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Executive Summary

Introduction of Hormel Foods Cooperation

The company was built in 1891 by George A. Hormel and his business partner, Albert Friedrich, who was an expert of retail. In the 1910s, the company expanded in many U.S. states and started to export to England. Today Hormel Foods stock is listed on the New York Stock Exchange as HRL and about 11,600 people own that stock. Now, the company concentrates on international business, by firming the Hormel Foods International Corporation. Through the corporation, Hormel Foods exports more than 2,000 manufactured goods to forty countries. To keep their reputation as a longstanding company, Hormel Foods aims towards their future developing visions and seek those things.

SWOT Analysis

Hormel Foods Corporation has three big strengths. The first strength is their robust financial performance. In addition, the company focuses on research and development, so company establishes a competitive advantage in same field. Furthermore, the company has a broad and diversified portfolio. This diversity division provides gradual revenues. However, Hormel Foods is dependent on a few customers. In addition, the company has geographic weaknesses. That’s the weakness of the company. The number of vegetarian is increasing and the importance of China markets is getting bigger. If the company follows this tendency they can get more revenue. In recent years, not only the price of raw materials, but also fossil fuels is increasing. This fact can be a treat to the company, so they have to take defensive measures.

Global Market Expansion and Challenges

The company tried to export the products to England in 1905, and in 1917...
Hormel began exporting products in a full scale. In addition, Hormel Foods International Corporation was established in 1967, and now the corporation has six joint ventures, five licensees, and one subsidiary across the sea. In addition, the company made world food ethnic brands, such as MegaMex Foods.

The strong food company, Hormel Foods Corporation, struggled with a problem when they embarked on an international business. First of all, the criteria of taste was a big problem. However, through the field studies they learned each nation’s tendency of taste and cultural preference. Furthermore, Hormel Foods Corporation had a problem with making the standard of transfer limit between international partners and sometimes it makes discords. To decrease conflicts, the certain standard will need to be adjusted to fit many other countries’ partners.

*Industry*

Food processing is the method and technique in which raw ingredients transform into manufactured foods. In the past, the food processing industry was focused on one process. However, today people are interested in healthy foods. To meet customers’ demands, the industries redevelop healthy products.

*Competitors*

Hormel Foods Corporation has many competitors, such as processed food companies and processed meat companies. The main four competitors are ConAgra Foods, Kraft Foods, Tyson Foods, Smithfield Foods and they build their Strategies for the Differentiation.

*Recommendations*

To keep their reputation, Hormel Foods has to make short and long term plan. First of all, they have to change their packages. In addition, Hormel Foods should take advantage of internet web sites. With viewing business from a long-term
perspective, the company has to find supply roots of raw materials with constant cost. Furthermore, the company has to concentrate on partner countries’ culture. In addition, the company refrains from focusing on five typical products line. To keep lasting revenue, the company should reinforce the other products lines.

**Introduction of Hormel Foods Cooperation**

**History**

Hormel Foods Cooperation is one of the most longstanding companies in the world. The company was built in 1891 by George A. Hormel and his business partner, Albert Friedrich, who was an expert of retail. At that time, George named his company George A. Hormel & Co. They dealt with eggs, poultry, and wool. In the 1910s, the company expanded in many U.S. states and started to export to England. Since he opened his company, the Hormel Foods Cooperation gradually developed their manufacturing system and new products. For example, the company made America’s first canned ham in 1926 and then created SPAM, which is one of the most famous canned ham products. In 1945 Hormel supported World War II by giving their products to U.S. Government. In the 1950s, the company went international to Ireland, Venezuela, Canada and England. However, the strong company had little a problem in 1985, because the workers went strike, and the consumers boycotted Hormel Foods. However, the company solved the problem by hiring other workers who were paid low wages. Finally in 1993, the company changed their name to “Hormel Foods Cooperation.”

**Current and Future profile**

Today Hormel Foods stock is listed on the New York Stock Exchange as HRL

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1 en.wikipedia.org
and about 11,600 people own that stock. Also, according to the 2007 reports, the company employs more than 18,500 people. Now, the company concentrates on international business, by firming the Hormel Foods International Corporation. Through the corporation, Hormel Foods exports more than 2,000 manufactured goods to forty countries. In addition, they also focus on research and development, due to fit the rapidly changing consumer needs.²

Along with meat products, Hormel Foods now sells shelf-stable microwaveable entrees and frozen processed foods. The company sells their products through internet shopping mall, retail, foodservices and wholesale markets.

To keep their reputation as a longstanding company, Hormel Foods aims towards their three future visions. First of all, they emphasize integrity because of social responsibility. In the same context, the company stresses for philanthropy to give positive effect on all communities. Furthermore, Hormel Foods keeps innovation, according to consumer needs and by hiring high quality employees, rather than sticking to the traditional manufacturing manner.

**SWOT Analysis**

**Strengths**

Hormel Foods Corporation has three big strengths. The first strength is their robust financial performance. Due to robust investment, the company can consolidate, mange, and expand their business. In addition, the company focuses on research and development, so they hold many foreign and forty eight U.S. patents. For this reason, the company establishes a competitive advantage in same field. Furthermore, the company has a broad and diversified portfolio: including grocery products,
refrigerated foods, etc. This diversity division provides gradual revenues.\(^3\)

**Weaknesses**

Hormel Foods is dependent on a few customers. The company concentrates on five of the largest products line. So, if they lose one or more of the top product line customers, they may suffer from a segment or financial crisis. In addition, the company has geographic weaknesses. Although the company has an international corporation, they still depend on the domestic market. The growth the of U.S. market has limits, and there are so many competitors, such as Smithfield Foods, Tyson Foods, ConAgra Goods, and Kraft Foods. Therefore, a high dependence on the U.S. market can be an obstacle to pursue sustained growth of Hormel Foods.\(^4\)

**Opportunities**

Almost all people across the globe are starting to prefer organic foods, because they want to stay healthy. To satisfy their preference, Hormel Foods launched a “Hormel Natural Choice” products line, which is made of natural ingredients. If this tendency continues, and Hormel tries to keep this, the company can increase their revenue. Furthermore, the food market in China gets bigger and bigger as the demand of Chinese rapidly increases. The middle class market in China is the same as the total U.S. market. To go with flow, the company set up an “Idea and Innovation Center” in China. Their a new challenge gives new opportunity to get more revenues.\(^5\)

**Threats**

In recent years, not only the price of raw materials, but also fossil fuels is increasing. Because the company focuses on the manufacturing of meat and flour, the

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\(^3\) Datamonitor.com  
\(^4\) Datamonitor.com  
\(^5\) Datamonitor.com
increasing commodity costs can be a threat. Furthermore, many Americans and Europeans are shifting their diet to vegetarians, so the demand for vegetarian food is increasing. This trend could have a negative impact on the company’s business. In addition, due to the fact that the company started a global business, the company has to fulfill the standards of many different countries. Besides, the company has to follow food safety standards of the U.S. Food and Drug Administration and other state and local authorities. The demand to modify different standards can be a barrier to their business because it is time consuming to make many standards, and that makes it hard to pursue rapid consumer needs.\(^6\)

**Global Market and Challenges**

Hormel Foods Corporation is a worldwide food product distribution company. The company tried to export the products to England in 1905, and in 1917 Hormel began exporting products in a full scale. In addition, Hormel Foods International Corporation was established in 1967, and now the corporation has six joint ventures, five licensees, and one subsidiary across the sea.\(^7\)

The joint ventures are located in Australia, Mexico, the Philippines, Japan, and China. Especially the joint venture in Australia was changed to a wholly-owned subsidiary of Hormel Foods International Corporation, and the Purefoods-Hormel Company in the Philippines is the largest venture outside of the U.S. market. This is because the nations prefer not only ham, but also shelf-stable items that are imported from the United States. In China there are two joint venture partners.

Furthermore, there are license partner companies in Denmark, the United Kingdom, Panama, Poland, and South Korea. As licensees, the companies choose the

\(^6\) Datamonitor.com  
\(^7\) hormelfoods.com
products that they want to sell, according to their domestic markets’ tastes. They then, manufacture, sell, and distribute those particular products. For example in South Korea, Hormel Foods established a license agreement with CJ Corporation, which is one of the biggest foods manufacturers in South Korea. They focus on only SPAM products, because the other foods are too salty and oily for Koreans. Therefore, SPAM is used to make traditional Korean dishes.\(^8\)

In addition, the company made world food ethnic brands, such as MegaMex Foods. South and North Americans like Mexican foods. In addition, many Asians are interested in exotic and spicy Mexican foods. For these reasons, a launched Mexican food line was a perfect global expansion strategy, and it helps to increase the revenue of Hormel Foods Corporation to an extent.\(^9\)

**Challenges**

The strong food company, Hormel Foods Corporation, struggled with a problem when they embarked on an international business. First of all, the criteria of taste was a big problem. Because the company deals in canned products, they have no choice but to add a lot of salt. However, Asian consumers don’t like salty food. For this reason, the consumers avoided the products. Therefore, the company started to field studies in the Americas, Asia-Pacific, China and Europe. Through the field studies they learned each nation’s tendency of taste and cultural preference. For instance, in Korea, the company reduced the amount of salt and changed the hard, canned package to an aluminum one in order for the consumer to easily open the can.

Furthermore, Hormel Foods Corporation had a problem with making the standard of transfer limit. Now, the company has three types of international business

\(^8\)cj.net

\(^9\)hormelinternational.com
partners: joint ventures, licensees, and a subsidiary.\(^{10}\) Sometimes they select a direct sale strategy. As expanding partners, the different criteria of right on marketing, sales, manufacturing, and distribution of revenue makes conflict between Hormel Foods International Corporation and many other partnership companies. To solve the problem, the international corporation made some clear standards according to their partnership type. The subsidiary company’s right is wholly connected with the Hormel head office. The joint ventures’ have the processing, marketing, and sales right, and licensees enter into a technical partnership with marketing, and sales rights on typical products. However, these terms of contract can sometimes be broken, according to the international partners’ stand point. To decrease conflict, the certain standard will need to be adjusted to suit many other countries’ partners.

**Industry Analysis**

Food industry has a limitless potential market, because the demand of food increases steadily. The food industry includes research and development, financial services, manufacturing, agriculture, food processing, marketing, whole-sale and distribution. However, the Hormel Foods Corporation focuses on their food processing industry. So, from now on, the food processing industry analysis is concentrated.

Food processing is the method and technique in which raw ingredients transform into manufactured foods. In the past, the food processing industry was focused on one process, such as slaughtering, fermenting, sun drying, and preserving with salt. Furthermore, preserving is the most important goal of the industry.\(^{11}\)

\(^{10}\) hormelfoods.com

\(^{11}\) En.wikipecia.org
However, today people are interested in healthy foods. To meet customers’ demands, the industries redeveloped healthy products. For example, almost all food companies, including Hormel Foods, started to use organic, raw materials as well as marking the ingredients on the packages. Furthermore, they added enhancers, such as Vitamin C, Vitamin D, and Glucosamine.

**Competitor analysis**

Hormel Foods Corporation has many competitors, such as processed food companies and processed meat companies. This is because the company deals with couch foods, processed meat, and ham. Although the company and others sell similar products, each company has its differences by choosing their own particular manufacturing and sales strategies.

**ConAgra Foods, Inc.**

ConAgra Foods is the largest packaged foods company in North America. The company deals not only in frozen dinners, but also in a wide array of food products, such as cooking oil, sauces, and cocoa. The company focuses on two businesses, such as consumer foods and commercial foods. ConAgra Foods takes up more than ninety seven percent of America’s households. In addition, the commercial foods are bought by many other countries’ restaurant and food service chains.\(^{12}\)

**Kraft Foods Inc.**

Although Kraft Foods started their business as an ice cream business, likewise, the other shops the company trades in retort pouch. Also, the company produces dairy products, confectionery products, and teas. The company differentiates their products by driving down costs, while keeping high quality. Kraft Foods has tried to expand their company worldwide. According to their effort, the company

\(^{12}\) conagrafoods.com
markets their products in more than 155 countries and consumers are satisfied with the products.\footnote{kraftrecipes.com}

**Tyson Foods, Inc.**

Tyson Foods is the world’s second largest producer and marketer of meat products. The company adds value to raw chicken, beef and pork by adding seasoning. Tyson Foods markets the products through retail grocers, broad line food service distributors, and many fast food restaurants. The company also begins global business, so they make dual-language packages and research the international market.\footnote{tyson.com/Corporate/}

**Smithfield Foods, Inc.**

Smithfield Foods is the biggest pork producing and processing company. The company concentrates on domestic, west Europe, and Mexican markets. In addition, the company makes differences by setting strict criteria of animal slaughter and they stress on animal welfare. Besides, the company develops a good way to make delicious and nutritious meat to keep their business on top.\footnote{smithfieldfoods.com}

**Recommendation**

**Short Term Recommendation**

In the competitive industry situation, Hormel Foods Corporation has to make their particular business strategies to survive. First of all, they have to change their packages. Today, they use a minimum amount of cheap paper, plastic, and cans to reduce the amount of artificial products and costs. However, that makes it hard for consumers to open their packages. For example, the SPAM can is hard to take ham out of the can. Furthermore, the frozen foods’ container becomes too hot to grab after
heating the food in the microwave. For this reason, changing the package will be helpful to increase sales volume.

In addition, Hormel Foods should take advantage of internet web sites as an advertizing method. Everybody in the world can use the internet everyday and everywhere, so using the internet can make a big ripple effect. Actually, their homepage is already well structured. For example, the company posted a recipe for Hormel products. However the recipe is too old and limitative. If Hormel Foods concentrates on internet methods and uploads more recipes, international customers will be introduced to Hormel products and naturally, they will expand their markets.

**Long Term Recommendation**

To keep their reputation, Hormel Foods has to make long term plan. First of all, the company has to find supply roots of raw materials with constant cost. This is because the food processing industry relies on the supply price of the raw materials. The rival company, Smithfield contracted with many slaughter houses, so the company can get pork, beef, and chicken with proper price. For this reason, Smithfield can keep constant revenue even if the price of the raw materials increases in a finance panic.

The company tends to turn to U.S. markets, and the products are made according to Americans preference tastes. For these reasons, the rate of increase has slowed recently. To solve this problem, the company has to concentrate on partner countries’ culture. The standards of tastes vary with cultures. Now through the field studies, they learned the trend of tastes in the partners’ country. However, the company still stuck to the traditional recipe of their products. If they keep stick their recipe, they cannot expand their markets. To increase revenue, the company has to establish local research and observing branch in partners’ countries and keep research
the trend of the countries and change the recipe according to consumers needs.

Furthermore, the company refrains from focusing on five typical products line. The company relies on certain products line, such as Hormel, SPAM, and Jennie-O Turkey store, etc., so, when a line gets in a trouble, the whole company also got big damage. To keep lasting revenue, the company should reinforce the other products lines.

**Conclusion**

Since 1891, Hormel Foods has lead food industry. Sometimes the company struggled because of the strike and boycott. However, the company wisely solved the problem and it gained fame in society. Furthermore, they keep research and invest on their business to follow markets’ needs, so it helps the company can still alive. As time goes on, the consumer demands many things, such as vegetarian meals, ethnic traditional foods, and organic products to Hormel Foods. To meet their needs, the company keeps research on many fields. If the company does that, they can be alive more than 100 years.
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