

FINAL REPORT: ELMUT'S EXPANSION TO GERMAN MARKET.

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General Market Information

Pet Food Industry in Germany – Impact on Elmut

- 3rd largest in Europe. The German pet food industry is expected to grow at a 5.6% CAGR from 2021 to 2028. The industry is expected to develop due to increased attention on pet health and wellbeing.
- Almost half of German households now have pets. In 2020, the physical retail trade in specialty and food products grew by 4.3 percent to EUR 4.513 billion. Ready-to-eat pet food revenue increased 4.6% to EUR 3.460 billion.
- With an aggregate revenue of EUR 1.680 billion, or an increase of 5.3 percent compared with the previous year, the market for cat food remained the largest food segment in 2020.
- Cats are still the no. 1 pet in Germany, with 15.7 million in 26 percent of households. Cats make up 52 percent of the pet population, with dogs in second place at 10.7 million in 21 percent of households.
- Pets has become a crucial part of a person's life and manufacturers are focusing on their health by manufacturing gluten free pet food products. The demand for regular or basic pet food is substantially high and with increasing shift toward gluten-free pet food market, the market is anticipated to proliferate.

PESTEL

External Environment	DATA What trends are there?	INFORMATION So What?	INSIGHT Now What? Opp's/Risks?	INTELLIGENCE Then What? Strategy?
Political	Stable political system Adheres to international trade treaties New chancellor Olaf Scholz	Consistency in policy making between different governments. Continued goal of no new debt and limited public spending.	Risk: Global norms Opp's: ease of doing business with other countries	Make strategies based on this stable system.
Economic	Revenue: Worth \$4.4 billion in 2020 Market growth: CAGR of 4.2% during 2021-2026	Huge potential COVID 19 impact: Increase of the market	Risk: Strong competitive landscape, consolidated market Opp's: Popularity of certain labels	Introduce competitive pricing in the premium food segment for dogs so as to undercut the competition and get noticed immediately.
Socio-Cultural	Elderly and single people increasingly see animals as family members. According to USDA, the German cat food market turnover increased by 2.0% in 2018 accounting for a sales value of USD 1.80 billion. According to IVH, In terms of the wet food segment, cat food has seen 2.2 times higher revenue than the dog food which accounted for USD 541.0 million in 2018.	Pet owners are increasingly concerned about their pets' health. Functional or natural pet food is in high demand.	Opp's: Special diets and specific ingredients have increased the average unit price, especially in premium and super-premium segments.	By focusing on health and wellness, manufacturers can reach a growing market of pet food buyers especially in the premium and super-premium market. They should also focus more on "Treats and Snacks" as compared to "Dry Food" and "Wet Food" since urban dwellings are on the rise and smaller dogs are preferred.
Technological	Germany's R&D expenditure was 3.32% of GDP in 2019, OECD average was 2.5%. The average Internet Speed (fixed Broadband) in Germany is only 66.42 Mbps. Zooplus.de has the highest eCommerce net sales in Germany, with US\$435 million in 2020	Germany invests a lot in R&D, so there is a good chance of setting up shop there since innovation would be at the forefront, also there is a need to digitalize sales. However low internet speed hampers the potential for rapid expansion. Zooplus is the clear market leader in pet food eCommerce.	Opp: You can use multi-channel/omni channel marketing to drive online/eCommerce sales. Risk: Slow internet speed would hamper the acquisition of new online customers.	With one of the EU's weakest internet speeds, it should invest more in its IT infrastructure so that online commerce can flourish seamlessly.
Environment	Sales of organic products in the food industry x3 from 2010 to 2020 Pet food trends are following human food trends	The demand for natural/organic pet food on the German market will increase	The offer for super-premium food will increase	There is a huge room for that type of offer in the German market. Good strategy to go on this type of products which gain a lot.

INDUSTRY ANALYSIS

Industry Forces	DATA What trends are there?	INFORMATION So What? How does the force develop?	INSIGHT Now What? Opps & Risks?	INTELLIGENCE Then What? Strategy?
Existing competitors	<p>Strong power</p> <ul style="list-style-type: none"> The Germany market has 4 major companies(Mars, Nestle SA, Deurer, and Mark & Chappell) accounting for 48.3% of the total with numerous small and large companies. 	<ul style="list-style-type: none"> Leading companies will have a more product rang and more market share. Small companies will be harder to live. Customers care more about the transparent process in case of pets' health. 	<ul style="list-style-type: none"> Opps: large EU market and customer base Risks: Serious homogenisation of products and strong competitors. 	<p>Elmut can chase the product differentiation and more transparent process.</p>
Potential Entrants	<p>Moderate power</p> <ul style="list-style-type: none"> Customers are loyalty to high quality and well tested brands, which means newcomers will face tough situation. But new entrants face low switch cost and low entry barrier. 	<p>Will appear more small companies, big market and keep growth because covid 19 pandemic situation.</p>	<ul style="list-style-type: none"> Opps: low entry barrier and low technique requirement. Risks: strong competitors and highly demanding customers. 	<p>Elmut can improve the quality of products to gain the customer stickiness.</p>
Substitutes	<p>Moderate power</p> <ul style="list-style-type: none"> Low switching cost since the undifferentiated products. But they may keep the same product since the busy lifestyle. 	<p>Germany customers will chase the high-quality products and keep using the most convenient and high-quality products, rather than human food or homemade pet food.</p>	<ul style="list-style-type: none"> Opps: The popularity of online shopping in the post-epidemic era has made it easier for consumers to choose products that are well packaged and have high-quality displays. Risks: Consumers are demanding more health benefits from products. 	<p>Elmut can invest more in product packaging and image to increase its appeal to consumers, and focus on high-quality products with functionality and customization.</p>
Power of Suppliers	<p>Moderate power</p> <ul style="list-style-type: none"> Pet food market requires high quality raw materials. Innovative products that continue to emerge to match the lifestyle of owners and the needs of their pets. But the companies supplying raw materials are generally small. 	<p>Will appear Specially formulated and customized food providers, because some of them can solve pet conditions like dry skins and obesity.</p>	<ul style="list-style-type: none"> Opps: There is greater potential to broaden the product range by targeting specific functions, breeds, lifestyles and ages. Risks: As the average unit price of pet food has already risen, the potential for further price increases is limited. 	<p>Elmut needs to closely monitor changes in the market and continuously segment its products to find unmet needs.</p>
Power of Customers	<p>Strong power</p> <ul style="list-style-type: none"> The major buyers in this market have considerable volume purchasing power and are less dependent on the market due to the diversity of products available. The growth of the retail outlets has made it easier to buy products, again enhancing buyer power. 	<p>Increasing demand for premium pet food and Limited-Ingredient Diets, as owners care more about the health of their pets.</p>	<ul style="list-style-type: none"> Opps: Diversification of sales channels, increased demand for pet snacks, high-end products and products with immune health benefits. Risks: Difficult to stand out from the rich variety of products. 	<p>Elmut can provide customized healthy, nutritious food, and provide better service.</p>

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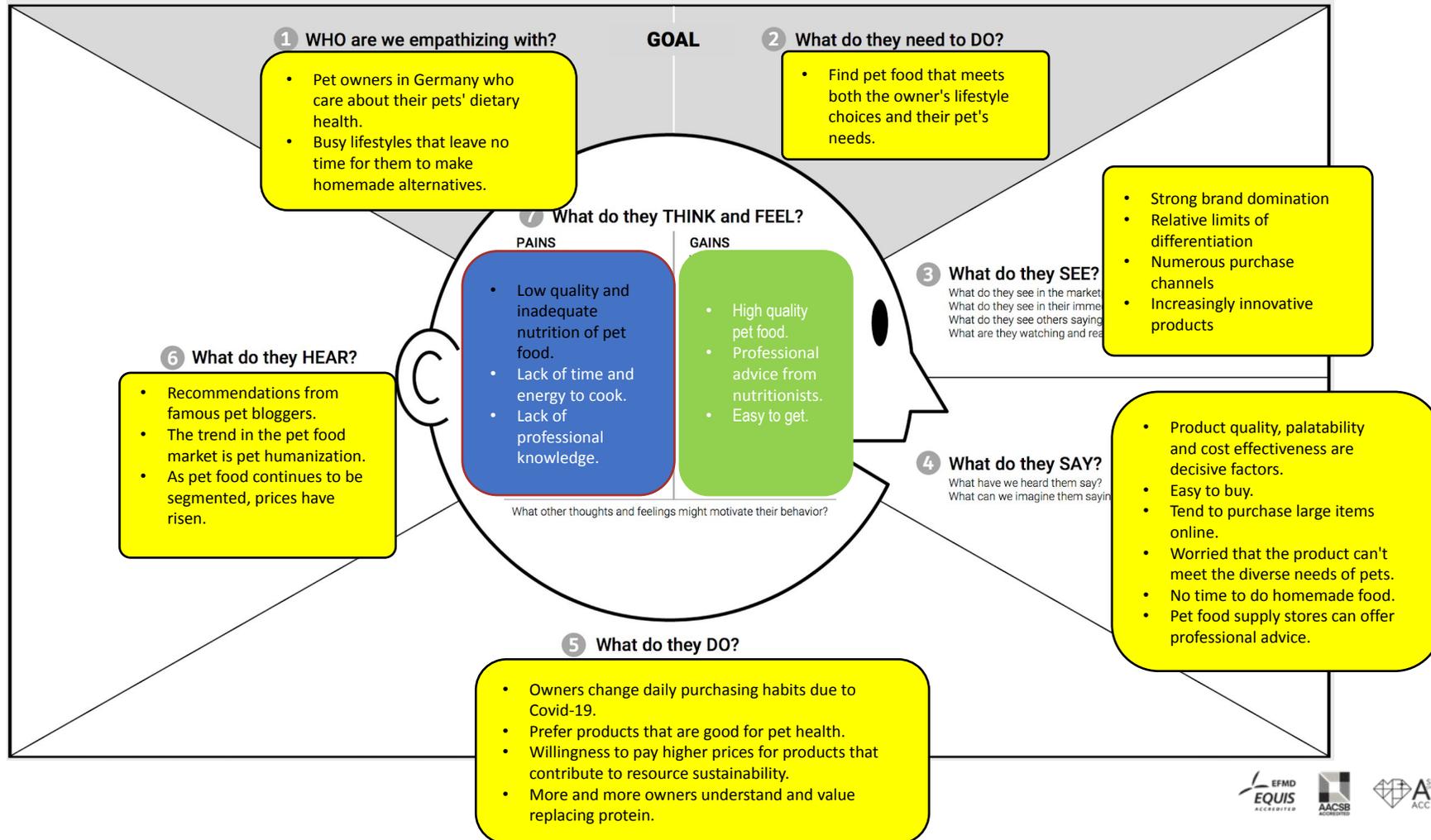
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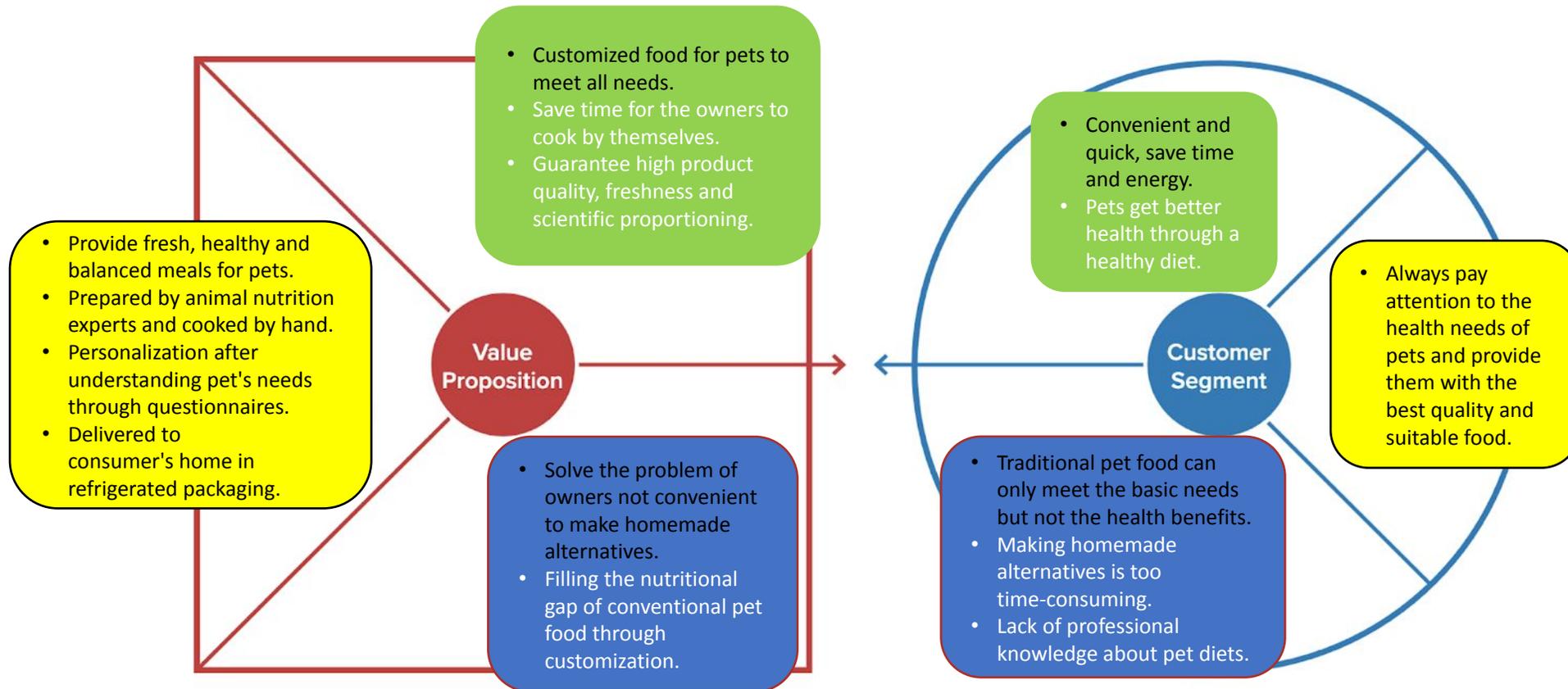
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EMPATHY MAP



VALUE PROPOSITION



COMPETITOR PROFILING (Elmut)



Strategy: Provide fresh, healthy and balanced meals, prepared by specialists in canine and feline nutrition and cooked in an artisanal way. (almost the way humans cook for themselves)

Value Creation Disciplines: No preservatives used, meat and vegetables fit for human consumption (aka good quality), thoroughly tested by professional veterinarians, free home delivery, no commitment required.

Key Success Factors: Free home delivery, 100% natural ingredients, no commitment sales model.

Top Management Profile:

CEO : Maxime Cadin (Audencia Ecole De Management, MiM) & Martial Dargent (Audencia Ecole De Management) both come from same business schools, around 30 years, personal pain point led to creation of Elmut.

Business Model: 1) Enter the details of your dog (age, breed, eating preferences). 2) Elmut gives you the option to customize the food package. 3) Elmut cooks the food at low temperatures so as to preserve freshness and quality. 4) Elmut delivers the food to your home, you feed your dog.

Synergy Strategy: Good to pursue, combines the expertise of vets, delivery people and delivers value to the final consumer aka pet owners.

Business Unit Strategy (detail) :

Vision: Healthy, homecooked food for your pet.

Mission: Deliver 100% naturally prepared food, without preservatives to your pet to keep them healthy and happy.

Objectives: Delivers fresh, healthy and balanced meals, prepared by specialists in canine and feline nutrition and cooked in a way to keep your pet healthy.

Markets: Pets specifically dogs and cats.

Verticals (Sector / Industries served): Pet food, health and wellness, ecommerce, food and beverage, health care.

Clients: Pet owners who want premium food for their pets.

Offer: Variety of meats offered like Chicken, Beef and Turkey.

Discount of 20% on first order.
Free delivery.
No commitment.

Global Sales Network: Currently only in France delivery to 95 departments of metropolitan France, with the exception of Corsica and a few metropolitan islands.

Incremental Vs Game-Changing :
Game changing

Business Model Innovation :
Uses fresh ingredients, 100% natural, not cooked in a lab but in an actual kitchen, cooked at low temperatures to preserve nutritional value.

New Product Development / Service Design : Dog food that is almost similar to human food in terms of ingredients used.

Business Process Management:
Information sought about your pet to determine best diet for them.
Option of no commitment offered.

Value Proposition: Freshly cooked meals for dogs which have no preservatives, which are 100% natural ingredients, offer free delivery across France, The dishes can be kept for one month in the refrigerator and 6 months in the freezer from the date of delivery.

Partnerships: Chronopost for food delivery.
Tie up with various agricultural companies.

Push Vs Pull: Push

Brand Strategy: Fresh, Healthy, Home cooked food for your pets. Humanization of pet food.

Price Positioning:
100% Elmut=2.56 €/day.
50% Elmut=1.68€/day.
25% Elmut = 1.20€/day.

Promotion: Gives full nutritional information for each type of meal.

Taglines: La révolution dans la gamelle / The revolution in the bowl.

Communication Channels: Email, chat.

Digital & Social media:
Instagram/Facebook/TikTok/YouTube/LinkedIn/Pinterest

COMPETITOR PROFILING (COMPETITOR ASSIGNED : Lily's Kitchen)



Strategy: Provide nutritious and wholesome pet food made with natural, organic ingredients for your pet. Give choice of premium, healthy, organic pet food to pet owners.

Value Creation Disciplines: Used provenance and sustainability as differentiators in the market. Company's ethical and environmentally sustainable position, all of Lily's Kitchen's dry food packaging is 100% compostable and includes a feature that makes the bags re-sealable to maintain freshness.

Key Success Factors: Demand for better quality and nutritionally sound food aided Lily's Kitchen success, earning consumers' trust through using human-grade ingredients and transparent labelling while expanding its reach to UK-wide and internationally.

Top Management Profile: Nicola Magalini(CEO), vastly experienced 20 years of experience in petcare. He previously worked at Purina Petcare, where he was general manager of the brand's Nordic region.

Business Model: 1) Choose the age of the dog. 2) You can also choose the type of food you would want. 3) You can also receive free petcare advice according to the age of your dog. 4) Finally they offer you recommendations on the type of food for your dog with all the specifics like daily amounts.

Synergy Strategy: It is worthwhile to pursue because it combines the expertise of veterinarians and delivery personnel while also providing value to the final consumer.

Business Unit Strategy (detail)
Vision: Lily's Kitchen was founded on the quest for a healthier, natural diet to combat itchy skin. Since then, the company has focused on understanding the specific dietary needs of dogs and cats, based on age, weight, health profile, and environmental factors.

Mission: Lily's Kitchen's mission is to inform and educate pet owners about the importance of healthy eating for their pets' health and well-being.

Objectives: Provide wholesome meals for the health and wellbeing of pets.

Markets: Pets specifically dogs and cats.

Verticals (Sector / Industries served): Pet food, health and wellness, ecommerce, food and beverage, health care.

Clients: Pet owners(younger pet owners and millennials) who want premium food for their pets which is keeping in tune emerging pet health and wellness trends.

Offer: Huge variety of foods offered including but not limited to vegetarian, beef, chicken, duck, herring, lamb, pork, venison, wild boar

Global Sales Network: Available in 6,000 stores in 30 countries including Middle East, Asia and EU.

Incremental Vs Game-Changing: Incremental

Business Model Innovation: Lily's Kitchen is the first pet food company to launch a grain-free(gluten free), meat-free range within its dog food category.

New Product Development / Service Design: Lily's Kitchen offers baked superfoods snack bars. Eat Your Greens, Red Berry, and Sun Shine Day bars consisting of kale, spirulina, and goji berries.

Business Process Management: Conduct regular R&D and seek active feedback from customers about the various new varieties introduced.

Value Proposition: Lily's Kitchen creates naturally delicious, wholesome food for cats and dogs because we believe our pets deserve to eat proper food that's full of nourishing ingredients.

Partnerships: Parent company is Nestle S.A.

Push Vs Pull: Pull

Brand Strategy: By investing in research and working closely with vets and animal nutritionists, the company has successfully developed and launched products, catering to health-conscious pet owners. The company's core goals have evolved around improving the wellbeing of pets.

Price Positioning: Various prices ranging from 1.5€ for 150g till 61.52 € for 7kg. Suits every need and budget.

Promotion: 20% discount on every item, free delivery over 35 €.

Taglines: Proper Food for Pets.

Communication Channels: Email, chat.

Digital & Social media: Instagram/Facebook/Twitter/Linked IN

PORTER 4-CORNERS

<p style="text-align: center;">FUTURE GOALS / DRIVERS</p> <ol style="list-style-type: none"> 1. Become the benchmark in fresh pet food market 2. Pursue a customized, safe for human consumption and health balanced pet food 3. Provide more kinds of pet food and sell for more areas 4. listening to pet parents more, understanding what they really need 	<p style="text-align: center;">CURRENT STRATEGY: GENERIC STRATEGY</p> <ol style="list-style-type: none"> 1. Focus on the quality of products, ensuring natural ingredients and no preservations. 2. Cooperate with vets and dietitian, to provide healthier and personalized food for pets 3. Most rely on online selling, delivery products to clients' home directly. 4. Generic strategy - differentiation: Elmut provide natural pet food, and it sells its characteristic food, which differentiate itself.
<p style="text-align: center;">MANAGEMENT ASSUMPTIONS</p> <p>INDUSTRY</p> <ol style="list-style-type: none"> 1. More fresh and customized pet food, because of the important place of pets in people's hearts. 2. Highly rely on product brands due to an increased focus on maintaining pets' overall health. 3. Sustainable and natural pet food due to humanization trends. 4. More complete and safe supply chain <p>OWN</p> <ol style="list-style-type: none"> 1. Create new product line, create diversity pet food categories and serve more pet kinds. 2. Expand its selling area from online and offline. 3. More transparency in food ingredients and faster supply chain. 4. More depend on vets' advices. 	<p style="text-align: center;">CAPABILITIES</p> <p>STRENGTHS</p> <ol style="list-style-type: none"> 1. Innovative questionnaire, create an emotional bind with customers 2. Fresh and quality maximum, create customized and fresh food and supplement 3. Huge customer base, more and more people treat pets as their family members. <p>WEAKNESSES</p> <ol style="list-style-type: none"> 1. Lots of competitors, similar operating model and products. 2. Low entry barrier, food company can easily switch to pet food company. 3. High price that not many pet parents can afford, especially when pet food is a daily necessity. 4. Simple product portfolio and lack of marketing.
<p style="text-align: center;">LIKELY FUTURE DIRECTION: GENERIC STRATEGY</p> <ol style="list-style-type: none"> 1. Go to foreigner market, entering other EU countries. 2. Generic strategy – differentiation focus: Elmut should push itself towards a unique and different pet food company, become a unique asset in natural pet food market. 	

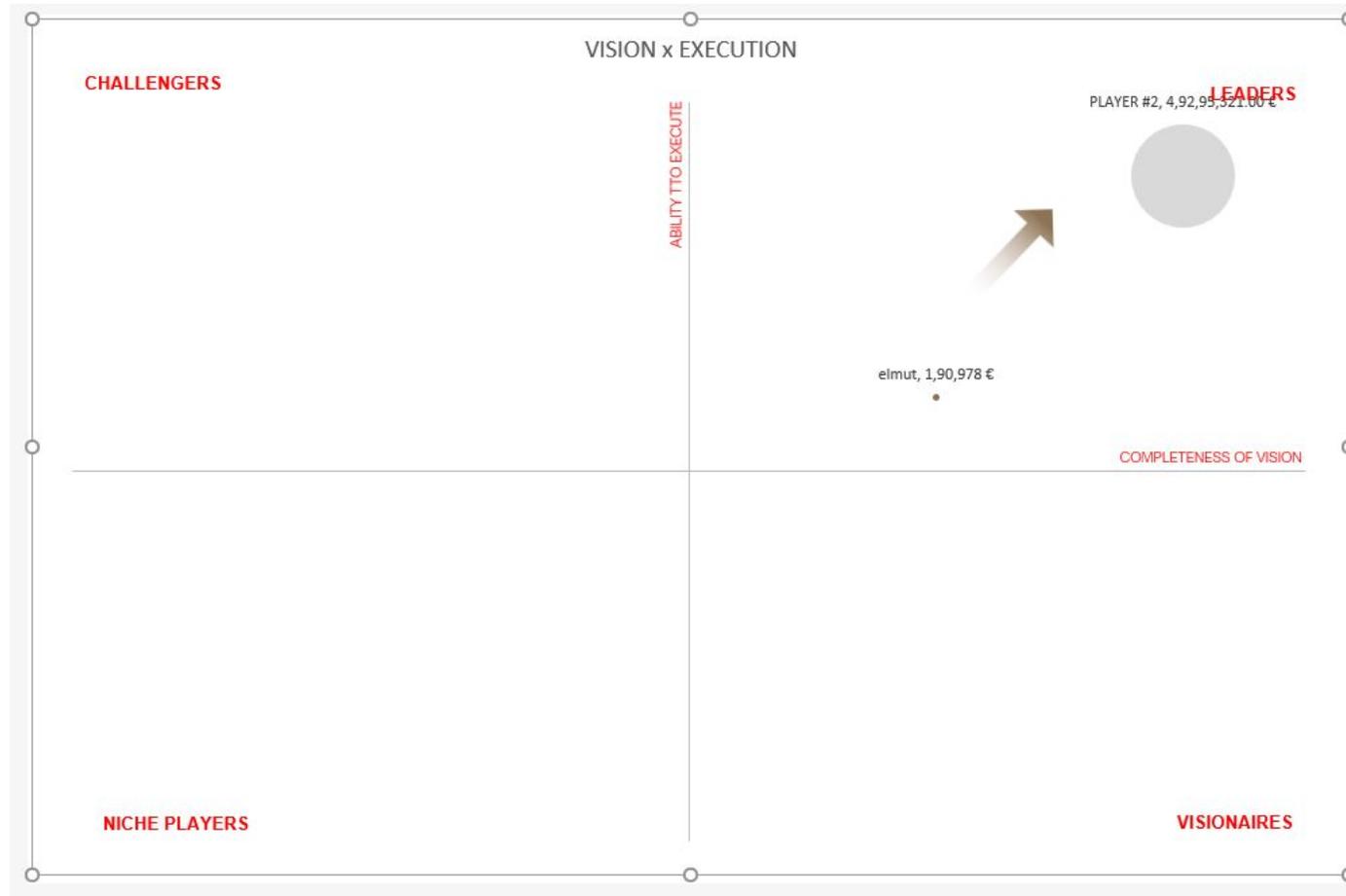
STRATEGIC POSITIONING

USE A 1-5 SCALE - SEE CRITERIA FOR EVALUATION ON THE RIGHT

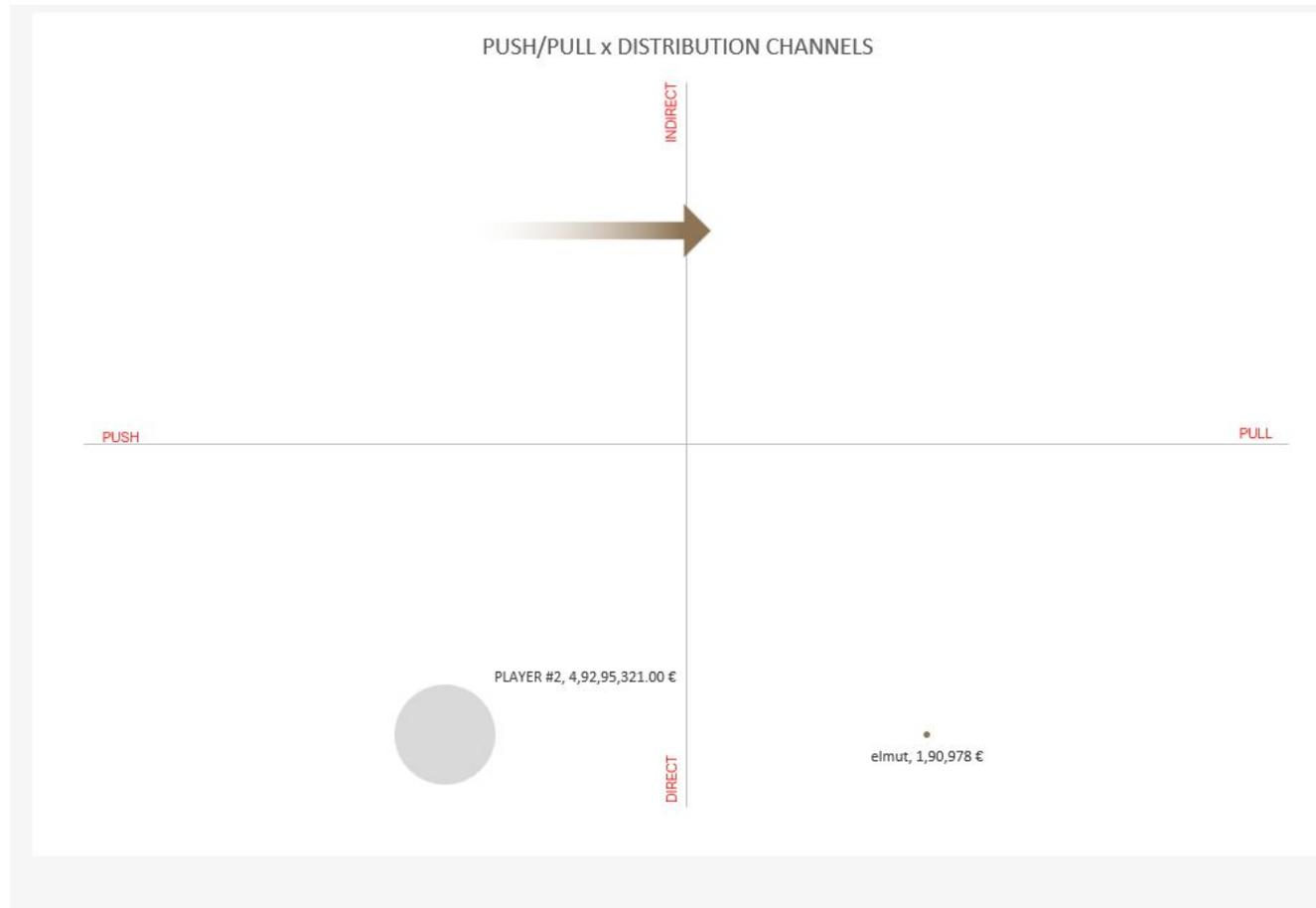
STRATEGIC CLUSTERING FACTORS	elmut	PLAYER #2
Revenue 2020	€1,90,978	€4,92,95,321
Revenues 2019	€1,90,978	€4,06,83,474
FOCUS (1-PRODUCT 2-MARKET 3-BRAND 4-CONSUMER)	1	1
SCOPE (1-WIDER vs 4-NARROW)	3	1
BRAND REPUTATION	2	5
PUSH VS PULL (1-ONLY PULL 5- ONLY PUSH)	4	2
CHANNEL SELECTION	1	1
QUALITY	5	5
TECH	2	4
VERTICAL INTEGRATION	3.5	3
PRODUCTION COST *	3	4
CUSTOMER SERVICE	4	5
PRICE *	3.5	4.5
RELATIONSHIP W/ HQ		
RELATIONSHIP W/ GOVERNMENT		
VISION	4	5
EXECUTION	3.5	5

* correlated => cannot be in the same map

STRATEGIC POSITIONING

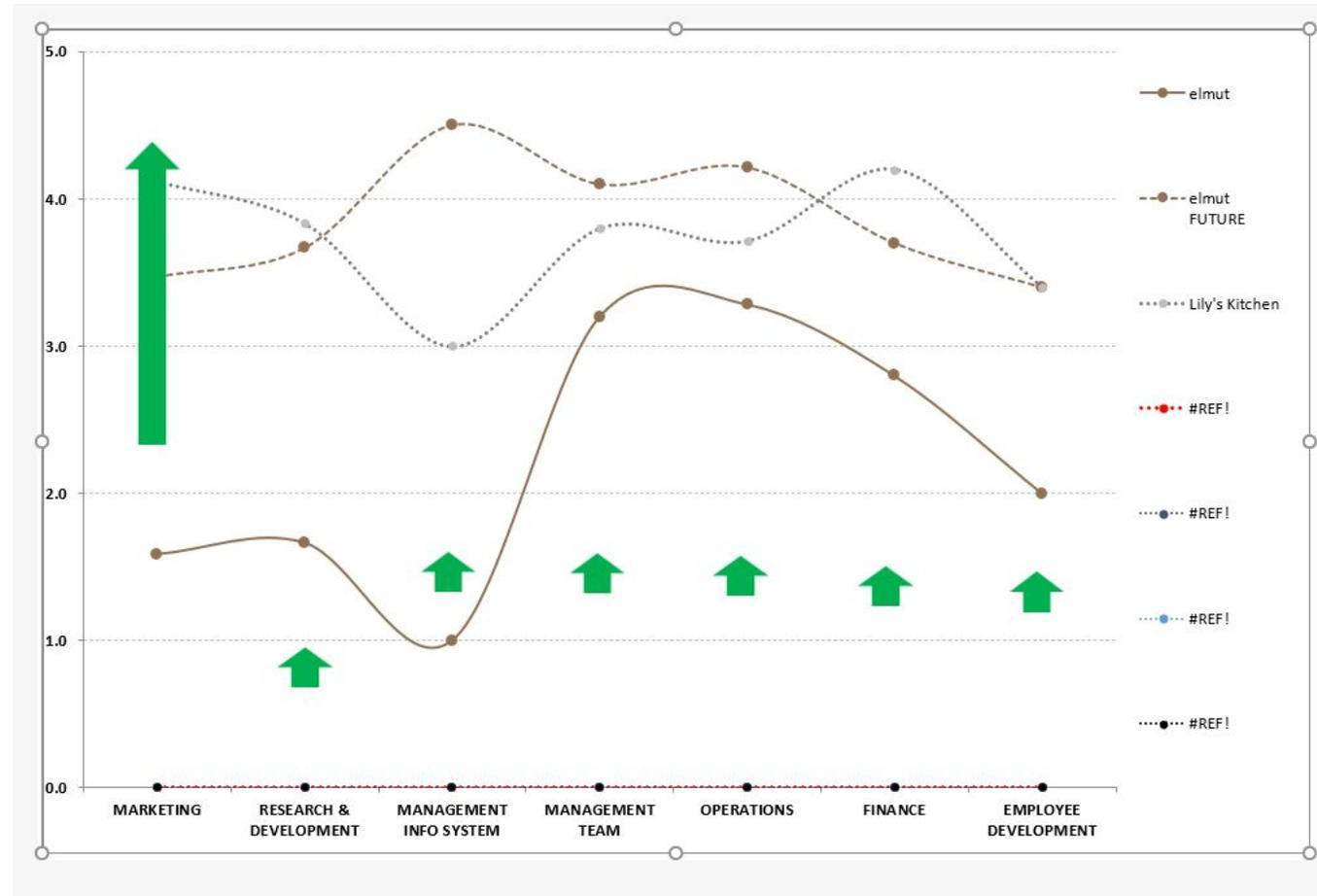


STRATEGIC POSITIONING



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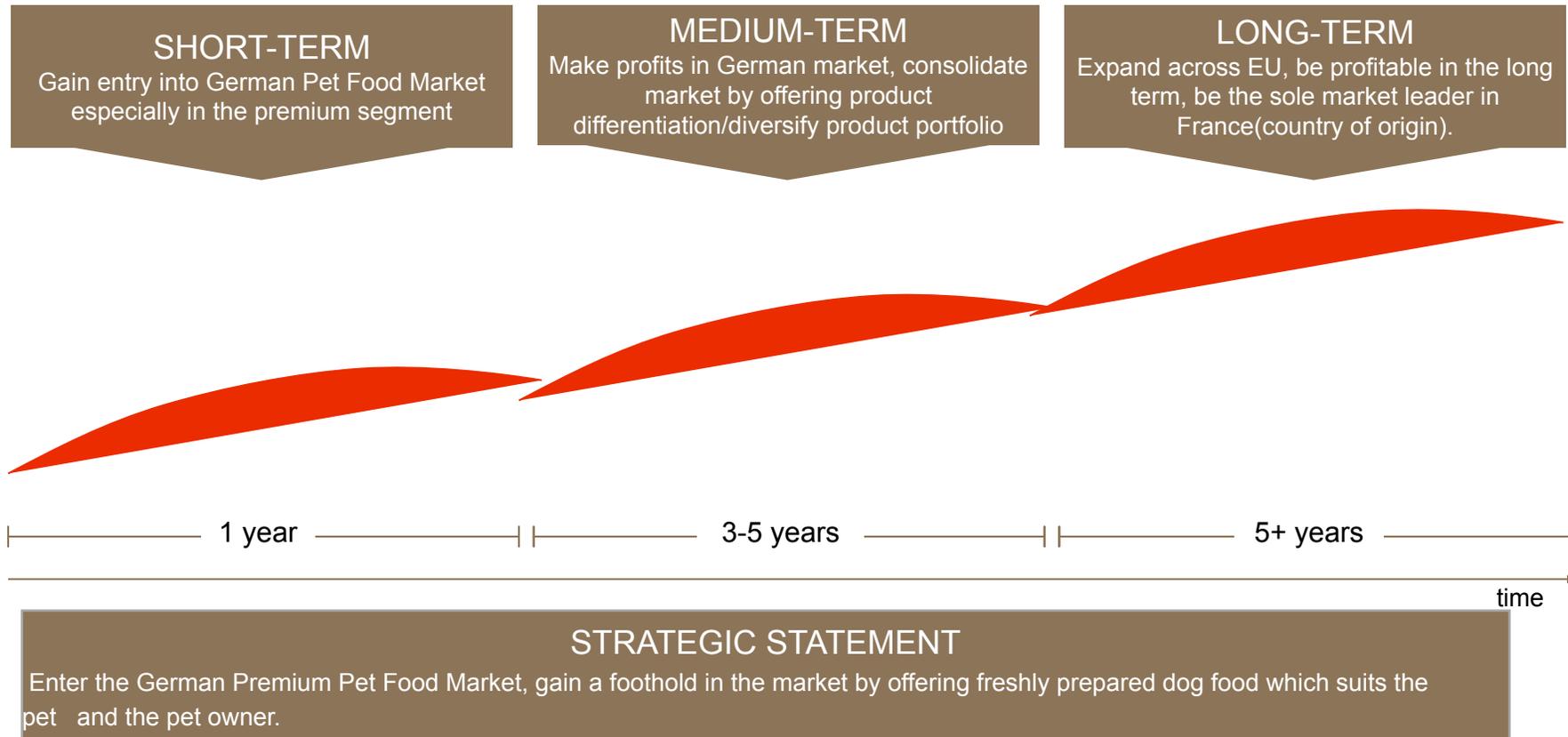
CAPABILITIES BENCHMARK VISUALIZATION



ANSOFF'S GROWTH MATRIX

Market / Product	Existing Products	New Products
<p>Existing Markets</p>	<p><u>Market Penetration Strategy</u></p> <ul style="list-style-type: none"> • Decrease prices to attract new customers. • Increase promotion and distribution efforts. • Customer Loyalty Programs should be launched. • Use Twitter and Snapchat to have a more significant digital footprint. • Work on expanding Pinterest and YouTube.(Only 27 subscribers on YouTube) <p>Motive: Expand sales of existing product aka Fresh Pet Food in your existing market aka France via digital transformation.</p>	<p><u>Product Development Strategy</u></p> <ul style="list-style-type: none"> • Invest in R&D specifically in terms of cheaper manufacturers, improved quality, updated packaging. • Develop food for other kind of pets like fishes, birds i.e Expand product offering/portfolio. • Form strategic partnerships with other firms to gain access to partner's distribution channels or brand. <p>Motive: Gain new customers and increase product portfolio.</p>
<p>New Markets</p>	<p><u>Market Development Strategy</u></p> <ul style="list-style-type: none"> • Conduct a proper market research on German Pet owners regarding their income(disposable) for their pet's welfare. • German consumer behavior does not deviate too far from that of consumers in your existing market aka France. • Use online channels to sell product at low cost in Germany. <p>Motive: Expand sales of existing product aka Fresh Pet Food in your new target market aka Germany.</p>	<p><u>Diversification Strategy</u></p> <ul style="list-style-type: none"> • Generate/Create/Customize your current product offering/portfolio in accordance to German consumers by doing proper PESTEL, OLI, Porter's Five Forces, Empathy Map analysis. • Do related diversification. • Run a test/pilot programme of your product, sort of like a focus group, see the results, check the correlation. If successful, pursue further, else exit. <p>Motive: Generate new revenue stream+Gain new/untapped markets opportunities+Customize your product offering/product portfolio in accordance to the new market's requirement.</p>

STRATEGIC OBJECTIVES



CAGE FRAMEWORK

CULTURAL - 3

- Language - 3
- Ethnicity - 2
- Ethnic or Social Networks - 2
- Religion - 2
- Social Norms - 4

- French is a Romance language that derives from Latin, whereas German is a Germanic language like English
- France is the home of one of the largest communities of German population born outside Germany. Germans is one of the major ethnic groups in France.
- French and Germany have similar social networks habits.
- Main religion of France is Catholicism, and for Germany is Christianity.
- Germans more have a sense of community and compliance with rules, but French are more individualistic and less respect for rules.

ADMINISTRATIVE – 2

- Colonial Ties - 2
- Monetary Associations - 1
- Political Associations - 1
- Political Hostility - 2
- Gov. Policies - 1
- Institutional Weakness - 2

- Their relationship has a long history, In the context of the European Union, the cooperation between the two countries is immense and intimate. In recent times, France and Germany are among the most enthusiastic proponents of the further integration of the EU. They are sometimes described as the "twin engine" or "core countries" pushing for moves.
- Both using Euros, they are part of EEC, EFTA, OEE,C in the Association for the Monetary Union of Europe and European political parties.
- similar legal system – civil law and composition of legislative branch
- Their institutional have weakness of the personalisation of power, the weakness of Parliament – with a dominant party dominated by a single person – and the weak role of intermediate bodies,

GEOGRAPHIC - 2

- Physical Distance - 1
- Common Borders - 2
- Sea / River Access - 2
- Size of Country - 2
- Transport & Communication - 2
- Climate - 1

- France is located in western Europe, and Germany is located in central Europe, they are partially bordered.
- Having a bordering river – Rhine River.
- Similar country size, metropolitan France is a bit larger than Germany, 551,500sq km, as Germany has 357,022sq km.
- Their climate are temperate and marine; cool, cloudy, wet winters and summers, but in south France, along the Mediterranean, they have mild winters and hot summers.

ECONOMIC - 1

- Consumer Income - 2
- Cost & Quality of Resources:

- Natural - 1
- Financial - 2
- Human - 1
- Infrastructure - 2
- Intermediate Inputs - 2
- Information & Knowledge - 1

- French GDP is a bit lower than Germany; they have similar purchasing power and consumer income. (46184\$ per capita FR comparing 53919\$ per capita DE)
- France and Germany both have rich natural resources, like forest resources and coal, rare metal.
- The French economy is diversified across all sectors. And Germany's machinery industry sector is a leader in Europe.
- Their situation of labour force and infrastructure are similar.

FSA > OWNERSHIP ADVANTAGES

ASSET-TYPE

- Made exclusively in France, right from website to the food.
- 100% natural, preservative free ingredients.
- Handpicked ingredients, which are fit for human consumption.
- Personal pain point of founder/owner led to creation of company.

TRANSACTION-TYPE

- Proprietary algorithm which determines the type of diet for your dog according to the information you entered on your first visit to Elmut.
- Specific diets/elements are mentioned which help keep your dog healthy.

RECOMBINANT-TYPE

- They cook food at low temperatures to preserve nutritional value and they have tie-ups with various delivery partners to make sure that their product reaches the consumer fresh.
- They delivery all over France(95 Departments) free of any delivery cost.

IMPLICATIONS for Elmut

- Since it was a personal pain point, which led to the creation of Elmut, there is a good branding story there. Consumer would feel more connected to the brand.
- Since the raw materials are handpicked and fit for human consumption, it lends a “humanization” of the product.
- The ingredients used are 100% natural and preservative free, so that means that the pet owners are getting good quality/bang for their buck.
- Focus/Advertise more on the lines of “We take the human approach for your pet”.
- Initially use a Push strategy to get more customers, later use a more Pull strategy to keep the customers.

FSA > OWNERSHIP ADVANTAGES

ASSET-TYPE

- Wide variety of foods available which include but not limited to grain free, fish, beef, chicken, turkey, salmon.
- Dry food packaging is 100% compostable and includes a feature that makes the bags re-sealable to maintain freshness.
- Consumers have confidence in the company's products because it uses human-grade materials and labels them clearly.
- Revenue of 4,92,95,321 EUR in the year 2020.

TRANSACTION-TYPE

- Lily's Kitchen was established in the pursuit of a more nutritious and natural diet to treat itching skin. Over the past few years, the company has concentrated on better understanding the unique dietary requirements of dogs and cats, which vary depending on their age, weight, health profile, and surroundings.
- Lily's Kitchen offers baked superfoods snack bars. Eat Your Greens, Red Berry, and Sun Shine Day bars consisting of kale, spirulina , and goji berries.

RECOMBINANT-TYPE

- Delivery all over UK. Partnership with DPD delivery

IMPLICATIONS for Lily's Kitchen

- Since there is a wide variety of foods, there is a lot of choice for the consumer to pick the dog food according to the requirements of their pets.
- Since the food packaging is 100% compostable, it is good eco-friendly choice for the more environmentally friendly consumers.
- Definitely go ahead with a Pull strategy in a new market.
- Need to adapt to EU legislation since UK is no longer part of EU.

CSA > LOCATION ADVANTAGES

NATURAL RESOURCES

- Vigorously develop renewable energy sources, such as solar, wind, biomass, geothermal, and hydropower, to diversify energy supply and ensure energy security.
- Located on flat terrain and well-watered, the farmers cultivated and managed about half of the country's agricultural land and made Germany largely self-sufficient in food.
- Well-developed livestock industry, providing high quality meat and milk.

LABOUR FORCE

- A developed human resource market and standardized rules for labour force development ensure the supply of highly skilled workforce.
- Focus on talent innovation and the cultivation of diversified talents.
- The largest labour pool in the EU.
- German employees are more motivated than average and work more than their international peers and lose less days per annum due to labour disputes than other European nations.
- Labor costs have risen at a lower rate than in most European countries, bringing a competitive labour advantage.

INFORMATION

- The tradition of keeping pet: almost half of German households have at least one pet.
- humanization of pets: Providing specific nutrition for pets, functional nutrition, gourmet experiences, as well as addressing safety and health concerns. So, the demand for functional or natural pet food is increasing among German pet owners.
- Environmental Awareness: Due to environmental degradation, animal rights, human health, global poverty and other issues, alternative proteins such as legumes, insects, algae, and green duckweed are gradually gaining the attention of pet owners with modern consumption concepts.

OTHER

- Germany offers a variety of incentive programs and public funding instruments that can be applied to a range of funding purposes.
- Well-established infrastructure.
- Mature pet food market, and sound laws and regulations.

IMPLICATIONS for Elmut

- The use of sustainable resources facilitates sustainable production and industrial upgrading of Elmut.
- A well-developed agricultural and livestock industry allows Elmut to obtain most of its raw materials locally, saving the cost of importation and transportation.
- Facilitate Elmut's recruitment of senior management and technical personnel who are familiar with the local market.
- Germany's focus on and cultivation of innovative talent helps Elmut develop new products and accelerate innovation.
- Motivated and dependable employees can create greater value for Elmut.
- The trend toward humanizing pets has made it necessary for Elmut to focus more on product segmentation and quality.
- Increased consumer awareness of the environment has inspired Elmut to develop alternative proteins and sustainable products.
- The government's financial support can help Elmut's initial development to some extent.
- Well-established infrastructure reduces consumption in transportation, storage and distribution.
- An already mature market allows Elmut access to more information and technology, but also makes it more difficult to compete.

PORTER DIAMOND

FACTOR LEVEL	DESCRIPTION
BASIC	<ul style="list-style-type: none">• 'unrefined' domestic conditions such as low-cost labour and natural resources
ADVANCED	<ul style="list-style-type: none">• developed domestic conditions such as educational system and telecommunications infrastructure
GENERIC	<ul style="list-style-type: none">• conditions that are applicable more than one industry cluster
SPECIFIC	<ul style="list-style-type: none">• conditions that are applicable just one industry cluster

PORTER DIAMOND

FACTOR	TYPE	INSIGHT	IMPLICATION for Elmut
COMPETITIVE ENVIRONMENT	FIRM STRATEGY	<ul style="list-style-type: none"> • Launching new products is the most adopted strategy in the Germany market. • With stagnant growth in the market, many manufacturers are opting for premiumization to increase the value sales. Manufacturers are introducing innovative premium product ranges, such as functional, organic, natural pet food. 	<p>ADVANCED:</p> <ul style="list-style-type: none"> • Launching differentiate pet food strategy in Germany, provide healthy and organic food for pets.
	STRUCTURE	<ul style="list-style-type: none"> • The cat food market is expected to perform better than dog food. Dry food account for major market share. • Treats and snacks are forecasted to be the fastest-growing product category in both cat and dog food. • A healthy growth rate is also forecasted for products targeting health issues such as a shiny coat, minimizing fur balls, healthy teeth, among others. • Economy and premium products both have around the equal market share, but the distribution channel for these products are different. 	<p>GENERIC:</p> <ul style="list-style-type: none"> • Create a variety of pet food categories, trying to meet all of pet parents' needs. • Create both economy and premium pet food lines, and distribute them both on elusive stores and supermarket shelves.
	RIVALRY	<ul style="list-style-type: none"> • The major players in Germany pet food market are Mars, Fressnapf, and Nestlé. They account for around half of the market share. The remaining half of the market share is distributed among private label brands and small pet food manufacturers. • Private label brands have witnessed the strongest growth in the past five years and increased their market share by introducing innovative product lines corresponding to current consumer trends. 	<p>ADVANCED:</p> <ul style="list-style-type: none"> • Find Elmut's unique character to compete with giant pet food companies and gain market share, noticing unmet consumers' need.

PORTER DIAMOND

FACTOR	TYPE	INSIGHT	IMPLICATION for Elmut
BUSINESS ECOSYSTEM	SUPPORTING INDUSTRIES	<ul style="list-style-type: none"> Internationally competitive suppliers pass on cost-efficient inputs for firms further down-stream in the supply chain. Close proximity between suppliers and buyers allows for the exchange of ideas and innovation. Co-creation speeds up the innovation cycle. 	<p>GENERIC</p> <ul style="list-style-type: none"> A wide choice of suppliers gives Elmut a greater cost advantage and also helps to guarantee product quality. The complete supporting industry effectively enhances Elmut's production efficiency and realizes large-scale production. The aggregation of the industry chain not only reduces Elmut's transportation costs, but also brings Elmut closer to the market, making it easier to develop and launch new products whenever the market demands change.
	RELATED INDUSTRIES	<ul style="list-style-type: none"> Industries with domestic players that have some customers, production factors and/or technologies in common. Close proximity allows for information exchange and cooperation increasing the rate of innovation. 	<p>ADVANCED</p> <ul style="list-style-type: none"> The close industry ties and information interchange facilitate Elmut's ability to update itself with market information and change with market changes.

PORTER DIAMOND

FACTOR	TYPE	INSIGHT	IMPLICATION for Elmut
DEMAND CONDITIONS	QUANTITY	<ul style="list-style-type: none"> The Pet population in Germany was 34.4 million in 2019. Around 45% of households own a pet in the country. The pet food market in Germany was worth \$4.4 billion in 2020 and is forecasted to grow at a CAGR of 3.1% during the forecast period 2021-2026. 	<p>ADVANCED</p> <ul style="list-style-type: none"> Germany is a high potential market and have a huge opportunity to enter.
	QUALITY	<ul style="list-style-type: none"> With rising concern about the health and well-being of pets, pet food has become an essential item for the pet owners. The 'humanization' of pets has become a major trend in Germany, where animals are treated as family members. This trend is driving the innovation in pet food ranges such as age-specific & health-specific foods, food addressing diseases, and balanced nutrition, among others. 	<p>SPECIFIC</p> <ul style="list-style-type: none"> Elmut should think highly of customized pet food, and innovate pet food for specific diseases and specific trace elements to gain the customer stickiness.
	CULTURAL TRANSFERABILITY	<ul style="list-style-type: none"> Both German and French consumers are increasingly careful about the health of their pets, and the pet food market has followed this trend of pet humanization. 	<p>GENERIC</p> <ul style="list-style-type: none"> Elmut can use similar marketing and communication strategy in Germany.

PORTER DIAMOND

FACTOR	TYPE	INSIGHT	IMPLICATION for Elmut
INPUT CONDITIO NS	HUMAN RESOURCES	<ul style="list-style-type: none"> A well-developed human resources market and standardized human resources development rules guarantee a sufficient supply of high-quality personnel in Germany. Focus on talent innovation and the cultivation of diversified talents. Labor costs are higher compared to France. 	<p>ADVANCED</p> <ul style="list-style-type: none"> Facilitate Elmut's recruitment of senior management and technical personnel who are familiar with the local market. The labor cost of production will increase.
	PHYSICAL RESOURCES	<ul style="list-style-type: none"> Germany takes the development of renewable energy as an important strategic choice to ensure energy security, diversified energy supply and alternative energy, and is a world leader in the development and utilization of solar, wind, biomass, geothermal energy, hydropower and other resources. Located on flat terrain and well-watered, farmers cultivate and manage about half of the country's agricultural land, and made Germany largely self-sufficient in food, but with limited variety, for example, importing more vegetables and fruits than they export. 	<p>ADVANCED</p> <ul style="list-style-type: none"> The use of sustainable resources facilitates sustainable production and industrial upgrading of Elmut. Most of the ingredients can be sourced from local farmers, but it is still necessary to purchase a variety of different ingredients from other countries to ensure the richness of the products.
	KNOWLEDGE RESOURCES	<ul style="list-style-type: none"> Advanced food processing, storage and transportation technology. Pet owners are concerned and knowledgeable about their pets' healthy diets, half of them consciously feed their pets grain-free food. Alternative proteins are also gaining importance. 	<p>ADVANCED</p> <ul style="list-style-type: none"> Elmut needs to focus on developing products that are good for pet health or good for the environment.
	CAPITAL RESOURCES	<ul style="list-style-type: none"> Turnover has grown year on year, reaching a value of 4513 million euros in 2021. The "pet economy" has become a huge industry, with 17 percent of Germany's annual national income coming from the pet industry. 	<p>ADVANCED</p> <ul style="list-style-type: none"> A very mature market means that Elmut can find more investors, but will also face more competitors.
	INFRASTRUCTURE	<ul style="list-style-type: none"> Well-established transport system, communication system, mail and parcel delivery. The local online sales system is not well developed. 	<p>BASIC</p> <ul style="list-style-type: none"> Convenient online sales can be a competitive advantage for Elmut.

PORTER DIAMOND

FACTOR	TYPE	INSIGHT	IMPLICATION for Elmut
GOVERNMENT	GOVERNMENT	<ul style="list-style-type: none">• Government has to avoid direct interventions in the market and instead improve the overall competitive environment and inspire firms to innovate.• These interventions interfere with all other determinants and vice versa. Examples of “indirect” government initiatives are educational policies, subsidies, quality standards, public procurement, taxation, anti-trust laws, etc	<p>ADVANCED</p> <ul style="list-style-type: none">• The German government's well-established regulation of the pet food market has raised the barriers to Elmut's entry into the German market.• But it also provides Elmut with a detailed frame of reference and improves the environment for new businesses to survive.

PORTER DIAMOND

FACTOR	TYPE	INSIGHT	IMPLICATION for Elmut
CHANGE	CHANGE	<ul style="list-style-type: none"> • Factors that are hard to foresee and when they occur fall outside the realm of influence by industry players. • These factors interfere with all other factors. • Examples are pure radical innovations, wars, (geo)political moves, rapid swings in the financial markets, discontinuities in supply costs such as oil, surges in demand and other radical technological changes. • Online stores have become more popular as nearly a third of pet owners have changed their daily purchasing habits since the outbreak of COVID-19. 	<p>BASIC</p> <ul style="list-style-type: none"> • The changing purchasing habits of German pet owners have made Elmut, which has online stores, more competitive. • War and political instability may stimulate consumers to stock up and significantly increase Elmut sales. • However, these uncertainties can also increase Elmut's costs, including transportation costs, raw material costs and labor costs.

OLI FRAMEWORK

FSA/CSA	FSA > OWNERSHIP (Elmut)	CSA > LOCATION (EU/DE)	FSA > INTERNALIZATION (Elmut)
ADVANTAGES	<ul style="list-style-type: none"> Elmut has control over the type of raw materials it uses. It can produce products at economies of scale. Flexible and no-commitment delivery system. Food cooked in a kitchen, not in a lab, lends personal touch, 	<ul style="list-style-type: none"> The largest labour pool in the EU and the German government is efficient in German workers are more motivated than their international peers, work longer hours per year, and have fewer days off per year due to labour conflicts than those in other European countries. There is a good logistics network in Germany, so there shouldn't be any hinderance in delivery to consumers. 	<ul style="list-style-type: none"> Since Elmut is not a very big company aka it does not have enough sales revenue, it does not make sense to go for FDI. It faces high competition from existing players Mars, Nestle, Deuerer who have a good market share.(48.3%)
IMPLICATIONS	<p>INTERNATIONALIZE => Yes EU => Yes Germany => Yes It should expand to German Market as the consumer behaviour and preferences are similar to that of France as evidenced by the CAGE framework.</p>	<p>OPERATION IN EU? => Yes OPERATION IN Germany? => Yes ENTRY MODE => Direct Exports PLAN => Sell and ship the products directly to German market.</p>	<p>ENTRY MODE => Licensing. PLAN => Have a licensing agreement with a local German pet food company which can handle the logistics and distribution.</p>

FSA / CSA MATRIX

FSA		FIRM SPECIFIC ADVANTAGES		IMPLICATIONS for Elmut/Lily's Kitchen
		WEAK	STRONG	
COUNTRY SPECIFIC ADVANTAGES	STRONG	<p>## Elmut</p> <ul style="list-style-type: none"> FSA: Weak Marketing Strategy/Weak Social Media presence. CSA: Strong infrastructure, active labour force, Mature pet food market, and sound laws and regulations. <p>## Lily's Kitchen</p> <ul style="list-style-type: none"> FSA: Not much online presence in Germany. CSA: Strong infrastructure, active labour force, Mature pet food market, and sound laws and regulations. 	<p>## Elmut</p> <ul style="list-style-type: none"> FSA: Good product quality, No preservatives used, cooked at low temperatures to preserve freshness, delivered across whole France.(DIFFERENTIATION) CSA: Strong infrastructure, active labour force, Mature pet food market, and sound laws and regulations. <p>## Lily's Kitchen</p> <ul style="list-style-type: none"> FSA: Grain-free, fish, beef, chicken, turkey, and salmon are just a few of the many options available. To keep the food fresh, dry food packaging is 100% compostable and has a resealable function. (Generic Strategy) CSA: Same as Elmut+Extensive Pig Farming. 	<p>GENERIC STRATEGIES</p> <ul style="list-style-type: none"> FOCUS => PRODUCT / MARKET COST LEADERSHIP DIFFERENTIATION <p>## ELMUT: Current Strategies: Cost Leadership. (Weak FSA + Strong CSA) Future Strategies: Cost Leadership+Differentiation. (Strong FSA + Strong CSA)</p> <p>## Lily's Kitchen: Current Strategies: Generic Strategy: Cost Leadership+Differentiation. (Strong FSA + Strong CSA) Future Strategies: Generic Strategy: Cost Leadership+Differentiation. (Strong FSA + Strong CSA)</p>
	WEAK	<p>## Elmut</p> <ul style="list-style-type: none"> FSA: Weak Marketing Strategy/Weak Social Media presence. CSA:Slight language barrier. <p>## Lily's Kitchen</p> <ul style="list-style-type: none"> FSA: Not much online presence in Germany. CSA: Slight language barrier. 	<p>## Elmut</p> <ul style="list-style-type: none"> FSA: Good product quality, No preservatives used, cooked at low temperatures to preserve freshness, delivered across whole France.(DIFFERENTIATION) CSA: Slight language barrier. <p>## Lily's Kitchen</p> <ul style="list-style-type: none"> FSA: Grain-free, fish, beef, chicken, turkey, and salmon are just a few of the many options available. To keep the food fresh, dry food packaging is 100% compostable and has a resealable function. (Generic Strategy) CSA: Slight language barrier. 	

UPPSALA

	INITIAL ENTRY MODE	FINAL ENTRY MODE	IMPLICATIONS for Elmut/Lily's Kitchen
Elmut	<ul style="list-style-type: none"> • Export via independent sales representative.(Direct Exports) • Licensing. • Franchising. 	<ul style="list-style-type: none"> • Establishment of overseas sales subsidiary • FDI(Shared Ownership) • Strategic Alliance. 	<ul style="list-style-type: none"> • We pick Direct Exports over Indirect Exports because of the amount of control it allows Elmut specifically in terms of distribution, branding and pricing. • Use non-equity mode(initially) of entering the German market. If the venture is successful, Elmut should proceed to FDI stage aka Shared Ownership mode because it is a small company, so making whole greenfield Investments is not advised. • For a company like Elmut, this allows it to weigh "more heavily" against the large groups operating on the market.
Lily's Kitchen	<ul style="list-style-type: none"> • Establishment of overseas sales subsidiary. • Shared Ownership Mode. • Strategic Alliance. 	<ul style="list-style-type: none"> • Full Ownership Mode. • Establishment of foreign manufacturing subsidiaries. 	<ul style="list-style-type: none"> • We advise Establishment of overseas sales subsidiary because Lily's Kitchen is a well known brand in UK and was acquired by Nestle in 2020 for about £100 Million, so branding, pricing and capital is not an issue for Lily's Kitchen. • Once Lily's Kitchen gets some market share in the German Market, it can set-up its own whole greenfield investment, which would give it full ownership advantage. • Lily's Kitchen has a partnership with the largest pet food retailer in Germany (Fressnapf) but the brand is more focused on online selling than offline.

SWOT ANALYSIS FOR ELMUT

Elmut Swot

FINAL RECOMMENDATIONS

1. **Based on Porter's Five Forces Analysis:**

Elmut can pursue diversification of products and a more transparent procedure.

Elmut can enhance the quality of its products in order to increase consumer loyalty.

Elmut may invest more in product packaging and image to boost its market appeal, and concentrate on high-quality, useful, and customizable items.

Elmut must constantly watch market trends and segment its products to identify unmet requirements.

Elmut is capable of providing tailored healthy, nutritious meals for dogs and superior service.

2. **Based on CAGE Framework Analysis:**

Elmut, as a French corporation, should take care to adhere to local social conventions and standards when conducting business in Germany, therefore assimilating to the local culture.

Germany and France have a close administrative, geographic, and economic relationship, as well as a comparable culture. Germany is an excellent location for Elmut to build their business internationally.

3. **Based on OLI Framework Analysis:**

It should expand into the German market, as customer behaviour and preferences are comparable to those in France, as demonstrated by the CAGE framework.

It should directly sell and send items to the German market.

Since Elmut is not a large firm, it lacks sufficient sales income to qualify for FDI. Rather than FDI, it should enter into a license arrangement with a local German pet food manufacturer that can manage logistics and distribution.

4. **Based on the CSA/FSA Matrix Analysis:**

We can conclude that Elmut has a cost differentiation strategy as of now(Weak FSA/Strong CSA) and it's future strategy should be Cost Leadership+Differentiation. (Strong FSA + Strong CSA).

5. **Based on Uppsala Model Analysis:**

We prefer direct exports over indirect exports because they provide Elmut greater control over distribution, branding, and price.

Utilize a non-equity form of entry into the German market initially.

Elmut should progress to the FDI stage, also known as Shared Ownership, if the endeavor is successful, as it is a young firm and making full greenfield investments is not encouraged.

This expansion model enables a firm like Elmut to compete "more vigorously" against the market's huge organizations.

