



ANALYSIS OF THE MARKET DEVELOPMENT OF HEALTH FOOD INDUSTRY IN TAIWAN

Hsiang-Ting Su

National Kaohsiung University of Science and Technology, Taiwan

ssu331@gmail.com

Abstract

This study aims to analysis the development of aging society that can create competitive advantages for the health food industry in Taiwan. Healthy aging has become a dietary trend. More and more health food will add vitamins, trace minerals and other elements. Health Food Company became an important industry in Taiwan to focus on the research and development and production of health food. This research discusses the economies of scale and rationalization of global based on comparative cost theory (David Ricardo, 1817). This research discusses that logistics supply and manufacturing strategies of new market development is a necessary condition for health food company transformation. Health food industry has to enhance R&D capabilities and strengthen channels in the future. Joining the new generation of various online platform channels is the trend of market adjustment, and the marketing department must strengthen various product strengths.

Keywords: competitive advantages, health food industry, comparative cost theory, market development

Introduction

Background

According to the Mintel Research Company survey (in Taiwan), the dietary trends in 2019 include three themes of sustainable development, healthy aging, and convenient eating. The research surveys are

mainly based on questionnaire statistics, interviews with representative domestic industry players and expert seminars for analysis and compilation. Then estimate the overall output value in 2017. In 2017, the overall output value of health food reached 77.5 billion dollars. The output value of various source health foods, the output value of microbial-derived health food accounted for about 28.1%, the output value of plant-based or herbal-derived health food accounted for about 17.2%, and the output value of animal-derived health food about 9.6%, the output value of cereal-derived health food accounted for about 15.1%, health oil products accounted for about 4.8%, and other types of health food about 25.2% (Mintel, 2017).

Health Food Company was established in 1973 and became the first company in Taiwan to focus on the research and development and production of health food. Forty years, adhering to the sustainable business philosophy of using professional people to do professional things, caring for life, and honesty. To provide “natural materials, healthy and unburdened” nutritious health food, and strive for a health and high-quality life for humans. Gathering talents in biochemistry,

biotechnology, food, pharmacy, nutrition, dermatology and modern enterprise management. We have our own ISO 22000 food factory and laboratory, with strong independent research and development capabilities, the highest specification GMP fully automated production line and the most rigorous quality control standard. To provide world-class high-quality health food to countries in Europe, America and Asia. And it has obtained the NSF-GMP mark certification of the United States, and its products are distributed in Europe, the United States, China, the Middle East and Southeast Asian countries.

Situation Analysis And Development

An international market research company (Euromonitor’s survey), predicts that the health food market in Asia will be valued at US\$89.63 billion dollars in 2021, Due to the increase in disposable income, coupled with the rapid increase in work pace, unbalanced nutrition, high medical expenses and other factors, people are willing to buy insurance policies for health, and the demand for functional foods and beverages continues to grow. The global healthcare products market reached US\$204.8 billion dollars in 2017, with a compound annual

growth rate of 6.3%. The rising health awareness of the global population ageing and the rise of consumption in the Asia-Pacific market are three major trends redrawing the global healthcare landscape. The overall healthcare expenditure in the Asia-Pacific region is expected to more than double by 2050. From another perspective, this data will undoubtedly provide great opportunities for both alternative therapies and the nutritionally fortified food market.

The healthcare products market in the Asia-Pacific region is expected to grow by 7.4%. The United States has the most active health care market in the world, while the United Kingdom, Germany, France and Italy are the main European markets. The Asia-Pacific region is expected to become the region with the largest market share after the North American health care market. Among them, China and India are more higher developed. From 2013 to 2018, the entire health care product raw material market is expected to grow by 7.2%. Driven by factors such as market demand, technological progress and management updates, health care product industry of China has huge business for development.

Industry Analysis

Most industries have faced extremely severe competition recently. Health food category includes functional food, health food, dietary supplement food and specific nutrient food. Most companies are trying to reduce costs, improve quality, develop new products, seek new markets, carry out strategic transformation, or to adjust the scope of business, and look forward to achieving long term, high profit and high growth outstanding performance in improving its competitive position. Therefore, how each company can sustain its industry in society, how to stand firm among many competitors and maintain its competitive advantage is a very important topic. Companies must have countermeasures to survive in this competitive environment and create competitive advantages in the industry.

Comparative Cost Theory

The Classical Theory of the International Trade, also known as the Comparative Cost Theory, was first formulated by Ricardo, the theory is also known as comparative interest theory, based on the differences in production costs of similar commodities in different countries. Ri-

cardo believes that production costs differ in countries because of geographical division of labor and specialization in production. Due to differences in climate, natural resources, geographical situation and efficiency of labor, a country can produce one commodity at a lower cost than the other. Even if a country cannot produce a product, as long as it can produce a relatively low-cost product, it can trade with another country and benefits. In this way, each country specializes in the production of that commodity in which its comparative cost of production is the least.

Comparative cost refers to the cost comparison after setting parameters for different manufacturers, different production regions, different seasons, and different circulation regions. Comparative cost theory is more instructive than absolute cost theory. The comparative cost theory was developed on the basis of the absolute cost theory. Ricardo believes that each country does not necessarily have to produce a variety of commodities, but should concentrate on producing those commodities with greater benefits or less disadvantages, and then through international trade, capital with the same labor force, the total production quantitation will increase and the

international division of labor formed in this way is beneficial to trading countries. In other words, in different countries, different products (or parts) are handed over to each manufacturer to produce, and then assembled in a factory in a certain country, which has the advantage of lower cost.

Competitive Strategy

The competitive strategy consists of the business approaches and initiatives undertaken by a company to attract customers and to deliver superior value to them through fulfilling their expectations as well as to strengthen its market position. This definition of Thompson and Strickland emphasizes on “approaches and initiatives” of managers in defining strategy. This means that competitive strategy is concerned with actions that managers undertake to improve the market position of the company through satisfying the customers. The concept of competitive strategy has a competitor-orientation. The competitive strategy includes those approaches that prescribe various ways to build sustainable competitive advantage (McGee and Sammut-Bonnici, 2018). The competitive strategy is to win the customers’ hearts through satisfying their needs

and finally to attain competitive advantage as well as out-compete the competitors (see Figure 1).

The structure and value chain differences between products and products, as well as between customers and customers, tend to adopt a narrower industry definition (see Figure 2). Therefore, dividing the industry scope is a process of categorizing by exploring the structural differences within the industry. The interactive relationship between industrial blocks and business units will create a broader industrial defi-

nition. Kotler (2012) pointed out that the industry is composed of a group of companies with similar and mutually replaceable products or services. Products in the market are consistent or interchangeable (Williamson, 1991). Porter (1980) also pointed out an industry is a group of manufacturers that products and sell them to customers with highly alternative products. The health food industry is the market, and that both of the supply and demand are engaged in the buying and selling of certain products (Williamson, 1985).

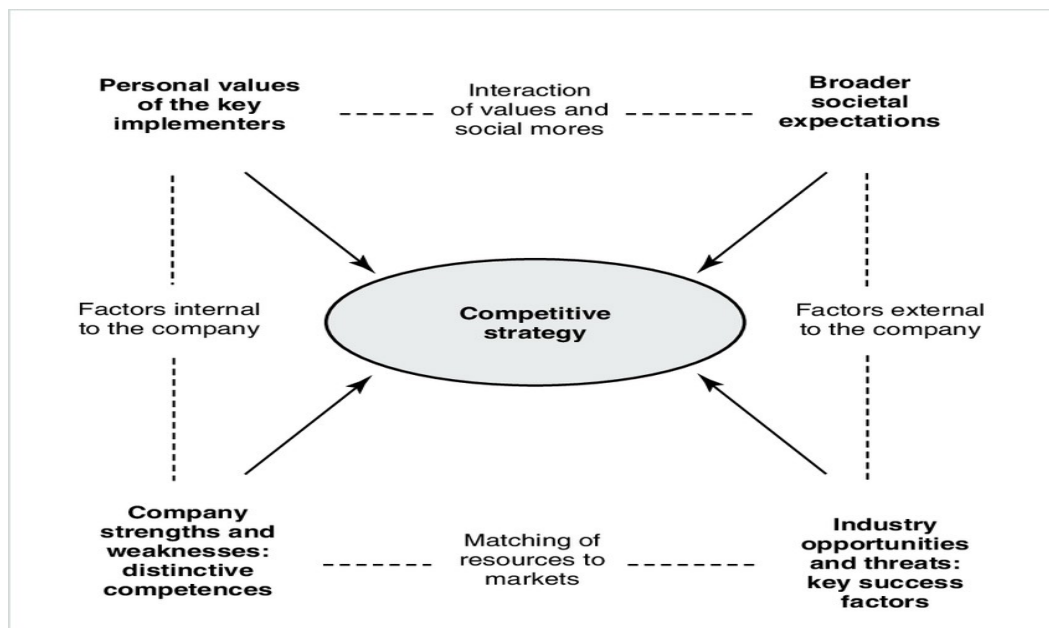


Figure 1. An overview of the influences on competitive strategy
(McGee and Sammut-Bonnici, 2018)

Four Types of Competitive Strategy Michael Porter's Four Generic Strategies



Figure 2. Types of competitive strategy (Porter, 1980)

Environment Analysis

OEM (Original Equipment Manufacturer) mainly obtains related products from the original factory, and produces some products and components through the development of related development technology and processing technology, then purchases from the original factory to the relevant product factory or purchases some original. The relevant raw materials are assembled and shipped to the original factory. ODM (Original Design Manufacturer) is the addition of the design concept. This means that the original

factory only provides the concept and specifications of the product that the ODM factory wants to develop and then the ODM factory is responsible for the design and development of the follow-up. For the original factory to choose and the product is entrusted after negotiation with the original factory. Different production strategies will generate corresponding total manufacturing costs, total manufacturing cost of different production shows as Figure 3 (Bowerson, et al. 2013). The report made by the Grain Research Institute in 2017, the current situation of the domestic health food industry shows as Figure 4 .

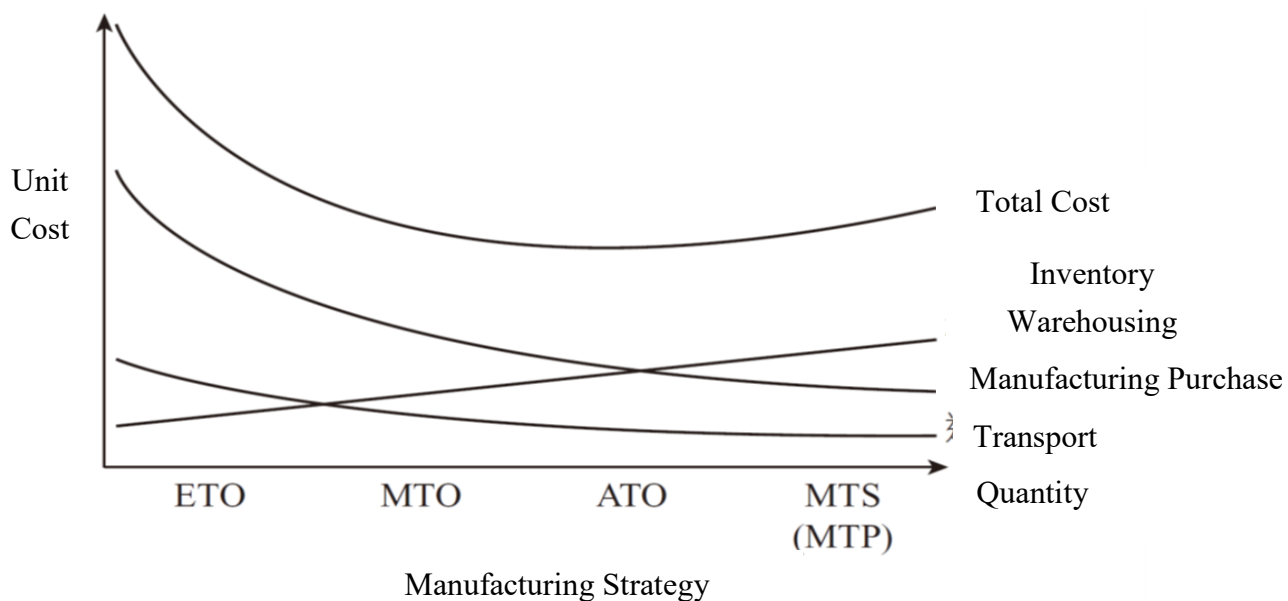


Figure 3. Total manufacturing cost of different production (Bowerson, et al. 2013)

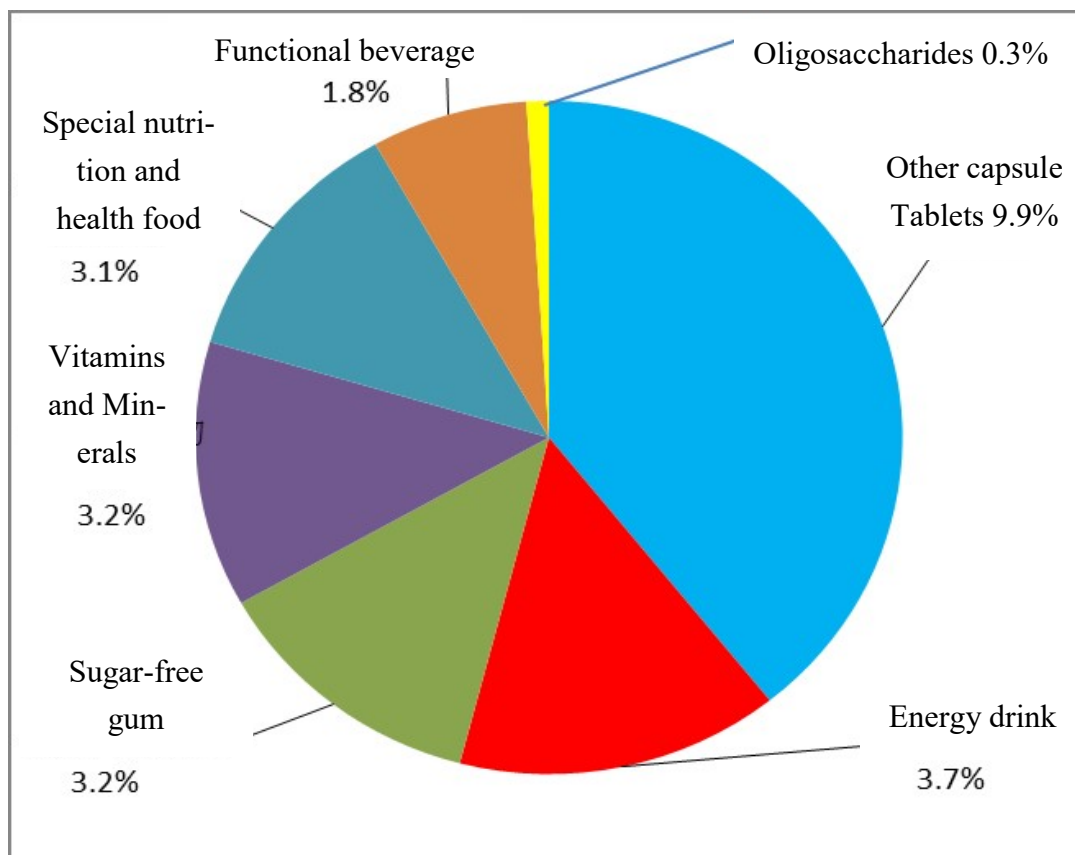


Figure 4. Grain Food Industry Research Institute (2017)

Competitive Analysis

SWOT Analysis (see Table 1.)

Table 1. SWOT Analysis (This Research Analysis)

Internal Conditions	Strength	Weakness
	<p>S1. High product quality and raw material control</p> <p>S2. High mobility of personnel and equipment</p> <p>S3. Importing with own manufacturers can reduce costs</p>	<p>W1. High advertising costs for new product launches</p> <p>W2. New equipment familiarity and insufficient operating experience</p> <p>W3. Competition in the domestic market is high, and channel promotion is limited</p>
External Factors		
Opportunity	Strength-Opportunity	Weakness-Opportunity
<p>O1. Can be sold in various packaging</p> <p>O2. Channel internationalization, Southbound project</p> <p>O3. Raw material product patent right</p> <p>O4. Various types can focus on high-end customized products</p>	<p>S1.S2.O1. Personnel's technical and equipment capabilities</p> <p>S1.O1.O3. Strengthen the training of business personnel and product characteristics, which is conducive to marketing</p> <p>S1.O1.O2.O3. Competitors turn into cooperative partners</p>	<p>W1.O1. Use domestic and foreign, self-media and exhibition promotion</p> <p>W2.O2. Utilize relevant government units to combine industry resources</p> <p>W3.O1.O2.O3. Development and diversified development</p>
Treat	Strength-Threat	Weakness-Threat

<p>T1. A lot of market competition T2. Frequent changes T3. Equipment and R&D capabilities</p>	<p>S1.S2.S3.T1.T2. Work closely with associations of government agencies to use the application project plan S2.T3. Alliances and develop, jointly start courses and learn from each other S1.S2.T1.T3. Merging educational institutions and exhibitions to seek technological value</p>	<p>W1.T1. Mutually beneficial resources for cooperation with learning industry and academia W2.T2. Actively cooperate with the national research and development plan, and combine training center W3.T3. Network industry and university research projects, providing research and development capabilities and mutually beneficial supply and demand</p>
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Marketing Analysis (see Table 2.)

Table 2. Marketing Analysis (This Research Analysis)

SWOT TOWS	Targeting	Advantage Products	Potential Customers	Marketing Strategy
S1.S2.O1. Use packaging design to target consumer groups	International high-end health food market	Multi-dose equipment	OEM cooperation at domestic and abroad	Cross industry alliance
S1.O2.O3. International exhibitors found foreign customers		R&D technology	Direct Selling Developer	Industry and University Cooperation

S3.O3.O4. Use collaboration platform and association promotion				Domestic and foreign trade fairs
S1.S2.S3.O1.O3. Diversity of R&D and equipment capacity promotion				Cooperation with international network channels

Conclusion

When a country enters into trade with some other country, it will export those commodities in which its comparative production costs are less, and will import those commodities in which its comparative production costs are high. With the advent of an aging society, healthy aging has become a dietary trend. The World Health Organization (WHO) estimates that from 2015 to 2050, the proportion of the world's population over 60 years old will double for 12% to 22%. The aging society is about to sweep the world. Since aging cannot be avoided, healthy aging has become the focus. One of the three major dietary trends revolves around the theme of "healthy aging" in 2019. Therefore, supplementing

with sufficient nutrition, flavor, and easy absorption is the core of the older diet. More and more health food will add vitamins, trace minerals and other elements to improve the functions of bones, cardiovascular, brain and other organs. Mintel's survey shows that up to 55% of Poles over 55 years old use nutritious foods for heart health.

Health food also has spillover effects. In addition to the elderly, many middle-aged and even young people will eat it. As many as 53% of Chinese parents with 4-12 year olds at home said that they would buy health food that help their children to develop their intelligence. Health food should be marketed with beauty and personal care products. The target group should not be lim-

ited to the older group, but target all consumers who want to maintain their bodies. In addition, in order to consumers to have positive thinking, the language used in marketing should also use more positive vocabulary, such as young and youthful words. Instead of using words such as “anti-aging”. Convenient food frees up consumer time, which is the most lacking in modern society. Every day, every hour, and every minute are filled with itineraries. This has not prevented modern people from demanding food quality. To save time and eat healthy and satisfying at the same time, an important factor influencing convenience has become the core of the diet trend in 2019.

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