

Analysis of the Effectiveness of Hughson Nuts' Marketing Strategies in India and China

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ABSTRACT

This analysis for this study was undertaken to determine if Hughson Nuts' Marketing Strategies were effective in India and China. The study was also to assess Hughson Nut's marketing mix internationally to China and India, to evaluate the marketing mix based on projection and comparisons, to assess potential improvements of the marketing mix, and to determine how Hughson Nuts sales to India and China compared to the rest of states sales.

The report represents four techniques that make up the marketing mix; place, price, product, and promotion. The research involved getting data from the California Almond Board and making a comparison with Hughson Nut's data from 2005 to 2008.

It is concluded that Hughson Nut should sell more product and sell at a higher price to China and India. Hughson Nut should at least ensure that its prices do not exceed those of the competition, and perhaps, at least initially, to undersell the competition, as long as there is some margin of profit. It is clear that Hughson Nut should put more emphasis into the four strategies (the 4 P's) and should have more weight with a given buyer that determines success.

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CHAPTER 1

INTRODUCTION

California grows at least eighty percent of the total production of almonds in the entire world. Not only is it the biggest producer, the California almond industry controls one hundred percent of the marketable supply throughout the world. California almonds are grown so successfully because of California's advantageous growing climate.

The California almond industry has increased from 998 million pounds in 2004 to 1.6 billion pounds in 2008. Seventy percent of almonds produced in California are exported, with Germany as the leading purchaser (Pohl 2009).

There are over a hundred and fifteen processors and handlers in the state of California. Hughson Nuts Processing, an almond processor and handler in Stanislaus County, processed over sixty million pounds in 2008, roughly 3.75 percent of the total market in California. According to Martin Pohl (2009), part owner of Hughson Nut, three million of the sixty million pounds that Hughson Nut processed went to China and India combined. In 2009, Hughson Nut's goal is to increase their sales to China and India by ten percent, or 3,300,000 in its effort to try to increase supply to those countries with the marketing mix approach. The marketing mix approach is applying the four P's to that specific area, which are Place, Product, Price, and Promotion.

Chinese distributors' in-shell product demand has grown in the past year because of consumer's belief that they are saving money by shelling their own nuts instead of purchasing pre-shelled nuts (Pohl 2009). However, since nuts are sold by volume,

consumers are actually paying more for fewer nuts because they are paying for the shells as well. Chinese distributors are making more money with this strategy and have increased their demand on the California Almond shelled market.

In India, the market forces driving demand are different, but their market has increased most sharply within the last few years. The reason for this is that the Indian vegetarian population has increased, and people are using almonds as a source of protein (Almond Benefits from Global Demand 2009). The awareness of almond health benefits are driving demand up as well.

Understanding the Chinese and Indian market forces is crucial for Hughson Nut to expand their market into China and India because the market is currently growing and open.

Problem Statement

How can Hughson Nuts improve marketing almonds internationally to China and India? Hughson Nuts only sold a total of 5 percent of their total product to China and India from 2005 to 2008, and would like to increase sales by another 10 percent.

Hypothesis

Hughson Nuts can improve their marketing strategy to China and India by using the marketing mix.

Objective

1. To assess Hughson Nut's marketing mix internationally to China and India.
2. To evaluate the marketing mix based on projection and comparisons.
3. To assess potential improvements of the marketing mix.
4. To determine how Hughson Nuts sales to India and China compared to the rest of states sales.

Justification

The justification of this project is to determine an effective sales technique specifically geared for China and India. The sales techniques that will be observed are the four P's of the Marketing mix, which are Product, Place, Price, and Promotion. By using the overseas sales of other almond growers in the state of California combined as a baseline, this study will attempt to identify areas in which Hughson Nuts sales deviate from the rest. If it is shown that the deviation(s) are substantial and show a deficit on the part of Hughson Nuts, an effort will be made to identify the cause and then determine a corrective measure.

CHAPTER 2

REVIEW OF LITERATURE

Growth of Almond Industry

According to Curllee (2008) in the article “World Market Absorbs Valley’s Almonds” the almond industry has expanded globally in the last ten years. The global candy market has grown fifteen percent since 2001 and candies with almonds are increasing steadily. Chinese and Indian almond markets are growing rapidly. Almonds are ordered in a variety of forms: chopped, diced, roasted, and even processed into almond butter. The growth of the almond market has rapidly increased and demand is still rising exponentially in many countries in the world. Youngdoul (2008) of Blue Diamond says almond sales are up nearly 20 percent in the Middle East and 20 percent in Asia. Consumption of almonds has increased from 2006 to 2007 by nearly 50 percent in the Middle East. Overall, this is an 18 percent increase in the global market.

Almonds in China

In recent years, China has shown a great interest in shelled almonds (Borris 2009). The Almond Board of California (2009) stated that China has already broken last year’s record for receiving shipments of almonds. India is also on pace to break the 2008 record. Population potential, health benefits and rapidly evolving market landscape are the three important factors influencing almond export sales.

In 2009, Hayley Borris and Brunke Henrich of the Agriculture Issue Center of the

University of California stated that two-thirds of the California almond crop is shipped to ninety different countries, with thirty-two percent of which going to Asia.

According to an article by Jacob Adelman of USA Today entitled “Calif. Fruit, nuts score a hit in China,” China’s booming economy has included almonds in its agriculture production, presenting problems for competing American farmers by underselling in most areas, but California growers have enjoyed a boom in sales to Asia of almonds and other high-quality fruits and nuts. Daniel Sumner, director of the U of C Agricultural Issues Center, hints to how dramatic change in this market is becoming when he says, “There’s a big enough group of people there that don’t want just the cheapest, they want high-quality stuff, and they’re willing to pay more for it” (Adelman 2007).

Almonds in India

According to the article “Indian Almond (*Terminalia catappa*), Salt-tolerant, Useful, Tropical Tree with ‘Nut’ Worthy of Improvement,” (1984) India may substantially increase its domestic almond production with a hardy variety of almond tree. Despite the potential of this particular tree, currently Indian almond production is nowhere near California’s in quality and quantity, and its failure to meet with its population’s demands creates a strong market for California almonds (Morton 1984). Martin Pohl owner of Hughson Nuts recently stated, “India has the second largest population in the world, and has the largest vegetarian percentage, so non-meat products high in protein are, naturally, in great demand in India, making the market for imported almonds there huge.” Research seems to support Pohl’s claims about the large market, as found in the internet article, “India emerges as third largest export market for California

almonds,” by Fresh Plaza(2009), an agency that reports on produce markets around the globe.

An article in Western Farm Press (2009) puts into perspective the extent of India’s demand for California almonds as a source of protein by stating that India’s population is roughly eighty percent vegetarians. China and India are expected to be in the forefront of almond consumption partly due to the nut’s purported health benefits.

India does not only want almonds from California as a source of protein, they simply cannot get almonds from anywhere else. India has a hard time producing almonds of good quality and quantity, although one type of tree shows great potential. Julia Morton (1984) says “the tree flourishes with little or no care, exposed to coastal winds and salt spray” (P. #1 of *Indian Almond Salt-Tolerant, useful, Tropical with nut worthy of improvement*). Even so, the India almond trees are nowhere close to those in California in the areas of production, as indicated by the Dow Jones index, which says that India has become the leading importer of California almonds due to its increased popularity. India’s imports of the Californian almond reached a record high for the last two consecutive years—33,000 tons in 2007-2008, and a projected 30 tons by Feb 2009 for 2008—2009 (Dow-Jones Insider).

Almonds in California

One reason for California’s production success is that almond growers have mastered pollination techniques for almond trees, resulting in a huge quantity of almonds and making California the number one global producer (Pohl 2009). John Siebert (1980) says “The employment of large and vigorous colony” is vital to having successful crop of

almonds because the bees pollinate the blossom.

The Four P's

The four P's are important because they encompass aspects all businesses must acknowledge in order to being successful in the international market. Knowing similarities and differences of need in other countries will help determine marketing approaches. Product, Price, Promotion, and Place are crucial for international marketing because knowing how to apply each of these categories helps target specific consumer groups and needs which, in turn, leads to versatility and capability, making the producer and product more appealing to potential buyers.

CHAPTER 3

METHODOLOGY

Procedure for Data Collection

The marketing mix represents the four P's: Product, Price, Place, and Promotion. The product part of the research involved getting data from the California Almond Board and seeing what products China and India have purchased. The time span of the data collected was from 2004 to 2008, looking at the different products sold to China and India. After collecting information about California almond products exported to China and India, in addition to that information being collected from the almond board, Hughson Nut product data to China and India, including prices, was collected over the same four years (2004-2008), and Hughson Nut provided the numbers.

Most of the nuts purchased by China and India are raw, with no roasting and/or additives such as salt, flavoring, etc., as the nuts are usually made into a paste or included in dishes. Both countries demand a high quality almond, oftentimes sliced and diced, with little or no blemishes on the nuts, as well as a decent size with whole almonds.

The average price of almonds from California sold to China and India was also collected from information provided by the USDA. Data collected was from 2005 to 2008 containing information about the average price sold to both China and India with the overall average price of all products. The data shows that consumers are willing to spend money on almonds for many reasons but, if almonds are too over-priced, many consumers will decide not to buy almonds and look for a substitute. This means adjusting

to a certain price will help product appeal and prevent many consumers from purchasing another type of nut or nut substitute.

For the “Place” aspect of the Four P’s, the data collected was from Hughson Nut sales to China and India from 2005 to 2008, as stated earlier, compared to California’s almond sales to China and India. This helped determine Hughson Nut selling to the right place or determine if they need to sell more to these places. The reason why this study only covers four years was because the price of almonds had remained relatively consistent over several years. Additionally, the price is also going down locally because of over-production, the primary reason why Hughson Nut is trying to assess their knowledge of the Chinese and Indian markets.

The last piece of the puzzle was promotion. The data collected involved looking at advertising campaigns in China and India to determine how often companies get their product to these areas, which included talking to numerous brokers about how other companies get China and India to buy their products. Finally, the procedure examined Hughson Nut current methods in trying to gain Chinese and Indian markets.

Procedure for Data Analysis

After collecting the data, close analysis took place regarding the four P’s, with each part analyzed individually.

When data of the product was compiled, it was then organized by using an Excel sheet showing the total California almonds sold to China and India over the last four years compared to Hughson Nuts product sold to China and India over the same period. . This comparison gave Hughson Nuts a better understanding of whether or not they were

getting the right almond products to China and India. The goal of this analysis was to determine the difference between Hughson Nut products sold to China and India compared to the rest of the state over the last four years.

Whether or not Hughson Nut was selling at a competitive rate with the rest of the processors and handlers throughout the state. Not only did the study give Hughson Nut a comparison of their prices with the rest of the state, it also showed how consistent they have been with their prices for the last four years.

Place was also evaluated and analyzed. The analysis of Hughson Nuts regarding place was comparing India and China with the rest of the top four international buyers. An additional comparison was made between the top foreign buyers of Hughson Nuts with the top four international buyers of California almonds (as a whole) to determine if Hughson Nuts uses the same buyers.

Promotion was the last piece that was considered. Since China and India are huge countries, this contributes to a broader demographic market, meaning there are more opportunities for different tastes and preferences for almonds. By analyzing these different tastes and preferences, advertising campaigns within China and India were evaluated on how certain products get into certain areas. Many demographic areas of China and India challenge marketing opportunities because of their vast populations, diverse climates, and rugged terrain. Researching where in China and India consumers buy the most almonds and why was necessary for data analysis.

The four P's work hand in hand with each other and are all interconnected. The place where the almonds are sold can be based on a higher price, some areas may pay more than others or some area might have a demand for a higher price. Tastes of an area

have an influence on the product sold. Promotion is key aspect for a consumer to buy a product at a certain price at a certain place. Since the success of each individual “P” is contingent on the success of others, it was crucial that each component be closely examined.

Assumption

It is assumed that India and China will not quickly increase their production of almonds and will continue to demand California Almonds.

Limitations

The limitation of this study is dealing with one individual company and their market strategy. The Study does not attempt to determine the market strategy for the state of California. The study is not looking for strategies to increase almond production, but markets to China and India.

Although, China and India do not have the same terrain and climate as of California, they might still develop technology of producing their own almonds by finding new ways and means of growing this crop in certain areas.

CHAPTER 4

DEVELOPMENT OF THE STUDY

Regarding the “Place” aspect of the research, once data was calibrated, it was discovered that 19.7% of California almonds were sold to India and China in 2008. It was assumed that Hughson Nut’s percentage would mirror the total California almond sale on a proportionate scale, but closer examination showed that the company actually sold less, with 3.75% of its total product sent to India and China. Additionally, research indicates that Hughson Nut’s disproportionate sales with California as a whole to China and India has remained consistently less since 2005, although there has been a gradual percentage increase in sales from 2005 to the present.

Title Case #1: A comparison of Hughson Nut product sold to China and India compared to Sales to China and India by California as a Whole”

	2005	2006	2007	2008
Hughson Nut	.872%	1.4%	1.36%	3.75%
California	9.28%	13.01%	14.4 %	19.7%

As shown above the chart indicates that there is steady increase in sales to China and India, but Hughson Nut number are dramatically lower compared to California’s total production to China and India.

Regarding Product, Hughson Nut sales of in-shell almonds to India and China between 2005 and 2008 were significantly different when compared to California’s

total percentage of in-shell almond exports sold to China and India from the beginning of 2005 to the end of 2008. Also, Hughson Nut sales of shelled almonds during the time period 2005 through 2008 dramatically differed when compared to the percentage of total shelled almonds sold by California almond growers during the same time period, as the Tables 2 and 3 below clearly show.

Title Case #2: A comparison of Hughson Nut and California sales to China and India: percentage that was in-shell product.

	2005	2006	2007	2008
Hughson Nut	53.6%	47.7%	55.9%	48.9%
California	71.56%	67.8%	67.63%	57.42%

Title Case #3: A comparison of Hughson Nut and California sales to China and India: percentage that was shelled product.

	2005	2006	2007	2008
Hughson Nut	46.4%	52.3%	44.1%	51.1%
California	28.44%	32.2%	32.37%	42.58%

Price-wise, Hughson Nut has sold almonds, both shelled and in-shell, at a slightly higher rate (proportionately) to China and India than the average of California almond exporters as a whole, as shown in the table below. Hughson Nut's average prices sold to China compared to the rest of California is slightly higher and Hughson Nut's prices sold to India on average of the last four years was higher compared to the rest of California

sells to India.

Title Case #4: Hughson Nut's average prices per pound of shelled and in-shell to India & China from 2005 to 2008:

	2005	2006	2007	2008
China	\$6.96	\$9.24	\$6.77	\$3.55
India	\$7.01	\$7.91	\$8.71	\$3.56

Title Case #5: California's average prices per pound of shelled and in-shell to India & China from 2005 to 2008:

	2005	2006	2007	2008
China	\$6.84	\$9.17	\$6.48	\$3.48
India	\$8.33	\$7.82	\$8.64	\$3.52

Hughson Nut consistently sells fewer nuts at a higher price than the California average.

As stated above California sales to the China and India are higher than Hughson Nut. From 2005-2008 China and India have repeatedly been listed in the top four countries importing California almonds. Hughson Nut's top four exports in the last four years, in comparison, were to Germany, Japan, Spain, and the U.K.

Promotion of the product was perhaps the most challenging part of the research. Producers would do well to use brokers who have experience with Indian and Chinese markets. American brokers consulted for this study tended to be vague with details, but general consensus clearly showed that they relied heavily upon liaisons with other firms long-established in the countries, third parties such as a British agency used by Wedal Associates, a broker who is, in turn, employed by Hughson Nuts. Such being the case,

promotion lay largely in the hands of foreign liaisons. Currently, at least, the most the producer can do to promote their products in India and China is to make it as attractive as possible to buyers, which means quality control. In this way, the Promotion aspect overlaps with the Product aspect of the Four P's. Jay Wedal, the owner of Wedal Associates, said that China and India were extremely selective of their almonds, making quality control perhaps the most essential element in promotion, and respect for the product leads to preference for its producer. Brent Johnson of B & B Marketing stressed the importance of strong relationships with overseas clients, because competition among California producers is intense, making almond sales a buyer's market.

CHAPTER 5

SUMMARY, CONCLUSION, RECOMENDATIONS

Summary

Hughson Nuts seeks to increase sales to China and India, which is currently only five percent of their total production. Hughson Nuts has historically pursued markets using the “Four P” strategy, which involves four critical areas of consideration: price, product, place, and promotion. The problem facing Hughson Nuts lay in how the strategy can be successfully implemented to increase sales in those parts of the world.

This report involves comparing Hughson Nuts’ sales to India and China to that of the state of California as a whole (taking into account the proportional differences between the two entities) by using sales data from both over a four-year period. The factors being compared were price, volume, and location.

Conclusions

Data gained from this study shows that Hughson Nuts’ prices to China and India were slightly higher than the bulk of almond growers in the state of California, while actual sales were significantly less, with as much as a seven percent difference in quantity at times. Conclusions drawn show that Hughson Nuts’ sales strategy needs improvement, the most obvious area being prices, which are higher than the market norm. Slightly lower prices would most likely make a significant, positive difference in sales.

Recommendations

Hughson Nuts, or more specifically, its brokers, should most likely take local economies into account before determining price, since they can greatly vary in countries as large as China and India. Hughson Nuts should at least ensure that its prices do not exceed those of the competition, and perhaps, at least initially, to undersell the competition, as long as there is some margin of profit. Since there is a burgeoning demand for California almonds in both countries, taking a slightly lower profit in the beginning to get clients will ultimately pay off in the long run. With regards to promotion, Hughson Nuts should become more directly involved with overseas clients instead of depending on mediation from a third party who may not always have the company's best interests in mind. In Hughson Nut's case, the go-between is a British firm, and thus not subject to U.S. trade laws. If, for instance, a buyer or competitor of Hughson Nuts offers the mediator a monetary incentive to give them preferential treatment, Hughson Nuts might not sell at an optimal volume or price. Since the market is relatively open, such unsavory tactics may not be used, but growing demand creates stiffer competition, and the day may come when such things commonly occur. To avoid becoming a victim of such tactics, the training of key personnel should be considered so that they might someday be put in place as loyal, dependable negotiators for the company, or at least be able to monitor the mediator(s) from a position of knowledge.

Closing statement

It has become clear that, while the Four P's are essential elements in marketing strategies, it is the ability to decide which of those four strategies should have more weight with a given buyer that determines success. Understanding the unique needs and resources of potential buyers is essential.

While Hughson Nuts has shown itself to have an excellent product, it is somewhat lacking in the other three "P's"; its use of liaisons and third parties shows an inability to promote its product to international buyers, and its slightly elevated prices indicates a lack of knowledge or indifference to foreign economies.

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