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# How A Small Fashion Brand Survives In The Chinese Market?

Business development strategy for Minna Parikka Shoes Ltd

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The Chinese Market?  
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ABSTRACT

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The Chinese market has been given favorable receptions by most countries around the world for years due to its huge potential and rapid growth. Affected by the mega trends, more and more foreign companies have entered into the Chinese market, additionally some of them are still taking an important role in this market. However, not all the international players have good fortunes to thrive in the utterly complex and highly competitive environment.

Therefore, this thesis is going to assist a Finnish fashion design company, Minna Parikka Shoes Ltd, to develop the business in the Chinese market where it just entered a short time ago. For this purpose, a full external analysis of Chinese fashion market, internal analysis of Minna Parikka Shoes Ltd, and marketing strategies are going to be comprehensively studied.

The author of this thesis utilizes deductive approach corresponding with qualitative methods. Basically, the thesis consists of two parts: theoretical part and empirical part. In the theoretical part, data is obtained from various sources for instance: books, journals, documentations while the empirical part is based on interviews and meetings.

Generally speaking, the current situation of the Chinese market is good for the business of the case company to develop. Moreover, strong investments in communication in public relation and promotion in the Chinese market are needed. Ideal e-commerce venues are provided for the case company at the same time.

At last, it is concluded that Minna Parikka, the Finnish fashion design brand, has a certain potential to grow in the Chinese market. Variable marketing strategies should be applied corresponding with strategic tools, which are necessary to expand the market and brand named awareness in China. Additionally, a comprehensive business development plan and personal recommendations are given in the end as well.

Key words: Minna Parikka, Marketing Development, the Chinese Market, Marketing Strategy, Finland, China, Fashion, Design, Shoes

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## LIST OF ABBREVIATIONS

BNA	Brand Name Awareness
CA	Contractual Agreements
CCTV	China Central Television
CNY	Chinese Yuan
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
HKTDC	Hong Kong Trade Development Council
LED	Light-emitting Diode
LVMH	Louis Vuitton Moet Hennessy
NBS	National Bureau of Statistics
WOS	Wholly Owned Subsidiaries
WTO	World Trade Organization
USD	U.S. Dollar
3PL	Third Party Logistics
4PL	Fourth Party Logistics

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# 1 INTRODUCTION

This chapter starts with the general background information of the study which revealed the initial foundation of the subject and the overall direction of the research. Thus, a brief overview of the local Chinese market and the case company (Minna Parikka Shoes Ltd), research question and limitation, theoretical framework and the research approach are conducted.

## 1.1 Background Information

This thesis is mainly conducted for Minna Parikka Shoes Ltd, which is a Finnish fashion design brand from Helsinki, and is specialized in high-end shoes and accessories for women. Since Minna Parikka is a brand-new company which just founded in 2005, the international market is the guarantee for it to go worldwide and to grow faster indeed. As it recently approached to a new market in mainland China, in Beijing and Hangzhou, an emerging expansion is called for Minna Parikka obviously. Hence, business development is no longer far away for Minna Parikka. Additionally, comprehensive market research of the Chinese local market is going to sustain the business development of the case company. (Minna Parikka 2013)

Meanwhile, China, as an emerging growing star on the stage of the world, is acting a more important role in the globalization game with a constantly expanding GDP. Therefore, the Chinese market nowadays seems to be a new cornucopia to any other player in this global business game. It is really hard to imagine that how incredible the economy has been growing since People's Republic of China was first established. Thus, after the reform of the economy, open policy has brought a lot of opportunities to the Chinese market. Later on, joining WTO in 2000 enhanced the internationalization level of China in the world ranking. The successfully held Olympics Games, launched spaceships are all the significant symbols for the advanced economics of China. Therefore, more and more top 500 companies around the world are marching to China, while different huge LED logos are appearing into Chinese customers' eyes day by day. The market balance is a huge challenge for Minna Parikka in China under the pressure of previous entered brands with certain reputations and loyalties from Chinese consumers. Therefore, it seems

to be really tough for a Finnish fashion element to be able to set foot in the market thus to have a share. Nevertheless, to have a comprehensive knowledge of the Chinese market is the key successful action to win the chance to survive in the Chinese market. (Carl J, et al. 2008)

Additionally, according to reliable research (Boston Consulting Group report 2011), “Chinese consumers are expected to continue to grow in strength and sophistication, tripling their annual expenditures on fashion by 2020 to 1.3 trillion RMB, or 200.7 billion USD at current exchange.” Obviously, enormous opportunities existed for fashion brands entering the Chinese market to make an ideal profit. Additionally, with a gigantic purchase power of luxury goods in the whole world, Chinese customers are always welcomed by many fashion leader-companies such as LVMH, Gucci, Burberry, etc. (Oliver 2013)

Thus, only the local Chinese market itself can tell what are the possibilities for Minna Parikka, the new member in Chinese fashion market, to survive and to go further in such an unpredictably potential but intensely competitive environment?

## 1.2 Objective and research questions

The aim of this study is to come up with a local business development plan for Minna Parikka Shoes Ltd in the Chinese market based on further research and analysis.

With the latest launched store in Beijing, and two previous ones in Hong Kong, however, Minna Parikka is still a new fashion design brand which has a strong will to expand in the Chinese market (Minna Parikka 2013). Furthermore, a comprehensive market research is going to be conducted in order to assist the further Chinese business development strategy for the case company. Hence, the emerging needs for business development of the case company at current situation are defined as firstly to find out the proper strategy for e-market; secondly to get access to suppliers and any other relevant local contacts; finally to reach more customers in China. All these dimensions are based on the initial demand from the marketing manager of Minna Parikka Shoes Ltd.

According to the background information and requirements from Minna Parikka Shoes Ltd, the research questions of this thesis can be concluded:

Main questions: What are the appropriate business development strategies for a just entered fashion brand in China?

Sub questions:

- What is the situation of the fashion market in China now?
- How the business should be organized in China?
- What kind of e-commerce operations are appropriate in China?
- Who are the most important stakeholders in the Chinese market?
- How to get more customers and brand name awareness in China?

### 1.3 Research methods & data collection

The research method in the thesis is illustrated below:

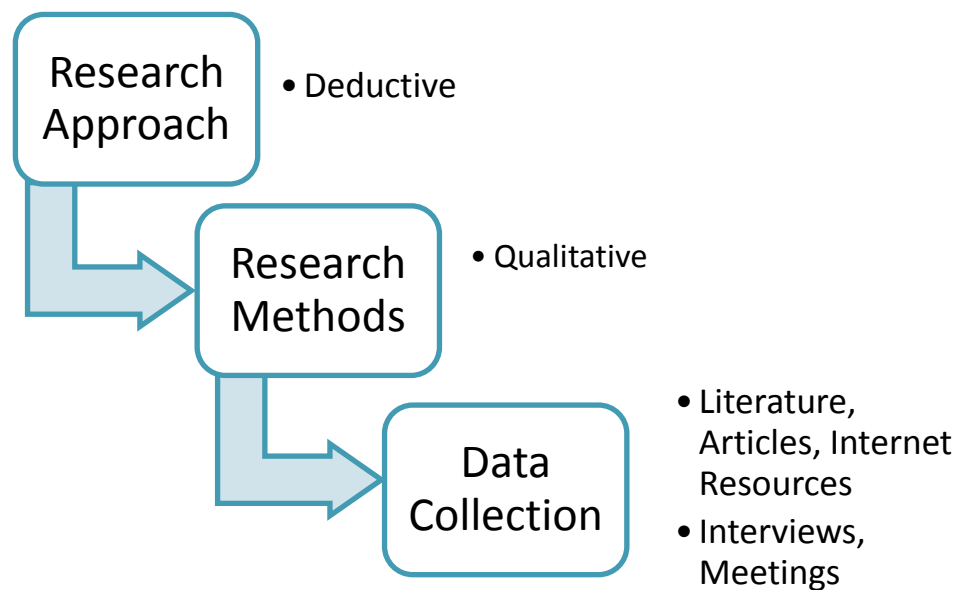


Figure 1 Research Methodology (modified from Burney 2008)

Basically, a deductive research approach which goes from generalization to one specific idea is applied in the thesis. The results are acquired logically from the

premises, in another word, the conclusion are going to be summarized from the available facts. (Burney 2008)

The qualitative research method is applied for this thesis since the use of qualitative research methods is capable of improving development of measurement and dissemination of comparative quality reports, improvement efforts. “Focus groups” and “cognitive interviews” are now becoming a standard part of the development of valid and reliable research tools (Shoshanna Sofaer 2002). Thus during the whole process, documents reviewing, meeting, factory investigating and interviews are taken into consideration

#### 1.4 Research framework

This part is mainly carried out to clarify the theoretical framework of the thesis. Variety perspectives related to the research are explained in the following paragraphs which including study-design, analysis tools.

First of all, the market expansion step is the period when a company assesses current markets, identifies untapped markets, and seeks opportunities for revenue growth through new market opportunities (Moussiri Business). In order to start the research, a comprehensive understanding of local Chinese market is required. Thus, PESTEL Analysis (HIA 2011) is adopted into the research. Later on, Porter’s Five Forces Analysis (Porter 1979) is adopted to assist the business development strategy in the particular industry.

Then, understanding exact position of the company in the target market is the second step, thus the analysis of the brand as well as the products of Minna Parikka Shoes Ltd is considered via SWOT analysis (Humphrey 2005) in the first place. Next, BCG matrix (Henderson 2013), which is also named as growth-share matrix, is applied for specific brand or products analysis for Minna Parikka Shoes Ltd. Then a very important strategic marketing planning tool called Ansoff Matrix (Ansoff 1995), relating to a company’s marketing strategy with its overall strategic direction and contains alternative growth strategies as a table, is going to be applied. These steps are taken in order to analyze the current situation of Minna Parikka in China.

At last, Jinfeixi company from Chengdu, China is going to support the data analyze and consulting. Meanwhile, a third party consultant Mr. Yang, an experienced fashion dealer is capable of providing recommendation and advice. Then, according to the experiences of fashion market in China and facts from the data analysis of Minna Parikka Shoes Ltd, sufficient strategies for the company are going to present in the development business plan for the Chinese market.

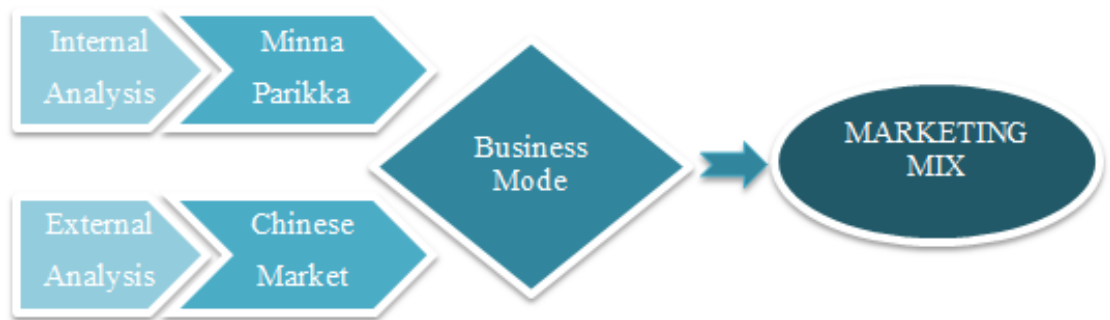


Figure 2 Thesis Framework

### 1.5 Limitations

The scope of the research in China is the targeted fashion market, and the shoes industry. Only these two specific parts are going to be particularly analyzed for Minna Parikka Shoes Ltd. Minna Parikka is a type of a small brand although it is specialized in shoes and very few accessories fields. Then, this study does not include the knowledge of the design of the brand its own or any other internal professional knowledge of the manufacture skills. Moreover, the financial data analysis is not contained in this study due to the initial requirements from the Minna Parikka Company its own. Moreover, further management is out of the author's duty for the case company (Minna Parikka 2014).

The research is obviously conducted with qualitative research methods, thus data is basically collected by observing the local market, via companies' experience, personal meetings and interviews. Therefore, subjective can be defined as the chosen marketing strategy.

## 1.6 Thesis Structure

As the following figure illustrates, the main structure of the thesis with note is given below:

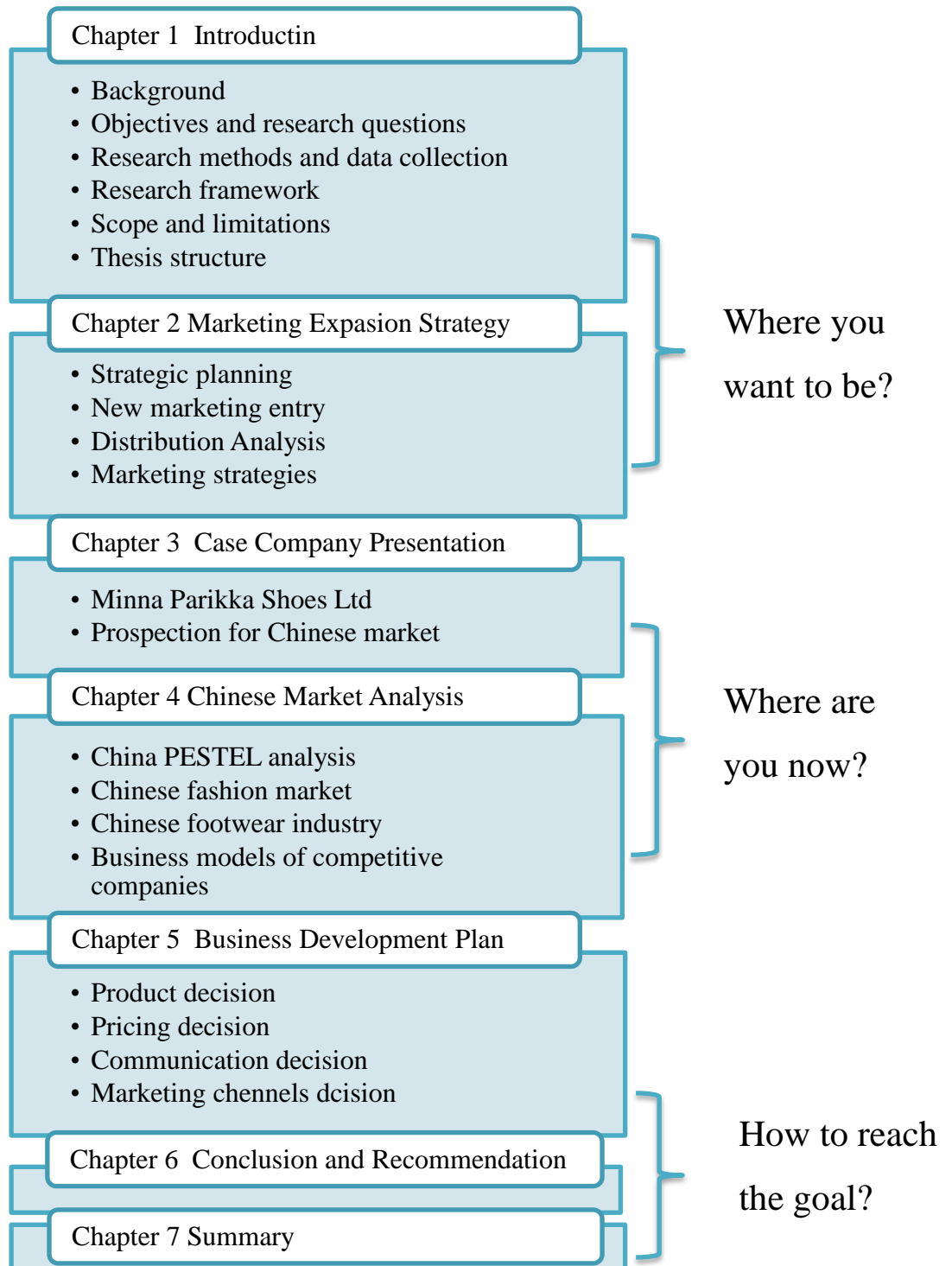


Figure 3 Structure of the Thesis

The structure of this thesis is comprised of two parts: theoretical framework and actual investigation. Following the research framework from Chapter 1, Chapter 2 is going to discuss the theoretical background and the terms of uses in this study. In addition, general marketing strategies and strategic planning process are discussed for the further investigation.

Later in Chapter 3, it is going to present the general information of the case company Minna Parikka Shoes Ltd with the history and products. Moreover, current situation and objectives are contained in this chapter.

Then in Chapter 4, a comprehensive analysis of the local Chinese market is going to be discussed in order to assist the case company to have a better understanding of the current situation of the local Chinese market now. With descriptions in both macro and micro environment of the local Chinese Market, the main purpose is to ascertain what kind of business mode works now in China at this moment.

Next, Chapter 5 is going to point out the proper marketing strategies for Minna Parikka Ltd to be applied in the local Chinese market. Meanwhile, the ideal e-market where Minna Parikka is eager to enter will be discussed. Therefore, the local stakeholders in China which Minna Parikka Ltd wants to get to know will also be provided in this chapter. Based upon those findings of proper marketing strategies, ideal e-market and reliable stakeholders in China, it will explain how to operate and put them into real use in the current Chinese market. Hence, further question “how to get more customers and BNA in China?” for Minna Parikka can be answered according to the processes discussed in the previous condition. In Chapter 6, relevant recommendations will be given by the author to Minna Parikka Shoes Ltd. Meanwhile, further research is going to be discussed.

At last, a summary is going to be given to finish off the whole thesis in Chapter 7 which includes the conclusion of the entire research and proposal for the workable strategies to apply in the Chinese market.

## 2 MARKETING EXPANSION STRATEGY

### 2.1 Strategic Planning

Strategic planning is probably considered as a “way of knowing” in order to help leaders and managers discern what to do, how, and why (Bryson, et al. 2009).

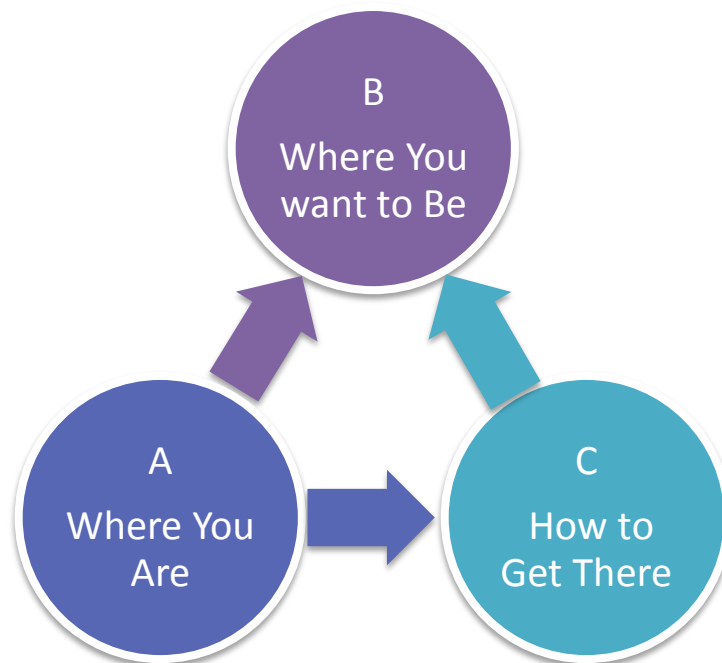


Figure 4 ABC Strategic Planning (modified from Bryson & Alston 2004, 21)

As Figure 4 presented, an overall summary of “what is strategic planning” is going to help understand the basic process.

The prospective “B” is the specific objects of the company corresponding with the mission, vision and goals. In order to specify the objects or goals, finding out the ultimate objective, and then translating them into specific measurable objectives (Armstrong 1982, 3, 197-211). As for “A”, it figures out the current internal situation. In addition, as “C” presented, it is a comprehensive strategic plan which conducted with various knowledge, experiences, tools, activities and techniques (Scharmer 2009).



## 2.2 Where are you now?

The analysis of relevant internal factors is the earliest initiative process for the strategic planning (Rushton & Croucher 2010, 85). Thus, to understand “where you are” concept, SWOT analysis (Humphrey 2005) is the very first tool to be chosen to apply in the thesis. SWOT Analysis can be used to analyze the Strength, Weakness, Opportunities and the Threats in a company. Basically, strengths and weakness are the internal analysis for the advantages and disadvantages for the object.

Meanwhile, Opportunities and Threats are the external analysis. Opportunities are set upon the advantages which could be used once the threats are figured out when forecasting the problem or obstacles for the company. Moreover, in order to understand the company as well as modify further realign, the author is going to utilize McKinsey 7S Framework to assist situational analysis internally (Robert H & Tom). These two theories will be discussed in detail for a situational analysis corresponding to the internal information of Minna Parikka Shoes Ltd later in Chapter 3.

Next, PESTEL Analysis (HIA 2011) is adopted into the research for the external analysis. PESTEL Analysis is Political, Economic, Social, Technological, Legal and Environmental analysis which describes a framework of macro-environmental factors while strategic analysis or market research is conducted, and gives an overview of the different macro-environmental factors that the company has to take into consideration. This is a useful strategic tool for company to understand market growth or decline, business position, potential and direction when operating starts. (PESTLE analysis history and application, CIPD. Retrieved , 2009-10-21)

Additionally, as Porter strengthened that “understanding industry structure is essential to effective strategic positioning.” Therefore, Porter’s Five Forces Model including threat of new entrants and substitute products, bargaining power of suppliers and customers, and degree of competitive rivalry is going to be taken into consideration to forecast the problem and obstacles for the whole relevant industry in China.

Therefore, all the data collected from National Bureau of Statistics of the People’s Republic of China is going to be analyzed in Chapter 4.

### 2.3 New market entry

It is said entering new market is a very necessary step for the corporation to grow the business and stay ahead of the game. Nevertheless, it is not as easy as regular business for venturing into new places which requires careful planning, effective strategies, top level commitment, a great deal of management time and the right people to execute it (Orientas 2014). Once the company decided the target market, then they need to think about “how” (Bradley 2002, 243)

Foreign market entry modes are variable, and one is different from each other. Basically, it depends on the level of risk they assume, the control and commitment of resources they claim and the return on investment they assure (McDonald, et al. 2002).

Generally speaking, there are two categories of the entry modes currently:

- Equity modes
- Non-equity modes

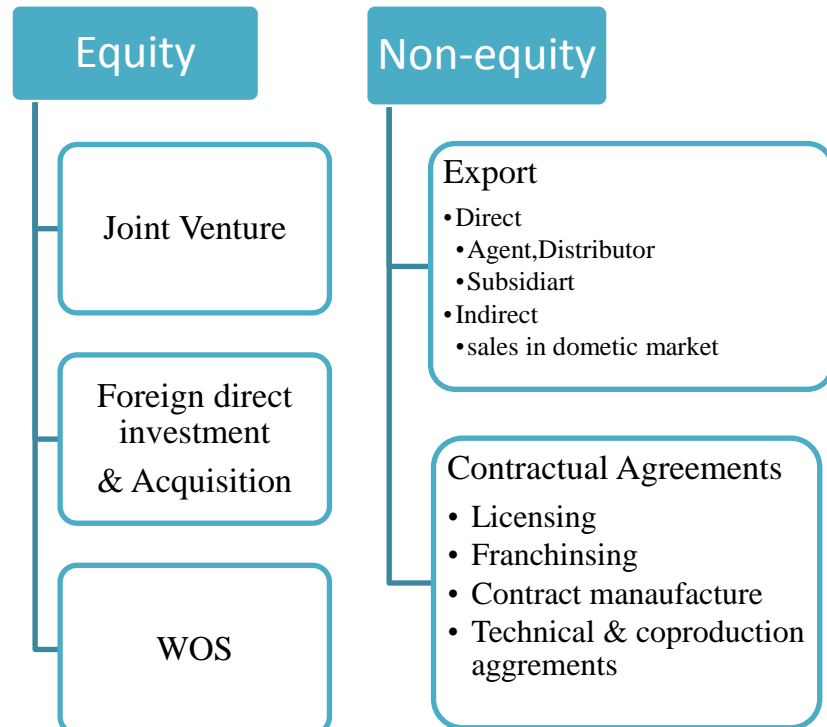


Figure 5 Structure of Entry Modes (Modified from Peng 2008)

Joint venture and wholly owned subsidiaries (WOS) are from equity modes while export and contractual agreements (CA) are from non-equity modes. Figure 3 which presented below is going to clarify different types of the foreign entry modes (Peng 2008).

In fact, the choice of entry mode arranges a wide field of considerations, which are clarified in figure 6, in the selection of a proper institutional arrangement for the organization and implement of the international business transaction (Root 1987). Thus, external factors, internal factors and sub-factors are taken into consideration. As figure 6 presented below, different entry modes are equipped with different features. Additionally, every entry mode involves a significant resource commitment therefore “one of the most critical decisions in international marketing” is describing the choice for a specific industry additionally, in a particular foreign market (Terpstra & Sarathy 1991).

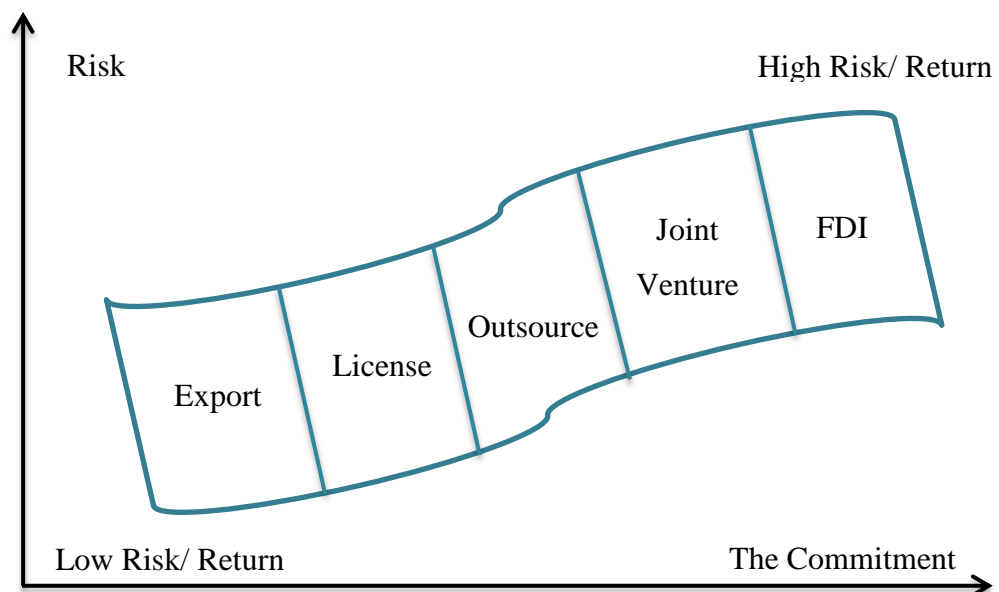


Figure 6 Foreign market entry, risk resources and control (Modified from Argawal & Ramaswani 1992,17)

According to the local research in China (Nankai University 2013), the major entry modes for foreign companies to enter the Chinese market are direct export, licensing, joint venture and owned enterprise. There are three key factors that affect the decision making for entry mode:

1. The advantage of ownership of the company
2. The advantage of location in the market
3. The advantage of internalization of internal transactions

Generally speaking, FDI requires companies that are equipped with all of those three factors mentioned above. However, not all the companies are capable for all the claims. Thus, foreign companies that are not able to choose FDI mode prefer licensing or export modes. (Qiu & Yu 2012)

## 2.4 Marketing Strategy

As Aaby & McGann (1989) concluded that marketing strategy is one part of the corporate's strategy that related to the mission, vision and objectives of the corporation. The case company Minna Parikka Shoes Ltd has already entered into the Chinese market for a short period, thus both market growth strategies are going to be taken into consideration in the research.

### 2.4.1 Marketing mix

In order to achieve the marketing objectives, how marketing mix associated with four Ps (Product, Price, Promotion and Place) is going to be involved and functional in the strategic process (O'Dhaughnessy 1995). The marketing mix itself as the following figure 7 presented which, aiming at creating customer value, communicating value and, delivering the value via the implementation processes of the whole marketing strategy (Ansary 2006).

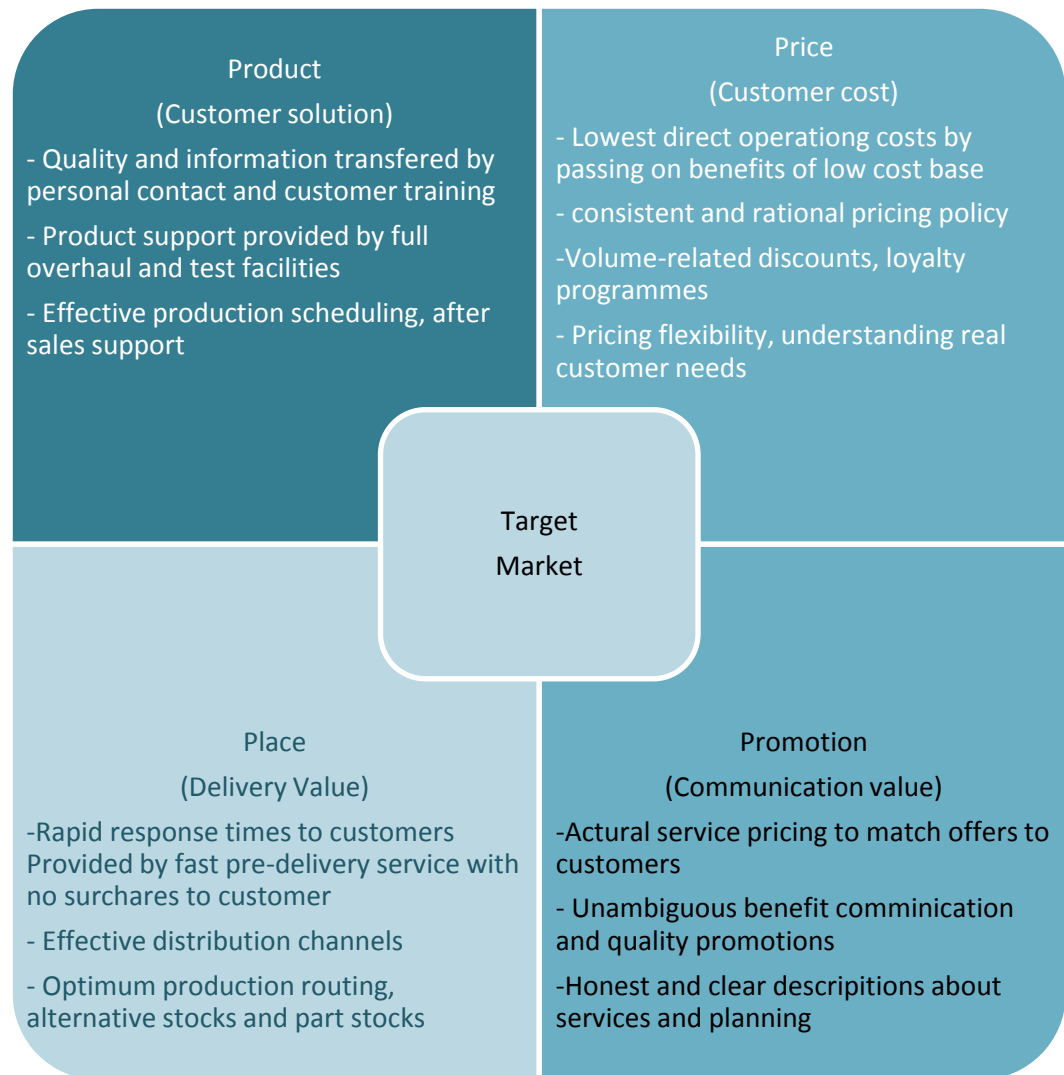


Figure 7 Marketing mix-a worked example (modified form Bennett 1997)

However, “today's customers take functional features and benefits, product quality, and appositive brand image as a given. They want products, communications, and marketing campaigns that dazzle their senses, touch their hearts, and stimulate their minds.” (Bernd Schmitt)

Thus, Four Cs (Consumer, Cost, Communication, Convenience) classification seems to be more consumer-oriented version of the previous Four Ps that capable of better fitting in the movement from mass marketing to niche marketing (Lauterborn 1990). Therefore, another formal approach to the customer-oriented marketing mix which is named “Four Cs” as well expanding to the Seven Cs Compass Model in

1973 by Koichi Shimizu, however, specifically refers to commodity, cost, communication and channel.

### **1<sup>st</sup> C- Commodity**

The first C is Commodity, transferred from “Product” which is a key element in the overall market offering (Kotler et al. 2010, 248). As commodity is a marketable item that produced to satisfy wants and needs (Marx 1987). Thus a company will sell what the consumer wants to buy only (McLean 2002).

This concept no longer imply the physical product or service themselves, due to the reason of expanding amount of savvy customers in the market nowadays. Thus, customers care more about the value that company can provide even though good product sells itself is the fundamental comprehensive in the overall market. Nevertheless, quality of the product perceived by the customers may be a complex combination of the actual quality of the product that customers’ views and the overall quality reputation of the firm (Waller & Ahire 1996).

### **2<sup>nd</sup> C- Cost**

In Practical, pricing is the exchange for its product, the amount the customer pays for the product (Needham, 1996). Therefore, it is the key element affecting on customers’ choices, which, still remains one of the most important factors determining the market share and profitability of a corporation (Kotler et al. 2010, 248). However, not only production cost and selling cost are going to be taken into account, but also purchasing cost and social cost (Koichi Shimizu 1973).

It is said that businesses probably benefit from lowering or racing prices, decisive actors are those needs and behaviors of specific consumers in the particular market. Thus, finding the appropriate pricing strategy can be considered as an important action for a successful business. (Gregson 2008)

There are different pricing strategies for a company to apply: penetration pricing, optional pricing, premium pricing, competition pricing, value pricing, bundle pricing, skimming pricing etc. (Monroe 2004). According to the reliable interview with George Yip, professor and co-director of the Center on China Innovation at the

China Europe International Business School, general pricing strategies of foreign companies that are applied in the Chinese market are penetration and premium (China Daily 2012). Specific strategies of foreign companies applied in the Chinese market are going to be explained in the following:

- Penetration Pricing: setting the price low with the objectives of attracting consumers and therefore gaining the market share. Later on, the price will be raised as long as the market share is gained (Monroe 2004).
- Premium Pricing: keeping the price of a product or service artificially high so that the favorable perceptions among buyers, based solely on the price, are going to be increased (Gittings 2002).

### **3<sup>rd</sup> C- Communication**

Communication, consisting of sales promotion, advertising, public relations, publicity, personal selling, corporate identity, internal communication, SNS, and MIS, is evolved from the simple concept of promotion (Koichi Shimizu 1981). The purpose of communication is to make customers engaged in meaningful interactions.

Basically, promotion strategy is still taking the most important role of the marketing mix. There are five major aspects of a promotional mix according to Harrell 2008:

1. Advertising- Presentation & promotion of ideas, products/services by an identified sponsor. For examples: print ads, TV, billboard, posters, Web pages, emails.
2. Personal selling- A process of helping and persuading one or more prospects to purchase. For examples: sales presentations, sales meetings, samples, face-to-face selling, and telemarketing.
3. Sales promotion- Within a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability via media and non-media marketing communication. For examples: coupons, testers, trade shows, and exhibitions.

4. Public relations- In media, paid intimate stimulation of supply for the products/services via planting significant news or a favorable presentation about it. For examples: newspaper/magazine articles, TVs and radio presentations, seminars.
5. Direct Marketing- An agnostic channel form if advertising that reach straightly to consumer with various advertising techniques. For examples: mobile message, emails, online display, promotional letters, outdoor advertising.

Furthermore, in order to develop the comprehensive understand of communication, companies should acquire the following foundations:

1. Clearly communicate the product/service attributes that the customer is looking for
2. Clearly identify the outcomes from the product/service
3. Use a variety of communication channels to have meaningful interactions with customers
4. Know the customers on an individual basis and communicate with them accordingly
5. Have mechanisms in place to ask the customers how they would like to be communicated with
6. Have committed resources to monitor the effectiveness of the communication with the customers. (Business survival toolkit 2014 )

#### **4<sup>th</sup> C- Channel**

American marketing association concluded a marketing channel (distribution channels) as a set of activities essential to transfer the ownerships of goods from the point of production to the point of consumption. Briefly, channel is the flow of goods (American Marketing Association 2014). In practical, as implied by figure 10, there are a variety of distributions channels that can be utilized to transfer the goods from the beginning manufacture to end users.

The objects of marketing channel are linking producers with buyers, performing sales, advertising and promotion, influencing the pricing strategy. Affecting



product strategy via branding, policies, willingness to stock and customizing profits, install, maintain offer credit, etc.

Starting with the simplest one, Manufacture-retail store, it is direct delivery from the manufacture to retail store with its own transportations of the company. However, it is not the most common way since third party logistics (3PL) and fourth party logistics (4PL) companies are taking more and more important role in today's logistics industry (Bicheno 1991).

Manufacturer-manufactures' warehouse-retail store is still a common way nowadays. Manufacturer controls all the logistics resources by keeping products in large containers whereas in the central distribution center (CDC). In addition, manufacture-retail warehouse-retail store approaches another process. Goods are transferred from manufactures to the retailers' distribution centers only then they will deliver full vehicle loads to their stores. (Gattorna 2006)

Manufacturer-3PL-retail store can be a very effective solution for companies under rapidly expanding trend of outsourcing. A third party logistics provider is going to be equipped with freight forwarders, courier companies, also other companies interacting & offering subcontracted logistics and transportation services (Herts, et al. 2003). Similar to it, small parcels carrier is doing the same business. However, it only provides expertized distribution service for small parcel packed goods. As for broker, it is a rarely practiced nowadays in logistics. Since broker is playing a similar role as mid-man, a 3PL company is contracted usually (Rushton & Walker 2007).

Manufacturer-wholesaler (including the cash-and-carry wholesaler) -retail store is a developed way for distribution due to the emerging of wholesale organizations or voluntary chains. Those wholesales organizations buy in a huge amount of goods from suppliers then deliver to the retailers via their own distribution resources. On the contrary, cash-and-carry business will only buy in a small amount for small shops' small order. (Hesket et al. 1973)

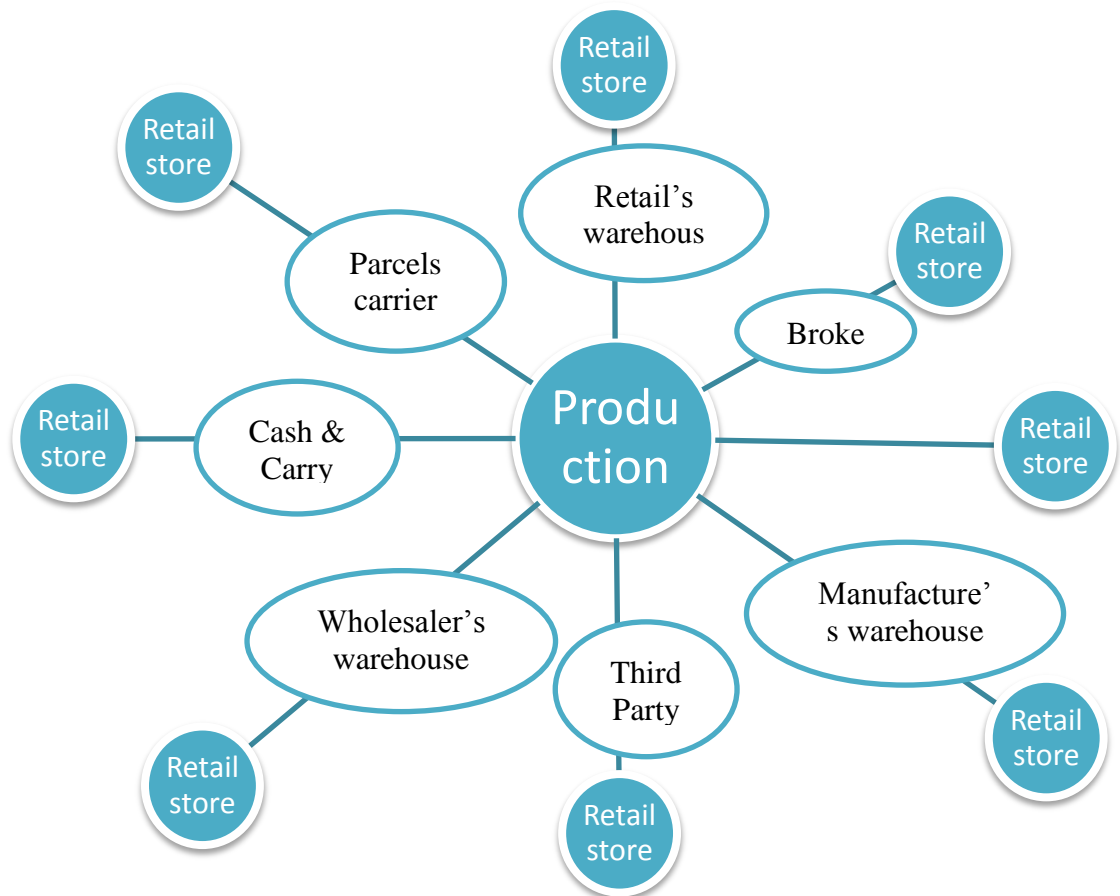


Figure 8 Alternative distribution channels (Modified from Rushton, et al. 2010, 51)

According to the research of David Arnold in Harvard Business Review, November-December 2000, Companies that entering markets in developing countries know faster that they have to cooperate with local distributors however, those partnerships mostly blow up at last. Multinationals results in the situation, thus foreign companies have to try to understand how their new partners in China differ from the ones at home.

Therefore, there are seven rules for international distribution (Table 1) to be taken into consideration.

Table 1 Seven Rules of International Distribution (modified from David Arnold 2000)

Rule no.1: Take the initiative to select Distributors	Being market-led is more important than distributor-led
Rule no.2: Look for distributors capable of developing markets.	distributors only with a few obvious customer contacts are not potential
Rule no.3: Regard local distributors as long-term partners	Whether marketing partners will invest long-term market development
Rule no.4: Support market entry	Committing capital, management, and market ideas.
Rule no.5: Maintain control over marketing strategy in the beginning.	Having employees on-site is important
Rule no.6: Make sure distributors provide detailed data.	Distribution organizations are normally the only sources of quality information
Rule no.7: Link national distributors at primary opportunity	Organization or association such as distributor council for idea transfer improves performance and consistency

As distribution of products comes out by means of channels, therefore a firm can design any number of channels. Generally speaking, there are three categories of distribution and they are classified in figure 2.

Table 2 Three Types of Distribution (modified from Kotler, et al. 2009)

Category	Definition
Intensive distribution	Products of the producer are stocked in the majority of outlets. Commonly used for basic suppliers, snack foods & soft drinks, magazines.
Selective distribution	A few intermediaries are taken into account to carry the products of producer. Commonly used for brands of craft tools or large appliances.
Exclusive distribution	Very few intermediaries are chosen by producer, and reseller carries only products by exclusive dealing.

In general, companies practically use a mix of various channels. On the one hand, they probably complement a direct sales-force who specifically appeals larger customers corresponding agents that cover the smaller customers and prospects. On the other hand, on-line retailing or e-commerce is leading to disintermediation which means cutting out the middleman rather than going through traditional distribution channels as mentioned in the previous paragraphs (Chircu & Kauffman 1999). In addition, smartphone or e-commerce is as well growing retailing area nowadays. (Kotler et al 2009)

#### 2.4.2 Market growth strategies

In the early growth stage, the marketing manager may choose from two additional strategic alternatives: segment expansion (Smith, Ansoff) or brand expansion (Borden et. al, 1978). Thus Ansoff Matrix (Ansoff 1995) which is a very important strategic marketing planning tool that relates to a company's marketing strategy with its overall strategic direction and contains for alternative growth strategies as a table. They are market penetration which pushes existing products in their current market segments; market development which develops new markets for existing products; product development which develops new products for existing markets; and diversification which develops new products for new markets.

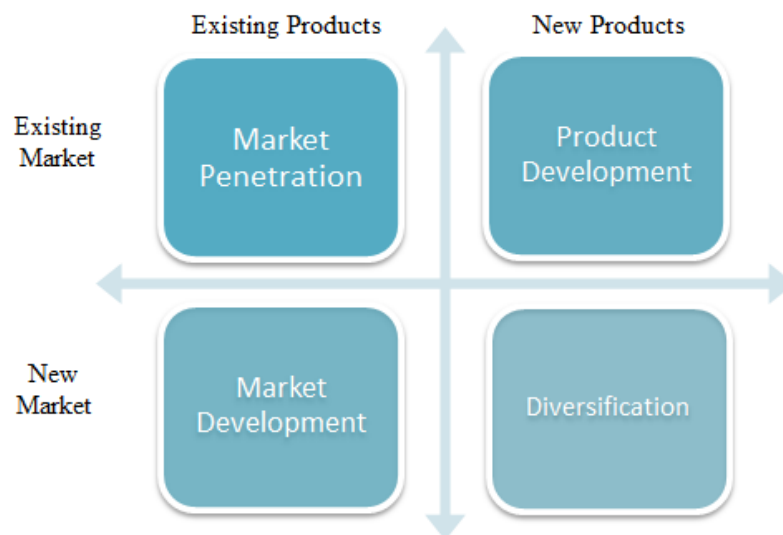


Figure 9 Ansoff Matrix (modified from Strategies for Diversification, Harvard Business Review 1957)

BCG matrix (Henderson 2013), which is also named growth-share matrix, is applied for specific brand or products analysis. This usually helps companies allocate resources and also for the brand marketing, product management, strategic management and portfolio analysis. In general, cash cows, dogs, question marks and stars are the four categories.

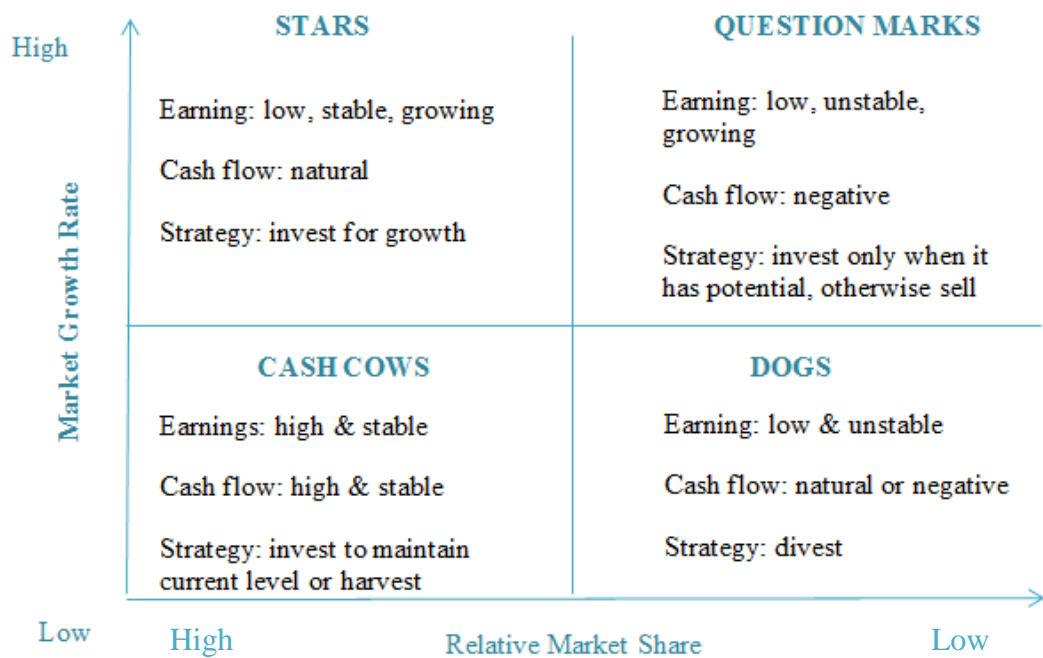


Figure 10 BCG Matrix (modified from Strategic Management Insight 2013)

Cash cows are where company has high market share in a slow-growing industry. Dogs are units with low market share in a mature, slow-growing industry. Question marks are business operating in a high market growth, nevertheless having a low market share. As for stars, they are units with a high market share in a fast-growing industry.

Later in Chapter 5 where conducted with the practical strategies for Minna Parikka Shoes Ltd in the Chinese market is going to discuss more about those theories mentioned above.

### 3 CASE COMPANY: MINNA PARIKKA SHOES LTD

#### 3.1 Introduction of Minna Parikka Shoes Ltd.

Minna Parikka Shoes Ltd is an authentic Finnish design company which is contributing in shoes field. The first launch of the brand was in 2005, after Minna Parikka, the founder as well as the chief designer, returned to her home country from design studying in the UK and Italy. And the overall style of the works of her revealed the essence of femininity and bold creativity.



Figure 11 CEO/Designer of Minna Parikka Shoes Ltd (YLE 2013)

According to Parikka: “My designs are almost like love letters from one high heel shoe lover to another. Allow yourself to be playful and let a pair lead you to new adventures. Life is too short to take style too seriously”, the style of the design has elements of vogue, young, sweet, and fun meanwhile the features are fantastic but mature. The first collection was launched in 2006, from then on, two collections will be launched regularly each year. Basically they are spring-summer and autumn-winter collections. Later on, a flagship store was set up in 2012 in Helsinki. In addition, the products are sold in over 10 countries already, they are: Belgium, China, Denmark, Germany, Finland, Japan, Russia, Spain, Sweden, Switzerland, the UK, Turkey, and Thailand.

## 3.2 Minna Parikka Shoe Ltd

### 3.2.1 Company analysis

As mentioned in chapter 2, SWOT Analysis and Porter's Five Forces are going to be applied to assist internal analysis of case company.

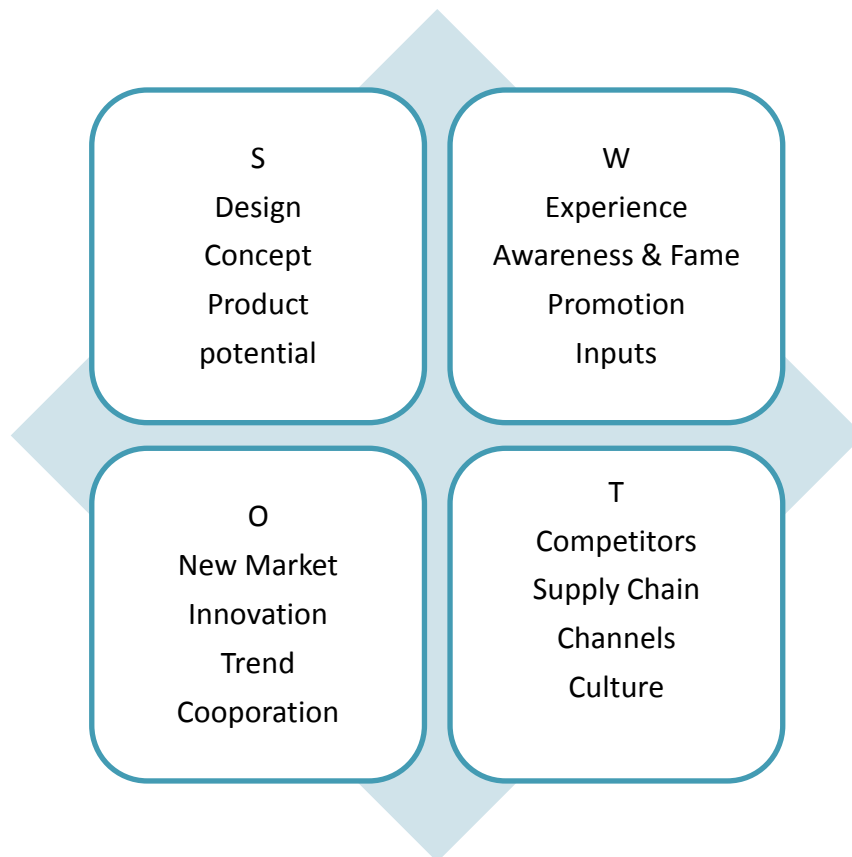


Figure 12 SWOT Analysis of Minna Parikka Shoes Ltd (modified from Humphrey 2005)

#### a. Strengths

The company has abilities to survive in the market indeed. The fantastic design from the designer Minna Parikka, who won the prestigious Young British Glove Designer of the year title in 2002, it is the first strength for the brand to compete with other brands meanwhile to survive in the fashion area.

Next, the concept of the works from the founder Minna Parikka is to set a happy world with escapism color to everyone so that they are able to escape from their worries. And the works can make a woman more femininity with the same curves as a woman has. And as Parikka she said: “when you walk with them, you can feel proud.” (Minna Parikka 2014)

Then, all the products of Minna Parikka are made in hand in Spain and Portugal (Cheng 2014), where is famous and specialized for the leather productions. The factories are experienced with producing with genuine leather and skills. Without any doubt, the products of Minna Parikka Shoes Ltd are with high quality and guarantee (FAO 1993-2012).

Finally, as asserted by Minna Parikka herself, there is no exact limitation for the design because she doesn't have to look after anyone else but just follow herself. The designer invests what Finnish shoe it is, since there isn't such a concept at all despite of the fashion shows in London or Paris are always the fashion trend setters. The investment of Minna Parikka's design is still with certain space. (Minna Parikka 2014)

#### b. Weaknesses

First of all, the short period of running business of Minna Parikka is the main disadvantage for surviving in any worldwide markets especially in countries like China. The lack of business experience in China would lead the company to face plenty of difficulties and obstacles during the business. Doing business in China relies on relations. If not, it is going to be difficult for companies to set up business in China.

Second, the entry of Minna Parikka on Baidu.com, the biggest Chinese searching engine (Alexa 2012), is extremely rare. Moreover, the absence on Sina Weibo, the leader of Chinese social circle, is a huge loss for gaining the reputation and brand name awareness. (Sina 2013)

Considering to the exposed frequency in public, such as magazine, newspaper, advertisement, it is not difficult to figure out that the publicity of the brand is not as much as any other world's famous fashion brand. (Minna Parikka 2013)



### c. Opportunities

Obviously, entering to a new market can help the company to grow business and be in advance (Orientas 2014), thus the company is still trying to go wilder and further around the world. According to the market manager Heidi Cheng, from Minna Parikka Shoes Ltd, she implied that the company will not only stay in one single market in China, instead, it is still looking forward to the opportunity to expand their business in the whole Chinese market (Cheng 2012)

With the every new coming collection of Minna Parikka, innovation can be easily told from different styles of the collection. From the vogue to classic, young to maturity, every step reveals the evolution of the products as well as the brand.



Figure 13 Marimekko 2014 spring collections in Helsinki (Minna Parikka Instagram 2014)

Additionally, attending to the exhibition of each new collection, Minna Parikka showed its trend corresponding with other fashion brands on the worldwide stage annually. For instance, the Spring/Summer 2014 Fashion Show at Copenhagen Fashion Week, Minna Parikka cooperated with Marimekko's latest collection, and the post is broadcasted on the main avenue of Helsinki, Finland.

#### d. Threats

Main competitors that are from the same region, Finland, for Minna Parikka Shoes Ltd are not existed at present. Brands like L-fashion group and Marimekko have been doing business successfully in China. In fact the fields and styles of them are slightly different from those of Minna Parikka Shoes Ltd. However, intensive competition of shoes industry in China, acquired already plenty of brands worldwide. Brands from Spain, Italy, Germany, France, Denmark etc., have entered into the Chinese market and have attracted the high-income Chinese consumers by their excellent quality and classic style (ChinaSSPP 2005).

The competition is fierce in the Chinese market, because the number of domestic shoe enterprises is over 2000 by 2013 (S&P Consulting 2013). Comparing to the local shoe enterprises, Minna Parikka has no advantage of intimate supplier chain in China, not even mentioned to the distribution channels. At present, there is only one shop located in Beijing and one in Hangzhou, they are: Galeries Lafayette department store and Lancy group. Limited distributions channels can narrow the amount of Chinese consumers for Minna Parikka.

The last but not the least, culture, which is the contextual environment, it can define the essence of the relationships between a corporation and the environment where it operates (Trompenaars & Woolliams 2004, 21). Countries like China which many years of history, takes culture as an significant process which may be affected but not entirely disturbed by foreign occupation. With the deep impacted of the ancient classics of manars and traditional thoughts, Li, Yi, Lian and Chi (can be trasmitted simply into honesty and honor) are still taking the leading role of Chinese culture. In addition, Chinese people are mostly implicit and restrained, therefore excessive performances and style can be conflicted to their traditions (Ambler et al. 2009, 49-50). Lady GAGA thinks highly of Minna Parikka (Minna Parikka 2014) and it is also a good point for brand awaness. However, regarding Lady GAGA as the spoken person can be risky in China. Most Chinese people with traditional thoughts will not accept this bold and exposed style of her.

### 3.2.2 Business Strategy development

According to Robert H. Waterman, Jr. and Tom Peters in the 1980s, McKinsey 7S Framework, including structure, strategy, systems, skills, style and shared value, is capable of assessing and adjusting changes of a corporation internally. Divided in to two parts, the McKinsey 7S Framework is consisted with three hard elements and four soft elements (Tom 2011). The analysis is based on the information that collected via the interview with Heidi Chen, sales& marketing manager from Minna Parikka Shoes Ltd. (2014)

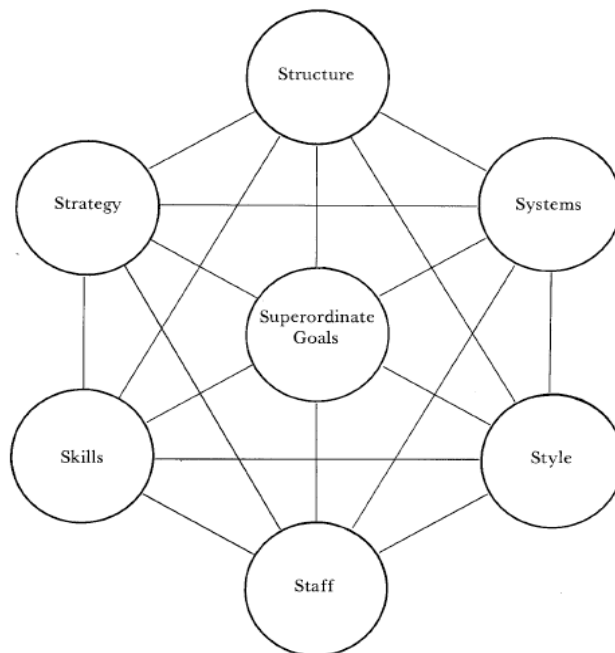


Figure 14 A New View of Organization (Robert H. et al. 1980)

- Three hard elements:

#### Structure

In practice, structure is capable of dividing tasks and next offering coordination (Robert H. et al. 1980). Thus, table 3 is going to scope the timeline for Minna Parikka Shoes Ltd, although which, is a brand new company within 10 years operating.

Table 3 Structure of Minna Parikka Shoes Ltd

2005	Minna Parikka Brand launched
2006	The 1 <sup>st</sup> collection launched
2008	The 1 <sup>st</sup> flag ship shop launched in Helsinki
2008-2012	Products are available over 20 countries

Since 2006, Minna Parikka Shoes Ltd has been expanding the variety of products and the places around the world via non-equity mode. In 2012, Minna Parikka entered into the Chinese market. Currently, the whole market of Minna Parikka Shoes Ltd is simply divided into Europe and Asia.

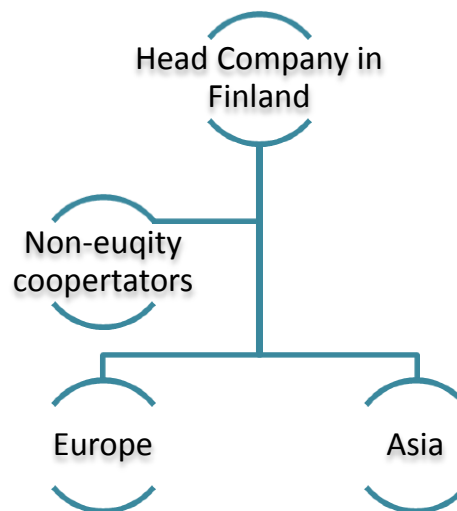


Figure 15 Structure of Minna Parikka Shoes Ltd

### Strategy

The strategy of a company is the way that the company aims to improve its position via actions or plans therefore lead the structure of the company (Robert H. et al. 1980). It is not difficult to understand the strategy of Minna Parikka, which wants to expand its business around the world rapidly, meanwhile with highly regards of reputation and awareness as return.

The steps are not complicated at this moment for the company, they are

- Stabilizing the existed markets and expand current business
- Maximizing profits meanwhile minimize costs
- Partners cooperation orientation
- Brand name awareness and reputation grows

### Systems

In order to run the business fluently, various systems inside the company such as, capital budgeting systems, training systems, cost accounting procedures will influence day by day even year by year. Due to the lack of internal resource, this aspect cannot be analyzed in detail.

- o Four soft elements

### Staff

By now, the company has five full-time employees, additionally two part-time employees. They are CEO/ designer, sales & marketing manager (M.Sc. Economics and business), payment& logistics coordinator (M.Sc. Economics and Business), shop manager and shop assistant. The number of the employee is counted excepting the authentic sales persons internationally in the exclusive shops.

### Skills

Currently, Minna Parikka Shoes Ltd is expanding its business via participating in at least four international exhibitions annually and cooperating with artists and stars. For all the business, Parikka is attending herself with marketing managers by flying to the local country to handle the business. Also in the Chinese market, investment has been put into effort to launch the brand via different retailers and gain public relation exposure.

## Style

Minna Parikka Shoes Ltd is kind of a start-up company which provided employees with environmentally and friendly working circumstance. New ideas and propels are always welcomed while the company is open for everyone to contribute a better future to it.

## Shared Values

First of all, company stresses on the quality of products and image of company its own as what most of the Finnish companies do. Then as what Minna Parikka, the designer said, “Allow yourself to be playful and let a pair lead you to new adventures”, every customer will find a pair of shoes that suit him or herself well.

### 3.2.3 Minna Parikka's Products

As asserted by the designer, Parikka, the brand is full of playful and fun elements via trading off colors and materials. Products of the brand include women's footwear, gloves, handbags, wallets and scarves.



Figure 16 Products of Minna Parikka with heart element (Minna Parikka 2013)

Most popular products are collections, for instances Juide and Raquel, with heart element no matter shoes, gloves or bags, therefore, these products are recognized as the symbol on behalf of Minna Parikka's unique style. These collections are calling for the beautiful and sweet dreams which are from inside hearts of female whoever is still little girl or already mature woman.



Figure 17 Products of Minna Parikka with bunny element (Minna Parikka 2013)

Later on, bunny element took part into the steady accretion of new collections by Minna Parikka. Cute style and funky color are widely used in these collections such as Angora, Caracal, Hare, Pfeiffer, etc. The utilization of material of these collections are focused on metal shades, gloss, matte and animal prints leather or suede in order to provide variable options for different segments of customers.





Figure 18 Products of Minna Parikka with funky element (Minna Parikka 2013)

Besides those two most popular and characteristic design, Minna Parikka also launched different design products with funky elements and new material for instance acrylic. The unique design of the heel for the shoes from of Clen and Kide collections revealed innovative ideas and styles.

## 4 CHINESE MARKET ANALYSIS, INDUSTRY ANALYSIS

This chapter is focused on overall information and analysis of China with its fashion market, and shoe industry in China is going to be discussed in the meantime. First of all, PESTEL analysis is utilized to assist understand the general situation of China currently and influences for Minna Parikka Shoes Ltd are discussed. Then as for relevant industry, Porter's Five Forces analysis is going to be presented. Additionally, current situation of Minna Parikka in China is going to be analyzed by Four C strategy. At last, relevant fields such as distribution, competitive companies in China are going to be discussed as well in order to provide a comprehensive understanding of the whole Chinese market for Minna Parikka Shoes Ltd.

### 4.1 PESTEL analysis of China

In order to have a comprehensive understanding of the macro environment of China, PESTEL Analysis which includes political, economic, socio-cultural, technological, environmental and legal impacts is going to assist. What are the advantages and disadvantages for Minna Parikka Shoes Ltd running business in China are closely related to the macro environment in China, thus the following table with the data collected from CIA official web site and National Bureau of Statistics of China is going to specify the situation.

Table 4 PESTEL Analysis of China (modified from HIA 2011)

<b>Political Factors</b>	<b>Economic Factors</b>
<ul style="list-style-type: none"> <li>- Communist State provides a stable environment for not only citizens but also business.</li> <li>- “One country, two systems” offers two independent markets in China: Hong Kong and Macaw.</li> <li>- Recent transfer of sovereignty advocate rectification which affects not only corruptions but also economy and purchase</li> </ul>	<ul style="list-style-type: none"> <li>- Open policy since 1970s, till 2013, GDP (\$13.73 trillion) ranked 3<sup>rd</sup> worldwide</li> <li>- Government Trade Agreement between Finland and China</li> <li>- Exports &gt; Imports</li> <li>- A member of WTO</li> <li>- High import duty and luxury tax (60%---120%)</li> <li>- Moderate corporate tax rate &amp; high income tax rate</li> <li>- Low labor cost</li> </ul>
<b>Socio-cultural Factors</b>	<b>Technological Factors</b>
<ul style="list-style-type: none"> <li>- Around 0.91 billion population is 15-60 years old</li> <li>- The gap between the poor and the rich is deep</li> <li>- “Face” has significant meaning in Chinese culture</li> <li>- Traditional thoughts are still affecting in Chinese culture</li> <li>- Emerging social phenomenon leads the social values</li> </ul>	<ul style="list-style-type: none"> <li>- over 500million internet users</li> <li>- Rapid development in science and technology</li> <li>- Technology is becoming cheaper</li> <li>- hundreds airports and train stations provide sufficient transport</li> </ul>
<b>Environmental Factors</b>	<b>Legal Factors</b>
<ul style="list-style-type: none"> <li>- Environment got influenced by the rapid growth of economy in China</li> <li>- Recently the quality of air is an emerging issue</li> <li>- Legislations and laws in preventing and controlling pollution are trying to release the damage</li> <li>- clean energy and low carbon technology are highly demanded</li> </ul>	<ul style="list-style-type: none"> <li>- Civil law is required to obey</li> <li>- Opening time is 09:00---18:00 every day in urban areas (public holidays are considered to be peak trading times)</li> <li>- Labor regulations effects on employment</li> <li>- Five insurance + housing found</li> </ul>

As is shown in table 4, political factors are always the guarantee for all sorts of business in China. The sole political party which named Chinese Communist Party has the extremely priority to control and influence on all activities. Therefore, it can provide a stable and riskless environment for not only the people but also the business. However, due to the transfer of sovereignty recently, there is an obvious influence that cannot be ignored on business, especially on real state and luxury industry. “No one expects any changes to government policy”, said by Lannes from China, “This is the reason that here comes the new era, thus brands are rebasing their business” (Bloomgerg News 2014).

As for the economic factors, China is one of the most potential countries around the world with the rapid growth GDP and huge amount of international trades. Government Trade Agreement between China and Finland enhance the communication and business for both two countries. Therefore, a big price difference between domestic and overseas countries is existed due to the tariff system in China. First-line and second-line brands are normally imported as upmarket consumer goods and subject to import tariffs (6.5%-18%), not even mentioned to value added tax (17%) and consumption tax (30%). But still, China is staying in the situation of export surplus, which revealed its strong capability of labor force and production.

When doing business in China, socio-cultural factors are extremely sensitive that can reverse the situation of the business. With the 1.3 billion populations, thus, China has around 0.91 billion people age from 15-60 years old, which can be regarded as purchase power. Therefore, what can lead the values of Chinese customers? Several aspects should be taken into consideration such as “Face” and emerging social phenomenon. “Face” is a traditional and common thought of Chinese people, which has effects on their manners and vanities. Under years of oppression by the feudal rule, with the addition of the impacts of wars, most of Chinese people were suffering poor. Hence, with the rapid growth of Chinese economy and its important position in the world, the life of Chinese people is getting better. Extremely, more and more Chinese people are becoming rich so that showing off is become one of the way to make up their sufferings for decades. Nowadays, emerging social phenomena such as Gao Fu Shuai (高富帅), Bai Fu

Mei (白富美), Gao Da Shang (高大上) are having intense impacts on the general values of Chinese people. These new phrases are mostly referring to beauty, rich, high-class, not only goods but also people leading the values and trends in market.

Business is backed by the strong technology factors of China due to the advanced R&D and mature skills. As for the environmental factors: governments noticed the unbearable of nature thus actions are taken to rescue the environment while legislations are trying to reverse the pollution and damage. Finally, for legal factors, labor regulations are strictly implemented and employees should get social insurance, social insurance funds, occupational injury insurance, medical insurance, maternity insurance and housing provident funds (Chinese labor union 2014).

#### 4.2 Chinese fashion market overview

According to report from Boston Consultant Group (2011), they believed that with the booming of the middle-class and the rich, Chinese fashion market is going to expand rapidly. The number of the middle-class and the rich is expected to be 140 million in 2020. In the following five years, China is going to provide around 30% growth of global fashion market. Manager Guilherme Faria from NOVOMANIA Exhibition asserted that international fashion brands are optimistic about the Chinese market (Lu 2012).

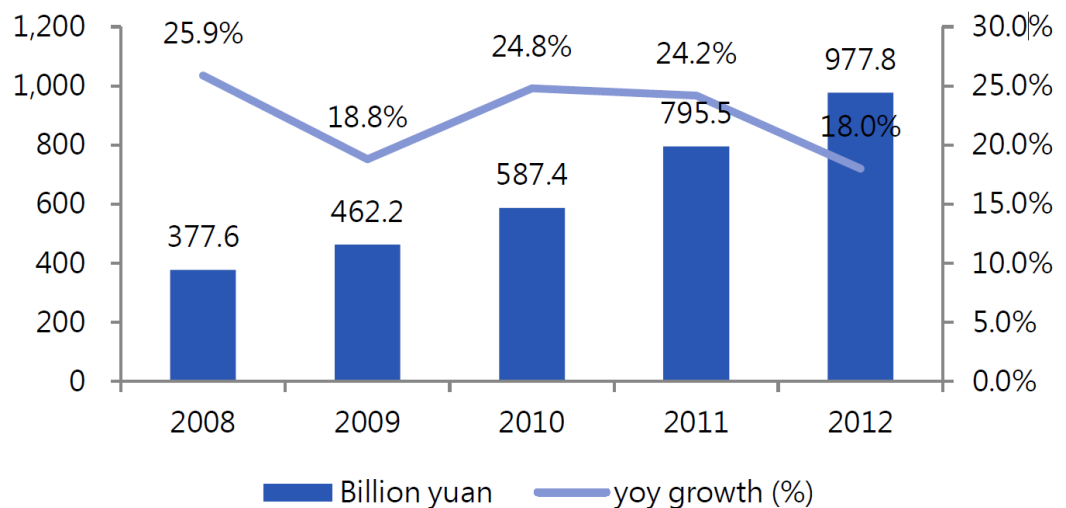


Figure 19 Total retail sale of clothing, shoes, hats and textiles by enterprises above designated size, 2008-2012 (National Bureau of Statistics of China 2013)

As is illustrated in figure 19, the overall apparel market today in China has certain potential and constant growth. In addition, according to National Bureau of Statistics (NBS later) of China, the absolute value of garments, footwear, hats and knitwear is over 200,000 million CNY (around 18,000 million euro at current exchange rate), with 8.7% year on year growth rate. Therefore, it is not difficult to figure out that fast fashion has already entered into the Chinese market additionally, is capable of expanding in the future. Leading international fast fashion player such as H&M, ZARA and Forever 21 are growing fast in the country.

#### 4.2.1 Fashion trend in China

China, global leader of luxury sales, has made the world's fastest-growing market for luxury goods, meanwhile Chinese customers are regarded as the biggest consumer of luxury goods around the world (HKTDS Research 2011). However, few years ago, luxury brand means quality, good-taste and history for most female Chinese customers (Philip 2012).

Nevertheless, an emerging concept which is called "light luxury" is leading the direction of fashion gradually in China recently. People got tired of grand and over flashy decorations; on the contrary, they are starting to pursue a kind of "light" attitude. This can be understood as an elegant attitude and low-key, comfortable but noble additionally, it doesn't make people cumbersome but luxury fitness (Wei & Si 2014).

More and more international brands are entering the Chinese market and providing more options for Chinese customers. Thus Chinese customers no longer only purchase top luxury brands such as Louis Vuitton, Chanel, and Gucci. On the contrary, brands like Coach, Longchamp, Michael Kors, and Tory Burch are becoming the new darling of Chinese customers.

Apart from Luxury brands, tide brand is another emerging concept growing fast in Chinese fashion market. These brand-new images are not as popular as traditional luxury brands which have existed in the Chinese markets for decades, however, targeting to niche market as well. With the "young", "fun" and "in" elements, tide brands are most welcomed and persuaded by customers aging 20-35 years old.

#### 4.2.2 Chinese footwear industry overview

Influenced by rapid growth of economy and disposable income in China, additionally constant growth of consumer demand for footwear especially of its higher grades grows. Therefore, Chinese shoes industry has been staying on top level of different global footwear manufactures or consumers.

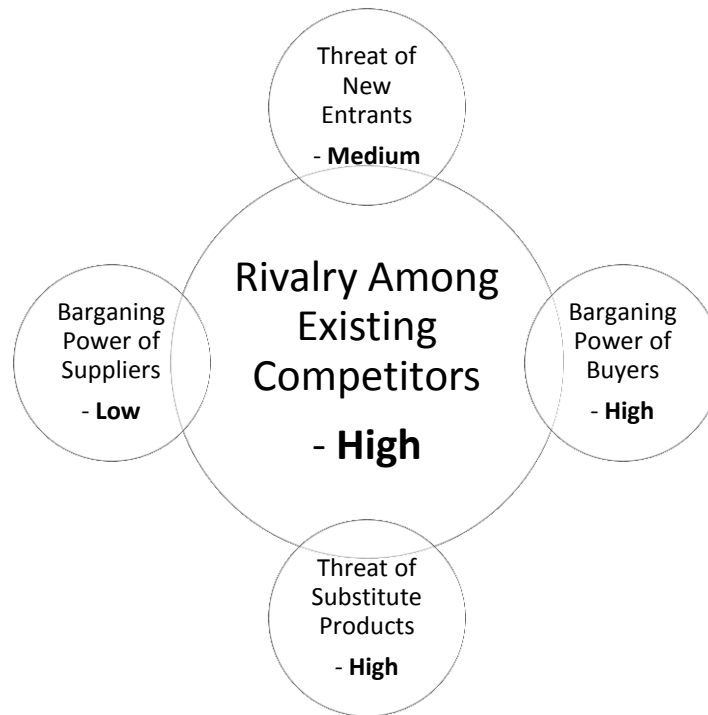


Figure 20 Porter's Five Forces Analysis for Chinese Footwear Industry (modified from Porter 2008)

When taking an overall look at the Chinese footwear industry, a comprehensive framework above demonstrated the situation of relevant industry and business strategy corresponding with the assistant of Porter's Five Forces Analysis tool.

With the open market strategy of Chinese Government, more and more international companies and brands are entering into the Chinese market. However, high taxation for certain goods especially of luxury, first-level and second-level brands always stops some small companies and brands. In addition, China exports more footwear than imports via NBS of China resource 2013. Thus, threat of new

market entrants in the Chinese footwear industry is not high either so low, medium is a proper level at current situation.

However, the threat of substitute products can be really high of the footwear industry in China. Not even the similar foreign brands, only domestic brands of footwear can satisfy basic needs of the Chinese customers. Therefore, with various options of foreign brands competing in the shoes industry in China, the threat of substitute products is high.

Bargaining power of customers is quite high in China due to the growth of the domestic footwear companies such as Belle, Daphne, Li Ning. However, if products are made in foreign developed countries such as Finland, France, Italy, Spain, then, the bargaining power of customers cannot be expected as high, instead, medium or low describes better. Nevertheless, comparing to expensive footwear, cheap ones are more popular and better sold after all.

Without any doubt that bargaining power of suppliers is extremely high in the Chinese footwear industry. Known as low labor cost, abundant material and thousands of factories and facilities, China is one of the biggest footwear exporters around the world. Currently there are four main footwear industry clusters in China; they are Guangdong, Zhejiang, Western region and Fujian (demonstrated in table 5). “However, with the current experiences and techniques of shoe making in Chinese footwear industry, there are still some limitations for Chinese local factories to make high-end brands’ shoes due to the lack of skills and inputs from the mother companies.” said Mr. Liu, marketing specialist from Qianchuan Shoes Ltd (千川鞋业有限责任公司), Chengdu, China .

Table 5 Four major footwear industries bases in mainland China (modified from Hong Kong Trade Development Council 2013)

	<b>Leading cities</b>	<b>Shoe segment</b>
<b>Guangdong footwear industry base</b>	Guangzhou, Dongguan	Medium to high-end shoes
<b>Zhejiang footwear industry base</b>	Wenzhou, Taizhou	Medium to low-end shoes
<b>Western region footwear industry</b>	Chengdu, Chongqing	Women’s shoes
<b>Fujian footwear industry base</b>	Quanzhou, Jinjiang	Sports shoes



The intensity of competitive rivalry of competitors in Chinese footwear industry is concluded as high. Plenty of companies are capable of providing qualified productions of basic shoes and fashion ones. Customers are filled with a variety of options so that they have a wide range of shoes to purchase. In spite of these stable competitive elements, high-end footwear or tide footwear which with more potential can be explored as a new niche market in the shoes industry of China.

Table 6 Footwear sales in 2008-2011 (Euromonitor International 2012)

	(Rmb million)			
	2008	2009	2010	2011
Children's shoes	23,268.5	24,007.8	26,096.5	28,973.2
Men's shoes	71,368.6	76,866.9	84,862.4	96,217.5
Men's non-athletic shoes	44,214.3	47,540.2	52,377.1	59,517.3
Men's athletic shoes	27,154.4	29,326.7	32,485.4	36,700.2
Women's shoes	98,995.0	106,608.7	119,132.5	134,860.5
Women's non-athletic shoes	80,892.1	87,193.1	97,464.9	110,508.7
Women's athletic shoes	18,102.9	19,415.6	21,667.6	24,351.7
Total	193,632.2	207,483.4	230,091.5	260,051.1

It is not difficult to conclude the structure of the footwear segments in the Chinese shoe industry according to table 6. As is presented, "women's shoes" is the majority in the entire shoe market of China, additionally, with a constant growing and expanding.

Table 7 Per capita annual shoe consumption of urban residents in 2011, by income level (China Statistical Yearbook 2012)

(Unit: pair)							
National average	Lowest income	Low income	Lower middle income	Middle income	Upper middle income	High income	Highest income
2.91	1.89	2.43	2.70	3.01	3.23	3.51	4.04

As is presented in table 7, the per capita shoe consumption of people from middle-income level and above reached the national average level, hence they are the main purchase power in shoe market of China. The per capita shoe

consumption of national average is 2.91pairs whereas the per capita shoe consumption of highest income is 4.04 pairs, the difference between them is only 1.13 pairs, thus further expansion is existing in this market so far.

Most Chinese customers have bought leather shoes according to reliable survey conducted by Hong Kong Trade Development Council (HKTDC later) in 2012 which specified that they preferred cowhide, sheepskin and crocodile skin.

#### 4.3 Distribution Channels in China

According to BCN of China, the number of booths for shoes and hats was over 20,000 units in 2012 in 40 markets. In practice, these sales channels are department stores, flagship stores, hypermarket, e-commerce market, leading footwear marts, and trade fairs.

First, like any other country in the world, department stores, shopping centers and flagship stores are the most common sales channel for the end customers. Various brands are located on the first floor where customers can easily shop when they set foot in the malls. Flagship stores are mostly launched in downtown and commercial centers. These kinds of channels can provide customers with good brand image with quality, meanwhile offer the enterprises with fast capital return and effective customer feedback. Renting is distinguished from different shopping malls and department stores. Therefore, these are most expensive channels at current situation in China.

Second, some manufacturers started to enter hypermarkets where different shoes brands are gathered together in one particular place or shop to sell. This kind of channel enlarged the diversity of products but reduced the cost for rent at the same time. Small brands or enterprises with low brand name awareness are suitable for this distribution channel.

Then, e-commerce market, which is a major emerging sales channel in China, was aimed by footwear industry already. Not only the private websites by the shoe companies, but also some other popular online sales channels such as Taobao, T-mall, Jingdong, Weipinhui are getting involved by all kinds of footwear brands. These are extremely confinement way for customers as well as cheapest channel for

companies. Payment methods can be in advance or on arrival. Credit cards, e-bank and Alipay which is similar to Paypal in foreign countries are the most common payment methods in the Chinese e-market.

Finally, in mainland China, leading footwear marts are capable providing numerous manufacturers and suppliers for wholesales. Additionally, trade fairs held in a variety of cities can attract new purchasing power and set up brand image, meanwhile promote brands for companies. Shanghai International Footwear Fair, Carton Fair in Guangzhou, and International Shoes Exhibitions in Chengdu are highly thought of by footwear industry in China. (Liu 2014)

#### 4.4 Business models of competitors

There are three major segments existing in the shoe market of mainland China: import brands, brands of Sino-foreign joint-venture enterprises and local brands.

Import brands are mainly from the US and Europe which have dominated the high-end market already. Countries like America, Italy, France, and Spain are normally highly thought of due to the superb artistry and elegant design. Therefore, brands of Sino-foreign joint-venture enterprises coming from Hong Kong and Taiwan mostly, have accounted for the lion's share of the medium-range market. Finally, domestic brands produced by local manufactures have occupied the low-end market and some of the medium-range market.

Thus, several domestic and foreign brands which have been successful in the Chinese market are going to be discussed in the following:

- Native

Famous Canadian footwear brand which is characterized by its class style, various colors and light material was found in 2009. It becomes popular in Europe and Asia within 5 years and till now, sold in around 50 countries in the whole world. Many Chinese celebrities are falling into this tide brand as well, such as Edison Chan, Eason Chan, and Huang Xiaoming.

Native Shoes thinks highly of the Chinese market thus it has been contributing plenty times and efforts into this potential market where emerging fashion figures are becoming the mainstream in the Chinese market. Then, in the end of 2012, Native Shoes entered into China via contracting with local company as strategic partner in the Chinese market therefore, Lianyungang Ru Long Co., Ltd (连云港如隆实业有限公司) has owned the exclusive right of operation in China. Later on, in order to accelerate the coverage of market in China, subsidiary named Bo Te Trade Co., Ltd (东莞玻特贸易有限公司) was authorized to be responsible for direct sales and region distribution. The objective of 2013 was to settle in the high-end department stores, shopping mall and tide brands shops additionally, to generate 100 physical stores via penetrating first-tier and second tier cities in China. Moreover, e-commerce distribution channels are developed at the same time through Tmall, Dongjing and Youhuo these three core online channels. (Fengshang 2013)

- Hogan

Hogan, the branch from Tod's Group entered into the Chinese market in 2011. The first shop was set up in Beijing World Trade Mall in the capital. Meanwhile, the series pictures made by fashion master Karl Lagerfeld for Hogan named Hogan by Karl Lagerfeld were on shown in 798 Art District. After that, the second and the third shops were launched one by one in Wuhan and Harbin. (ChinaSSPP 2011)With the special collection with Chinese element, Hogan launched the Snake collection with Chinese red tones and the snake embroidery for the year of snake in 2013, additionally limited leather handbags with gold element and tassels are becoming a must-buy. And in 2014, Hogan launched limited collection for the year of horse named Ballerina and Attractive.

Despite of the normally sales in shopping centers, Hogan always invites celebrities to new-opening store for the ribbon-cutting ceremony. For instance, famous actress, actors and singers such as: Alyssa Chia (贾静文), Charlie Yeung (杨采妮), Edison Chen (陈冠希), Wu Xiubo (吴秀波), etc. In addition, Hogan also cooperated with local magazine <OK! Wonderful>, which is the first fashion

magazine published in news vision focusing on fashion of celebrities, in Shanghai for latest launches.



Figure 21 Chinese celebrities in Hogan exhibition (Haiba 2011)

- Givenchy

Givenchy Rottweiler Tee has been extremely hot and popular in China since end of 2012. Therefore, around 200 euro T-shirt with a dog head image in front, has been ramping up by 100 approximately within one year. Therefore, there are two types of regions of Givenchy's fashion apparel collections, which one is from Europe and the other is from Hong Kong and Taiwan where offer 20% cheaper prices. Not only because Givenchy is the top brand internationally, but also because it got the favor of many celebrities.



Figure 22 Givenchy Bambi shirts and celebrities (Baidu 2013)

G-Dragon, the most popular star from South Korean and with millions fans in China additionally more around the world, was highly acclaimed by the New York Time "the world will learn from him." Therefore, this worldwide fashion icon has worn the collection from Givenchy in his music videos and concerts so that many fans started to follow his style and purchase shirts from Givenchy. Not only

G-Dragon, but also celebrities like Jolin, Edison Chen and Guo Degang are found of this fashion brand. In addition, after the product placement in popular Korean TV dramas named Man from the Stars, this appearance lead Bambi shirt another must-to-buy.

In conclusion, all these brands have certain similarities. Not only they are popular around the world indeed, however, they got plenty of supports and favors from many celebrities and stars. Thus, powerful broadcast and advertisement can be automatically carried out once fans or fashion followers noticed the trend. In addition, official Chinese website is a tool that can make sales faster and easier in the Chinese market thus certain e-commerce channels are applied by them as well. Finally, Weibo account is becoming the second official page of their companies or brands, functioning as Twitter in domestic China.

#### 4.5 Situational analysis of Minna Parikka in China

Just entered into the Chinese market, Minna Parikka is trying to explore more new markets in China despite of the very few shops which are existed already. Like any medium-big brand, choosing shopping center or department store is regarded as the most common and safe distribution channel.

Currently, like any other new entered brand in the Chinese market, Minna Parikka is aiming to expand the market share in China via developing market, not only the authentic market but also e-market. In the following, a comprehensive marketing mix is going to assist the situational analysis of Minna Parikka in China.

Table 8 Marketing Segmentation of Minna Parikka Shoes Ltd (Minna Prikka 2014)

<b>Criteria</b>	Segmentation based on demographics
<b>Age</b>	20-30
<b>Specific</b>	Female, trend setters, dedicated fashion followers
<b>Income</b>	1000---3000 euro monthly
<b>Location</b>	First and second tier cities in China

First of all, table 8 is going to show the most potential customers who are willing to purchase products from Minna Parikka currently in China. Products from Minna Parikka Shoes Ltd are mainly qualified Finnish designer shoes, with colorful and young elements, made in Spain and Portugal. Female aging 20-30 years old are the most potential customers, additionally with the income which is better around 1000-3000euro per month. Nevertheless, cultural awareness has an effect on this target group due to the “Face” aspect. With the influence by the herd mentality and trend, corresponding with the show-off mindset, even relatively people would like to purchase for products, even though, which are out of their affordability.

Then, as for what is the role of Minna Parikka is playing in the current Chinese market, as well as, in the mind of local Chinese customers. The following graph is going to show the footwear of Minna Parikka whose products are with relatively high price and high quality.

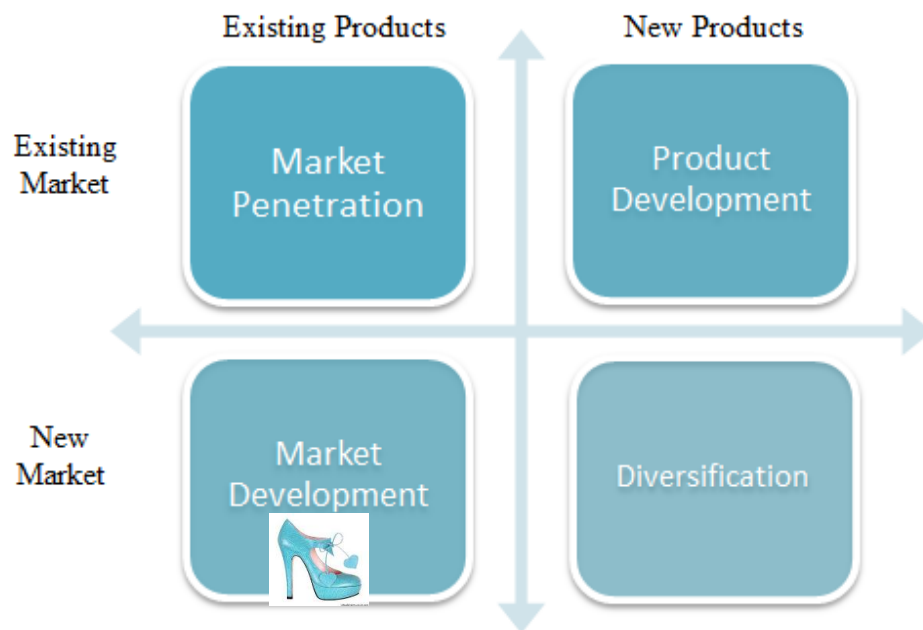


Figure 23 Ansoff Matrix of Minna Parikka Shoes Ltd in Chinese market (Modified from Ansoff 1995)

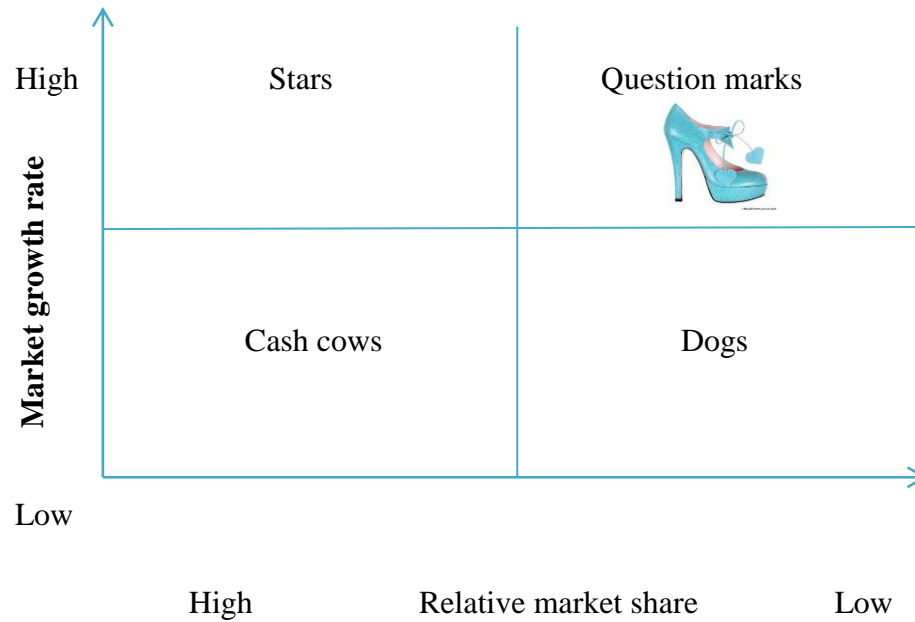


Figure 24 BCG Matrix of Minna Parikka Shoes Ltd in China (Modified from Henderson 2013)

Finally, according to the current situation from Minna Parikka in the Chinese market, Minna Parikka which lacks reputation, image, loyal customers or expertise for production and delivery has a really tiny market share at this moment. Moreover, the earning is not high and unable to be seen, thus question marks category can describe the products' current situation. In order to become mature in the Chinese market, moving to stars category is the first step for Minna Parikka, then, finally arriving cash cow category. Therefore, investing in growth is the proper strategy in the Chinese market for future expansion.



## 5 BUSINESS DEVELOPMENT PLAN FOR THE CASE COMPANY

Companies like Minna Parikka Shoes Ltd with low investment and fame but high potential in developing business in the Chinese market at the beginning should take proper strategies should be taken into consideration for marketing expansion planning.

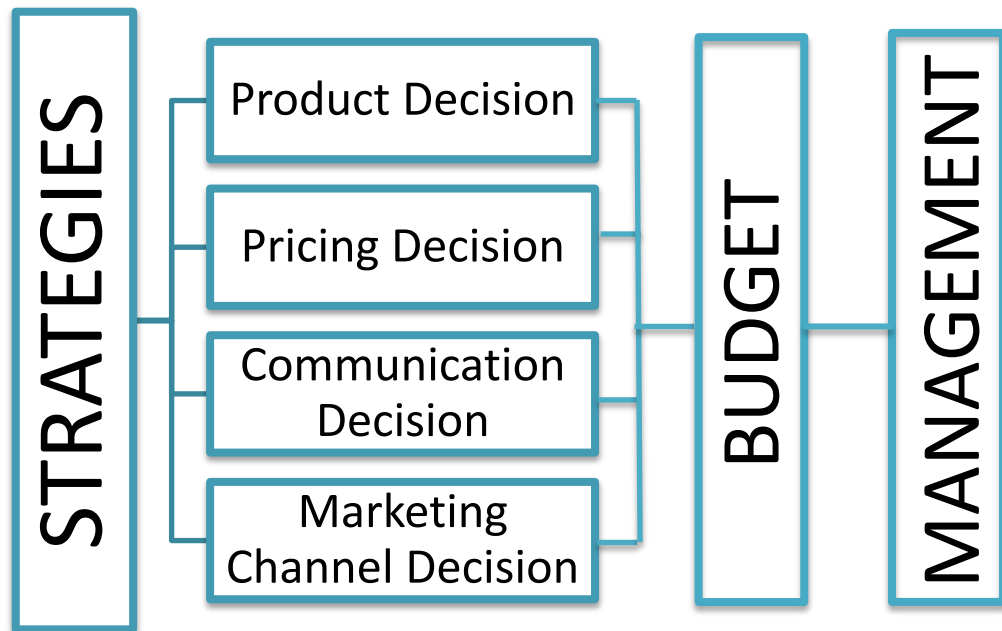


Figure 25 Proposed marketing planning sequence (Modified from Neves et.al 2010, 19)

Therefore, in this chapter, four decisions which are based on FourC (commodity, cost, communication, channel) strategies are going to be prepared for case company as a reference framework.

### 5.1 Product Decision

In order to satisfy what local Chinese customers want to buy can be regarded as the initial characteristic of products from Minna Parikka Shoes Ltd. In practice, Minna Parikka Shoes Ltd is mainly experienced in fashion designed shoes and relevant leather goods such as gloves and bags. What kind of products that can survive in this competitive market corresponding with customer oriented objectives? In addition, Chinese consumers also care about what kind of value that Minna Parikka

can to them. In short, the decision of products is not only focused on the style or quality of product itself but also the value of Minna Parikka Shoes Ltd.

On the one hand, physical aspects of products are the basic criteria for local Chinese customers, thus here are some primary standards to be discussed:

- Brand

Brand is a “ name, term, sign, symbol, or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors (American Marketing Association 2014).” In order to set up a good brand, own particular features, special images and style are essential for opening up the Chinese market. First impression is going to be given by the brand itself.

“I see the future of Minna Parikka in China, girls will love the beautiful designs” said Mr. Yang, a professional fashion retailer from Chengdu China. Different styles from shoes that are already existed in the Chinese market, with the emerging tide brand culture, Minna Parikka can attract a certain amount of customers in China.

Furthermore, a good brand name is extremely important for a product to enter into a new market. This is especially true in the Chinese market. A brand name with very good meaning will be a great help to be successful in the Chinese market.

According to the regulations in China, foreign brands and enterprises in China have the obligation to utilize Chinese expression such as: signs, advertising words, the domestic sales of goods packaging, instructions, etc. (The people's Republic of China State Administration for Industry and Commerce No. 14 Order, the people's Republic of China national common language law, 2011)

- Style

It is obvious, when searching on Taobao, Tmall, Jingdong etc. online shopping venues, customers can easily find out the seasonal trend via ads and fashion news on their home pages. The trends can be briefly summarized into two categories: Japanese and Korean sweet styles; European and American fashion styles.

Influenced by Japan and Korea, especially by their series contributed by numerous idols, Chinese people have an initial tendency to follow the trend or style from those stars due to the similar characters between Asian people. These Japanese and Korean styles are suitable and safe for the majority of Chinese customers who are traditional and conservative. And these styles are slightly different from one another as well, for example Japanese style is full of sweet, cute elements such as creamy color, lace, bow-knot, heart, and flower whereas Korean style is more integrated by classic Baroque and modern concise element (Taobao 2014).

- Origin

Influenced by traditional Chinese thinking that made-in-China is not in good quality either classical, local Chinese customers prefer to purchase goods imported from foreign countries, especially developed countries. Generally speaking, local Chinese customers place higher conception to goods made abroad than those made in China.

- Materials

As producing one pair of fine shoes is no longer difficult for the local Chinese manufacturers, in order to compete with all the brands and companies in the Chinese footwear market, unique materials and mature skills are the key successful factors. Similar to origin issue, the more precious materials are, the higher thought of the products by the Chinese customers.

On the other hand, with the rapid growth of Chinese economy and internationalization level, more and more European and American elements are penetrating in the Chinese market. Not only Apple is eagerly persuaded by local Chinese customers, fashion trends and live styles also play a crucial role in this aspect. In addition, influence by top international fashion brands is acting as catalysis in Chinese fashion market. Multiple Chinese celebrities such as Fan Bingbing, Li Bingbing, Liu Shishi, Faye Wong, Summer, Yang Mi etc. are showing up in various fashion shows and exhibitions, bringing in latest fashion trend to the domestic Chinese market. Brands like Chanel, Christian Louboutin, Prada, Louis Vuitton, Ferragamo, Roger Vivier, Manolo Blahnik, MiuMiu. Especially, for shoes,

Cristian Louboutin, Ferragamo, Roger Vivier, Miumiu, Manolo Blahnik and Valentino are acquiring more favors from Chinese customers.

In short, when attracting the majority Chinese customers, Minna Parikka Shoes Ltd can take the similar strategies like classic footwear brands that mainly launch shoes collections which are designed with sweet, cute and classic elements in the Chinese market. Classic and feminine collections like Juide, Raquel, seem to be suitable for female aging 20-35 years old, while cute and fun collections like Angora, Caracal, Hare, and Pfeiffer are likely to suit young female group aging 18-25 years old. Therefore, extensive utilization of color and funky elements contribute to unfettered design and style, which are not proper for any of those normal target groups. Furthermore, brands collaboration also can also help the company to get new inspirations and more options for products.

In order to survive in the Chinese market, sometimes, though, normal and traditional way of thinking will not lead the company to market oriented surprisingly. However, setting up the specific image or character of brand itself is an outstanding way to be remembered by customers. Therefore, correctly positioning Minna Parikka in the Chinese market and integrating with the products themselves with local trends and culture can be seen as the key successful strategy (CTEI 2013).

Traditional, classical and sweet concepts have been utilized by tons of companies already, and it seems like there is not enough space for Minna Parikka to set foot in and to compete with existed top brands. Therefore, new concept should be explored by Minna Parikka and lead by it as well. In addition, trendsetters are those young fashion leaders who are willing to go out of their way to get the tide products. Normally, they persuade for no matter how much they are going to pay for just one unit. Thus, benchmarking as a tide brand can also be a feasible solution for Minna Parikka Shoes Ltd current marketing strategies due to the growth of tide culture in the domestic market, and then, for the further strategy in the Chinese market as well.

Therefore, ideal products of Minna Parikka Shoes Ltd to be sold in the Chinese market can be decided corresponding with the following three levels.

- The three levels of the product
  - The core customer value/core product

The core customer value for the product is to help customers to find confidence to new adventures.

- The actual product

The exact products are qualified footwear, gloves, handbags, wallets via novel design and bold colors, which designed in Finland, produced in Spain, Portugal.

- the augmented product

Augmented product is the feedback after wearing by customers, the after sales services which including delivery, exchange, maintenance etc. and the quality guarantee.

## 5.2 Pricing decision

Sales price for a pair of Shoes from Minna Parikka ranges from 200 -400 euro, which is higher than the average price that the major Chinese customers can afford. According to the interview with Mr. Liu from Qian Chuan Shoes Co., Ltd from Chengdu, China, the average price that the Chinese customer would like to pay for a pair of shoes is around 60 euro. After all, the main purchase power is not marking the niche market. However, the footwear from Minna Parikka are aiming at the niche market where can satisfy the specific needs to particular customers. Comparing to world's top footwear brands which are especially for women, such as Cristian Louboutin, Manolo Blahnik and Roge Vivier, Valentino are having 2 or 3 times higher prices than Minna Parikka. Therefore, those top footwear brands with certain fame internationally, for sure occupied the luxury footwear market by

catching the consumer behaviors of the target groups that affected by trend and vanity. In practice, female customers who can afford designer shoes are mostly beautiful young ladies living parasitically with a favor of dressing as Loris or sexy models.

- Pricing

According to the classic example of Twinkies, the more the uncertainty encompassing a product, the more consumers depend on the price/quality hypothesis and, thus, the greater premium they are willing to pay. Generally speaking, Minna Parikka, as a just entered brand in the Chinese market, it has been surrounding too much uncertainties and questions of customers. Thus, how local Chinese customers to position this brand and to purchase for it, hence, seems that the price/quality make more sense.

As for how to pricing the brand, it can be decided corresponding with the position in the Chinese market thus several examples can be referred to from general pricing strategies of light luxury brands such as Micheal Kors and Couch. It is said that penetration and premium are most common pricing strategies applied in the Chinese market by those companies (China Daily 2012).

Since Minna Prikka Shoes Ltd cannot position itself in the same place as any other top luxury brands like Cristian Louboutin, Roger Vivier or Manolo Blahnik, if any, penetration pricing strategy can be the most appropriate one to be applied by Minna Parikka Shoes Ltd. By setting the price low in order to attract consumers, therefore, aim to gain more market share. Later on, the price will be raised as long as the market share is gained (Monroe 2004). But in this situation, the bottom line of the price cannot be lower than the average level of light luxury prices.

Table 9 Category of Pricing (Yougou, Minna Parikka 2014)

BRAND CATEGORY	AVERAGE PRICE
<b>Ordinary domestic brands</b>	60---100 €
<b>Light luxury brands</b>	200---300 €
<b>luxury brands</b>	600 €+
<b>Minna Parikka</b>	
○ <b>Low heels</b>	○ 200 €
○ <b>Mid heels</b>	○ 300 €
○ <b>High heels</b>	○ 340 €
○ <b>Boots</b>	○ 400 €

Even though penetrated pricing strategy is going to be applied, the first entry price cannot be set lower than the advised standard which is 2.6times of the cost by the company. Import tax is different from different types of footwear and accessories, however, normally 10% or 24% additionally plus 17% value added tax (Chinese Customs 2014). Thus, 3,4times or 3,8times of cost are going to be ideal selling price in the Chinese market. Later on, price can be raised or keep stable according to the market situation.

### 5.3 Communication decision

The purpose of communication is to make customers engaged in meaningful interactions, thus not only sales promotion and advertising, but also public relations, publicity, personal selling, corporate identity, internal communication, SNS and MIS are also taken into consideration (Koichi Shimizu 1981). Even though, promotion strategy is still taking the most important role of the marketing mix (Harrell 2008).

- Media

Firstly, in order to penetrate and promote products, advertising by an identified sponsor such as print ads, TV, billboard, posters, Web pages, email is needed. These methods are most common way for promoting products, nevertheless, expensive for a small company that cannot have enough invest in China. In addition, “it is difficult to launch a new product via advertisement to access to customers nowadays,” said Howard Schultz, the founder of Starbucks, “they don’t even believe it.” Therefore, in order to come up with a win-win way to solve this problem, media publicity can be regarded as the most costless way for advertising. For example Microsoft didn’t put any effort to advertisement in the beginning 25 years whereas only via media reporting, which created over 65 billion dollars.

In addition, Minna Parikka can take part in public seminars, forums, exhibitions, trade shows and other activities. The company has to remember to seize the opportunity to multi-media interviews. There are 3 steps to be taken into consideration for the transmission:

1. Before the product is actually launched, reveal information to the media to stimulate their interest to look forward to new products
2. Preparing a new name. Media just want to publish new things not good things
3. The media like to hear the story, transmit the core concepts via story as consumers like to hear that from the media

- Social Media

Having meaningful interactions with customers or supporters via variety of channels is another foundation for company to understand communication better. Therefore, to know well about the customers and communicate with them accordingly, not only clearly communicate the product attributes the customer is looking for, but also set up mechanisms in place to ask what exact they would like to be communicated (Business survival toolkit 2014).



Unavoidably, the development of social media in China has been keeping growing rapidly in its own way for communication, though carried out later than in the West. As a result, internet marketing tools will also be adapted to it. In China, there are over one billion internet users, and huge online community that twice than entire U.S. Population. Great platforms like QQ, Renren. Weibo and Wechat have held millions of users already recently.

Among them the most popular one, which has over 300 million users already, is microblog, or Weibo (微博). At present, 88.81% of Chinese citizens are microblog users. Besides seeing latest news and friend's posts, Weibo users also take advantage of it to subscribe products or brands especially. As figure 27 presented, Weibo users are more likely to direct to click the links attached with the picture of the products or go further information search via other searching engines like Baidu, Sougou.

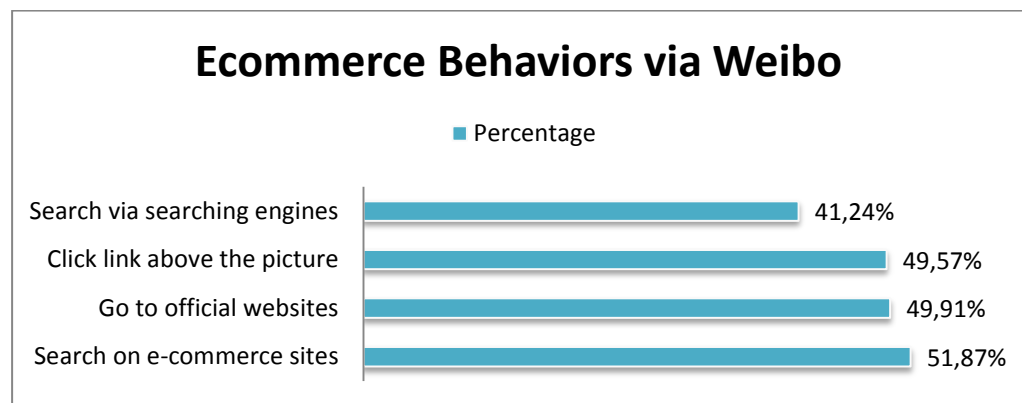


Figure 26 Ecommerce Behaviors via Weibo (DCCI 2012)

According to Sina, over 130,000 companies have set up their Weibo accounts by the end of February in 2012. And to manage Weibo marketing in China, there are few processes for Minna Parikka Shoes Ltd to be carried out carefully.

1. Preparation: Making sure that customers are on Weibo firstly and then, coming up with a long term Weibo marketing strategy thus advice and experts such as professional companies are needed.

2. Setup Account: To get “V” identity firstly, then design of the company Weibo page and the basic settings are most important. Requirements for Overseas Enterprise Account Verification are
  - ✓ Company Registration Documents
  - ✓ Application letter and third party authorization letter should include Company’s seal or legal person’s signature
  - ✓ Operation person/team contact information (Sina Weibo 2014)
3. Content: Create content carefully corresponding with targets favor, and never put anything harmful to the brand.
4. Community: Weibo circle should be highly paid attention to via communicate with relevant users.
5. Reputation: Don’t let any stupid complain or recommend ruin the reputation of the brand.
6. Event: Creative and inspiring activities like sweepstakes should be carried out on Weibo for stimulating the loyalty, fame and amount of fans and followers.
7. Result analysis: KPI is not the only standard, but focusing on direct communicating with customers and influencing them.
8. Safety: To keep the account safe, advices are given below:
  - ✓ Do not click links or use applications from unknown users or source
  - ✓ Do not use hacker software
  - ✓ Filter spam

In all, Weibo marketing should always follow the trend from time to time due to the uncertainty of market in China. (Philip 2012) Nevertheless, free advertisement like the media is not seen as a long term strategy for expanding business, thus once the growth is stable, TV ads is the next method to promote the brand and product. In the following, two most common ways for advertising in China are going to be explained in detail.

- Sponsorship for TV shows

When talent shows are spreading all over the entertainment industry in China, not only the ordinary are transformed into instant celebrities, but also bunches of sponsors are taking advantages of it.

In 2012, the Voice of China became the hottest talent show in China, ranking the first in domestic ratings, meanwhile, as the only sponsor, Jiao Duo Bao (JDB), elevated its brand awareness instantly. According to Tencent Finance reported that JDB had occupied as much as 80% market share of herbal tea in China, ranking the first, from July to December in 2012.

Nowadays, not only fast moving consumer goods (FMCG) are the most common sponsors for talent shows, therefore Changan Ford took the authority to sponsor Chinese Idols in 2013.

Acting as the car of the judges for appearing on the scene, Changan Ford Kuga frequently showed up at the beginning of the program, thus got doubled favors and good impressions from the audience. This advertisement promoting credited to the smart combination of the chic products and the super stars.

According to public data from Ford, since the launch of Kuga in January of 2013, the sales had been keeping growing for a period. Even in April, the monthly sales were over 9000 units, though, after May, sales appeared a tiny decline. However, sales in June immediately reversed the situation of sales just after the broadcasting of Chinese Idols. (SJ998 2013)

Sponsorship can be a huge investment, in any, the amount can be millions euro. However, the benefit from it is going to be far more than the input as long as the sponsorship is put in the right place.

Since the first quarter of “I’m a Singer” of Hunan TV, ranking the second of the rating in China, only after China Central Television (CCTV), the second quarter of “I’m a Singer” has been the hottest topic on microblogging that exceeded 1 million times. Therefore, according to the Baidu Index, biggest searching engine in China, it is shown that the attention index of users and media has reached 1.2 million and 40 million, which set a new record among the same type of program. (Baidu 2014)

In conclusion, an ideal way for the sponsorship of Minna Parikka which can be appearance sponsorship in “I’m a Singer” which does not cost too much money for ads but closely tied with its feature. And the ideal spokesperson can be chosen as

Gem Tang (邓紫棋) who was seen as one of the most competitive candidates for the winner of this competition.

This after 90's born girl has been fighting in entertainment circle for 6 years since her debut when she was 16 years old, however, she got famous in mainland China after taking part into this show, now, already has over 800 million fans on micro blog (Weibo) in China.



Figure 27 G.E.M. on the stage of I'm a Singer Competition Show (Hunan TV 2014)

This young and talented girl has similar characters as Minna Parikka, full of upright attitudes, colorful moments and brave adventures. Born in Shanghai, grown up in Hong Kong, and now is well known in both mainland China and Hong Kong with over 1 million fans on Facebook and over 10 thousand followers on Twitter and Instagram. Therefore, particular background of her family has an extra point for the endorsement for Minna Parikka.

To look for proper spokesperson via these talent shows is a shortcut, however the price now to pay for contracting with G.E.M. may be higher than before due to the rapid growth of her fame. Therefore, starting to look for potential candidates in the beginning is very important and indeed. Instant stars like Sunny (吉克隽逸), MoMo Wu (吴莫愁) caught the country's attention, in addition, march to the international market. Thus more and more ads, endorses, contracts are making them far more expensive than before.

- Ads placement in films and series

There was a saying about trend in Chinese entertainment circle that “mainland China plagiarizes Taiwan, Taiwan plagiarizes Japan and Korea, Japan and South Korea plagiarize Europe and America (Xie 2011).” It is obvious that how deep have those foreign trends had affected on Chinese customers. Nowadays, the most popular and hot topic should go for My Love from the Star. This series have reached the highest ratings 28.1% after competed broadcast in South Korea, thus quickly swept across the whole Asian market. And only the amount of online playing times in China has surpassed 3 billion, therefore became the hottest South Korea Drama ever.

“Korea is an influencer for luxury items and lifestyle experiences” said head of Johnnie Walker House Seoul. By utilizing the phenomenon of favor for brands of Chinese customers, many luxury brands had already used product placement in the Korean TV dramas in order to attract more young customers. They have already known the importance to get help from South Korea to succeed in the Chinese Market additionally, they Korean actors are cheaper to sponsor than Chinese or Hollywood super stars in general.

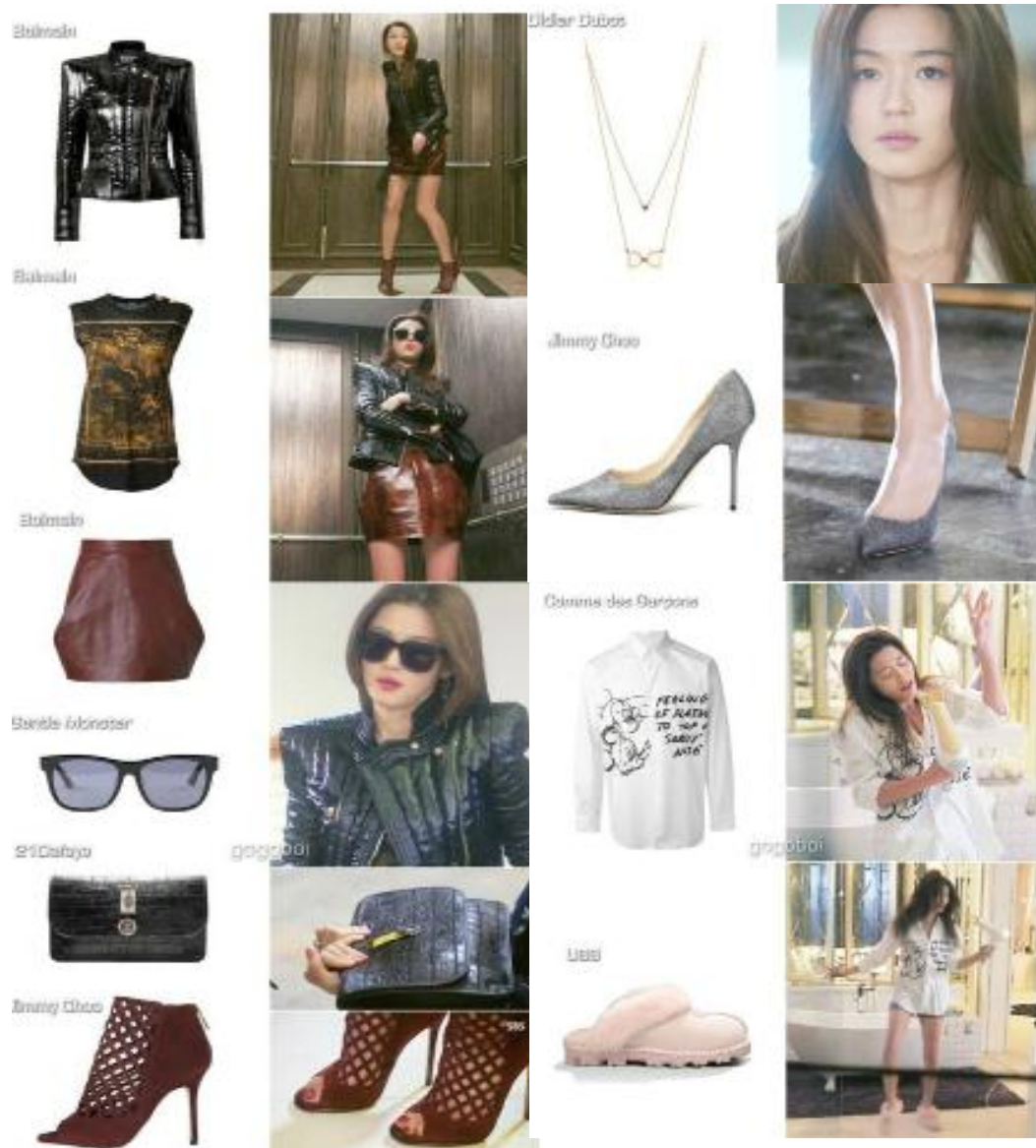


Figure 28 Ads placement in My Love from the Star (Kankan News 2014)

In the series My Love from the Star, dresses and shoes which are provided by Celine, Jimmy Choo, DKNY, Chanel, worn by famous Korean actress Jun Ji-hyun, have been regarded as big spikes in sales by Chinese customers. However, not only those luxury brands, some more affordable products like cosmetics, hairbands, and accessories are selling quite well at the same time. In addition, search keyword “My love From the Star” on Taobao results in over 20,000 related items. Products as long as appeared are going to be discovered and developed in the Chinese market vie this Korean TV dramas. (The Wall Street Journal 2014)

Thus, starting business from South Korea then penetrated via Korean TV drama or trend to appeal more Chinese customers, then, expanding the market in China can be a wise and low –cost strategy. Basically one store or shop is going to be required in South Korea, capital Seoul can be seen as the best option. Meanwhile, reasonable sponsor to Korean stars depending on the seasonal series or shows in South Korea is compulsory.

#### 5.4 Marketing Channels decision

Apparently, Minna Parikka Shoes Ltd applies contractual agreements mode to new markets, especially, thus products are directly exported from EU. The reason is the important qualified materials and techniques from EU countries of manufacture are guarantee for setting up the image of company.

In addition, lack of big amount of investment and experience in the Chinese market, agents and distributors can be seen as the most appropriate way for entering in the Chinese market at this moment in spite of contractual agreement. Potential domestic e-commerce channels from China are provided in the following picture.

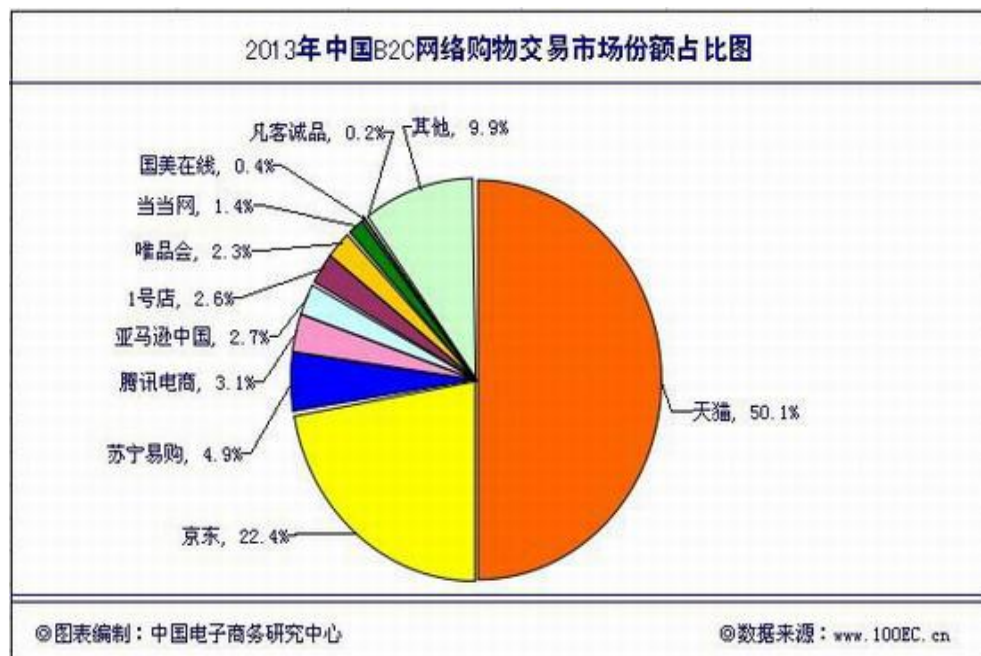


Figure 29 Chinese B2C online shopping market share (China Electronic Commerce Research Center 2013)

It is not difficult to find out the most popular ecommerce companies. Tmall and Jingdong, these two companies have already taken more than 70% of the ecommerce market. Moreover, only Tmall has taken half of this market share.

- E-commerce options

The first distribution channel in China could be regarded as the most popular e-commerce, Tmall belongs to Alibaba Group, formerly known as Taobao Mall, which is a comprehensive online shopping venue integrate thousands of brands and manufactures between merchants and consumers in China. Different from Taobao, Tmall emphasizes the brand and quality. According to the official website of Tmall, there are now over 400,000,000 registered buyers, over 50,000 companies, more than 70,000 brands on Tmall. This figure is still booming, which means that the e-commerce is still a very potential business in China. On 11<sup>th</sup> of November in 2013, a world record was made by selling 10 billion RMB in 13 hours via this platform in the name of Single Day. Minna Parikka Shoes Ltd has to first register and open an online store on Tmall, with around 6000 euro management fees annul.

Second, similar to Tmall online store, Jingdong Mall online store is another optional online distribution channel for Minna Parikka Shoes Ltd. As a professional 3C online shopping platform, Jingdong Mall has a certain influences in terms of visits, clicks, sales and fames. In the beginning of 2014, Jingdong Mall launched “Fashion · Jingdong” conference of new products with dozens of fashion brands such as: MO&Co., Gloria. CTF, Nautica, Jeep, Hazzys, REPLAY, GXG, Amour. In addition, it announced that 11 international brands Nine West, Samsonite, Ferre, ENZO, EVISU, JEFEN, Clarks, UGG, Addidas, Disney and Luk Fook Jewellery are going to be settled in Jingdong open platform.

Therefore, not only setting up an account is enough, outsourcing the maintenance is going to be needed for a beginner on Chinese ecommerce venue. Thus, particular organizing company or experts should be contracted to maintain the account for sales.



- Logistics Cooperators

Goods can be transferred from manufacture to retail warehouse-retail store, thus, goods are transferred from manufactures to the retailers' distribution centers only then deliver full vehicle loads to their stores. In the case of Minna Parikka Shoes Ltd, Manufactures are mainly in Spain and Portugal, transport directly from Spain and Portugal to China is going to cost less than shipment from Finland to China due to the continent location. If shipment is made from Finland to China, with 4 direct lines of Finnair to Beijing, Shanghai, Chongqing, Xi'an, it can be faster however more expensive at the same time.

In addition, companies like Minna Parikka Shles Ltd, under rapidly expanding trend of outsourcing, to cooperate with 3PL can be seen as an effective solution. A third party logistics provider is going to be equipped with freight forwarders, courier companies, also other companies interacting & offering subcontracted logistics and transportation services. In China, Shunfeng Express and EMS were rated as the best logistics companies in China (Huize 20012). In addition, not only in domestic China, they also have business internationally. When looking for long term cooperation, reputation and quality should be taken into consideration firstly.

Shunfeng Express Co., Ltd whose business can reach over 200 countries around the world and more than 2000 cities in China, is seen as better option than EMS comparing to the quality and price. With the best quality and speed of the service, Shunfeng express is the most highly thought of logistics company in China.

## 6 CONCLUSIONS AND FUTURE RESEARCH

### 6.1 Findings

This chapter is going to focus on summarizing the following questions particularly for Minna Parikka Shoes Ltd to expand business in the Chinese market.

Table 10 Findings of the research

<b>Research Question</b>	<b>Findings</b>	<b>Comment</b>
What is the situation of the fashion market in China now?	Light luxury and tide brands are the trends	Products can position in light luxury especially stress on tide concept.
How the business should be organized in China?	With the contract agreement mode, agents, local business cooperator or experts are needed	The Chinese market has uncertainty, thus, to avoid loss, trustable contactors or employees in China are important.
What kind of E-commerce operations are appropriate in China?	Tmall online mall	With lower cost than a real shop or an official website, Tmall can be seen as the most cost-effect distribution channel for Minna Parikka Shoes Ltd.
Who are the most important stakeholders in the Chinese market?	Local, social media like Weibo, logistics company, ecommerce channels	Currently production is not held in China, thus manufacture is not necessary at this moment. Local media like TV or magazine, social media are really important for public relation and promotion for the brand. Also correct distributors and agents are going to help expand brand in the Chinese market.
How to get more customers and brand name awareness for in China?	Media exposure, Sina Weibo, ads placement, sponsorship	Free methods like media exposure, interviews and Weibo marketing can be a good start for Minna Parikka open up the Chinese market. Therefore, for a long term strategy, communication is important, not only via the free methods, but also ongoing sponsorship no matter to celebrities or TV shows can increase the brand name awareness.

## 6.2 Reliability and validity

Fistly, for the internal analysis of the case company, all the data that collected in this study is obtained via books, e-sources, documentations, meetings and interviews. Especially, the information of Minna Parikka Shoes Ltd was mainly organized by combining both internal confidential resources and previews public studies.

Secondly, external analysis of the Chinese market was authorized by public statistics and data. Moreover, situations about local Chinese footwear industry and fashion market were comprehensively studied. Moreover, the expert from Jinfeixi Shoes Co., Ltd and Mr. Yang, artist and fashion dealer from Chengdu, were interviewed through relevant questions for the case company.

In addition, existed successful business modes and examples were also studies in the thesis in order to provide practical experiences to the case company.

## 6.3 Further research

When the Chinese market strategies are determined by the company, financial and management issues should be taken into consideration corresponding with comprehensive marketing planning. In addition, after setting foot in the Chinese market, Minna Parikka Shoes Ltd should pay more attention to how to maintain the business and reduce the cost when the growth is steady. Thus, further research about penetrated strategies have to be explored or developed.

In short, the Chinese market is unstable due to the huge loopholes of business. There are always people take advantages from the laws or restrictions. And if there is no reliable contact person in the Chinese market, the foreign companies can be tricked. Thus, in order to keep brand reputation, further research is going to be needed.

## 7 SUMMARY

This thesis was conducted for providing useful suggestions of marketing strategies and business development ideas. The internal analysis showed that Minna Parikka Shoes Ltd. is a growing company with quality and stylish products which are favored by many fashion magazines and stars. And external analysis assisted by resources of relevant footwear industry and fashion market in China indicated that the Chinese market is huge and with plenty of opportunities, but to develop business in Chinese requires determination and proper strategies.

First of all, the aim of the thesis is to figure out where does the brand, Minna Parikka, want to be? At beginning, first-tier cities are going to be marked, then, second tier cities which are emerging rapidly should also be involved. In addition, stores and online stores should be expanded. Meanwhile, “Minna Parikka” has to be popular and famous in China.

Secondly, to understand “where are you now”, the internal analysis of the company and the external analysis of the Chinese market concluded: Minna Parikka Shoes Ltd is a new brand in the Chinese market; expanding and developing of the brand are required in the intense competition. This is a brand with a certain potential therefore it can go very far in China with correct strategy and operation.

Finally, in order to know how to reach the goal, Minna Parikka Shoes Ltd should especially take a particular strategy to apply in the Chinese market due to the specificity of China. Therefore, looking for the local operations or experts to cooperate with is a wise option to lower the risk due to the lack of experience. Always paying attention to communication with customer in the Chinese market is a key factor to expanding the brand awareness. In short, the Chinese market is booming but unstable as well. Thus, the strategy cannot be defined as marching, on the contrary, it can be defined as navigating.

To summarize this thesis, a conclusion can be made that the case company has the ability to survive in the Chinese market as long as accurate actions are taken to invest to the brand. As a small brand, at the beginning, obeying local traditions or trends and looking for suitable strategies for the company are going to help small brands survive in the Chinese market.

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## APPENDICES

### APPENDIX 1. Questionnaire for interviews of case company

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Questionnaire for interview/ Tao Yi

[namedty@gmail.com](mailto:namedty@gmail.com)

Company name:

Name and title of the interviewee:

Time and place of the interview:

1. Could you please explain current structure, systems, strategy, style, skills, staff, and shared values of this company in general?
  2. What is the current business mode in the Chinese market?
    - FDI
    - Joint venture
    - Agent& Distributor
    - Subsidies
    - Contractual Agreements
  3. How far would this company like to go in the Chinese market?
  4. Could you please inform the ability of this company to invest in the Chinese market?
  5. What is the supply chain in for this company to do business in China?
  6. What is the pricing strategy in your company?
  7. Could you please specify the current sales situation in Beijing and Hong Kong? ( i.e. basic costs, sales revenues, market share, main customers)
-

## APPENDIX 2. Questionnaire for interviews of shoe companies in China

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Questionnaire for interview/ Tao Yi

[namedty@gmail.com](mailto:namedty@gmail.com)

Company name:

Name and title of the interviewee:

Time and place of the interview:

1. Could you please explain: what is the current trend of shoes in the Chinese market?
  2. Could you please tell: what is the average cost of a pair of shoes produced in China?
  3. What is the average price that customers can afford?
  4. What do you think of the shoes from Minna Parikka Shoes Ltd?
  5. If it is possible to produce Minna Parikka's shoes in Chinese factories?
  6. What would be the basic cost of a pair of shoes of Minna Parikka?
-

APPENDIX 3. Contact information list

**Minna Parikka Shoes Ltd**

Address: Aleksanterinkatu 36, Helsinki, Finland

Contact person: Cheng Heidi, sales & marketing manager

Tel: +358 45 2776737

Email: [heidi@minnaparikka.com](mailto:heidi@minnaparikka.com)

**Qianchuan Shoes Co., Ltd (千川鞋业有限责任公司)**

Address: Zhi Xin south street 27, 1-4-1, Chengdu, China

Contact person: Liu Yunpengm, marketing specialist

Tel: 0622973844

Email: [rogerliuyungpeng@gmail.com](mailto:rogerliuyungpeng@gmail.com)

**Fashion dealer & artist**

Address: Chengdu, China

Contact person: Yang Fei

Email: 541293266qq.com

APPENDIX 4. Minna Parikka's Products (Miinna Parikka 2013)

Collections	Features	Samples	
<p><b>Juide and Raquel</b></p>	<p>with heart elements sweet, feminine</p>		
<p><b>Angora and Caracal</b></p>	<p>with bunny element, cute, girlish</p>		
<p><b>Clen and Kide</b></p>	<p>with special material, easy, clean</p>		