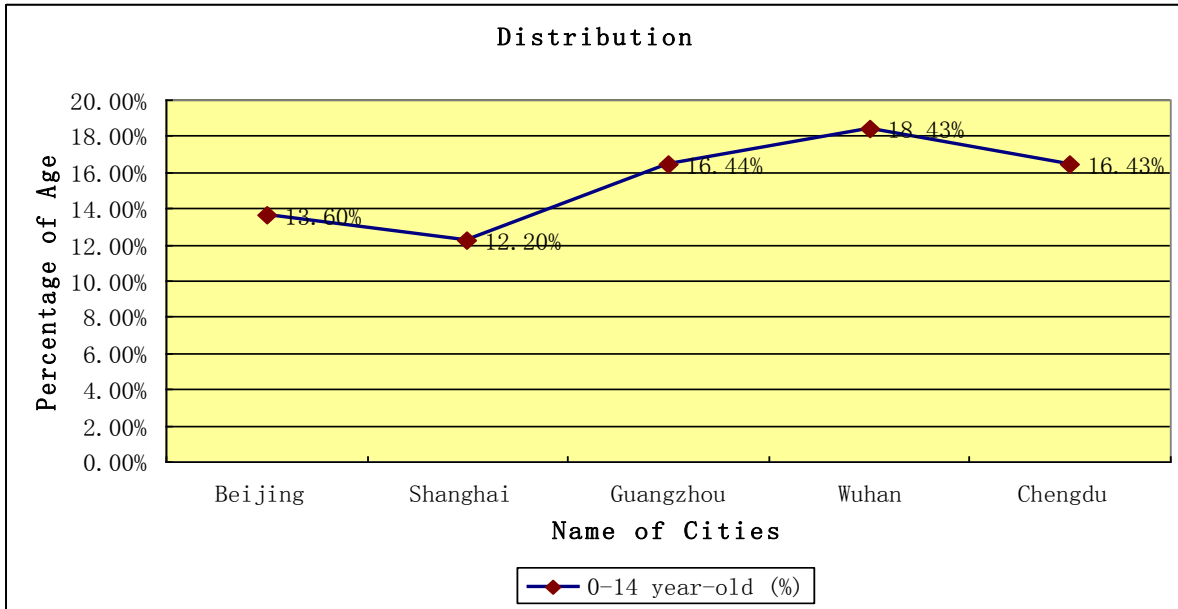
(Zhizhong Zhang, 2002)

Table X

Distribution of Age	0-14 year-old (million)	0-14 year-old (%)	15-64 year-old (million)	15-64 year-old (%)	Above 65 year-old (million)	Above 65 year-old (%)
Beijing	1.878	13.60%	10.786	78%	1.155	8.40%
Shanghai		12.20%		46.30%		11.50%
Guangzhou	1.6351	16.44%	7.7096	77.54%	0.5983	6.02%
Wuhan	1.4828	18.43%	6.012	74.72%	0.5507	6.85%
Chengdu	1.8478	16.43%	8.5016	75.61%	0.8948	7.96%

(Zhizhong Zhang, 2002)

0-14 Year-Old in the Different Cities



(Zhizhong Zhang, 2002)