



TURUN AMMATTIKORKEAKOULU
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Bachelor's Thesis

**MARKETING STRATEGY RESEARCH
FOR HUBEI CEREAL, OIL AND
FOODSTUFF IMPORT AND EXPORT
CORPORATION**

Song Ya

International Business

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THESIS

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Author: Song Ya	
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<p>China is not only a country with a large population, but also a big country of cereals and oil production, processing and consumption. China's processing ability is the largest and the relative enterprises are the most in the world. Since China has joined the WTO (World Trade Organization), the market has been more open. Domestic economy has increasingly become an entirety with the other parts of the world. On one hand, the economic power has gradually caught up with some advanced countries. On the other hand, a large number of big multinational corporations have entered Chinese domestic market that has made the competition fiercer. It is unavoidable for every domestic corporation to deal with the competition problems in order to survive and enhance the market share and competitive advantages. Therefore, the construct of the company should be reformed and the strategy should be adjusted according to the market changes.</p> <p>Hubei Cereal, Oil and Foodstuff Import and Export Corporation (hereinafter referred to as Hubei Cereal and Oil Corporation) was born of the traditional central planning economy system, and has been the leading cereal and oil corporation in Hubei Province for a long time. However, the circulation system innovation of the cereal in China has been put forward progressively and has more contacting with the international market. The market situation has profoundly changed and the competition has been increasingly extensive in the industry. With the purpose of maintaining and developing the competitive advantages, according to the industry environment, this corporation has to take advantage of the owned resources and capability, use advanced management theory and establish the comprehensive marketing strategy.</p> <p>Integrated with the basic theory of the marketing strategy and my understanding of the related theories, this thesis has deeply analyzed the internal and external environment of the corporation. According to my internship experience in this company, the thesis has also analyzed the core competence establishment, brand management and channel construction. The purpose is to provide theoretical basis for the sustainable development of the corporation. It can also be used as the consult and the use for reference for other cereal and oil corporations or other companies.</p> <p>This thesis is constitutive of five main aspects. It firstly is a brief introduction of the</p>	

background and description of the company, and summarizes the current situation of the research and development strategy. The thesis secondly analyzes the products, environment and market of the company using PEST analysis and competition structure analysis. It is an analysis on the subject of the core competence. The company has established its core competitiveness and marketing matrix while applying the theory of core competence into the corporation strategy planning. The fourth part is the building the marketing strategy for the corporation through the SWOT analysis, which putting forward the importance of brand and channel influence on the strategic development and assuming the way of brand building and channel improvements in accordance with the practical situation. The last section is the solutions and countermeasure about the potential problems appearing in the practical implementation of the developing strategy, such as human resource and corporation culture, etc.

Key words: cereal, oil and foodstuff, core competence, marketing strategy, branding, channel development

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1. Introduction

1.1 Research background

As the regional economies are fast integrating and the market competition is becoming increasingly global, the marketing strategy capability of enterprises has become the well-timed topic of both theory and reality. With China's accession to the WTO and entering the transition period, China's cereal, oil and foodstuff market is being gradually opening to the world market. The competition has been more intensive. In order to win more market shares, a large number of the domestic cereal, oil and foodstuff corporation choose to make strategic transition in the face of market opportunities and challenges in succession. (Wang Libing, 2011)

At present, there is a quite big gap between the Chinese cereal and oil corporations and western developed countries in terms of enterprise competence. The future status of market and competition assumes as the domestic market internationalization and domestic competition globalization. In this way, Chinese cereal and oil corporations are faced with serious challenges. They generally have the widespread problems of weak technology and limited resources in current situation. However, the more noteworthy thing is that many corporations have not introduced advanced marketing concepts or have not specified appropriate marketing strategies. It leads to a waste of resources and weaken the competitive power. As a result, the cereal and oil corporations in China must carefully analyze the source and formation of the core competitiveness, as well as formulating corresponding marketing strategy which can maintain their survival and development space.

In the more complicated and changeable internal and external environment, the development of cereal and oil corporations in China arise the following characteristics:

The scale of the enterprises and the span of management are growing, there are more and more management levels.

The changes in these three aspects have made the effectiveness and efficiency of management become especially important in large sized enterprises. The previous management mode is no longer adapted to this kind of large-scale development, which requires the enterprises adjust their integrated application of internal resources from a strategic height in order to accommodate with the market changes. (Bai Meiqing, 2002)

The interdependence between the society and cereal, oil enterprises are more closed, the social responsibility has also been greatly improved. Considering the future development, enterprises must fully pay attention to the positive and negative influences of their activities on the society. Otherwise, the enterprises will finally shoulder the responsibilities and consequences for their own behavior. (China's Oil Processing Industry Development Situation and Future Direction Discussion, June 2011) Many enterprises have developed from one main business line to diversification of business. The competition among enterprises has transferred from the local and domestic areas to international and even global extents. In this condition, the industrial correlations and spread effect will surely affect and decide the developing prospect. Therefore, more and more enterprises have realized that it is necessary to formulate their own developing strategies so as to survive and improve. Making a corresponding competitive strategy and management, remaining competitive advantages should all start from analyzing the industry and the enterprise situations.

More complicated external environment is faced. Multiple factors influences are much greater than one single factor effect. Working behind closed doors or passive adaptation just like Qing Dynasty acted blindly irrespective of external circumstances in Chinese history can only lead to failures and further falling behind. Hence enterprises should devise correct and clear strategies to ascertain their positions, and

create their own advantages on the positions. China executes the socialist market economy currently, establishes modern enterprise system, making enterprises owning more autonomous rights. It also gives more opportunities to enterprises to select and implement the developing strategies based on the competitive advantages in accordance with the internal condition and external environment.

1.2 Research contents

The research comes up with the strategic development path of Hubei Cereal and Oil Corporation through the internal research and cereal and oil market analysis, including the core competitiveness construction, brand management and channel strategy. It can use as reference for those traditional old stated-owned small and medium-sized enterprises in China. The main contents of the research are divided into three parts: core competence analysis and construction, marketing strategy structure, and marketing strategy implementation.

1.3 Research Significance

In the background of increasingly intense market competition, there is a general trend that is enterprise structure reform and strategic restructure. The main contribution of this thesis is to provide the marketing strategy planning for Hubei Cereal and Oil Corporation in the next three to five years, demonstrating new developing opportunities in changed market condition. It also laid a foundation of the further promotion by analyzing the circumstance of market, competitors and itself.

As China is in the transition period after entering the WTO, cereal and oil market has opened to foreign companies and the competition has gradually aggravated. This company marketing strategy research has important practical significance. By means of the application of modern marketing strategy theory, it can give some advice to Chinese domestic companies for the developing way and provide reference for those

companies that didn't find a breakthrough point.

1 Literature Review

2.1 International theories

The developing process of strategic management has experienced three phases, which is classical strategic theory phase, industrial structure analysis phase (Porter theory) and core competence phase.

2.1.1 Classical Strategic Theory

The classical strategic management theory emerged in the 1960s, is the earliest theory about strategic management. The main characteristic of this theory is to emphasize enterprise strategy should adapt to the external environment that it meets the needs of the market, and the organization structure must adapt to the environment and change as the changes of strategy. In 1962, Chandler's book <strategy and structure> was published, the book studied the relationship between environment, strategy and organization structure, firstly opened the field of enterprise strategy research. Subsequently, the strategic structure was divided into two schools of thought: "Design School" and "Plan School".

Andrews, the representative of Design School, thought that analyzing enterprise's strengths and weaknesses, opportunities and threats was the foundation of deciding strategy. The strategy was designed according to the internal materials and external chances. Top management should be strategic designers, strategy formulation pattern should be creative, flexible. Design School has made a great contribution for the development of the strategic management theory. Especially the establishment of the SWOT model embodies the importance of internal and external to the strategic

decision.

Ansoff, the representative of Plan School, thought that the strategy formulation should have a conscious planning process. Top managers were responsible for the whole planning of the process, and the personnel who made specific formulation and implementation plan were responsible for the top managers through the goals - project - budget to break down and carry out the strategic plan.

The classical strategic management theory, taking Andrews and Ansoff as representatives, is based on enterprise internal conditions and external environment system. It analyzes the enterprise's internal organizational strengths, weaknesses and the opportunities, threats provided for the enterprise from the external environment (namely SWOT Analysis), and on this basis to determine enterprise how to formulate a strategy. The classical strategic management theory provides a complete set of basic ideas and procedures for the establishment of enterprise strategy, especially the use of the SWOT analysis method fully reflect the importance of internal and external relationships to strategy formulation. This theory led a diversified development high tide in the 1960s and 1970s, but it also has a lot of limitations. First of all, the emphasis is on the analysis and reasoning. The implicit premise is that enterprise top managers can make reliable forecasts to the future environment, formulate rational strategy and implement. This premise adapts to the relatively stable business environment. Along with the economic development, the uncertainty of operating environment is stronger. Therefore, using this theory only has been difficult to make strategic decision according to the changes of environment timely. Secondly, the classical strategic theory is just directive and frame. SWOT method did not give the specific methods of SWOT analysis. It appeared some empty and abstract, the maneuverability is not strong.

2.1.2 Porter's Five Forces Model of Competition

American competition management expert Michael Porter's Five Forces Model analyzes enterprise competition environment, making a great influence globally on the strategic decision. (Michael Porter, 2008) Michael Porter argued the main factors of competition environment are the five forces: suppliers bargaining power, buyers bargaining power, threats of potential new entrants, threats of substitute products, and the rivalry among competing sellers. (Figure 2-1)



Figure 2-1 Porter's Five Forces Model

Porter's theory tells us that an industry competition is far beyond the range of existing participants. Consumers, suppliers, substitutes and potential entrants may become the competitors, and will more or less show its importance in different time, different situations. This kind of competition can be called "generalized competition" and "expanded competition". Five Forces Model has formed the complete Porter's strategic model together with the Value Chain and Generic Strategies.

Porter's strategic theory also has its limitations. Firstly, in the industry analysis, Porter neglected the differences of enterprise internal conditions. It is thought that the

competition strategy depends heavily on the selection of the high profits industries. It often induces enterprise into the fields they are not familiar with or take irrelative diversification strategy. The profit difference among enterprises in the same industry is not less than the profits difference among different industries. Secondly, Porter's value chain analysis provided the effective method for searching competitive advantages, but it did not point out how to determine enterprise's core competitive advantages according to the principle of materiality.

Thirdly, this theory was built on the following three assumed bases. The strategic maker could understand the information about the whole industry. The relationship of enterprises in the same industry was just competition but no cooperation. The scale of the industry was settled, only to grasp competitors' market share to expand the enterprise's own resource and market. However, it was difficult to know the whole industry situation. There is cooperative relationship between enterprises. They can help each other to make bigger industry "cake" to gain more resources and market, as well as increasing the capacity of the market through continuous development and innovations.

2.1.3 Marketing Strategy Theory

The Marketing Strategy Theory refers to the enterprises make a general design and plan in certain period to realize the business objectives under the concept of modern marketing. In the process, the enterprise should focus on its advantage and disadvantage analysis, the customers' demand, market opportunities analysis, the consideration of market competition, the potential problems forecasts, team training and other comprehensive factors. Then the final marketing strategies, such as growth form, defensive form, reverse form and integrated form, can be decided and served as the guidance of the direction and criterion for the strategic market transformation. The purpose of the marketing strategy is to improve the efficiency of resource utilization.

(Arthur A. Thompson, 2003)

The prominent strategic position of marketing in the enterprise management makes it along with product strategy together. It's the enterprise basic management strategy to guarantee the implementation of the strategy. Especially in the fierce competition, formulating a marketing strategy seems urgent and necessary. The market marketing strategy includes two main contents. One is selecting target market; the other is making the marketing combination strategy, in order to meet the needs of the target market. (Vithala R. Rao, 1997)

The marketing strategy is widely applied in the academic circles and business field. It is often used to discuss enterprise product competitive strategy, market entry strategy, channel management strategy, promotion and advertising strategy, price strategy, etc. (Philip Kotler, 2006) Marketing strategy is the summary of applying the most key point of marketing principle (STP and 4P's) to the operational activities of the enterprises. Marketing strategy contains the core content of marketing, including R (market research) --- STP (market segmentation, target search - market positioning) --- 4P's (marketing strategy mix). Among them, the R --- ST part is actually searching target customers for the enterprises, P--- 4P's part is determining the content and methods for enterprise management. (Figure 2-2)

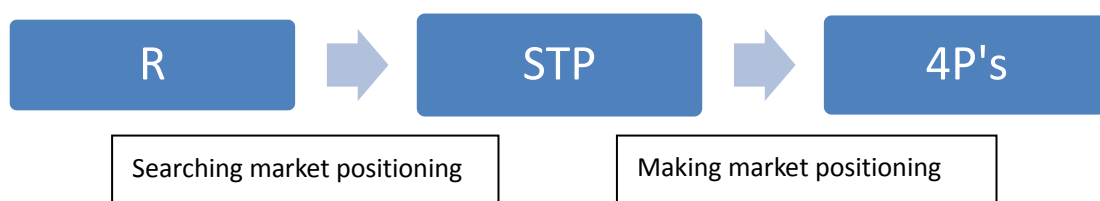


Figure 2-2 the core research range of Marketing Strategy

2.2 The Current Research Situation

With China's accession to the WTO, the introduction of foreign advanced management theory and marketing idea has become more and more. Many domestic large cereal and oil corporations speed up the pace of reforming enterprise strategy. Advanced enterprise management theory and marketing strategy theory was introduced into the reform of the cereal and oil companies. In order to meet the increasingly fierce competition of the cereal and oil market, the domestic large companies. For example, China Cereal and Oil Corporation implemented the strategic adjustment, paid attention to the development of brand strategy and diversification strategy, and achieved significant results. Regional cereal and oil companies started from former localization to globalization. Due to the formation of the global cereal and oil market, the companies can't just look on a region or only in domestic country, but should think globally to look for the market. (Hubei Cereal and Oil Corporation Annual Report, 2009)

Due to the present research situation and characteristics, there are some problems about the current research theory. A lot of the theories are not suitable for the actual situation of Hubei Cereal and Oil Corporation because the company resources and scale are limited. Because its market environment is different from other companies, the applied theories that large companies used is not suitable for this company's strategic development. Many cereal and oil companies choose to enterprise structure adjustment and strategic reform. However, a lot of supporting measures are not perfect, lead to an improper understanding and implementation of strategic theory in the practical process.

2.3 Research Methods

This paper is in accordance with the order of coming up with existing problems, analyzing problems and solving problems, makes a detailed case study on Hubei

Cereal and Oil Corporation. Through the deep and comprehensive analysis on its external marketing environment, market demand, industry competition situation, it is stated that a suitable marketing strategy for the company long-term development, and put forward the safeguard measures of strategic implementation, providing for the reference to win the competition.

3 Company Market and Products Analysis

Hubei Cereal, Oil and Foodstuff Import and Export Corporation was founded in 1950, and the Group Corporation was established in 1993. It is located in the important production base and logistics distribution center Wuhan City of central China. The Corporation owns more than 30 wholly owned subsidiaries, holding companies and joint stock companies, total assets are up to 1.2 billion Yuan RMB. The scope of operation covers the import and export trade, storage, transport and logistics, animal husbandry and aquaculture, food processing, food and wine wholesale and retail, real estate development and property management, international engineering bidding, and many other fields. The Corporation has engaged in the import and export business over fifty years. The products include live poultry, meat products, industrial foodstuffs, grain, cereal, oil and feeding products. The main business line is the production and processing of pork related products and oil products, which is accounted for more than 90% of the turnover, including pork, frozen pork, canned pork and pig feed, etc. (The website of Hubei Cereal, Oil and foodstuff Import and Export Corporation)

In recent years, more and more companies as well as well-known foreign big enterprises have joined this industry. Due to the cereal and oil market competition intensifying, the profit rate of originally low profit pork industry drop considerably. The company adopted a diversified mode of business operation, which lead to the resource disperse and low managing efficiency. The company was experiencing the pressure they never had before, and the executive level was thinking about how to

have a better development.

3.1 Market Situation Analysis

Objective environment like macroscopic policy environment, economic environment and technology level, cultural factors makes huge influence on the market. Cereal and oil products as necessities of life, it is greatly influenced by the national macro policy. It is affected by the level of economic development. In overall, the macroscopic condition is conducive to the cereal and oil market development, but some restricting factors exist.

3.1.1 Political Environment

In the first place, National industrial policy has promoted the development of food production and circulation, and has promoted structural adjustment of the grain and oil enterprises. The published document named < Policies and suggestions from CPC Central Committee and the State Council on promoting the increase of farmers' income> emphasized the food production areas should make full of their advantages. On one hand, correctly adjusting structure, concentrating on the high investment can achieve the stable growth of grain production efficiently. On the other hand, searching for import foodstuff to replace and exporting labor intensive typed agricultural products can solve part of the food security problem. At the same time, the implementation of deepening reform of the cereal circulation system and directly carrying out subsidies to farmers was granted. The policies such as transferring food enterprises mechanism, strengthening macroscopic control, maintaining the normal order of food circulation, have made the state-owned cereal purchase and sale enterprises continue playing the role of main channel, and brought new chances and challenges to them. (Chinese central government document, 2004)

Secondly, the continuous improvement of cereal and oil market has brought positive effect to the related enterprises. As the development of futures market, the formulation of a unified national benchmark prices by using the futures trading system has been arranged. It not only can provide reasonable price basis for the spot goods circulation, but also contributing to the governmental control on the market. In addition, the foresee ability of forward price can provide reasonable basis for the adjustment of production mix. People can judge the forward market through the forward prices to reduce the blind decision caused by the uncertainty. Simultaneously, the futures market can slow down the market fluctuation. It is beneficial for the stability of cereal and oil market. Hedging can provide good channel for foodstuff producers and business operators, helping the growth of agricultural order purchase.

Last but not the least, the membership of the WTO has brought great influence on the foodstuff circulation industries. China must undertake the corresponding obligations and be restricted by the rules while enjoying the rights as a contracting state. (Wang Libing, 2011) Since China joined it in 2001, the speed of integration into the world economy has accelerated. Agriculture is the foundation of China's national economy, as well as the most affected industry. Entering the WTO has further opened the grain market to the world, the food production and circulation order face multipartite challenges.

The main commitment and rules affecting is canceling the import and export quantity limitation, to implement a relative simplex tariff quota system, leading big changes of grain trade pattern. Reducing agricultural domestic support including price support makes direct support and other subsidy forms as a domestic protection measure. Thus it will increase the difficulty of the national support to the agriculture and prejudice the international market exploration. Canceling the export subsidy policy brings a comparative large challenge to the foodstuff foreign trade and export business. The most-favored-nation treatment in the WTO gives more opportunities to learn the advanced production technology and enhance the seepage force. Compared with those

developed countries, the lower producing and processing technology makes higher production costs, backward circulation facilities and imperfect circulation system. It fundamentally restricted the vigor and efficiency of grain import and export trade. It's required to emphasize the necessity of the non-state-owned enterprises in the grain market. It means that the original state-owned grain enterprises' monopoly position will be broken, cereals and oil trade circulation subjects will be diversified, and the competition among trade subject will be fiercer. (Bai Meiqing, 2002)

At the beginning of the accession to the WTO, people were filled with doubts and worries. The agricultural operation scale was small, the level of organization was low, and the product processing industry strength was weak. The cereals and oil enterprises carried a heavy burden of planned economy, had insufficient international competition ability, positioning a disadvantageous status in the global market. Nevertheless, after ten years' effects, agriculture and foodstuff have become the firmly basis of national economy.

In 2008, the international prices for most grains have severe fluctuation, leading to nearly 1 billion people directly facing starving threat. Since 2010, global cereals, oil and foodstuff prices shock, intensifying the social unrest of North Africa and Middle East region. Even though the international economy shock violently and natural disasters happened frequently, China's agriculture has broken pessimistic expectations and realized continuous 8 years' harvests, keeping more than one trillion pounds of grain output. The agricultural products processing industry developed rapidly, domestic grain and oil prices basically stayed stable, and ensured the effective supply to the domestic market. Under the background of international financial crisis recent years, Chinese agricultural products market has successfully overcome a series of huge impacts, such as the violent fluctuations of international food prices and continuously upgrading trade friction, playing a foundational support role of maintaining sustainable economic development and promoting the overall social stability.

3.1.2 Economical Environment

The economic aggregate has achieved a new span. In 2011, Hubei provincial GDP exceeded 1.9 trillion Yuan RMB, per capita GDP exceeded 34 thousand Yuan RMB, ranking No.1 in the central China area, and kept the fast growth of 13.8%, faster than the national average level of 4.6%. According to Hollis Chenery's theory of economic growth period, Hubei economy is in the interim accelerating propulsion phase.

The growing speed is steady and fast. By the influence of macroeconomic regulation and control, the provincial economy grew fast at the beginning of the year 2011 but fell after rise. In the fourth quarter, it presented a gradually stabilized development momentum. This trend was consistent with the national trend, at the same time, the reduction of the economic growth speed were accord with the macro expectation. From the ranking of the economic indicators growth, Hubei province accelerated great-leap-forward development, preliminarily appeared the efforts of narrowing the developing gap with the developed provinces. The annual GDP speed increase was at the first place of central China, large-scale industries speed increase ranked the second of central area and the seventh nationally. The fixed asset investment growth speed increase stayed the first of central part and the ninth of China. The social total retail sales of consumer goods growing speed occupied the second of central region and the twelfth all over the country.

Substantial economy makes production supply stable increase. The provincial agriculture overcame three-season drought, drought and flood flashbacks and so on adverse factors, gained the harvest. The production situation was better than the previous year, better than expected, and maintained the stable and rapid growth trend. In 2011, the total output of grain was 23.8 million tons, increasing 727300 tons and rose by 3.1% than that of 2010. Oil output of over 3 million tons, decreased 86800

tons and 2.8%. Livestock production kept steady. 38.7 million pigs were output with 1.1% growth rate; the amount of bull was 1.26 million, and increased 2.7%. The number of poultry was 458.851 million, but descended 1, 7 %; eggs production total was 1.37 million tons, up by 3.3 %.(Price Analysis of Hubei Provincial Cereal Market 2011, February 2012)

Cereal and oil products are the indispensable commodity of people's daily life. As the improvement of living conditions and living standards, people are paying more and more attention to the health and nutrition. Green and natural food are more favored, and the market demand will be more exuberant. Positive economic environment and huge market demand are providing good developing opportunities for Hubei Cereal and Oil Corporation.

3.1.3 Social and Cultural Environment

Large population provides developing space for the company. China is a country owning a population of 1.37 billion, among which are 0.9 billion farmers. The grain problem has been the focus that it is not only related to the problem of farmers' production and income, but also related to the basic living security problem of the whole population. Agriculture as the pioneer field of China's reform, it broke the bondage of traditional system in the 70s of last century. Implementing a system of contracted responsibility linking remuneration to output in rural areas, it promoted the development of countryside economy. Until last century 90s, China ended the food shortage era, the fundamental change has taken place in the cereal and oil supply and demand relationship. However, the agriculture still bounded by the resource shortage. The arable area was accounted for only one-tenth of the land area, the per capita arable area was accounted for 43% of the world's average area, and the cultivated land irrigation area was occupied just half of the total cultivated area. It offers an essential prerequisite for Hubei Cereal and Oil Corporation to develop agriculture

modernization and explore import and export trade.

The new type of business brings opportunities. China's grain production mostly use family as the unit, thus food production has quite a part for self use not for sale, food commodity rate is low. Nevertheless, the agricultural producing efficiency improved, and the agriculture urbanization advanced, this pattern has been changed as the increasing trend of grain commodity rate. These bring good opportunities for Hubei Cereal and Oil Corporation. Most of the domestic agricultural production stays in the traditional production stage. Farmers as the main food producers lack the concept of modern food production, leading the low technological element and poor quality of the products and the backward producing mode. Therefore, the new type of business using order form will provide a broad developing prospect for the company.

People's consumption concept changes points out the direction for the company. As people's living standard rising, the consumption concept also gradually changed. For cereals and oil products, people no longer only focus on the price of the product like before. Green food and ecological food are well sold and active demanded, illustrating that people gradually pay more and more attention to their health. The harmonious relationship with the environment and the quality of the grain and oil products become more and more imperative. This consumption concept states the marketing chance for the company. (Wang Dezhong, 2004)

3.1.4 Technological Environment

Cereal and oil producing and processing technology have obtained many achievements. The technological environment has improved greatly and solved a number of tackle hard-nut problems, taking the national key scientific and technological research project as the principal thing. Food producing technology servicing the economic construction has gained new achievements, applied basic

research and soft science research has got attention, and food science and technology team has been adjusted in the reform, etc.

The current technological environment still has some problems. For example, the equipment design, manufacture and integration capability need to be improved; the enterprise technology innovation should be the breakthrough point; green manufacturing should be actively promoted. In addition, vigorously developing agricultural accuracy and manufacturing informatization will surely improve the product specification, technical content and added value. Improving the overall level of manufacturing should be the R&D point of reference. (Su Ya, 2004)

3.2 Company Products Analysis

3.2.1 Oil Processing Industry

Cooking oil is an important product related to the national economy and people's livelihood. With the domestic economic growth and oil demand continuing rising, the domestic oil press industry developed rapidly. At the same time, the entering threshold is low, leading to industry expansion speed faster than demand growth speed. The domestic oil press industry appears excess production capability situation. The homogeneous competition makes industry profit potential limited. In recent years, the domestic oil press industry presents new characteristics: the imported dependence ratio of the domestic grease oil market is high; the strengthening of national adjustment and control policies has made the upstream prices cannot smoothly conduct to downstream products; the development of the industry meet the new dilemma.

3.2.1.1 Industry Situation

Oil processing products varies with a discordant proportion. Although there are many

kinds of oil products, the capability or output has a wide difference. Learnt from the capability structure of the oil press industry from 2010 to 2011, China's soybean crushing capacity accounted for about 63.8% of the total output of oil industry, rapeseed press production accounted for about 10.05%, and then are peanuts and sunflower seeds. Soybean oil yield ratio obviously occupy the first position, reached 52.74%, more than 26.49% of rapeseed oil, peanut oil accounted for more than 11.82%, and then cottonseed oil and sunflower oil. Diverse varieties are very unharmonious in the entire oil industry scale. (China's Oil Processing Industry Development Situation and Future Direction Discussion, June 2011)

Oil processing industry development is mainly promoted by economic growth. With the constant enlargement of the population base and the people's standard of living gradually enhance, the consumption for oil kind of food also presents the trend of increasing. First of all, a national income increase raises the total demand of oil consumption. Secondly, urbanization makes the rural population continue transfer to cities. The habits and customs and way of life also began to change, leading to vegetable oil consumption growth. China's large population, the per capita vegetable oil consumption is far lower than developed countries. Therefore, the consumption potential is large, in the next few years soybean oil production will continue to rise. In addition, economic growth will promote livestock products consumption. Breeding needs soybean meal, it will also indirectly promote the improvement of soybean oil production.

Domestic oil processing industry presents the collectivization tendency. Capacity expansion is concentrating increasingly, large enterprise groups is integrating industry resources through the merger and acquisition methods. According to statistics, the national top ten oil pressing groups integrated about 70% of the pressing factories all over the country. The smaller pressing enterprises' survival space is smaller and smaller. Using Zhongfang Group Oil Pressing's dilatation as an example, the group capacity is about 25000 tons per day in the present stage, annual production of 1.5

million tons, 2 million tons of refined. The group has six enterprises that were from merger and acquisitions in 2009. Before that, the six companies' annual processing amount was less than 1 million tons, after the merger they realized large-scale production, its output enlarged to 3 million tons. It is one of the important reasons of oil pressing quantity growth in recent years. (China's Oil Processing Industry Development Situation and Future Direction Discussion, June 2011)

3.2.1.2 Competitive Structure Analysis

Hubei Cereal and Oil Corporation is currently a medium sized oil pressing enterprise, using Michael Porter's Five Forces Model of Competition to analyze its oil business.

Compared with the large enterprises, this company stays the disadvantageous position in terms of scale advantage, brand effect, etc. There are also quite many and scattered enterprises owning the same scale. In the situation of saturated market and relative concentrated industry scale, the rivalry among the existing enterprises is very fierce.

The supplier of this company's oil processing is mainly oil (soybean) and initial oil provider. Soybean purchasing is chiefly domestic purchase directly from local farmers and direct imports these two channels. Directly purchased by farmers, due to the dispersion and large quantity of farmers, the disposable providing amount is small, their bargaining power is weak. However, the soybean import is not the main business of the company. It is relatively disadvantageous in his field. What's more, as a leading cereal and oil enterprise in the province, the company shoulders the governmental macroeconomic regulation and control function. The assigned oil import quotas can guarantee the company enough raw material supply for processing. Integrated above, the supplier bargaining power is weak.

The company established a thorough oil sale network in the major cities in the province and reduced a lot of intermediate links, product sales directly facing the

terminal customers. Nonetheless, the number of customers is large and distributes separately. Cooking oil belongs to the necessities of life, the elasticity of demand is small, and the price elasticity is big. The buyers bargaining power is weak.

Although the oil market has been open completely, the entry barriers are declined for the potential entrants. However, for the reasons that the needed investment is huge, the exit cost is high, and the oil processing market is saturated, the profit is low. The threat of potential entrants is small.

The amount of substitutes is relatively large, and some of them have lower costs, consequently, the threat of substitutes is big.

Integrated the analysis above, the competition structure chart can be showed in the figure 3-1:

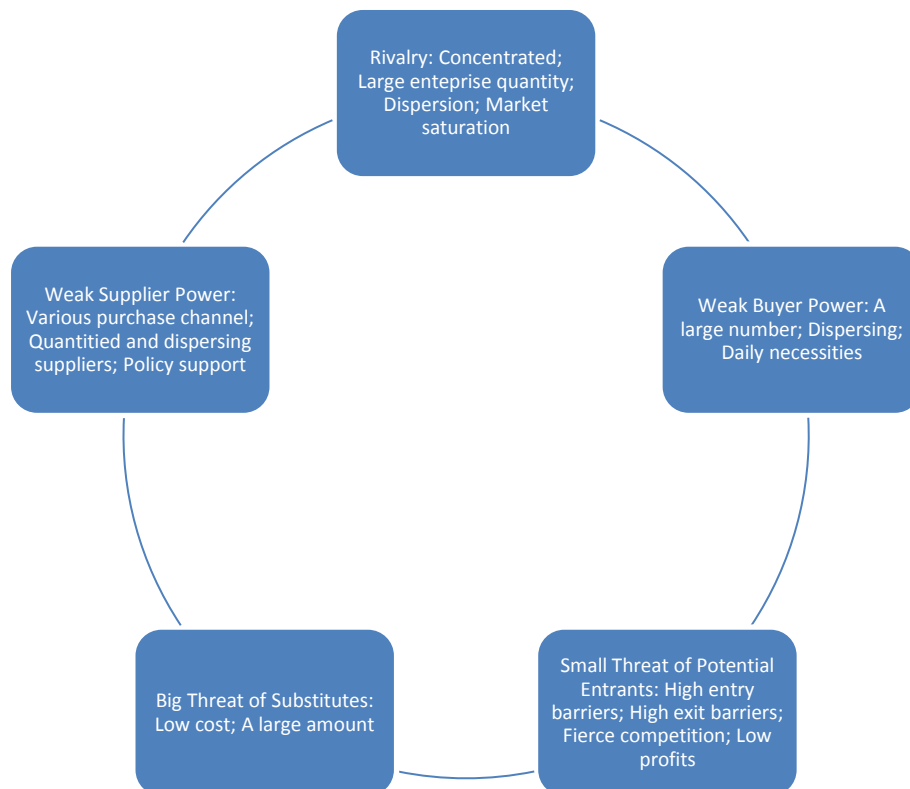


Figure 3-1 The competition structure of Hubei cereal and oil corporation oil

processing business

3.2.2 Livestock Meat Processing Industry

3.2.2.1 Industry Situation

Meat production continues increasing, meat structure will be more reasonable. With the further economic development, the improvement of people's living standard and purchasing power enhancement, the production and consumption of meat products will achieve sustainable growth. Meat market demand presents a diversified developing trend, and the consumption structure will be further adjusted and optimized. The proportion of pork will continue decreasing, the proportion of beef, lamb and chicken will rise rapidly.

Chilled meat has good prospect. Chilled meat is also called cold fresh meat or icy fresh meat, meaning slaughtered animals quickly cooled to meat freezing point after sanitary inspection or below 7°C, and at this temperature making the processing, shipping and selling. Because of the superiority compared with fresh meat and frozen meat, it wins the favor of consumers and becomes the focus of meat products consumption.

The traditional meat products turn to factory production. China's traditional meat products have a long history and various kinds, are important part of Chinese food culture. Compared with western meat products, they are more favored. In recent years, with the increasing investment in science and technology and the updating equipment, the traditional skills are well combined with modern technology. Meat industrial production is rapidly replacing the old mill production.

Safe meat and "three high and one low" meat is becoming the mainstream. Safe meat

production is an important strategic issue of meat industry development in the 21st century. The government has issued a series of laws and regulations, to standard the meat products quality management and promoted the meat industry further developing toward a safe direction.

Consumer is pursuing meat products of a variety of nutrition and health care function, for instance, the "three low high" (low fat, low salt, low sugar, high protein) meat products has gained social attention. It was brought into the state food and nutrition development outline to guide and standardize the market. The market also begins to appear the meat substitutes and health care meat such as "fake meat", "fake steak", beauty meat products, medicinal food.

From the view of the urban residents, pork consumption ratio gradually declined, and the proportion of cattle, sheep and poultry consumption is rising continuously. But for the rural residents, pork consumption ratio is still on the high side, beef, lamb and poultry consumption ratio is low, not synchronous adjusting as the production structure changes due to the limit of economic level.

The meat consumption in different parts of the animal of urban residents is significantly different from that of the rural residents. The animal products consumption is still in the primary stage of improving the living standard in the countryside, high protein and low fat consumption concept for farmers is still distant goal.

Although China's meat production ranks the first in the world now, the production of cooked meat products accounted for the proportion of less than 10% of the total output. Compared with the developed countries cooked meat products have accounted for more than 50% of the total meat output, the meat products production and marketing have wide development space. In recent years, with China's accession to the WTO, the globalization process and people's animal product consumption type

transformation, China's meat industry is developing rapidly. In 2006, slaughtering and meat products processing enterprises above designated size achieved the sales revenue of 270.1 billion Yuan. Industrial enterprises above designated size realized the total profit of 7.56 billion Yuan, industry gross profit margin and profit level was 10.08% and 3.90% respectively, showing a good development trend. (China's Livestock Products Processing Industry Situation and Developing Trend, September 2009)

Animal product quality becomes the important restriction factor consumption growth. Animal product supply is unceasingly rich, and people start to pay more and more attention to the quality of products. The animal quarantine appears on the market, the residue in feed additive harmful substances. Pigment and antiseptic in food processing, which is relative to product quality problems, become the question that city residents must consider to buy animal products at present. Therefore, the total demand still has quite potential.

Although the current animal product market temporary presents a relatively saturation state, China's animal products consumer market still holds enormous potential in terms of comparing consumption level, animal products consumption structure and dynamic development concept between urban and rural areas.

3.2.2.2 Competitive Structure Analysis

Hubei Cereal and Oil Corporation's livestock meat product processing scale is medium-sized. Compared with China Cereal and Oil Corporation, Shuanghui these large livestock meat processing enterprises, it is obvious in the competitive disadvantage of the size and brand effect. The enterprises that have the same scale are quite many and dispersing. In the situation of the market is saturated and industry scale is relative concentrated, the existing enterprise competition is very fierce. In addition, the company in the pork processing has advantages, but the rest of the livestock meat products compete intensely with other enterprise competition.

The suppliers of the company's animal products processing business suppliers are mainly the pork and other animals' culturists. Animal product procurement is mainly acquainted directly from farmers and self breeding these two channels. Direct purchase from farmers, the bargaining power is quite weak because of farmers' quantity, dispersion and small disposable providing quantity. At the same time, the pork export is the company's main business. The company has the relative advantage in this term. Integrated the above analysis, it can be concluded that the suppliers' bargaining ability is weak.

The company has established relatively sound meat products marketing network in the major cities in Hubei province, reducing many interim links so that the marketing directly orientated to the terminal customers. However, the meat products are life necessities, the elasticity of demand is small and the price flexibility is big, customers are separate and many as well. The buyers' power is weak.

Although the processing market has been open completely to reduce the political barriers for potential entrants, the needed investment of meat products processing industry is large, the exit cost is high, added the saturated market and the low profit, the threat is small.

Currently, the main meat products of the company is pork, the substitutes are beef, chicken, lamb, etc. The amount is large and part of them cost less. The threat is big.

4 The Core Competence Analysis and Construction

Competition is the theme of the market economy. Hubei Cereals and Oil Company emerged from planned economy, its operation and management has deep planned economy color, as the planned economy transferred to the market economy. The

company's international management level fell behind other industry enterprises, lacking of global market operation strategy consciousness, it did not produced its core competitiveness with industry advantage features. Faced with the severe challenges and fierce competitions, the company should objectively analyze the internal and external factors, cultivates and develops their own core competitiveness.

4.1 The Core Competence of the Corporation Theory

4.1.1 The Concept of the Core Competence

American economists C.K.Prahalad and Gary Hamel published an article named <the Core Competence of the Corporation> on the magazine Harvard Business Review on June 5th of 1990, firstly announcing the concept of the core competence.

They think that, in the short run, the company's product quality and performance determine the competitiveness of the company, but in the long run, the core competence will play the decisive role of enhancing the capability. Core competence is the integration of the knowledge and skills within an organization. It is the unique ability that is not easy to imitate for rivals and can bring excess profit in the business process. This view got widely recognized by the academic and business circles, and caused great attention of entrepreneurs. Since then, people have made various development, understanding and definition to the concept of the core competence.

Concluding many scholars' understanding about the core competence, except the above definition, it can be briefly stated that the core competitive of the corporation is the huge capital energy and business capacity. It emerges from the production management, new products research and development, after-sales service and so on a series of the marketing process and various decision forms, owning its own unique advantages of technology, culture or mechanism. Core competence is the foundation of achieving long-term stability of competitive advantages. Core competitiveness

mainly includes core technical ability, organization and coordination ability, the foreign influence ability and the strain capacity. Its essence is to let the consumer get really irreplaceable value, products, services and culture that are better, higher than the rivals'

4.1.2 The Features and Evaluation System of the Core

Competence

A corporation can own a lot of competitive advantages, but they can't all be regarded as the core competitiveness. A competitive advantage to become the core competence, it must have the following several basic features: valuable, difficult to imitate, and extensible.

A core competence should make a significant contribution to the perceived customer benefits of the end product. (C.K.Prahalad, 1990) For example, the Japanese auto manufacturer Honda has its core competence in engine expertise. It is the most significant expertise for customers, while the proficiency of dealing with the relation between dealers and customers is insignificant.

If the enterprise's feats are easy to imitate or quickly set up through effects by competitors, it will be very difficult to provide sustainable competitive advantages. The expertise's uniqueness and persistence are determined by the basis in the very great degree. The specialties that are internalized in the whole organization system or based on the systematic study experience have better uniqueness than those specialties based on individual patent or a good manager or technical backbone foundation. It should be difficult for competitors to imitate or substitute (C.K.Prahalad, 1990)

Being extensible refers to the core competence should have expansion space that can be extended to a more wide market field. It should provide support for the enterprise

to open a variety of products market and promote a series of products or services competitiveness. The enterprise thus can win the option and the initiative in the best products market relying on the core competence, such as gaining positions in several fields rather than limiting its advantage field in a small range. If the enterprise does not obtain the leading position of the core competitive power, not only a kind of product market is rejected, but will lose a series of product markets and business opportunities.

The core competence evaluation and analysis is based on the three basic characteristics. As a standard of measuring the core competitive power of an enterprise, a research for supporting the foundation and the core competence evaluation and analysis figure 4-1 is formed.

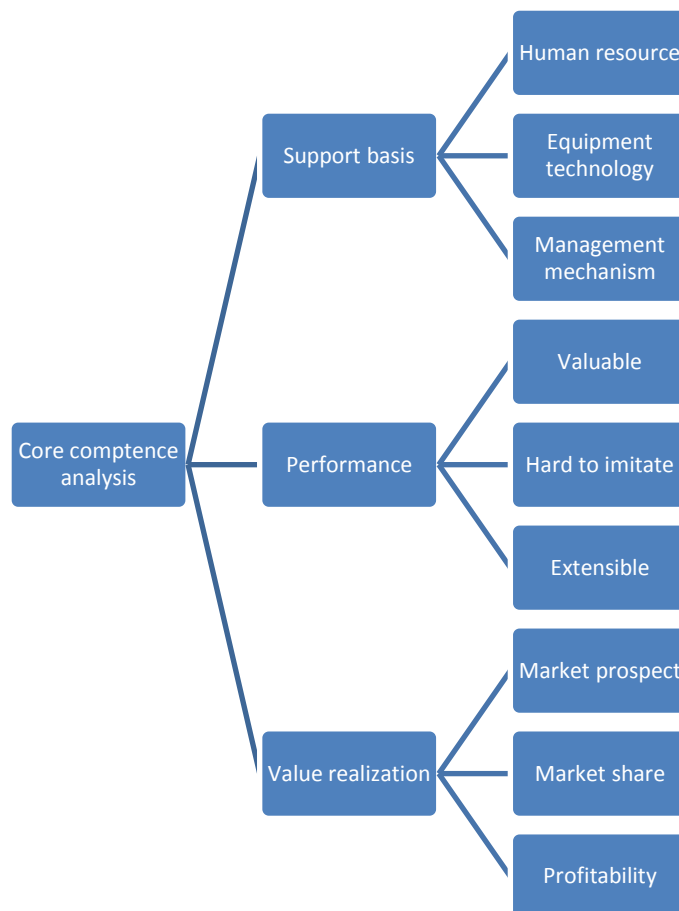


Figure 4-1 the core competence evaluation and analysis frame

4.1.3 The Significance of Developing the Core Competence

The core competence is the source of sustainable competitive advantages. As the rapid development of information technology and economic globalization, competition is becoming increasingly fierce. The product life cycle is shortened. The competitive success will no longer be regarded as fleeting product development or strategic business results, but be regarded as the deep and material essence. It is a result of existing corporation competence that can promote the enterprise to produce large quantities of unimaginable products' intellectual capital. In the process of obtaining and maintaining competitive advantages, the internal core ability training and application are the most key factors. Business strategy is the activities and behaviors that the enterprise gives full play to apply the core competence into new development fields. Thus the core competence has important strategic significance for the long-term development of the enterprise.

The competition between the enterprises embodies as the competition of core competence. The core competence theory transcends the specific products and services among enterprises. One enterprise's internal strategy sublimates the competition between the enterprises as the antagonism of overall strength the antagonism, the life of core competence is longer than any other products and services. Therefore, paying attention to the core competence can more accurately reflect the enterprise long-term development objective need than limited to the development strategy of specific products and business unit, in order to avoid short-sighted strategic decision. Simultaneously, the construction of the core competence is more dependent on the experience and knowledge accumulation, rather than great leap forwards of certain major inventions. Therefore, it is difficult to form in the short term, even if the product cycle is shortened. The construction of the core competence still

needs several years or even longer time. On one hand, it makes competitors difficult to imitate, and has strong durability and barriers to entry. On the other hand, due to the investment risk and time needed in the construction of the core competence, which is a challenge for the business departments. The clear pursuit can prompt the senior managers surpass the limitations of departmental benefit, considering more from the future market demand enterprise overall strategy as soon as possible.

The enterprise's diversification strategy should be built around the core competence. Diversification is widely used as a strategy for the enterprise to seek the rapid expansion. Many enterprises have stepped in many industries through the merger and acquisition, but the effect is not good. Using the theory of core competence can indicate the direction for enterprises how to decide business boundary and diversified business scope.

4.1.4 The Sources of the Core Competence

The core competence is the complex set of internal various competitive factors included in the organization. As C.K.Prahalad mentioned, "The real sources of advantage are to be found in management's ability to consolidate corporate-wide technologies and production skills into competencies that empower individual business to adapt quickly to changing opportunities." Therefore, to rationally develop the core competence, it is necessary to pay attention to this complex structure relationship. The sources of the core competence are in the following aspects:

4.1.4.1 The core technology

It includes public and protected by law patent technology and a series of technical secrets. Having their own core technology is the necessary conditions of an enterprise to gain core competitive power, but not the sufficient condition. The key is to have a

lasting ability to keep and obtain the core technology.

4.1.4.2 The enterprise reputation

It is a commitment the transaction party who has information to transaction party who has no information. In product market, reputation is sellers make promise to buyers that they don't sell fake and inferior products. In the capital market, reputation is entrepreneurs, operators promise to investors (shareholders, creditors) that they don't abuse the fund. This commitment usually does not have legal enforceability, but if the sellers or entrepreneurs do not perform this commitment, they will probably lose the buyers' visit or investors' favor. From this sense, the reputation can be understood as a kind of system. For the service industry and capital market, producing complex products that buyers or investors can't decide the quality such as automotive, real estate industry, and purchasing for future products or services, the reputation is the fundamental and lifeline for an enterprise to survive and get the core competence.

4.1.4.3 Marketing technology

The enterprise provides customers the goods and services to meet their personalized needs through the efficient product, place, price, promotion (4Ps) marketing mix. Marketing technology not only depends on the human capital and experience accumulation, technology and marketing information system application also play a fundamental role. In the network economy condition, the positive development of the network marketing technology uses the electronic business as the core technology. The standardization of marketing technology benefits the enterprise to expand the sales space in the larger range. The advanced marketing technology is an important aspect of the competitiveness of enterprises. In the era of consumers' right protection awareness is stronger and stronger, marketing technology is the competitive factor even more important than the manufacturing technology.

4.1.4.4 Marketing network

It is the forefront of enterprises to sell products and services, its main function is the product sales, market research, marketing publicity, technical support and market development. Marketing network links the distribution center, marketing network, and information system together through certain management technology, forming a marketing network that covers a large area of the market. From the perspective of the enterprise's competence, once the enterprise formed the marketing network in the consumers, it will obtain excess profit in a quite long period and be the barriers to enter the market for the successors. The later only have to spend a lot of input so as to compete in advertising and marketing network with the pioneer, it will be possible to gain a foothold in the market.

4.1.4.5 Human capital

This is the time that knowledge and capital increasingly peer. Human capital's function is noticeable on the competitive power of enterprise without any doubt. The problem is enterprise owners how to design the mechanism to combine the human capital and the enterprise organically, in order to make the special talents make a contribution.

4.1.4.6 Management ability

It is the core content of enterprise competence, including the information gaining ability, decision making ability and decision implementing ability. To a certain degree, the management ability depends on whether the enterprise owns a manager team formed by those who have special organizational capability and entrepreneurial spirits. The management ability at least in the senior management level is not limited to a certain product. The improvement of management ability will promote the enterprise to use of its assets more efficiently, expand the scope of business, and enhance the

competitiveness in the market.

4.1.4.7 R&D ability

Original research and development ability is an important part of enterprise competence. It can be evaluated by the researchers' quantity and quality, the amount of investment funds and the proportion of R&D funds accounted for the sales income. It is the source for the enterprise to gain lasting manufacturing technology or patent technology to achieve long-term profits.

4.1.4.8 Enterprise culture

It is the integration of business principle and its embodiment. It's usually difficult to find a culture idea and specific implementation that is suitable for the enterprise characteristics. A good enterprise culture is an important tool of integrating resources in larger range and rapidly improving the market share.

4.2 The Core Competence of the Corporation

4.2.1 The Core Competence Analysis of the Corporation

The core competence of the Hubei Cereal and Oil Corporation is the internal developing capability forming in the more than ten years development. Namely, the competitive advantage in the relative market gradually shows its unique core competitive function with the macroscopic and microscopic environment changes, and becomes the combination of core competence supporting the company to gain sustainable competitive advantages. The company's core competence can be defined as the following six different kinds of capability:

4.2.1.1 Foundation Support

The company has a huge grain storage, oil tank capacity, storage, warehousing facilities, advanced transportation facilities, equipment and purchase, sale, storage auxiliary equipment, also has oil processing, feed processing, advanced food research equipment, building the strong material base of technology, industry, trade integration.

The company is a medium-sized food circulation enterprise, the provincial government gives in a number of policy preferential tilt, such as cereals and oil reserving task, import and export quotas, simply opening a position appropriation, etc. The enterprise can enjoy government subsidies, as well as the support on loan discount funds to maintain the rapid development.

4.2.1.2 Food System Leading Position

Most subordinate enterprises of this corporation used to be the Industry Administration of the Provincial Food Bureau, fully understanding the food policy and having rich industry management experiences. They own a good business foundation to enter the market, especially establishing a few new food marketing enterprises to ensure the leading position of the provincial food system.

4.2.1.3 Market Grasp Force

Information is the basis of enterprise decision, to grasp the information is to master the enterprise destiny. Cereal and oil market is very vast and complicated, the number of suppliers and consumer groups is large, cereals and oil trading network is complex. In order to adapt to and master the changing principle of market supply and demand relation, a strong market information as the foundation is needed. Thus the company sets up the cereals and oil futures information branch to assume the task, collects the market supply and demand, price and policy changes and other information from

various channels. It also organizes experienced full-time personnel through the scientific forecast analysis system for information processing, sorting, and fast transferring to the business decision mechanism. In this way, the company has established an unimpeded information transmission channel, accurately estimated market future development trend, promoting the enterprise's ability to grasp the market and becoming the core competence of the enterprise. (The company annual report, 2009)

4.2.1.4 Credit Influence

In the market economy environment, suppliers and consumers not only pay attention to the commodity quality, but also the enterprise's reputation. To do business honestly is a very important foundation for an enterprise to keep a sustainable development. From a nationwide look, most state-owned grain enterprises have gone bankrupt or been restructured. An important factor for Hubei Cereal and Oil Corporation to strongly develop is dependent on its good enterprise credit construction. It has established a stable business relationship between upstream and downstream customers, a good relationship between commercial banks and enterprise in the logistics service management, and a good cooperation with each business functional management department, further enhancing the influence of the enterprise.

4.2.1.5 Network Marketing Force

A strong marketing network is one of the key factors of the enterprise business development that can affect the enterprise business market development ability and the customers' cognitive ability to the enterprise and product. The company's marketing mode such as direct purchase and then direct marketing, the entrustment purchase, order sales, transit sales, order agriculture, futures-cash arbitrage, has constructed a strong marketing network so as to adapt to the changing marketing environment, make the enterprises survive and rapidly develop. (The company annual

report, 2009)

4.2.1.6 Market Extension Force

Market development is an important standard to evaluate the enterprise development capability. To adapt to the grain and oil market transformation and the changes of marketing environment, Hubei Cereal and Oil Corporation constantly improve their market extension force in multi-angle and multi-channel, gradually turned from mainly circulation to the integrated business development of science, industry and trade. From selling pork products as the center gradually to the feed, oil and other peripheral diversified business variety development, it steadily expands diversified business, diligently develop potential market.

4.2.1.7 Enterprise Cohesion

The influence of the enterprise cohesion on the operation efficiency, benefit, long-term development and the growth of enterprise members is significant. The Corporation has tried to become a learning type enterprise with its unique enterprise culture connotation, further enhancing the cohesion of the company, to create the internal harmonious cooperation environment and realize the objective of struggle.

4.2.2 The Core Competence Construction of the Corporation

The core competence construction of the corporation should use the three features as the principle, which is valuable, difficult to imitate, and extensible, and going the path of development, maintenance, consolidation and innovation.

4.2.2.1 The Development of the Core Competence

Constructing the core competence is to transfer the potential core competence into real core competence. As the most fundamental force, it's the most powerful driving force of enterprise growth, and the main source of the competitive advantages. Therefore, the development of core competence should make clear the strategic intent above all, because core competitiveness incarnates the enterprise's strategic intent. Secondly, the enterprise should establish a rational strategic structure according to the strategic intent, should coordinate management work, optimize the allocation of resources, coordinating the managing personnel, balance the internal resource distribution and absorb the external resources available more effectively. It is also required to complete the strategy implementation according to the established strategic intent and strategic structure, concretely organize the core competitiveness development and real time control.

4.2.2.2 The Maintenance and Consolidation of The Core Competence

The core competence is built through the long-term development and strengthening, the loss of the core competence will bring immeasurable defeat. The enterprise must through the sustained and stable support to maintain and consolidate the core competence, to ensure the core competence growth as long-term fundamental strategic task. Enterprises should strengthen the construction of the organization management system, prevent the core competence becoming general ability with the passage of time, strengthen the construction of management information system to realize the resource share, and pay great attention to the knowledge skill learning and accumulation to guarantee the core competitiveness never weaken.

4.2.2.3 The Innovation of The Core Competence

Innovation is the essence of an enterprise's survival and development and the necessary ability of participating in the competition in the market economy condition. Therefore, to keep sustainable competitive advantage, the enterprise must strengthen

research and development ability as the driving force of the core competence, looking for the new growing point for cultivating the core competence, and nurturing the growing point to the core competence. Shaping outstanding enterprise culture and values, it is supportive to motivate staff the sense of responsibility and creativity.

4.2.2.4 The Programming of The Core Competence

To enhance core competitiveness, the enterprise should prepare a programming, which can represent by Hamel's matrix of the core competence and market (Diagram 4-2). This theory divided the core competence into the existing core competence and the core competence to be cultivated, divided the market opportunity into the existing market opportunities and possible market opportunities, forming a core competitiveness/market opportunities matrix. (Gary Hamel, 1990)

- A. Fill blank opportunity strategy (the existing core competitiveness → the existing market opportunities). Making full of the existing core competence, to catch those business opportunities haven't been utilized in the existing market.

- B. Occupy blank field strategy (the existing core competence → new market opportunities). By creatively restructuring the existing core competence to catch available opportunities in extraterritorial business fields. Enterprises often due to the operation inertia ignored the existing core competence can also give full play to the advantages out of the existing business scope. This strategy extremely makes use of the extensible feature of the core competence.

- C. Maintain long-term leading strategy (new core competitiveness → the existing market opportunities). Through the development of new core competitive ability, it enables the enterprise continue staying the lead position in the same market environment in the future. Enterprise environment is always changing. The

function of the existing core competence efficacy may decline in the changing environment. They must make forecast, and began to cultivate new core competence to cope with the future changes.

- D. Capture large business strategy (new core competence → new market opportunities). Through the development of new core competence, to catch those are not related with the existing core competence and existing market. But it is important and valuable big business opportunities, especially when these business opportunities have not been noticed by competitors, such strategy extremely has the profound meaning. With merger or some other ways, the enterprise is often able to get new core competence.

There are three levels in constructing the planning of the core competitive force. The first level it to develop and consolidate the core business; the second level is to establish new core business; the third level is to select longer-term development of new core business. And the three levels of activities must be simultaneous.

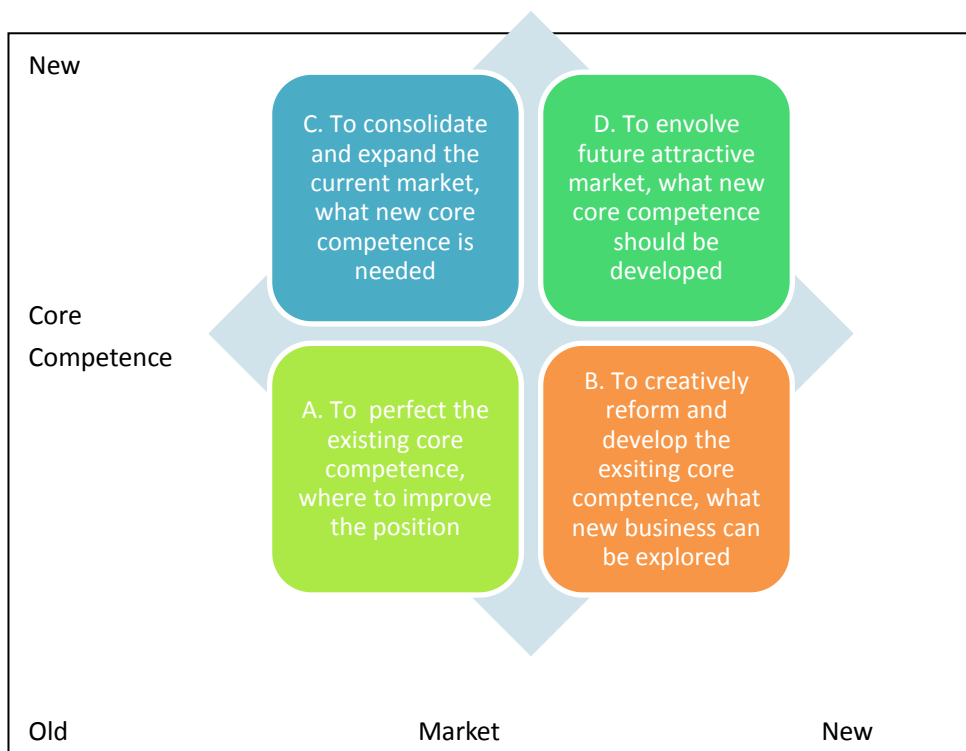


Figure 4-2 the core competence and market matrix

In accordance with the above theory and the comprehensive analysis about Hubei Cereal and Oil Corporation, the figure 4-3 can be draw.

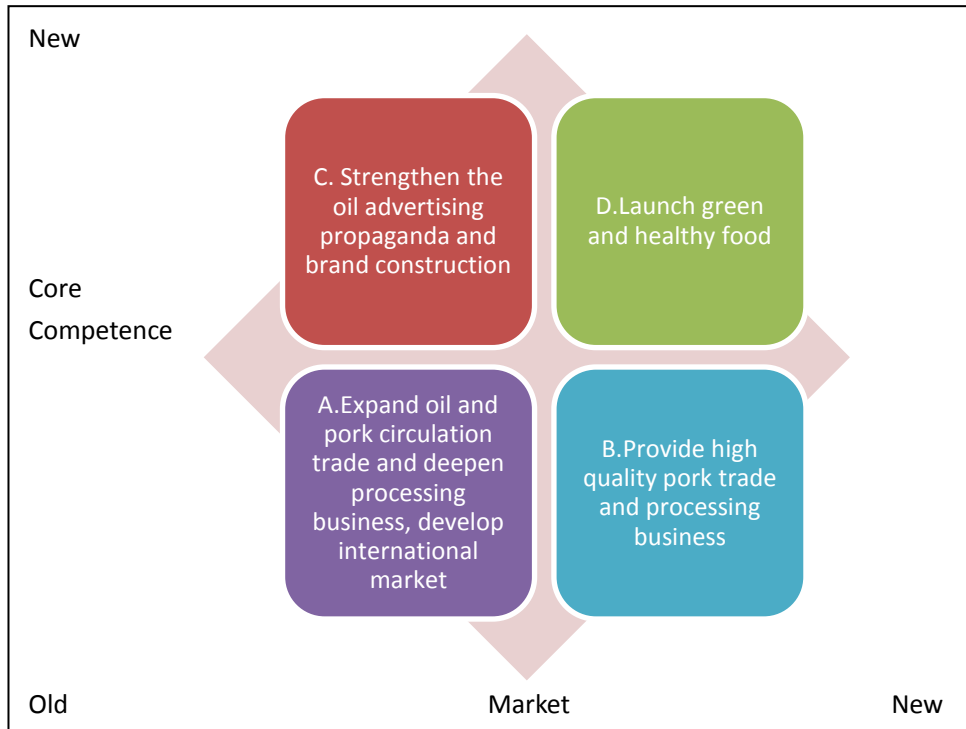


Figure 4-3 the core competence and market matrix
Of Hubei Cereal and Oil Corporation

In area A, using the overall advantages and marketing network, combining the agriculture structure adjustment and policy support, the company can further expand oil and pork circulation trade and deep processing business, develop international market. In area B, utilizing the current advantages of network, processing, storage and capital, combing the business foundation and convenient condition, the company can develops high quality pork trade and processing in the way of “technology + corporation + peasant household” contracting farming mode. In area C, the company can strengthen the oil advertising propaganda and brand construction; gradually expand producing scale to the nationwide market, trying to be one of top brands with most sales volume after ten years; continue enhancing the market position of import and export trade, trying to reach 10 billion Yuan RMB after five to ten years. In area

D, with the improving living standard, the demand of green food, healthy food and ecological food is rapidly increasing, it provides good opportunities for the company to explore this series of food.

5 The Strategic Marketing Construction Based On The Core Competence Of The Corporation

Based on the core competence analysis and the marketing situation of Hubei Cereal and Oil Corporation, it can be found that although owning a large marketing network. The terminal control power is not strong, the network is old, the brand is weak and there are problems in marketing channels. As a result, when constructing the marketing strategy, the brand and channel strategy are the key points.

5.1 The Marketing Situation of the Corporation

This corporation is a stated-owned export-oriented corporation group, owning its comparative advantage but obvious disadvantages exist, the future opportunities and threats also greatly affect the enterprise development after the summary of SWOT analysis. The following analysis is concluded based on the internal reports of the company.

5.1.1 The Marketing Strength Analysis

The corporation has a long history, has experienced the reform and opening up as well as multiple economic policy reforms, owning certain marketing advantages. With a relative sound marketing network, the products can even be sold to Hong Kong and Macau. Reliable product quality has won certain popularity. Experienced marketing team and abundant customer resource contributes the market exploration. Regional

advantage is obvious. It's one of the large scale and fast developing companies. The products have certain market share in Hubei Province and even the central part of China, additionally. Its export products take up a large proportion of the processed products exported to Hong Kong and other regions.

5.1.2 The Marketing Weakness Analysis

The dealer's strength is not strong. The top leaders didn't clearly understand the strategic expansion and brand construction when the company was initially established. Just holding a simple sale model, most dealers' overall quality was poor. When the market competition becomes fiercer, they could not cope with the market changes.

Terminal control ability is weak. One reason is that more than 90% of the dealers buy out price and independent distribute, another reason is that frontline sales personnel are rare.

The sales policy and business model are not clear. For the short-term interests of sales, the company had an unclear distribution policy unclear, defaulted market expense, and lack incentive mechanism to dealers and sales staff.

The resources are increasing. Due to the terminal competition rising, the market expenses also corresponding gradually increased, and the competitive brands increased rapidly. Various dealers' management enthusiasm suffered, most of them required the company to give support in terms of market cost and sales promotion, leading to the increase of the input resources.

Brand positioning is inaccurate. Top management due to the defects of the management idea, made the brand positioning fuzzy, did not consider brand

management. It directly leads to price system chaos, channel chaos, management confusion, leaving a series of problems to the late adjustment.

5.1.3 The Marketing Opportunities Analysis

The food industry is developing fast. With the development of food processing technology, deep processing becomes another demand of the industry. The products deep processed have high technical content and additional value. The company can grasp the middle and high-end market to develop this aspect. (China's Long Term Plan for Science and Technology Development)

The world market brings new marketing chances. As the trend of globalization, the market has been further open. China's meat products have great export potential with low cost production. If the company constantly improves the quality and sanitary level, the amount of exports will be further promoted and the healthy food market will be expanded.

5.1.4 The Marketing Threats Analysis

Main competitive companies are growing. In recent years, a lot of cereals and oil companies are constantly emerging causing certain threat. Many competitive companies not only plunder the national market, but also continuously encroach on the central China region market share.

Potential competitors are joining unceasingly. It will aggravate industry competition reduce the corporation's market share.

Consumers put forward higher requirement to product cost performance. With the increasingly ample similar products in the market, consumers' selectivity is more and

more, certainly put forward higher request on the product price performance ratio. Make the pork demand as an example, the concept of “green pork” makes people have stricter requirement on the pork quality so that making request on enterprise's pork deep processing technology and green breeding technology.

Terminal competition is increasing. Many cereal and oil companies have turned their attention to the terminal construction. The limited resources and growing terminal competition force Hubei Cereal and Oil Corporation to pay attention on the differentiation in the terminal construction.

The above SWOT analysis of the corporation can be illustrated as the figure 5-1:



Figure 5-1: The SWOT Analysis of Hubei Cereal and Oil Corporation

Concluding the analysis, the corporation is facing various external opportunities and challenges as well as the internal unclear corporate image and marketing problems. In the changeable market situation, the corporation should put the brand building and channel improving in the first place.

5.2 The Brand Strategy of the Corporation

5.2.1 The Significance of Brand Strategy Construction

Implementing brand strategy is an important part of forming the core competence, and brings economic, strategic and managerial advantages.

Comparing with product strategy, branding can gain more sales and higher profits in long-term, and provide guarantee to the future income. (Erich Joachimsthaler, 2004) However, this strength cannot be obvious in a short period because the input for building a brand is much more than the income at the beginning. Although the time is relatively lag, different kinds of scale advantages brought by the branding can compensate the high cost. If the brand strategy makes the sales increase, fixed costs can be apportioned to many product units. This scale economy can be reflected both in production and advertisement input. In addition, due to customers' large demand for successful brand, manufacturer can set higher price correspondingly. The extra profit brought by premium and scale effect, it's attractive for enterprises to implement brand strategy. What's more, successful branding will win customers' welcome sustainably, effective management strategy will ensure this trend last long. If the customers have continuous demand for the branded commodity, the manufacturers' future revenue has been assurance, brand even can be priced.

Market competition will stimulate the generation of brand strategy. Good manufacturers with successful brands can resist the pressure of the competition better than those who take the product strategy. The brand strategy has strategic advantages in three outstanding aspects: enterprise status in the competition, enterprise and merchant's relationship and the role of strong brand in the labor market.

Firstly, the stable brand with large market share usually makes obstacles for others who hope to enter the market. The reason is that successful brands have a great deal

of faithful consumers, and these consumers purchase habit is not easy to change, which is consumer inertia.

Secondly, the enterprise can therefore be less restricted by merchants. If the manufacturer's branded goods are welcomed by the consumers, consumers can ask retailers to sell this brand, a phenomenon known as the "pull effect". Once consumers' demand for a certain brand commodity goes to a certain degree, retailers will be forced to place the goods on the shelves.

Thirdly, many countries market research showed that, people are more willing to work in the enterprises with good enterprise images or have famous brand products. If a company mainly because of its products be known, this company can publicized the own image through these products brand in the labor market. For job seekers, those enterprises owning customer satisfactions are more attractive than those enterprises gaining high profits, especially in a labor shortage situation, the enterprise image is more important. If the enterprise takes the brand strategy, then it will be an advantage in the labor market.

5.2.2 The Existing Brands Analysis of the Corporation

With the passage of time and the development of China's cereal and oil market economy, many cereal and oil companies implement the brand strategy. Make China Cereal and Oil Corporation as an example, the company now owns the numerous well-known brands, such as "Great Wall" brand wine, "FuLinmen" brand cooking oil, and "Jindi" brand chocolate, etc. And Shuanghui Group founded the first brand of the cold fresh meat products. On the contrary, problems exposed in Hubei Cereal and Oil Corporation's "Liangyou" brand design process

The company did not make clear product segmentation and market positioning. The

company has many grain and oil products, including pork, edible oil, feed, and so on. The company uses the united brand “Liangyou”, not representing each product features well.

The company lack of planning on the brand strategy. Brand strategy requires a long-term investment and construction, the advantages are often not revealed in the short term. (Zhang Yukun, 2004) Yet the company lacks of long-term investment construction preparation for its brand planning, at the same time. Just pursuing of short-term benefits, and ignores the brand construction planning, it lack of brand connotation. As a result, the company invests little in the brand building, the brand value is not high, cannot make differentiations with other products.

"Liangyou" is more like a trademark not as a brand to represent products or reflect the relationship between brands and products, and it's not striking enough, cannot achieve impressive effect.

5.2.3 The Products' Features Analysis

In China's current market, successful branding companies are rare. Most cereal and oil products companies are in the awkward situation, thinking about "whether to brand, how to brand". The products characteristics decide its branding characteristics. Companies should firstly understand these features.

As fast-moving consumer goods, the sales of food products still retain the original sales model and the single channel. Most of the grain and oil products, such as rice, soybeans, etc are concentrated in the wholesale. Though the supermarket is developing fast lately, the supermarket terminal has given cereal and oil companies a lot of pressure, forcing many of them to bring the price down and discounts, reducing the profits in the supermarket significantly.

The common cereals and oil products' technology content is low, it is difficult to give customers high additional value, bringing difficulty to the branding. The price becomes the key factor to the sales, branding may be risky for some companies.

Food products manufacturers are numerous, products' features are similar, and it's difficult for product differentiation. For example, most companies basically have pork products production; however, except "Shuanghui" and minority several companies succeed distinguish their products with the rest, other company's pork product quality and price are hard to make differentiation.

Part of the products is limited by region obviously, it is difficult to form national brand, because of the different needs of each place for cereals and oil products.

Consequently, Hubei Cereal and Oil Corporation should pay attention to the following features in the process of branding. Firstly, high technology content products including pork deep processing and senior cooking oil, are more easily branding and easier to give the company a profit. These products are more simply formed differentiation in quality and price when entering the market, easier to bring additional value to consumers, thus more likely to set up the brand according to the products' features. Secondly, the company should make selective branding, then choose the brand extension or various brand strategy.

5.2.4 The Brand Strategy Construction of the Corporation

According to the previous analysis of the products' features, the key points of the brand strategy are:

5.2.4.1 Positioning Decision

Establishing a brand, the prior question for the corporation is how to choose a position to fight with competitors' brands in the market. The positioning decision contains two dimensions: relative price of the brand; internal factors of the brand which means what the brand can bring for customers in the aspects of material and immaterial. (Zhang Yukun, 2004)

The corporation can select three strategies that are low-cost strategy, premium strategy and prestige strategy. Each strategy has different price system and means to decide the most appropriate sale price. Low-cost strategy is aimed at decreasing price to compete with others. Premium strategy and prestige strategy are setting up image to avoid price competition, which can be seen as differentiation method. The company can make decision based on the brand in the market price level. Choosing low-cost strategy is to choose faster and more economical form of competition. The yield is also very low generally. It also states the internal factors of brand positioning that the quality is barely guaranteed. The result is that brand name is used to identify the consumer price level, and won't provide customers with many material and immaterial appreciation. If the premium strategy is chosen, consumers' willingness to buy and the price level of competitors decide the brand commodity prices. Compared with low-cost strategy, premium strategy makes the brand have meanings to consumers from many aspects. Prestige strategy can further give the brand a proprietary meaning, not only related with the inner attributes of brand goods (represents high quality level), and closely related with the target customer groups interests. Three different price strategies lead to different differentiation level. Only in the brand goods with a differentiation advantage premise, premium strategy and prestige strategy will work.

The corporation's branding can be divided into two types. The ordinary cereal and oil products can't make an effective difference in physical form, and investment is needed to make a differentiation, the low-cost strategy is proper. In order to attract

consumers, it's better to imitate the internal attributes of the successful brand goods that have taken premium and prestige strategies. The identification method that is contrary to the differentiation is often used in low-cost strategy, meaning getting closed to the successful brand commodity with higher position in the market. Other kinds of products have high technical content, such as fine and deep processing pork, green agricultural products and senior cooking oil, etc. They can give customers higher added value, and the technology is not easy to imitate and different from others, the premium strategy can be used. Material differentiation needs the continuous brand commodity innovation and a large number of investments. Immaterial differentiation needs to rely on marketing communication, also needs a large amount of investments.

It's easy to position the food products from the view of function, meaning consumers differentiate products according to the internal attributes. As to the brand products, there are apparent and unapparent attributes. Unapparent attributes refer to the common internal attributes in all products having the same category. If enterprise wants to depend on brand to emphasize the entire product categories' functional characteristics, enterprise can establish the brand to the model in this category, or should let this brand stands out clearly from the entire product category. According to unapparent internal attributes, the enterprise redefines the category a certain brand belongs to, especially in the situation of being difficult to find a special market position. Enterprise can also emphasize the unique feature among the entire brand product, such as patent technology, innovative products, etc.

5.2.4.2 Brand development route

In principle, the selection of brand development route depends on brand marketing communication budget, and the number of the budget depends on the enterprise's financial reserves and a clear management decision. (Zhang Yukun, 2004) Brand development route is divided into low-cost route and high-cost route. Through the advertising to establish brand can be regarded as the high-cost brand development

route, the focus of the advertising turns to packaging, and image transfer method is considered as the low-cost route of brand development.

Taking low-cost route decision can be based on two standards. On one hand, the brand target consumption group is not big enough. It can't guarantee the advertisement investment to bring satisfactory returns. If the target group is lesser, media cost is relatively high, the production is difficult to realize scale advantage. On the other hand, if the brand decides to keep a low differentiation in positioning, low-cost route can be also chosen. Low-cost route brand attaches importance on promote strategy, distribution channels are relatively less, and the market permeability is comparatively low.

High-cost brand development route is to giving the brand connotation with a large budget, meaning the enterprise invests a lot of money for advertising in order to establish a brand image. In this route, packaging and brand name absorb and representative advertisement publicity of brand value, advertising is able to communicate to consumers the brand clearly independently. High-cost route will make investment on packaging, brand name and advertising, focusing on the advertising. In addition, high-cost route may also take the means of low-cost route.

Owing to the shortage of funds and other reasons, Hubei Cereal and Oil Corporation, it's not proper to take high-cost brand development route. The more effective and economic way is to choose some products to make high-cost development and low cost development route on "homogeneous" products parallel way. High technology content products such as fine and deep processing products use high cost development route to establish a brand image for the company to lay the foundation; at the same time, "homogeneous" products can use low cost development route.

5.3 The Channel Strategy of the Corporation

5.3.1 The Distribution System Situation and Development

5.3.1.1 Large wholesale market shrinking

China wholesale field is monopolized by the national monopoly in the planned economy era. These wholesale enterprises are classified general according to industries, respectively monopoly wholesale in separate industries, forming a "pyramid" type structure from top to bottom. Countries in Beijing, Shanghai, Tianjin, Guangzhou and so on several big cities set up the central level stations, manufacturers' products usually are delivered from the central level stations to the secondary stations, again from secondary station wholesaled to the stations in small and medium-sized cities, then retailers take goods from level 3 stations. According to the size, some retailers can directly purchase from the manufacturer, central level station and secondary station.

Since the monopoly and the pyramid wholesale structure is broken, appeared the following phenomenon: There are many individual wholesalers. Most of the original wholesale enterprises' market position drops down rapidly because they can't change the old mode of operation in time. Wholesale areas appear excessive competition situation, big dealers undercut prices, the price war can be seen everywhere. Retail terminal gradually replace big wholesalers, whose influence is larger and larger in the marketing channel.

5.3.1.2 The rapid rise of the new markets

The new markets mainly refer to the large-scale retail chains and super terminal. The large chain stores are the most conspicuous in the rapid development. From the industry point of view, a large number of chain retails appear in almost every industry. From the capital perspective, there are industrial capital, commercial capital,

state-owned capital and foreign capital. From the perspective of ownership, state-owned, private and joint venture enterprises all exist.

5.3.1.3 Channel flattening becomes the general trend

The original wholesale system is divided in accordance with the administrative region, from the provincial wholesale to villages and towns wholesale there are 3-4 level wholesale layers, channels are long, each layer has cost. The defect is high cost and low efficiency, opaque information, and manufacturers' management is difficult. (Xu Weiqin, 2001) Channel flattening becomes the mainstream approach, has its inevitability because new wholesale enterprises have more power and ability in channel construction. The development of logistics distribution can directly provide goods to dealers. Additionally, the product profit rate generally decline, manufacturer can't endure high channel cost. Manufacturers don't want to be controlled by big dealers, becoming more willing to cooperate with small and medium-sized distributors. Manufacturers pay more and more attention to the control power of terminal

5.3.2 The Divide of Channel Mode

According to the features of products, channel mode can be divided into fast circulation products distribution mode, industrial products channel mode, and pharmaceutical products channel mode. (Zhang Jijiao, 2002) Hubei Cereal and Oil Corporation's main distribution mode is the first one, and this mode has four basic types:

5.3.2.1 Manufacturer Directly to Detailer Sales Mode

This mode applies to the main cities and the area that the company can directly affect,

whose sales force is large, the control of product price and logistic is strong. (Figure 5-2)

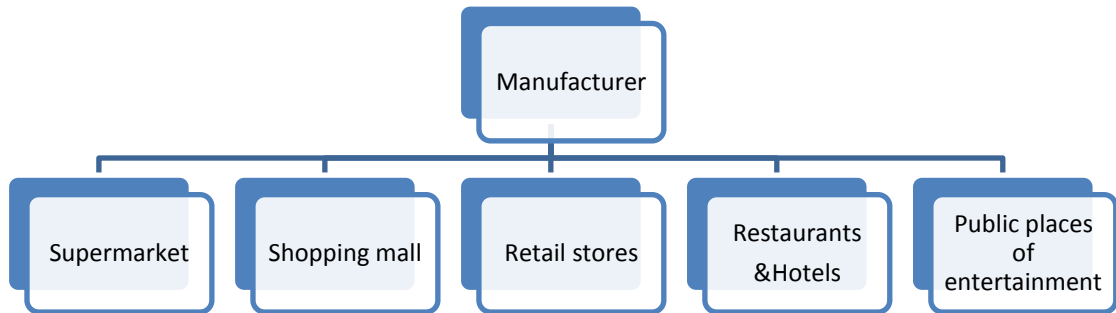


Figure 5-2 Manufacturer directly to detailer sales mode

5.3.2.2 Network Sales Mode

This mode is suitable for large and medium-sized cities, and can also satisfy the needs of medium and small-sized cities. (Figure 5-3)

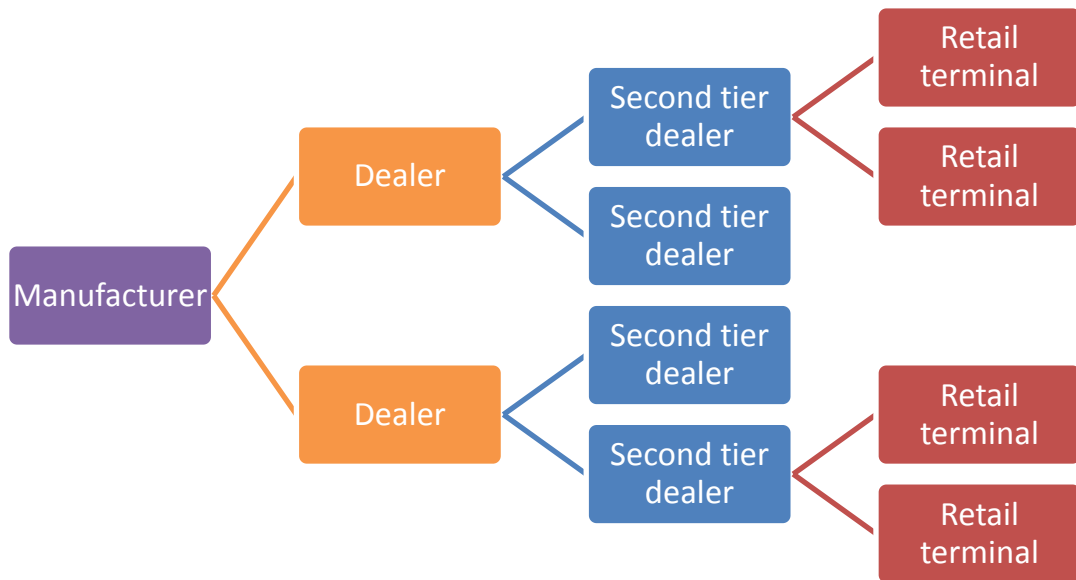


Figure 5-3 Network sales mode

5.3.2.3 Platform Sales Mode

This mode is proper to the largest cities with intensive consumption; the structure is as the figure 5-4:

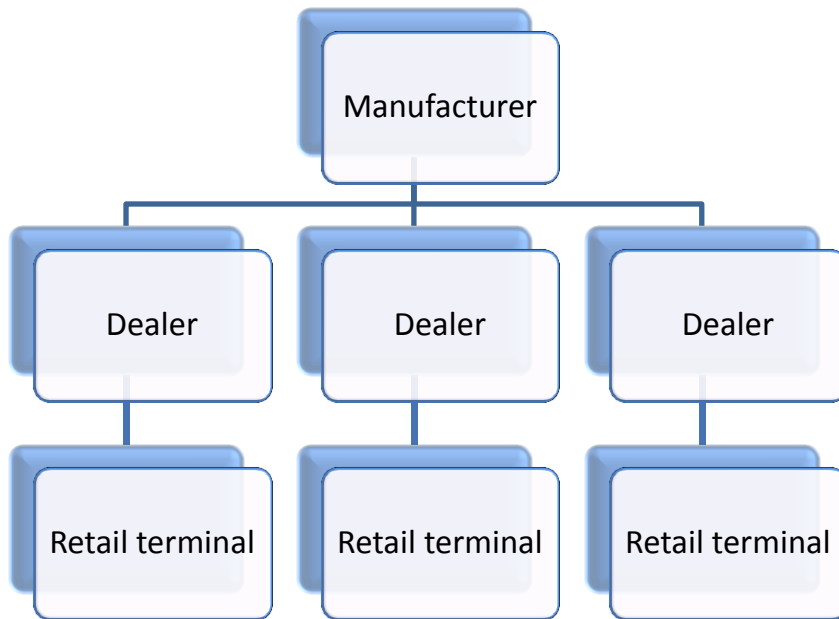


Figure 5-4 Platform sales mode

5.3.2.4 Wholesale Market Natural Radiation Mode

Wholesale market, especially agricultural products wholesale market, still has large market space in some regions. (Figure 5-5)

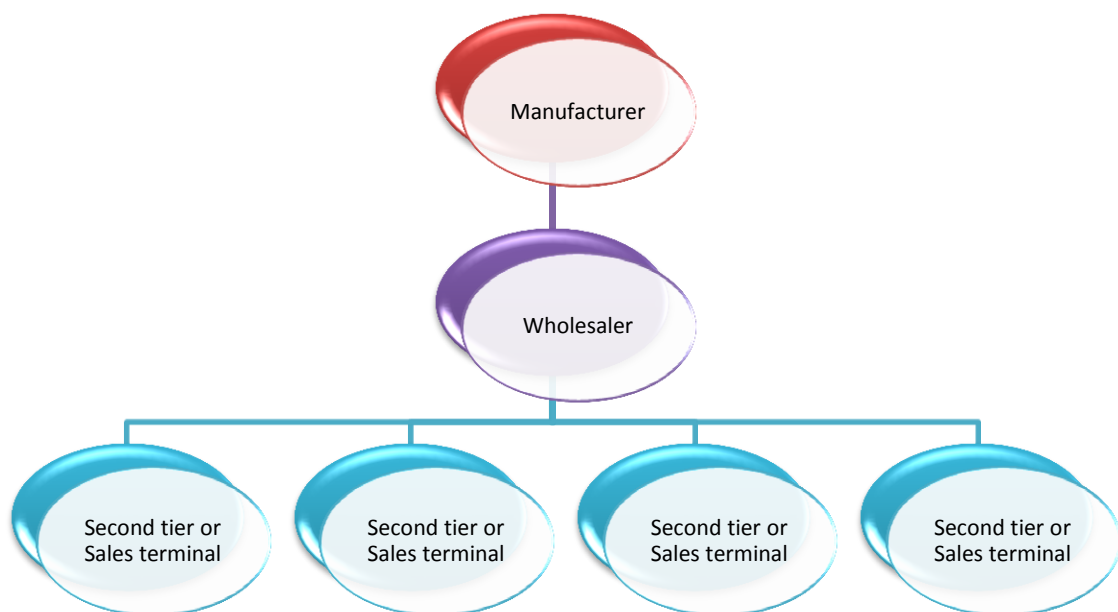


Figure 5-5 Wholesale market natural radiation mode

As the accumulation and development for many years, Hubei Cereal and Oil Corporation mainly adopt the wholesale market natural radiation mode.

5.3.3 The Channel Problems of the Corporation

Because the corporation has various business scopes including different products types, there are all sorts of problems in the channel construction:

The old management system in the enterprise made the distribution channels obsolete, taking wholesale market natural radiation pattern made channel cost high, enterprise's control channel ability weak.

The enterprise lacks of reasonable distribution channel planning design ability. Once the new products is large-scale invested, the enterprise sign contract with who would like to buy, ignoring the characteristics of the product design distribution channel length, width, density or the enterprise's own ability. The problems are piling up as the policy is invariable and system doesn't change.

The management consciousness of dealers in channel widespread falls behind. Many wholesalers can't timely converse function. They see only immediate interests without brand awareness, lacking of network construction or terminal maintenance, being short of scientific inventory management, data management, customer data management, and regional business strategic plan.

The company takes diversification strategy in recent years, involving quick circulation products and durable consumer goods in multiple products field. It led the product distribution channel can't be shared and resources can't be used well. In a

variety of channels construction process, conflicts in all kinds of product distribution channels are obvious.

The terminal control ability is not strong. Terminal is the place of completing sales and collecting consumer information or competitor information. However, the unreasonable set of channel building in Hubei Cereal and Oil Corporation causes the terminal control force is not strong.

5.3.4 The Solution of Channel Problems

5.3.4.1 Emphasize deep distribution

Deep distribution is a kind of sales model with the aid of channel power, directly sell goods to the terminal stores, so as to master and control sales network and stores resource, realize in place and efficient customer management. (Xu Weiqin, 2001) It broke the traditional wholesale --- retail mode, and uses the middlemen strength. Deep distribution has the following several aspects of the features: The levels of sales network are less, and length is moderate. Its basic mode is: manufacturers --- area distributors --- the terminal sales points --- the consumers. The relationship between the manufacturers and retailers changed from simple trading relationship to close managing and cooperative relationship. Channel construction transferred from extensive management into intensive cultivation. Channel network from the original simple disordered radial distribution, become the real intensive network distribution. Prices of products become transparent and stable, suppressing the phenomenon of optional changes of products and prices. The contacts with customers are more direct, service are prompt, so as to promote the construction and maintenance of the enterprise image.

In the process of implementing deep distribution, it's important to establish

unobstructed products distribution channel. Implementing deep distribution is not ignoring dealers to build network, but directly selling products to the terminal stores which still needs the aid of multilayer middlemen to distribute products. The number of levels must be based on the characteristics of product and market. In general, choosing appropriate area to make exclusive distribution and delivery is the key to establish a distribution channel.

It's necessary to set up a moderate scaled sales staff through the open recruitment, strict selection. High quality talented person can enter the sales staff team, and continuously improve the occupational morals and professional ability through the training and guidance. The establishment of incentive and constraint mechanism to mobilize the sales staff's work enthusiasm and sense of responsibility is also crucial.

To mobilize the dealer's enthusiasm, manufacturers must take appropriate incentive measures to provide the necessary policy support.

5.3.4.2 Strengthen the integration management of the channels

Because of the large business scope, the corresponding channel construction is a big workload. The company has already formed diversified industry pattern related to the traditional processing of pork products and real estate development. (The company annual report, 2009) At this time, different products channels construction is important factors of the company diversified development. Correlation between some products is not closed, channel synergy reflect is not big, channels construction costs higher. Under the condition of limited resources, strengthening channel integration management is the inevitable choice of the company. It's good to make intensive cultivation on main business, selective development on by-products and relative industries to improve capital output rate. Compressing channels, pursuing the flattening and high efficiency of channels can help the company save channel construction and management costs, as well as the channel management control

ability. Training channel members is crucial. It refers that the upstream manufacturers, distributors and professional training institutions impart knowledge, experience and professional skills to channel partners. This training helps manufacturers to establish the market standard and directly meet partner demand. It helps promote partners' adding value and the identification of corporation culture, so as to reduce the communication cost. (Xu Weiqin, 2001)

Strengthen the terminal control ability and the construction force. Channel terminal is the important link of the whole pipeline. Strengthening the efforts of controlling the terminal contributes to ensure the products sales unimpeded and obtain efficient information flow. Thus terminal personnel training and facility maintenance need to pay attention to. (Zhang Jijiao, 2002)

6 Matters Need Attention In The Implementation

6.1 Seize the Key of Management, Implement Innovation

6.1.1 Clear Developing Strategy

On the basis of decided business scope, the company should seize the pig breeding and deep processing pork production and marketing as the core, leaning on the investment and resource allocation. To Increase the investment of brand lard development, the company should make deep processing pork as the pillar products, take full use of enterprise idle assets, and enhance the assets utilization efficiency. Also the development of oil processing, feed raw materials, packaging materials and edible oil transit and other projects should be focused.

6.1.2 Adjust Corporation Organizing Form

The company's organizational structure must obey the established strategy needs. As

the company strategy keys change, the organizational structure must be accustomed to acclimatize the needs of strategy advance. According to the pork production development strategy needs, it's necessary to set up organizational structure such as required production workshop, sales organization departments.

6.1.3 Adjust Product Structure

Owing to the common cereals and oil products' profit margin are too low, the company should reduce the proportion of sales of the products, gradually turned to the higher profit margin business like deep processing pork and senior cooking oil, etc. In the meanwhile, the company should give full play to enhance the group to develop new products advantages, continuously developing the products that combine high technology with applicability. In this way, products can be upgraded, brand development can be launched, emphasizing on higher series products sales and profitability. (China's Long Term Plan for Science and Technology Development)

6.1.4 Make Effective Competitive Price

Because the cereal and oil market competition is becoming increasingly intense, cereals and oil products homogeneity is obvious, slightly set the sale price lower than colleagues' is a favorable measure to strengthen and expand market share. Reducing the cost is an important premise to make effective competitive price, the company should control purchasing cost, make reasonable organization production, accelerate turnover of funds, to reduce the cost of sales.

6.1.5 Research, Publicity and After-Sales Service

Firmly establish the idea of positioning users supreme, market first, the company can organize management staffs to investigate market, to learn sales management

experience, widely collect feedbacks in industry places. According to the results, improve the adaptability of the products, and constantly improve the product quality.

6.1.6 Raise Capital Reasonably

Ensuring the timely and moderate supply for production and operation capital, the company should try to reduce financing capital and financial risk. By relying on the shareholders and the group's strength, the enterprise can reasonably raise the funds, arrange for long-term capital and short-term capital, debt capital and equity capital and various kinds of proportional relation, so as to improve the efficiency in the use of capital.

6.2 Value Human Resource Development

Human resource is the most energetic, most initiative and creative key resources. It's the most important kind of enterprise resources to achieve goals. Any enterprise is inseparable from the human resources cooperation. Hubei Cereal and Oil Corporation should deep analyze the present situation of human resources, combining enterprise development strategy, and use professional methods and skills establishment to plan enterprise human resources. Effectively balancing human resources in quantity and quality to suit long-term and short-term supply and demand can make the enterprise personnel structure more reasonable in aspects of technical structure, age structure, culture degree structure, professional title structure. The company should improve staff quality through various ways, elaborately design and organize staff training to make staff continually improve the ability to update knowledge and adapt to the purpose of strategic needs. In a word, how to attach importance to talents, encourage talents channel introduction and increase the cohesion of staff is an urgent problem to be solved.

Around enterprise strategic target, follow the human resources market rules, the company should increase human resources development strength, actively introduce professional students to make the company always full of vigor and vitality, and select excellent talents to learn advanced management experience in cooperative corporations, encourage the staff self-taught and give support in funds, strengthening human resources management work.

6.3 Promote Corporate Culture and Team Spirit

Corporate culture is the highest goal, value standard, and basic belief and behavior norms among enterprise staff in the long-term of the production and business operation activities. It is a kind of management culture, economic culture and microscopic organization culture, including four aspects: enterprise employees' external form of expression like common concept, value orientation and behavior; management scope constituted by the management style and management concepts; management atmosphere formed by the existing management system; management procedures with written and unwritten forms of standards and procedures.

Corporate culture construction has important meaning to enterprise's development for making a strong culture can guide staff conscious effort to achieve the strategic target for long term. It also makes employees have the sense of identity and belonging to this enterprise, forming a strong centripetal force and cohesion, playing great overall effect. It helps form a soft constraint and conscious regulation, to make up for the insufficiency of hard constraint enterprise rules and regulations, improving the management system. The enterprise culture constantly created their own image, but also can form a kind of radiation to this region and other domestic and foreign enterprises. The enterprise culture has relative stability and continuity, once established, it enters into the life of enterprise and employees, and make the enterprise continuous and steady progress.

Although Hubei Cereal and Oil Corporation has established for more than 50 years, the corporate culture construction is weak. The top management should speed up to redefine the construction from the strategic height, regarding the reshape of corporate culture as the internal demand to improve the core competence, grasp the core values, restructure enterprise cohesion, centripetal force, and affinity. The urgent task is to make the existing corporate culture investigation, set up the corporate culture using competition, solidarity, cooperation, pragmatism, dedication, and innovation as core values. In the construction of the enterprise culture, it's necessary to pay attention to the cultivation of team spirit to make all staff in step, ensuring the sustained and healthy development of the company.

7 Conclusion

As the grain and oil market competition is becoming increasingly intense, the development of Hubei Cereal and Oil Corporation has to be considered and planned carefully. In the new market situation, facing new market opportunities and challenges, the company lack of effective marketing strategy as the support. In the real business activities, it's an important factor to make the company have vitality to play their own core competence under the effective marketing strategy guidance.

This thesis, with the scientific theory as the instruction, deep analyzes the internal condition and external environment of Hubei Cereal and Oil Corporation using the enterprise strategic management ideas. The marketing strategic target as well as the realization strategies, from the height of theory and practice combination, has made a broad outline for the future of the company. They have provided systematical materials of the company management decision-making. Some innovative marketing strategies have very important instruction meanings to the company's future and have high values for the future marketing strategy management. This paper has drawn the

following conclusion:

The company should reform internal structure due to the pressure of market competition because the overall production, operation and core competence is not obvious, blind diversification leads to resource waste. The products lack brand connotation and effective marketing channel.

Through the core competence analysis of the company, the core competence and market matrix has been established. The key to gain the core competence is to vigorously develop pork deep processing and the development of the "green food", "healthy food". The essential way to solve the developing dilemma is utilizing the original overall superiority and marketing network.

Since the establishment of the company, the product brand development and maintenance has been ignored. Products lack of suitable brand connotation, having low added value and limited potential. According to the current situation, the company's products can be divided into two classes to brand: one kind is ordinary cereal and oil products; the other is products with high technology content. The point should be paid attention to is reasonably utilizing the limited resources.

The marketing channel setting and management should be emphasized. Currently the company has numerous channel problems need to solve, only to strengthen the deep distribution and channel integration management, the company's distribution channel can be improved.

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