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LABOR-INTENSIVE INDUSTRY COMPANY TRANSITION AND EXPORT  
MARKETING

Bachelor's Thesis 2014

## ABSTRACT

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Labor-Intensive Industry Company Transition  
and Export Marketing

Bachelor's Thesis

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Keywords

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This thesis focused on how to develop export during the development process from labor-intensive industry to technology-intensive industry. The situation of wage, labor-intensive industry and technology-intensive industry development are backgrounds. The objective of this thesis was to analyze the problems of the case company and to provide the case company with strategies.

The approach used in this thesis is case study. The data acquisition includes interviews, online chatting and telephone.

The study result includes a plan for case company for manufacturing transition and export marketing. Firstly, for business factor, designing own brands, establishing two brands for different production lines, then selecting the suitable fair and then preparing necessary material for exhibition, such as hotel, ticket and visa. Secondly, for technology factor, introducing lean production, focusing on products quality and R&D.

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## 1 INTRODUCTION

### 1.1 Research Problem

#### 1.1.1 Case Company

Ningbo Huige Outdoor Products Co.,Ltd, which was established in 2007 in Ningbo city of Zhejiang Province. The main business of Huige is manufacturing BBQ Grill, Charcoal Grill and Smoker with well-equipped production facilities. All the products are certified by ISO9001 Quality Management, CSA, CE, ELT. There are 250 staff in Huige, and the daily output of the company is 6 containers. Additionally, Huige is a supplier to Wal-Mart and Lowe's and a OEM manufacturer for North American leading brands. The contents of BBQ Grill Series can be seen in the Figure 1.

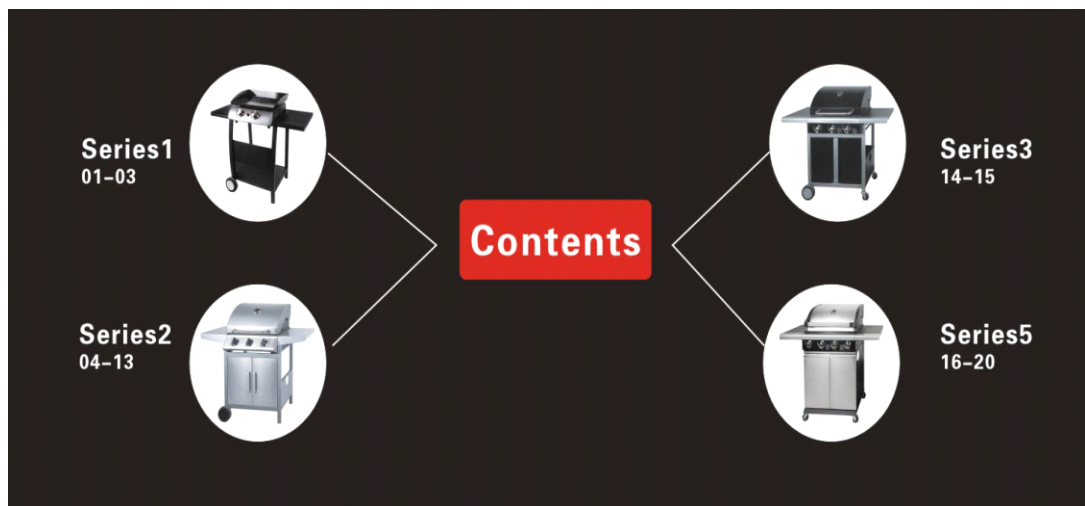


Figure 1 BBQ Grill Series

### 1.1.2 Reasons for This Research

After establishment, Huige company spent a peaceful year, but in 2008, because of the American economic crisis, the company encountered a dangerous situation, which nearly dragged the company to bankruptcy. In 2011, because of labor and raw material costs increase and the influence of EU economic crisis, the turnover of Huige Company declined dramatically.

Table 1 Turnover of Huige Company form 2007 to 2012 (Wang 2013)

Year	Yearly turnover
2007	16,643 million
2008	10,753million
2009	15,662 million
2010	17,973million
2011	13,381million
2012(until November)	14,193 million

After coming through the two difficult situations, effective reforms are needed. Transition from labor-intensive industry company to technology-intensive industry company is an important plan for Huige, another is expanding markets to sell products and service to foreign customers and partners.

### 1.2 Research Objective and Limitation

The objective of this thesis is to provide Huige company with strategies about



transition from labor-intensive industry company to technology-intensive industry company as well as export marketing plans.

One limitation of this study is the geographic distance between the interviewer and the interviewees. Interviews with Wang Ce and Guo Ran, salesmen in the Huige company cannot be held face to face, but online chatting and telephone were used.

### 1.3 Research Question

For a successful research, the purpose is to get enough and reasonable information to the main question:

How to transit from labor-intensive industry company to technology-intensive industry company and expand market for a production manufacture company.

Sub-research questions

- What are labor-intensive industry and technology-intensive industry company and the difference between them ?
- what problems does Huige company faces in current situation
- Is it necessary for Huige company to do this transition ?
- What factors and production skills should change during the transition ?
- What is an effective way to do export marketing?

## 1.4 Data Acquisition and Analysis

The objective of this thesis is to provide the case company with strategies to transit from a labor-intensive industry company to a technology-intensive industry company and export plans to Huige. Thus qualitative approach is mainly used in this thesis. In this research, interview is definitely the main tool for author to understand the development and difficult situation of Huige company. Due to the time difference between Finland and China and the distance limited, the interview was carried on 4th and 16th September, 2013. Afterward, a SWOT analysis of the case company will be shown.

The questions in the interview were involved development, history, difficult situation of Huige company, the necessary of the transition and some point of views from Wang Ce and Guo Ran to this transition and export situation of the case company and grill industry.

Additionally, other information such as grill industry development in Ningbo, foreign trade situation of Ningbo and development of Huige company were collected from official website of Ningbo government, home page of Huige and internal company documents.

## 2. THE ANALYSIS OF GRILL INDUSTRY IN NINGBO

### 2.1 Manufacturing in Ningbo

The data from Ningbo government official website, Ningbo is one of manufacturing bases in China. The products from Ningbo have covered every corner of the world. Some examples of their products are stationary and electronic appliances. However, due to the unstable world economy, the advantage of labor costs is disappearing. Manufacturing in Ningbo came to crossroads in 2012 . The number of PMI (Purchase Management Index) was 49.2% in August of 2012while in July it was 49.1%. From January to August in 2012, the data of export value to EU was 10.6 million whereas the number was 11.5 million in the same period of 2011.

### 2.2 Grill Industry in Ningbo

Grill industry is still a minor industry in Ningbo. Because of the increasing land leasing price and labor costs, a lot of grill companies moved their factories from Guangdong Province to Ningbo. The main feature of these factories is OEM (Original Equipment Manufacturer) without advanced technology, design and a brand of their own.

### 2.3 Foreign Trade of Ningbo

Table 2 Total Volume of Import & Export in Ningbo

(Source: National Bureau of Statistics of China)

Total Volume of Import & Export in Ningbo (unit: US\$ million )	
The year of 2006	42,211
The year of 2007	56,499
The year of 2008	67,840
The year of 2009	60,812
The year of 2010	82,904
The year of 2011	98,168

Table 2 shows clearly, that the total volume increased year by year, except for 2009. This exception was a result of the EU economic crisis. In the year of 2011, the number reached US\$ 98,168 million. This statistic outcome shows how fast trade market development in these years as well as gives confidence to exporters.

### 3. MANUFACTURING TRANSITION AND EXPORT MARKETING

#### 3.1 Labor-Intensive Industry and Technology-Intensive Industry

##### 3.1.1 Definition of Labor-Intensive Industry

Substantial amount of human labor is essential to the labor-intensive industry companies to produce industrial products. From the name structure, labor is intensively used in labor intensive industry companies. The percentage in labor costs is much higher and more vital than the percentage of technology costs. The features of labor-intensive industries are low fixed costs, low maintenance costs, and high variable costs. Labor-intensive industry will decrease real earnings when encounter inflation, because during inflation time, the workers are not willing to work. In developing economies, the structure of labor-intensive industry is the main option, which can bring economic development and prosperity relies on cheaper laborers. In addition, labor -intensive industry can help developing countries to strengthen export base and earn foreign exchange through manufacturing products then export them to foreign countries. Furthermore, labor-intensive industries can increase employment rate. (Kletzer 2010, 45)

Labor-intensive industry also has been argued to include industries such as hotel, agriculture, mining and service industries without advanced technology or skilled workers. One of advantages of labor-intensive industry is that it is easier to control employee expenses during depression. However being easily influenced by the unstable wage is one of labor-intensive industry's disadvantages.(Hong 2011).

### 3.1.2 Demographic Dividend

John (2004) argues that demographic dividend means “demographic gift”, which is defined as nations with low fertility rate and the percentage of labor force increases. This is a golden period for economic growth and human development. There are three main functions of demographic dividend :

**Labor Supply:** The children born in high fertility lead to sufficient labor resource before the golden period appear. On the contrary, because of low fertility, women have free time to take job as well as educate themselves.

**Saving :** On one hand, working -age adults can earn more and save more money due to less children and less support from children. On the other hand, the growing personal saving for industrial investment that leads to economic development.

**Human Capital:** Because of fewer children, women have free time to take part in job environment, which help them to enhance social statue and personal confidence. In addition, parents shoulder less burdens from children, they pay more attention to healthy food and life style.

In the following Figure 2, demographic changes in China and India have been shown

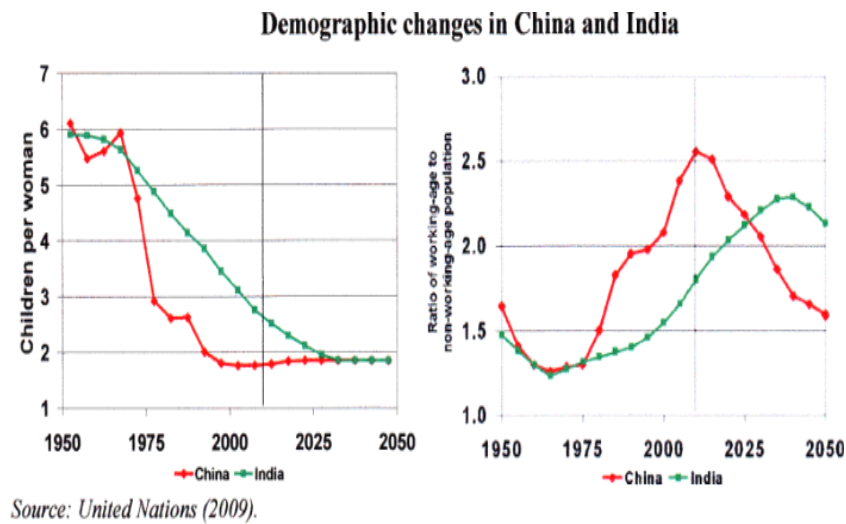


Figure 2 Demographic Changes in China and India

According to professor Cai Fang's research (Cai 2013), demographic dividend in China has been disappearing from 2012, which will influence many factors in China, especially economic growth. Data from National Bureau of Statistics (NBS) showed that the number of working-age adult from the ages of 15 to 59 declined by 3.45 million in 2012. This is the first "absolute decline" in labor resource in China. (China Daily 2013)

Data from figure 2 can verify the fact that the ratio of working-age to non-working-age population in China increased from 1950 to 2012, but after 2012, the number will decline from 2.5 to 1.5 in 2050.

### 3.1.3 Technology-Intensive Industry Development in China

Technology-intensive industry companies refer to the companies requires numerous technologies in producing, maintaining, technical equipment and technical staff. These include Businesses like auto industry, steel industry and electronic products. (Science & Engineering Indictors 2010)

During thirty years development since 1978, the economic has developed rapidly. The annual economic growth rate is about 9% in 2004. One of remarkable sectors is manufacturing development. Due to the foreign direct investment (FDI) policy, advanced technology was introduced from abroad to mainland of China. After about 20 years development, in the mid-1990s, China government started to upgrade industrial structure and promote technology-intensive industry. In 1995, Chinese government enacted the 1995 Decision (a plan for next step and economic development of five years), which gave an important role to technology in economic and social development. The Ninth Five-Year plan (1996-2000) reflected specifically the 1995 Decision. During the year from 1996 to 2000, technology was still main engine for economic development. After the two next two five-Year plans, from 2001 to 2010, R&D was took into account by Chinese government. (Kim & Mah 2009.)

Table 3 High-tech Products Export in China (Kim & Mah 2009)

Year	High-tech products export (unit: US\$ billion)
1993	4.68
1994	6.29
1995	10.13
1996	12.26
1997	16.31
1998	20.33
1999	24.67
2000	37.01
2001	46.49
2002	67.87



2003	110.32
2004	165.44

From 1993 to 2004, export of high-tech products increased from 4.68 US\$ billion to 165.4 US\$ billion. It is clear to show the proportion of high-tech products remained more and more important.

Table 4 The Difference between Labor-Intensive Industry Companies and Technology-Intensive Industry Companies

	Labor - intensive industry	Technology-intensive industry
Structure / System	Vital for all companies	
Strategy		
Resource / Innovation	Focusing processing production	Paying more attention on design and technological factors
Operational mode	OEM(Original Equipment Manufacturer)	ODM(Original Design Manufacturer)and OBM(Ow n Branding & Manufacturing)

### 3.2 Lean Production

Sun (2011) thought that lean production, which is a set of activity to reach high-volume production with minimal raw materials, production procedure, and every step operated “just in time”, completed and delivered them quickly. Production

operated according to real product demand. From another aspect, lean production pay more attention to customers' demands using suitable goods and excellent service.

Some key elements of lean production are:

Understand what customers need and produce to meet it. reduce spacing between the lines for more style

Work perfectly and continually and eliminate waste activities.

Let employees participate in sustainable and problem-solving projects

Bulid detailed plans

Use feedbacks to decision making and problem-solving

Through the whole enterprise and perspective, set up improvement activities.

Lean production is typical paradigm shifts from "batch and queue" model to "one-piece flow". Highly controlled processes, "just in time" production, employee and system-wide are needed during this shift. Some methods such as value stream mapping, kaizen events, Total Productive Maintenance (TPM), just-in-time are used in the lean production toolbox. Process steps, technique and desired outcomes are defined to each tactical method. (Sun 2011)

The main purpose of most companies pursue lean production is to improve competitive advantages (such as high quality products and customer service) and reduce costs. The aim of lean production is combining flexibility and quality with low costs. Every employee should grasp required skills during production. In lean production, parts of products should be delivered to each factories just-in-time.

However, at the beginning of setting up a lean-production system, some problems increase generally because of immature operations. In the end, lean-production line appears much less problems than classic assembly-line. In lean-production, designers, production workers and suppliers can work together at the same time, the problems and snags during the production can be solved immediately. (Economist 2009)

### 3.2.1 Benefits of Lean Production

Sun (2011) listed six benefits of lean production: shorter lead time, lower defect rates, less raw materials inventory, less working process inventory, less finished goods inventory and flexible work force. Sun conducted a research to compare production efficiency between non-JIT suppliers and JIT suppliers. The result of this research as follows: The study showed that compared to 30% of the non-JIT suppliers, 70% of the JIT suppliers reduced their lead time, who have more time to change requirements of customers. In defect rates, the number of JIT suppliers was 50% lower than that of non-JIT suppliers. In other words, non-JIT suppliers had to do some extra steps to gain guarantee of their customers. The data of raw materials inventory reduced about 50% by JIT supplier. Meanwhile, there were 43% of JIT suppliers reduce working process stock, the data of non-JIT suppliers was only 9%. In addition, the data of finished goods inventory in JIT suppliers and non-JIT suppliers was 29% and 18% respectively. At last, 67% of workers from JIT suppliers knew over two jobs and 45% of them knew over three. In non-JIT suppliers, the data were 54% and 34% respectively.

### 3.2.2 Technique of the Lean Production

#### Kanban or pulling scheduling

Kanban/pulling scheduling is a control system delivery customers' demands. Kanban is a Japanese word means a card. It is also a control system control material movement, day-to-day production and inventory control. This control system relies on visual signal, such as cards, boards and colored balls. Trough Kanban system, workers can get information easily. (Sun 2011)

#### Reducing setup times

Every part should run every day and make sure first piece is right, at last, the workers of production should remember that change equipment time no more than 10 times. (Sun 2011)

#### Quality at source

It is not wise to solve problems after they occur during production process. Thus improve quality must concentrate on products source. Lean production depends heavily on source quality. The most important key of successful implementation is human input. Workers must receive problem-solving training to deal with the quality problems. (Sun 2011)

#### Group technology

Group technology all necessary equipment for complete production or similar parts. The physical distance between operation and functional layouts can be shrunk by

group technology. In addition, with group technology, they do work smoothly save much time. (Sun 2011)

#### Focused factories

A large factory produces every part of one product in one place, which is called traditional manufacturing. However this mode has many problems; it will increase costs of human workers, raw material. Thus large factories give orders to small manufacturers and suppliers. Focused factories make the production into a line flow. This may reduce the skills that employees grasped, decrease the costs of workers training. In addition, focused factories help workers to do less work and efficiently. (Sun 2011)

#### Kaizen/Continuous improvement

Kaizen, a word came from Japan. This is a Japanese discipline require everyone in the organization from top managers to general workers should build a goal about ongoing development, which reinforces production process and reduces waste. (Sun 2011)

### 3.3 Value Chain

Porter (1985) argued that the value chain helps firms and organizations to develop competitive advantages and create value. This is a business system. Porter's Value Chain model contains two activities, the primary value chain activities and support activities. The primary value chain activities include Inbound Logistics, Operations, Outbound Logistic, Marketing&Sales and Service. Inbound Logistics includes inputs receiving, storing and distribution. Supplier relationships are the main element. Operation means transform from inputs to outputs. Outbound Logistic is delivering

products and service to customers. Marketing and sales is a process of persuading customers to purchase products. Maintenance and service of products and customers are definitions of service. The primary activities are supported by Firm Infrastructure, HR Management, Technology Development and Procurement. Procurement is getting resource what firms need to operate. Human resource includes workers' recruitments, hire, training, motivation, reward and retaining. Technological development contains information managing and processing, company's knowledge base protecting, technological advances staying. Infrastructure is companies' daily operations (management of accounting, legal, administrative and general).

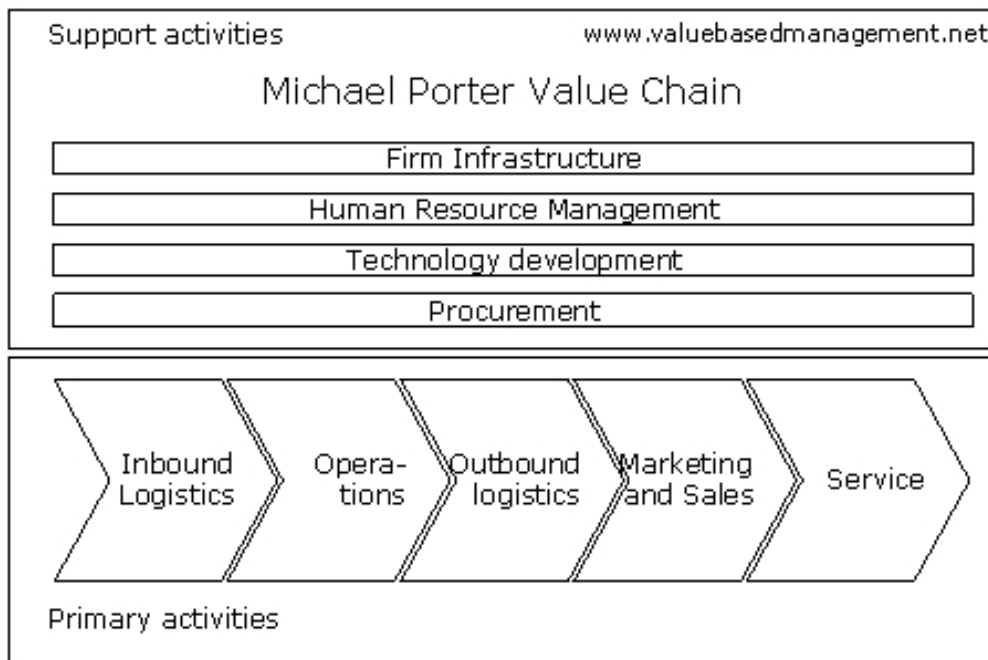


Figure 3 Porter's Value Chain

In technology-intensive industry companies, relying on the advanced technology, skilled workers and sufficient finance support, HR management, technology development and market and brand building are focused by the owners of these companies. In contrary, the labor-intensive industry companies pay more attention on

manufacturing. This special cooperation and combination creates the value chain model, brings a win-win situation to both types of companies.

Porter (1985) thought there are 4 steps to increase value. Step 1: Identify primary activity's sub-activities. There are three different sub-activities, direct activities, indirect activities and quality assurance. Step 2: Identify support activity's sub-activities. Support activities add value to primary activities. Then in company's infrastructure, identify these many creating value sub-activities. Step 3: Identify links, find links between value activities. Step 4: Find opportunities to increase value. Review all of activities and links and think about the maximize value to company as well as service to customers.

Shih (1992) put forward the concept of the smiling curve, which includes life cycle of a product, from R&D to after-sales services.

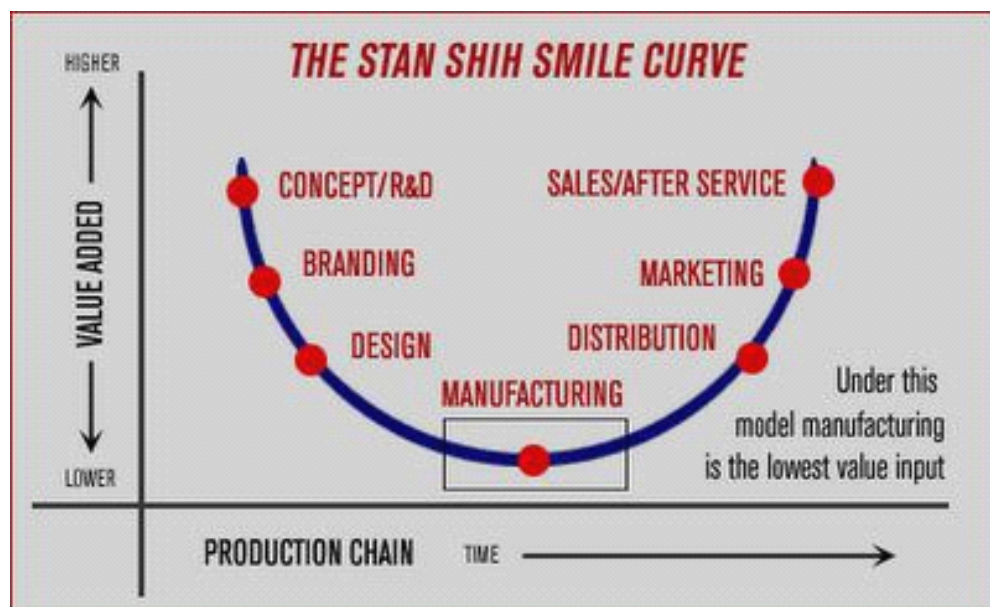


Figure 4 The Stan Shih Smile Curve (Shih 1992.)

Figure 4 describes the surprising phenomenon that R&D, branding, design, marketing and sales add value to product, on the contrary, manufacturing is the lowest value

input.

### 3.4 Brand Building

Jobber (2010) believed that a successful brand brings high quality, trust, assurance for those customers who are willing to pay for companies. In addition, a successful brand generates loyalty and affection in a society. The first point between a company and customers is brand name, which can influence customers' attitudes to products and service.

Strong brands are essential to companies and consumers. Strong brands add value and improve profits to companies. Strong brands mean quality certification and trust to consumers. Strong brands can influence three factors: Company value, consumer perception and preferences, competition barriers. Company value: The companies' financial value improved by strong brands' possession. Consumers perception and preference: Consumers perception and preference are influenced by strong brands' names. Competition barriers: The strong brands can hinder new brands come to markets. (Jobber 2010, 310)

Keller (2007, 2-9) and Kaptan & Pandey (2010) have discussed brand respectively. The following is a combination of brand findings from theirs and author's personal view of brand.

The word of brand came from old Norse word brandr, the main meaning of the brandr is 'to burn'. Brand is not only a name, design, sign, but also a service, a vital asset of a company. Brand has its own function, advertises culture, goals, quality of a company or a product to customers. Brand is a word, the company's DNA.



Jobber (2010) believes a combination of seven factors can help companies build brands successfully. Seven factors are shown in Figure (5) and are described below.

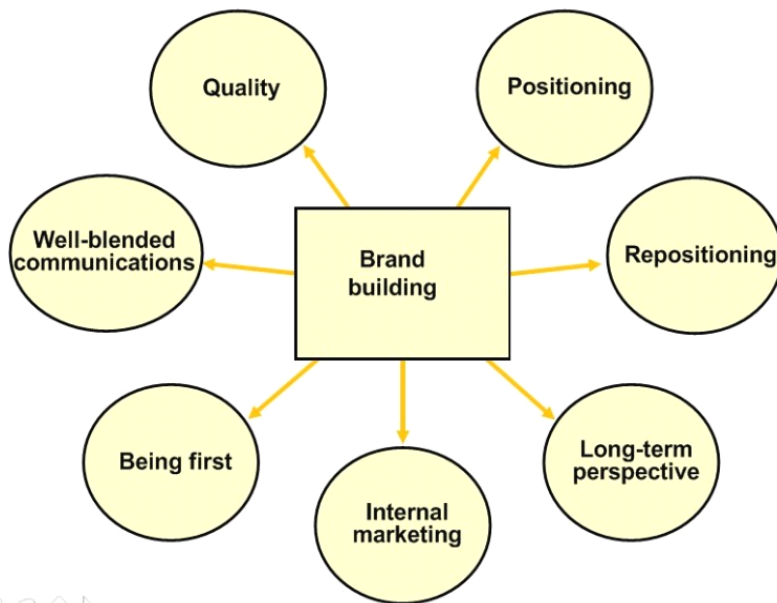


Figure 5 Building Successful Brands (Source: Jobber 2010, 313)

**Quality:** The most important thing is building quality into product. There is a study that shows that the higher-quality brands can achieve greater market shares. Once the brand has connection with quality, it is a barrier to competitors. Thus, Huige should establish quality into all the products, from raw material purchasing to production distribution.

**Positioning:** a position in the marketplace is associated with target marketing choice and a clear advantage in consumers' mind. Unique positioning depends on the combination of factors (brand name and image, service, design, packaging, guarantees and delivery). Huige should find the correct position of products in marketplace.

Repositioning: repositioning brands probably is needed when markets change. When the market changes, Huige should realize the difference in market early and build the policy to handle the change.

Well-blended communications: Creating a clear position awareness to target consumers. Salesmen should make their products brands noticeable through design, logo, advertisement and build clear awareness in consumers. The marketers of Huige should design a noticeable brand logo, brand name and advertisement. In addition, seeking help for a suitable advertising company is also a good idea.

Being first: There is a research that shows that the brand which has been launched earlier, has more chance to success compare with the brand come to markets later. Being first into market cannot only bring cost and technological advantage, but also build customers loyalty and awareness to companies and products.

Long-term perspective: Building brand is a long-term activity. It connects management, brand advertisement. Establishing and maintaining brand position in markets. Internal marketing: Internal staff training and communicating. Thus the staff of Huige should understand well about brand strategies and companies' ethos.

### 3.5 Export Marketing

Export Marketing means getting connections and business with foreign companies. The process of export marketing includes numerous functions. Export marketing research is needed before export marketing, the needs and requirements are different depend on different customers from different regions, hence it is important to use suitable marketing research technique to understand the different needs and requirements from different orders, and afterward pay more attention to research and

development, upgrade advanced technology for products. To pay more attention to export finance is needed at the stage of pre-shipment and post-shipment. Pre-shipment includes packing credit and pre-shipment includes other finance requirement. Reducing the production costs and price is necessary, as it will lead to a competitive market for exporters. In addition, a reasonable price quoting is important. The pricing quoting should consider costs and other factors. Export packaging is also vital in the export marketing. The products should be packaged strictly according to packing standards. At last, Exporters should take advantages of government policy about export incentives and assistance, at the same time, exporters should respect foreign trade policies and laws in different countries. (Acharya, Khushpat & Aii 2010)

### 3.6 Exhibition

Exhibitions are one of unique and available promotional tools between buyers, sellers and competitors in a commercial place. Taking the Cologne trade exhibition for example, 28,000 exhibitors and 1.8 million buyers from over 100 countries. Exhibitions must be the important industrial promotion mix. Exhibitions are one of virtual advertisements to express companies, products. Directly influence the effectiveness of personal selling. In addition, it is a best way to know the competitors' situation and products. (Jobber 2010)

Dean (1996) thought participating an exhibition is a demonstration of hidden depth and a public expression of products. Exhibitors should prepare a comprehensive plan and management before exhibition.

#### 3.6.1 Exhibition Objectives

Jobber (2010) listed some objectives of exhibition: attending exhibitions is a good

way to reach audiences, who have interest in products create and strength the relationships with potential customers and existing customers. In addition, it is a suitable way to show products and introduce new products. The most important function is solving customers' problem directly. It is also a good opportunity to know information about competitors, customers's needs industry trends and products.

### 3.6.2 International Hard ware Fair

- ◆International Hardware Fair Cologne, a leading global hardware industry fair, the International Hardware Fair Cologne. The exhibition includes numerous products, such as tools, locks & keys, furniture equipment. This exhibition is for all exhibitors, buyers. In 2012, there were about 53,500 visitors and 2665 exhibitors attending this fair. ( Trade Fair Dates 2013)
  
- ◆China Import and Export Fair, another name is Canton Fair, which is held every spring and autumn in Guangzhou with the longest history (first held in 1957), the largest assortment of products, the largest participants and the largest fair in China. There were 202,766 oversea buyers and 24,746 exhibitors attending this fair in 2012. (Canton Fair Online 2013)



Figure 6 Canton Fair ( Canton Fair Online 2013)



Figure 7 Canton Fair ( Canton Fair Online 2013 )

#### 4. CASE COMPANY: NINGBO HUIGE OUTDOOR PRODUCT CO.,LTD

This case study illustrates the development problems of Huige and give strategies about transition from labor-intensive industry company to technology-intensive industry company to case company. The following chapters are based mainly on the interviews with the salesman Wang Ce and the manager of production department, Guo Ran.

##### 4.1 Reasons for Transition

Yangtze River Delta (YRD) includes 16 cities, such as Shanghai, Nanjing, Suzhou, Hangzhou and so on. As one of the richest areas in China, 20% of GDP and 35% of its import and export were accounted by YRD economic zone. ( HKTDC 2013)

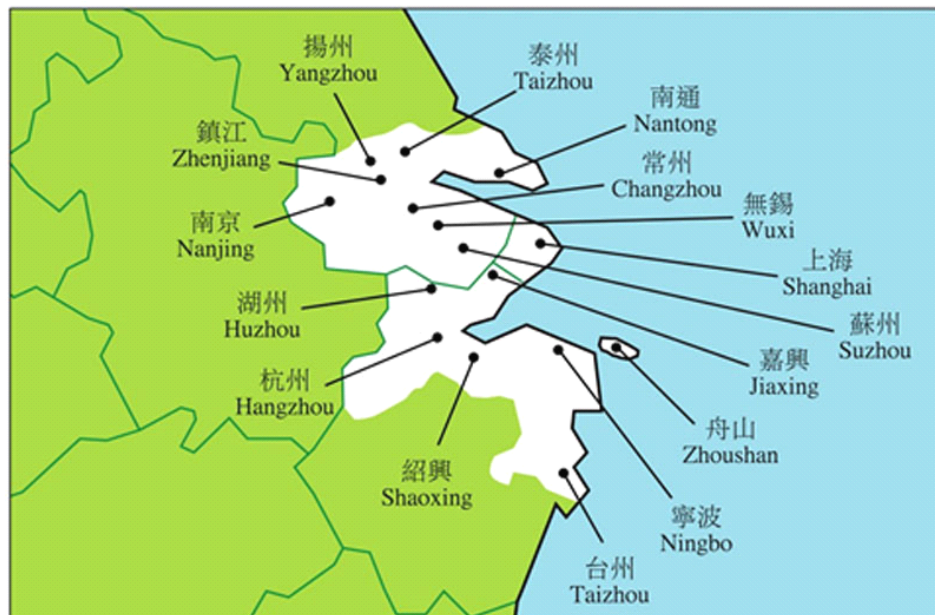


Figure 8 Yangtze River Delta ( source: HKTDC 2013 )

Wang Ce ( 2013) said Huige now has become a lead manufacturer in Gas Grill,

Charcoal Grill, Smoker in China Yangtze River Delta, who did OEM for some famous brands, such as Kingfish and Sunwind. There are about 250 staff in Huige, but most of them are lower-skilled workers. As the company has encountered some serious difficulties, it is urgent for Huige to make a change and transfer production structure. There are several reasons including external factors and internal factors can be listed as follows:

#### 4.1.1 Internal Factors

The first one is human resource management problems, lacking of complete welfare system and promotion space, there is no basic training for new employees, all of the reasons lead to strong staff mobility. The company does not have ability to keep outstanding employees.

The second problem is product quality problem, the main reasons of quality problems, from Wang's opinion, the premier one is the careless inspection of raw resource, unqualified metal come into production line. The secondary factor is lacking of communication with customers. The technical personnel change the demands form orders without reaching agreements with customers.

The third problem is a technical problem, in Mr Guo's opinion, because of obsolete technology and manufacturing craft and customers' needs. The company cannot pay more attention to research&development sector.

#### 4.1.2 External Factors

Expect the three main internal factors, Huige has encountered a difficult situation as well. Some business partners gave up cooperations with them, in addition, Huige does

not have their own brand products. It is an embarrassing situation. This is a common disease for this industry. Thus in 2012, the owner of Huige invited a professional manager and his team from Guangdong (one of the best place in China with advantage in export and manufacture) .

#### 4.2 SWOT Analysis of Huige

In order to comprehensively know the situation of Huige and give more detailed suggestions to Huige, according to Wang's interview, a suitable and reasonable SWOT-analysis of Huige is shown. Not only the strengths and weaknesses of Huige, but also the opportunities and treats will be considered in the SWOT-analysis. Table 5 shows the SWOT-analysis for Huige.

Table 5 SWOT-analysis of Huige

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- more than 10 years in grill industry</li> <li>- cheaper land rent and labor price compare with Guangdong</li> <li>- company is in Changjiang delta area, the richest place in China</li> </ul>	<ul style="list-style-type: none"> <li>- lack of skilled staff and higher technology</li> <li>- limited business partners</li> <li>- quality problem of product</li> <li>-imperfect human resource management</li> </ul>
Opportunities	Treats



-customer prefer grill products from Yangtze River Delta Area	-EU currency crisis
-high-speed economic growth of China	
-less competitors in Yangtze River Delta Area	

A company who is doing OEM mode over 10 years has gained precious experience and technology from foreign companies. This experience may help them in terms of the transition. The location (Ningbo) of the company may bring cheaper land rent and labor price compare with Guangdong, in addition, because of the region advantage in China, Ningbo can give lots of business opportunities to Huige. However, the weakness of Huige is obvious, unskilled workers and technology, product quality problems and imperfect human resource management.

China high-speed economic growth, government policy and fewer competitors are good opportunities to Huige. Relying on high-speed economic growth, Chinese companies have more confidence and competitive strength to trade with foreigners.

EU currency crisis is a treat for Huige, as EU is a largest market now. EU currency crisis influenced turnover.

## 4.3 Strategies for Huige

### 4.3.1 Transition from Labor-Intensive Industry Company to Technology-Intensive Industry Company

According to Guo (2013), if Huige wants to transfer from labor-intensive industry company to technology-intensive industry company successfully, they must have sufficient finance support, high technology, comprehensive HR management and R&D ability. Hence in the beginning period of transition, finance support is the prior factor, through these years of OEM for foreign companies, such as Kingfish and Sunwind, the case company accumulated experience and funds during these years. Additionally, Huige do not have debt problem. Therefore, they have enough money to support this transition. As a small-scale enterprise, lacking technology and skills, there are two ways for Huige: the former one is recruiting skilled workers and specialists from Guangdong or other foreign countries. Firstly, the HR department should pay more attention to these candidates, who have experience in working in this area, secondly, calling head-hunter companies for help to find suitable employees to match Huige's need. Thirdly, an option is introducing technology and equipment directly from foreign countries. Purchasing Department should visit advanced companies frequently as well as purchase and learn equipment and technology from them. During this process, pay attention to absorption of the new technology, organize training classes for employees after visiting. If Huige encounter finance problem, the owner of Huige can apply a loan from bank or finding Ninbo government for help.

### 4.3.2 Lean Production (manufacturing) plan

According to (Mr) Guo (2013), there are some problems in production said in chapter 2.4. Therefore, introducing lean production to Huige is suitable and reasonable. An advanced production theory, which can help Huige to develop effectiveness of production. Firstly, salesmen should understand the customers' demand, then purchase strictly according to customers' demand avoid waisting raw material and other extra costs, meanwhile pay more attention to raw material's quality. During production process, work continually and eliminate waste activities. Setting up the Kanban scheduling, workers can get information every day. Secondly, reducing the setup time, every part should run every day and do not change the equipment very often. Thirdly, introducing group technology into production process, which can save time and effect. At last, the staff in the case company from top manager to general workers should establish a goal about company's development and reduce waste.

### 4.3.3 Brand Management

Brand Difference: According to Wang's interview, unfortunately, Huige does not have brands of its own. According to theoretical part of brand (see chapter 2.3), brand is not only the logo of the company, but also the quality, assurance and image. Thus building a brand for Huige is important. Firstly, brand name is need before brand building, it must be brief but noticeable as well as the brand logo. Here (Figure 9 and Figure 10) are two draft versions of Huige brand logos.



Figure 9 Draft Version of Huige Brand Logo 1



Figure 10 Draft Version of Huige Brand Logo 2

Brand Positioning: Product's quality is the core element of building a brand , establishing the sense of high quality is the first step for brand building. The second step is positioning, which is associated with target market and customers. According to Guo Ran and Wang Ce's experience and researches, there are two types of BBQ grills, gas grills and charcoal grills, hence, it is better to launch two brand names to satisfy different needs of customers. For example, logo 1 positioned for gas grills products and logo 2 for charcoal grills. Meanwhile, salespeople and employees should understand the strategies and meanings of these brands.

#### 4.3.4 Export Marketing Plan

As a export-oriented company, participating exhibitions is the most effective way to show their product compared with B2B e-commerce and mail marketing. In fair period, every companies will show their advanced technology products and services. This is the good opportunities to learn and know other competitors' situation. In addition, thousands of potential customers will participate exhibition, this is a good

chance to advertise products directly, face-to-face business is effective channel between exhibitors and customers. From chapter 2.6, there are two famous hardware fairs in the world, which are attracting customers and exhibitors from many countries. This is a feasible chance for Huige to advertise their products, services and build the relationship with new, existing customers. Before exhibition, Huige should select qualified exhibitors and products, it is better to hold a training for them. In addition, hotels and plane tickets should prepared before departure. During fair period, staff should always stand at the exhibition hall with enthusiasm and clear obligation. After fair, collecting all information and evaluating activities in the fair and give a feedback such as suggestions and potential customers lists.

#### 4.4 Comparison to Other Study of Transition from Labor-Intensive Industry Company from Technology-Intensive Industry Company and Export Marketing.

Export marketing as a famous topic for business has been researched by many authors and organizations from many countries.

Through reviewing other articles in term of export marketing, they have similar and difference from this research. For similar part, export marketing as one of effective and complicated way for companies to export their products to foreign countries. For different part, many researched paid more attention to the export marketing procedure, such as packaging, the necessary documents of export marketing, but in this thesis, the author paid more attention to the methods of export marketing, for example, exhibition is one of effective for companies to advertise products. Because as a export-oriented company, Huige has sufficient experience and practiced ability to do export well.

For transition from labor-intensive industry companies to technology-intensive industry companies sector, the data and information is not enough. The other researchers just told us the different situations and problems about labor-intensive industry companies, hence the authors referred the theory about the transition from OEM to ODM and OBM, which gave the author inspiration to continue this thesis.

## 5. CONCLUSION

### 5.1 Main Findings

This thesis summarizes the reasons of the case company transfer from labor-intensive industry company to technology - intensive company. The paper is based on previous studies and consulted from other related books. An in-depth analysis of theoretical and empirical research is given. The theoretical part reviews the knowledge of labor-intensive and technology-intensive industry companies development in China, value chain, brand building, lean production and export marketing. The theoretical part improves the necessary and probability of transition for Huige.

After analyzing Wang Ce and Guo Ran's interview and doing the SWOT-analysis of Huige, it reveals there are many problems in the case companies, such as skilled workers and advanced technology shortage, poor human resource management and product quality problems, thus it is necessary to start transition. Firstly, the case company should establish their own brands, secondly, introducing lean production theory to factories and manufacturing department. In addition, listing the benefits of exhibition and comparing with other exporting methods, exhibition is the most effective way to advertise products.

### 5.2 Managerial Implication

On purpose of reaching the objective of this thesis, to give strategies to Huige to transfer from labor-intensive company to technology-intensive company and do well in export marketing, internal suggestions will be given through the transition process.

## **Brand Building**

Brand building is a core factor of transition, brand logo and brand name should be specified by department of marketing. In the nearly 6 months, designing brand names and logos are department of marketing's main job, after this period, seeking help from advertising company, a noticeable advertising slogan should be established in the market through cooperation.

Another concern for brand building is quality of products and positioning, it would be better that the department of marketing and department of production can work together and communicate closely. Market researches about product should be carried out immediately.

## **Lean Production**

The department of production should establish a timetable shows learning time and practicing time. In addition, efficient solutions should be established if emergency happens.

## **Export Marketing**

Department of export should select and list the suitable fairs include the address, opening date and exhibition hall number. Additionally, the problem of visa, passport and hotel should be considered during the fair time.

### 5.3 Evaluation of This Thesis

Internal Validity, external validity, reliability and objectivity are four main criteria for research work's quality evaluation for researchers as well as for this study's author



(Jin 2014).

**Internal Validity:** This thesis is mainly find out the best way for the case company's transition and export smoothly, so this thesis is referred to different parts about transition includes the definition of labor-intensive industry, technology -intensive industry, value chain, brand and lean production. These theories comprise necessary steps to transition. In addition, theories about export marketing and exhibition are considered in the theoretical part.

**External Validity:** the empirical part of this these is focused on the necessary about the case company's transition. After a case study, the result of this research are came out.

**Reliability:** The theoretical framework is based on reliable researches, literature, webpages, which are referred correctly according to the standard. The empirical framework has close connection with the theoretical framework.

**Objectivity:** In order to maintain objectivity, I tried my best to seek the proper information relating to the research questions, during the process of research, I found bias in some researches, such as region discrimination, I abandoned them immediately.

#### 5.4 Suggestions For Further Research

Transition from labor-intensive industry company to technology-intensive industry company is a complicated job. There are many subjects relate to this topic should analyzed further.

In addition, export marketing is worth studying as well, such as export

procedure, export barriers.

Furthermore, the study was narrowed down to the case company in Ninbo about labor-intensive companies. In fact, the labor-intensive industry companies are different in other regions in China, due to the unbalance development level and different economic situation. For instance, the labor-intensive industry companies are blank and low level in the northwest of China.

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