



**STRATEGIC MARKETING PLAN
FOR PERFECT COMMODITY LTD**

THESIS

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Degree Programme in International Business

International Marketing Management

SAVONIA UNIVERSITY OF APPLIED SCIENCES		
Business and Administration, Varkaus		
Degree Programme, option		
International Business, International Marketing Management		
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Title of study		
Strategic Marketing Plan for Perfect Commodity LTD		
Type of project	Date	Page
Thesis	26.11.2010	90
Supervisor of the study		
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Abstract		
<p>With the rapid development of economy and technology in China, the living standard of the Chinese has become higher. People in China nowadays pay more emphasis on their health and beauty. However, the average cost of Chinese customers on health and beauty products only accounts for 0.07 percent of customers expenditures, and compared with some European countries, this percentage is small. That is to say, in the market of Chinese health and beauty products, there exists great potential. Therefore, many health care product companies try to occupy more market share in Chinese health care products industry, Perfect Co. LTD is one of them.</p> <p>In the year 1994, Perfect Commodity Ltd company established its office in Guang Zhou in China and it has spread rapidly during these years. However, to the market of China, it is still a new company, there are still many people who are not familiar with its products and services. Under this situation and in this thesis, an analysis on the company and its environment was made and a practical and reasonable marketing strategic plan was established to the company in order to enlarge its market share in China.</p> <p>The starting point will be the general introduction and some background information of the thesis work. In theoretical part, some knowledge on marketing opportunities and the process of strategic marketing planning was introduced. In practical part, an exhaustive analysis on the company's Strengths, weakness, opportunities and threats was made by using the data and figures getting from interviews to its representative and managers. After having a general understanding on the company's current situation and its goals, a reasonable and practical strategic plan for the company's development in China was designed.</p> <p>The results of the thesis work still need to be tested, and hopefully the suggestion can help Perfect Co. LTD to realize its short and long-term goals and provide some useful advising for other health care product companies in China at the same time.</p>		
Keywords: Health care product industry, Perfect Co. LTD, SWOT analysis, strategic marketing plan, marketing opportunities.		
Note		

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1 INTRODUCTION

In recent years, the growth rate of Chinese economy has exceeded all the other countries in the whole world. However, the average costs of Chinese customers on health and beauty products only accounted for 0.07 percent of the customers' whole expenditures. Compared with some European countries, this percentage was too small. That is to say, on the market of Chinese health and beauty products industry, there is great potential, this power mainly comes from three aspects: (China Daily, 2009)

- Huge room for growth in emerging category
- The potential market in rural areas
- A huge market for TCM (Traditional Chinese Medicine) health products.

In China, Health Care industry has gone through a long course of development. Since the 80's, health industry has become popular, Chinese health products industry has gradually from chaos to order, from low level to mature. (China Daily, 2009)

Due to the immaturity in market, there are two main phenomenon existing in Chinese health products industry, the first one is the excessive promotion of products. The manufacturers always reinforce and exaggerate the "treatment" effect of health products. The second one is the irrational demand of customers for health care products, after they have purchased them, they always expect that these products can treat a certain disease. This phenomenon leads to a misunderstanding to customers on health care products, and even made customers generate a crisis of confidence to health care products. In face with this phenomenon, many companies have started to make some deep changes in health care industry, they have given up traditional marketing methods and tried to establish a good brand image for customers. In addition, government has increased the control of illegal advertising and illegal operations in health care products industry. These changes and measures really bring many new opportunities for health care product companies. (China Daily,

2009)

With the comprehensive changes in the market environment, the future of health care products market in China will show the following trends: (China Daily, 2009)

- Function of products trend to unitary: In the past, in order to get more customers and occupy a bigger market share, companies try to create a certain health care product with many different health benefits. However, in this case, they ignore the precise localization of the product. Fierce market competition calls for the arrival of fine localization, as a result, more and more manufacturers start to select some specific consumer groups as their target groups and produce some single-function health care products for their target groups.
- Technological products: In order to occupy more market share, it is a tendency to improve the technology content of products.
- Vitamins and other conventional health care products will gradually expand their market share.
- Consumer target: In the past, the consumer targets of health care products mainly were children and old people, now, the targets have extended to youth and women. The aging population and the increase in mental workers also provided a great space for the development of health care products.
- Consumer psychology: After several years' of health education, the public's consumer psychology on health care products has become rational and mature.
- Specialized sales channels: Nowadays, health care products are not only just sold in pharmacies; manufacturers also try to establish their own distribution channels, like cooperating with professional distributors or building their own stores.
- Changes in the marketing model: Advertising has become more and more standardized. Manufacturers start to use emotional marketing to attract customers' attention.

Health product industry, as a new industry, has become increasingly popular during the last decades and it includes great potential power. In face with the huge market in

China, many health care product companies have been established and a lot of foreign companies also want to enter the Chinese market, Perfect Commodity LTD was one of these foreign companies. (China Daily, 2009)

In the year 1994, Perfect Commodity Ltd Company established its office in Guang Zhou in China and it has spread rapidly during these years. However, to the Chinese markets it is still a new company, there are still many people who are not familiar with its products and services. Under this situation, the target of the research is to make an analysis on the company and its environment and take efforts to establish a practical and reasonable strategic marketing plan in order to enlarge its market share in China. (Perfect About Us Detail, 2008)

2 MARKETING OPPORTUNITIES

Marketing opportunities, some chances that are given by the external environment, organizations or firms can use these chances to satisfy consumer needs in marketing and get profits for themselves at the same time.

2.1 Marketing Environment

“The marketing environment consists of the actors and forces that affect a company’s capability to operate effectively in providing products and services to its customers.” Usually, we can classify these actors and forces into two key perspectives- macro environment and micro environments. (Jobber 1995, 120)

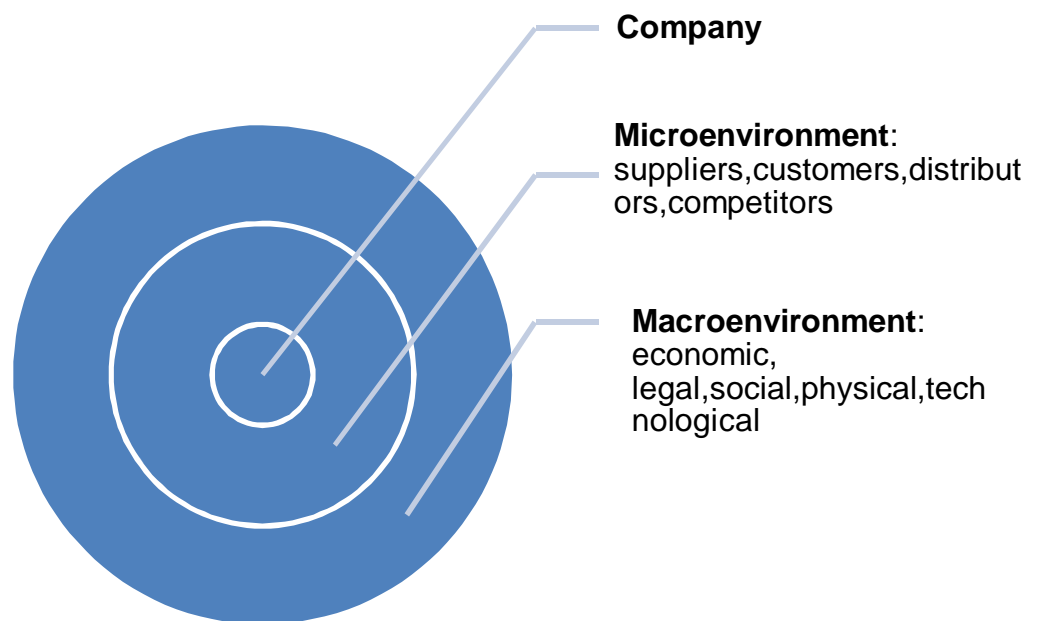


Figure 1. The Marketing Environment (Jobber 1995, 121).

The economic environment always has an important impact on the success of a company via its effect on supply and demand, it is necessary for companies to

choose an economic environment which is related to their field and monitor it correctly. There are two main economic factors in the economic environment: economic growth and unemployment, the economic changes. In Europe, the single European market also plays a significant role in the economic environment. (Jobber 1995, 120)

In general, the social environment includes three key forces. The first one is demographic forces (changes in population), this force has three major manifestations- changes in world population, age distribution and two-income householders. The second force is cultural force. It means cultural differences between and within nations. The third one is the consumer movement and its objective is to protect the rights of consumers by some particular actions, like providing unbiased product testing. (Jobber 1995, 132)

Political and legal forces can have effect on marketing decisions and business conduct of a company by formulating some rules or regulations. For example, inaccurate statements or misleading descriptions of salespersons, advertising or sales literature are forbidden. Political and legal forces can protect consumers' benefits and ensure market's norm. (Jobber 1995, 139)

With the deterioration of today's environment, environmentalists start to promote sustainable development, physical forces require companies or firms to operate in a sustainable way when producing and marketing products or services. Six main environmental issues are mentioned- environmentally friendly ingredients in products, recyclable and non-wasteful packaging, protection of the ozone layer, animal testing of new products, pollution, energy conservation. (Jobber 1995, 141)

In recent years, technological forces have more and more far-reaching impact on companies' fortune; technology has become the most effective competition power of a company. Therefore, companies try their best to monitor technological environment and put their major investments into new technological areas. (Jobber 1995, 144)

All in all, a company should analyze and monitor its surrounding marketing environment all the time, this process of analysing and monitoring can be called environmental scanning, the process could be classified into two procedures- what to scan and how to organize companies' activities properly according to these environments. Through environmental scanning, companies or firms may operate their business more leisurely when facing environmental changes. (Jobber 1995, 145)

2.2 Competition Situation

As today's marketing has become more comprehensive than before, if a company wants to stand out of crowds, just concentrating on customers is not enough, it should know how to deal with competition in order to design and implement better brand-position strategies. According to professionals, there are five major competitive forces in the market now, and the threats of these five forces are listed in the following paragraphs: (Kotler et al 2009, 304)

- Threat of intense segment rivalry: If a segment consists many strong or aggressive competitors or the competitors have high stakes in this segment, then the segment is unattractive.
- Threat of new entrants: If a segment's entry barriers are high but its exit barriers are low, then the segment is attractive.
- Threat of substitute products: When there are actual or potential substitutes for the product, the segment is unattractive.
- Threat of buyers' growing bargaining power: If customers' bargaining power is high or growing, the segment is unattractive.
- Threat of suppliers' growing bargaining power: If the company's suppliers intend to raise prices or reduce quantity, then the segment is unattractive.

Sometimes, companies think that it is easy to identify their competitors, however, it is harder to see the actual or potential competitors than the obvious ones. Companies

are always hurt by emerging competitors or new technologies, competitors from other countries also become big challenges. Therefore, companies now become more careful when identifying their competitors. Generally, companies can identify competitors from two angles-industries and a market point of view. Industry means a group of companies that provide similar products or class of products for market, from industries angle, companies can identify their competitors depending on the number of sellers, the number of new entries, existing barriers, degree of globalizations and so on. A market point of view means a group of companies that satisfy similar customers' needs, competitors can be identified according to market needs and opportunities. By using market approach, companies can find more actual and potential competitors than industries. (Kotler et al 2009, 305)

Once a company has defined its competitors, it's time to analyse its competitors by monitoring their strategies, objectives, strengths and weaknesses: (Kotler et al 2009, 308)

- Strategies: Companies can analyze competitors' strategies by vertical integration and product quality. (Kotler et al 2009, 309)
- Objectives: There are many factors that affect competitors' objectives, such as size, history, current management and financial situation. Companies must know what the competitors want? What guides the behaviour of competitors? Sometimes, companies can analyze competitors by their expansion plans.(Kotler et al 2009, 309)
- Strengths and weaknesses: In analyzing competitors' strengths and weaknesses, three factors can be seen as measurements: share of market, share of mind, share of heart. (Kotler et al 2009, 310)
- Selecting competitors: After defining their competitors; companies start to choose one of the classes of competitors to concentrate on. Classes of competitors can be classified into strong versus weak, close versus distant and good versus bad. (Kotler et al 2009, 311)
- Selecting customers: The last step is to select customers. Companies will monitor customers' base and determine which customers they can lose and

which they want to keep. Customer groups then can be divided into valuable and invaluable groups. (Kotler et al 2009, 312)

Different firms or companies play various roles in marketing, generally we can classify these firms into four main classes- marketing leaders, challengers, followers and niches. When facing with fierce competition, companies always plan different competition strategies according to their levels in marketing:

1. Strategies of leaders: Marketing leaders occupy the biggest market share in relevant product market and they always have influence on other firms in price, new product, promotional programs and so on. There are three major strategies for marketing leaders: (Kotler et al 2009, 312)
 - Expanding the total market: Searching for new customers and more usage, like attracting potential customers who are interested in their products or service, increasing the amount, level and frequency of consumption.
 - Defending the market share: A company must keep its market shares by developing new products or services, cutting costs or providing better solutions for customers. In defending market share, companies can use a series of methods- positive defence, flank defence, pre-emptive defence, counteroffensive defence, mobile defence and contraction defence.
 - Expanding market share: In increasing marketing share, four factors should be taken into consideration- the possibility of provoking action from competition authorities, economic cost, pursuing the wrong marketing activities, the effect of increased market share on actual and perceived quality.
2. Strategies of market-challengers: Market challengers sometimes gain ground or even more than leaders. Before deciding the strategies, they must consider their objectives and opponents first, named whom they want to attract? Market leaders, firms with similar size as them or small local firms? After defining the aims and opponents, challengers can select strategies from the following options: (Kotler et al 2009, 322)
 - Frontal attack: For example, decreasing price.

- Flank attack: From geographic and segmental angles, like expanding products or services to areas where opponents are underperforming, discovering needs in new segments and satisfying them.
- Encirclement attack: Expanding to enemy's fields by a blitz.
- Bypass attack: This is an indirect way, this method can be presented by three approaches- entering unrelated product, entering new geographical markets, providing alternatives for existing products.
- Guerrilla warfare: Guerrilla warfare means some small and intermittent actions to strike the opponents in order to get a long-term status, such as selective price cut, accidental legal action and intent promotional performance.

Obviously, besides these five strategies, there are also many other special strategies. It is wise for challengers to combine several strategies together and use these strategies in a flexible way according to current situations.

3. Strategies of market-follower: In most cases, market-followers prefer to come along or copy from market leaders because there is no need for them to bear any costs of innovation. Even though they cannot overstep market leaders, followers may get high benefits from market. As followers provide similar offers for customers, they should ensure that their manufacturing costs are low and their quality and services are high, there are four major strategies for followers to keep their advantages: (Kotler et al 2009, 324)
 - Counterfeiter: The counterfeiter copies leaders' products and packages and sells them to black market.
 - Cloner: Some cloners emulate leaders' products, packages, names and then just do a few changes.
 - Imitator: The imitators copy the leaders' products but give difference on packages, names, locations and advertising.
 - Adapter: Adapters simulate leaders' products, but modify these products and sell them to a different segment. This kind of followers may easily become future challengers easily.
4. Strategies of market-niche: Even market-niches keep low shares in marketing,

they can gain high profits by smart niching because this kind of firms always provide high value products, charge additional incentives, and gain low manufacturing costs. This kind of firms usually can recognize customers' individual needs clearly, an effective way of keeping market shares for niches is to create multiple niching continually. (Kotler et al 2009, 325)

Although companies' behaviours can be great influenced by their competitors, there is no need to pay all attention to competitors. Some competitor-oriented companies just determine their steps according to their competitors' activities completely. In this case, they may forget their own goals. On the contrary, customer-centred companies are not only monitoring competitors' actions, but also identifying their own objectives. In this case, they can plan a proper market position and serve their target customers better. (Kotler et al 2009, 328)

2.3 Marketing Segmentation and Positioning

It is almost impossible that a product or service can satisfy all customers' needs in marketing, different customers have their particular needs and requirements on products or services. For example, in the car market, the type of person who buys a BMW is definitely different from the type of person who buys a Mazda, the two types of car are different in terms of automotive performances and prices. In order to meet the demands of different customers, it is necessary for companies or firms to classify those customers into same groups with similar requirements and needs. The technique to recognize and classify the diverse nature of markets can be called marketing segmentation. (Jobber 1995, 200)

“Market segmentation is to divide a market by a strategy directed at gaining a major portion of sales to a subgroup in a category, rather than a more limited share of purchases by all category users.” Through market segmentation, companies can classify the whole market into smaller and similar submarkets and identify the groups

of customers with similar demands, and then companies can provide their services and products in an efficient way. (Jobber 1995, 200)

In the process of segmentation, companies may find four benefits: (Jobber 1995, 201)

- Target market selection: This helps companies to choose which target markets should be served.
- Tailored marketing mix: This helps companies to understand customers' needs deeply and tailor a proper marketing mix according to these needs.
- Differentiation: This allows companies to develop different marketing strategies for different segments.
- Opportunities and threats: This helps companies to find a new segment they have not served before.

There are three key steps in the process of market segmentation: (Jobber 1995, 202)

- First, companies should recognize the characteristics of individual customers or organizations.
- Second, companies should classify the groups of customers into small segments according to their similar requirements and develop different marketing strategies for their different target groups. There are various criteria for segmentation and every new criterion may give companies a fresh insight into markets. The table below shows three important segmentation criteria.

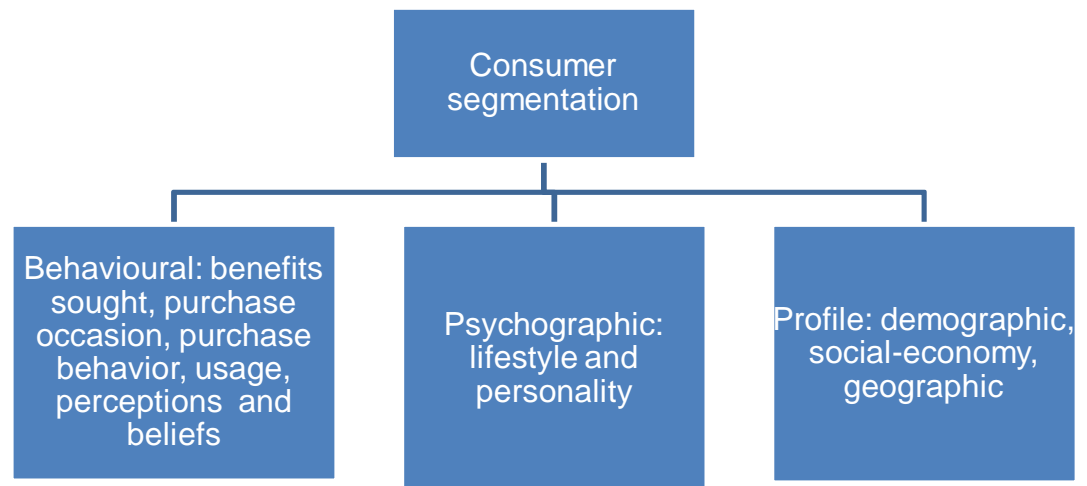


Figure 2. Segmenting consumer markets (Jobber 1995, 204).

- Third, after companies have selected their target groups and have a deep understanding of their targets' requirements, it is time for the companies to make proper marketing mixes and create differential advantages compared with their competitors.

In the process of market segmentation, target marketing is the most important element and what all companies want to get. Through target marketing, companies can select which segments to serve and provide proper marketing strategies for these segments. In order to make a correct decision in target marketing, A firm should know how to evaluate market segments and make a wisdom choice about which segments to serve. When evaluating market segments, some factors can be treated as criteria, such as market factors (segment size, segment growth rate, price sensitivity, etc), competitive factors (nature of competition, new entrance), political factors, social factors, environmental factors and companies' capability. (Jobber 1995, 218)

Usually, companies will choose one or more segments to enter after evaluation and think about some suitable target marketing strategies, these are four basic target marketing strategies for companies to select : (Jobber 1995, 221)

- Undifferentiated marketing: A single market mix for the whole market.

- Differentiated marketing: A specific marketing mix for all or some of the segments.
- Focused marketing: A single marketing mix for just one target market.
- Customized marketing: Designing a unique and separate marketing mix for every customer.

After target market selection, it is necessary for companies to have clear positions of their products or services in marketing, this will help companies know where to compete in market and how to compete. In order to become outstanding, companies should provide something better than their competitors for their target groups, that means to create differential advantages. During positioning, there are four main factors that should be taken into account- Clarity, consistency, credibility and competitiveness. (Jobber 1995, 225)

Sometimes, a product or service needs to be repositioned because the tastes of customers and environmental factors are changing all the time. Next figure shows some repositioning strategies. (Jobber 1995, 226)

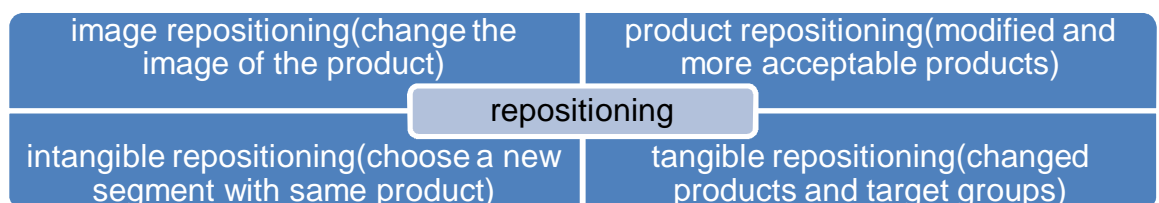


Figure 3. Repositioning strategies (Jobber 1995, 227).

3 MARKETING STRATEGIES AND PLANNING

Planning always plays an important role in people's lives as well as in business. We can make a career plan for ourselves, we can plan a journey, we can plan what we do at weekends. Generally, in a planning process, the basic framework is similar and could be understood by asking some questions. (Jobber 1995, 31)

- "Where are we now?"- This is a factual statement of the current situation
- "How did we get there?"- Analysis on significant factors or events that have a great effect on the achievements or defects.
- "Where are we heading?"- The direction of future.
- "Where would we like to be?"- Comparing future prediction with our aspirations.
- "How do we get there?"- Creative strategies for achieving our aspirations.
- "Are we on course?"- Checking whether our new actions are proper, if not, modifying them.

Whether in daily life or business area, people should have a good understanding on planning framework and process, because practical planning can make your work become more logical and rational.

3.1 General Process of Marketing Strategy and Planning

In general, marketing planning is different from planning in real life, it is more straightforward and logical, it helps people to understand the analysis and decision-making process in marketing better and provide a guide for marketing planning. The figure below presents the marketing planning process in detail. (Jobber 1995, 32)

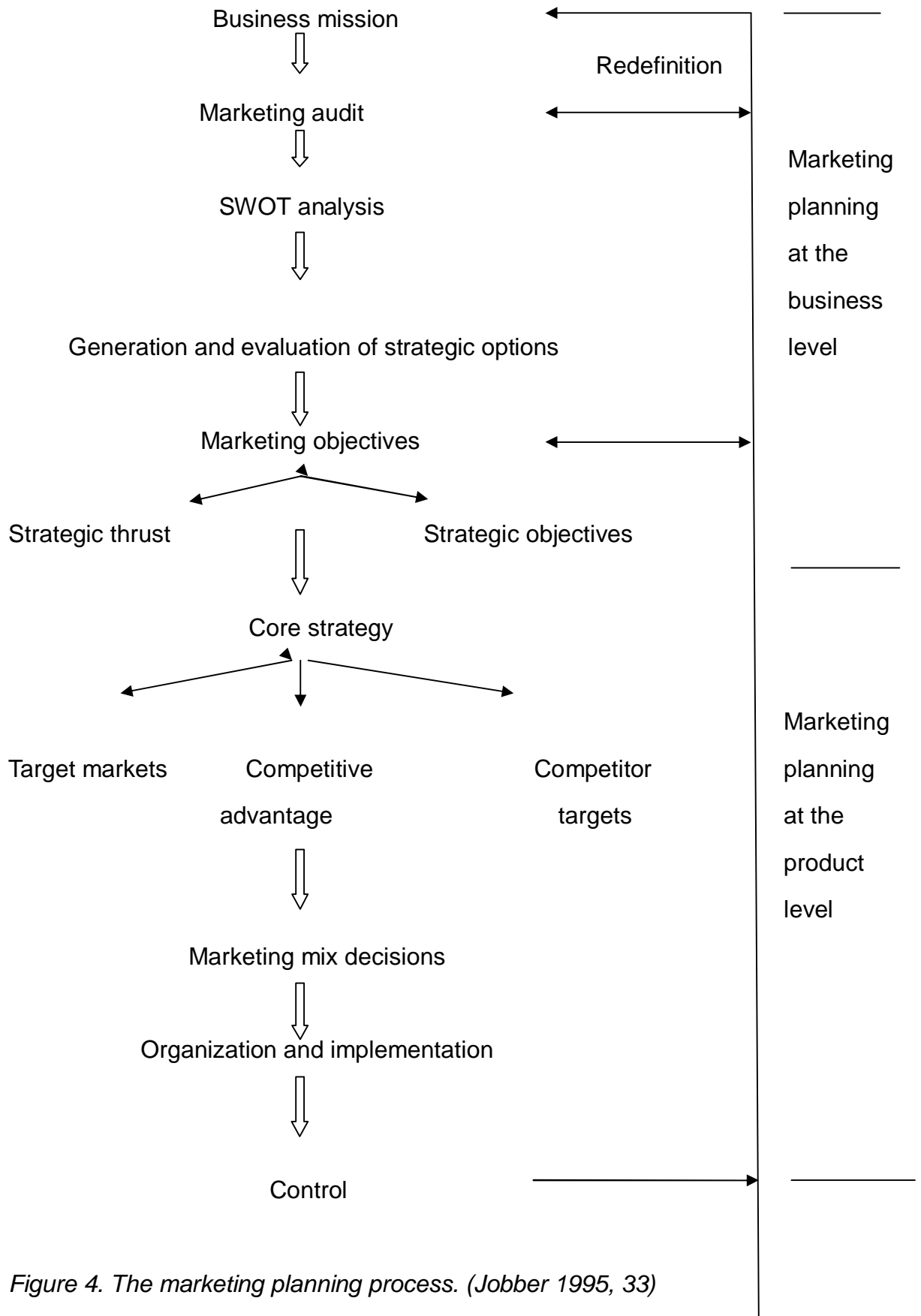


Figure 4. The marketing planning process. (Jobber 1995, 33)

If we talk about business, there are two questions to be asked- what business are we in and what business do we want to be in? The two questions illustrate a company's

scope and activities actually. Business mission is a market-focused process, in this period, a company should know what kind of customer groups to serve, what needs should be satisfied and through which way to satisfied customers' needs. (Jobber 1995, 32)

Marketing audit is a comprehensive and systematic review to the marketing environment, objectives, strategies and activities of a business. There are three main questions to be asked in marketing audit- Where are we now? How did we get there? Where are we heading? The answers of these questions are based on the analysis of a business's internal and external environment. Through marketing audit, companies can find problems, opportunities for themselves. A proper marketing audit even can become a good guide for a business. (Jobber 1995, 37)

Swot analysis is an evaluation to a business's current situation and position, it includes analysis on strengths, weaknesses, opportunities and threats of a business. (Jobber 1995, 40)

Marketing audit and SWOT analysis offer a fundamental for the generation and evaluation of strategic options. There are two main issues to be discussed- How to upgrade sales volume and how to promote profitability per unit. Strategic options have great significance to the process of strategic decision -making. (Jobber 1995, 41)

Marketing objectives always result from the generation and evaluation of strategic options. When talking about marketing objectives, two factors should be taken into account- strategic thrust and strategic objectives. Strategic thrust helps companies to find which kind of products to sell to which market segmentations; it gives the future directions to business. Strategic objectives give directions to business at product level. In strategic objectives, four alternatives could be chosen- Build, hold, harvest, divest. In general, marketing objectives provide future guides for business and their products. (Jobber 1995, 45)

After marketing objectives have been built, companies should consider how to realize the objectives. A core strategy can help a company to accomplish these objectives and it includes three main elements- target market, competitor targets and competitive advantages. An effective and proper core strategy is essential in marketing. (Jobber 1995, 47)

Marketing mix decisions consist of many factors, such as judgement on price, distribution channels, products, place, techniques and so on. Marketing mix decisions should be adjusted all the time in accordance with the needs and consumer behaviour in order to meet the new requirements. (Jobber 1995, 48)

Once all the strategies and marketing mixes have been decided on, there should be an organization which has the capability to implement them. Therefore, organization and implementation can be seen as actions of these marketing strategies. (Jobber 1995, 48)

As external and internal environment are changing all the time, it is necessary for a company to establish short and long term controls on its business. The goal of a control system is to have an objective evaluation of the results of the marketing plan, if any performances or strategies don't suit the real situation, the company can ensure that corrective actions can be taken in time. (Jobber 1995, 50)

All in all, marketing planning process is so comprehensive that it is so difficult to handle it easily and accurately. However, if we can follow this process step by step when we run a business, we are close to success.

3.2 Product Strategy

After a company has accomplished its market segmentation, found its target groups, identified their needs, it's time for the company to develop new products in order to

satisfy the needs of its target groups and get profits from them. Every company should develop its new products in different periods because new products illustrate the company's future. Usually, companies can develop their new products by acquisition or development. There are 6 main kinds of new products- New- to-the-world products; new product lines; additions to existing product lines; improvements and revisions of existing products; repositioning and cost reductions. In general, an absolutely new product has too much costs and risks because it is new to both the company and the market, most of companies prefer to modify and improve existing products. (Kotler 2000, 328)

In recent years, the market environment has changed a lot, like the tastes and needs of customers are changing all the time. The competition become fiercer than before both in domestic and foreign countries, the product life cycle has become shorter than before, etc. All these factors have great influences on the success of new product development. Seven suggestions are introduced to the success of new product development: (Kotler 2000, 331)

- Companies' understanding on customers' needs should be deep.
- The performance-to-cost ratio of new products should be high.
- The new products should be introduced to customers earlier than its competitors.
- The expected contribution margin should be great.
- The expenditures on announcing and launching should be enough.
- The support of top management should be great.
- Cross-functional teamwork should be excellent.

Once a company wants to develop its new products, a good organization is necessary and the company can control it through various methods, in the following will show some common ways are shown: (Kotler 2000, 333)

- Product managers
- New-product managers
- New-product committees
- New-product departments

- New-product venture teams

Generally speaking, when a company wants to develop its new-products, it should follow a development process step by step, the figure below shows the new-product development process. (Kotler 2000, 335)



Figure 5. The New Product Development Decision Process (Kotler 2000, 335).

The first step in new-product development is idea generation, a company should search for new ideas to satisfy its customers, when searching for ideas, the top managers of the company should define some factors first, such as product and market scope, objectives, market size and so on. Generally speaking, new ideas of products can come from many sources: customers' needs and requirements, employees, competitors, scientists, top management, channel members, advertising agencies, industrial consultants, etc. (Kotler 2000, 335)

The next step in new-product development process is idea scanning, the goal of scanning is to discard poor ideas and select the most proper and excellent ideas as soon as possible, every company should encourage its employees to submit the best ideas to idea managers. In this step, a company should consider whether the idea is suitable to the company? Does the idea bring benefits to the company? Does the product meet customers' needs? (Kotler 2000, 336)

Any product idea can become a product concept, there are three questions to be asked in concept development- What are the target customers of the products? What primary profits should the products offer to customers? When will people use the products? Once the concept has been generated, a company should put the new concept to particular target groups in order to get reactions from them, this action can be called concept testing, nowadays, majority of companies accomplish their testing through conjoint analysis, companies can identify the most proper offers and predict profits and market segments that they company may gain. (Kotler 2000, 338)

After concept testing, the new-product manager should draw up a reasonable marketing strategy plan to release the new products to the market. The plan includes three key parts: (Kotler 2000, 340)

- Target market's size, structure, behaviours.
- The planned product positioning: price, distribution strategies, marketing budgets.
- The market share, profit goals and marketing-mix strategies over time.

After product testing and marketing strategy plan have been accomplished, companies should start their business analysis. In this part, companies should forecast sales, costs and profits to decide whether they can meet requirements. If the result is good, companies can move into product-development stage from product concept stage. Estimating total sales includes three elements- first-time sales, replacement sales and repeat sales. Costs can be appraised by

manufacturing , marketing, finance departments and R&D. Profits can be estimated through break-even analysis or risk analysis, the method which to choose depends on the selections of different companies.(Kotler 2000, 342)

Product development stage decides whether product ideas can be turned into feasible products. After the concepts have been tested, companies start to produce physical products within the budgeted costs. (Kotler 2000, 344)

After the production of physical products has been accomplished, companies should dress up the products with brand names and packing, then the products can go into the market testing stage. However, not all companies engage in market testing, it depends on surrounding situations or budgets, for example, a company may have great time pressure if the competitors intend to launch their new products or the season is just starting. Market testing consists of two aspects: consumer-goods market testing and Business-goods market testing. Consumer-goods market testing can be estimated by four main features- trial, first repeat, adoption and purchase frequency, there are some major ways to estimate them, namely Sales-wave Research, Simulated Test Marketing, Controlled Test Marketing, Test Markets. In Business-goods market testing, a common method is to introduce the business products at trade shows. (Kotler 2000, 347)

Commercialization is the last step in new-product-Development Decision Process, when a company moves into this step, it may face with the largest costs, such as manufacturing facilities or costs in marketing. In commercialization stage, companies should deal with four problems: (Kotler 2000, 351)

- Timing: Companies should make correct decisions on when to enter the market. There are three choices- First entry, parallel entry and late entry.
- Geographic Strategy: Companies should determine what areas or regions to launch their new products.
- Target-Market Prospects: Companies should select their initial distribution and particular target groups.

- **Introductory Market Strategy:** Companies should plan their actions on how to present their new products to customers.

To be honest, the new-product-Development Decision Process is a complex process which is difficult to handle, companies or firms should follow it logically and take advantage of it in a flexible way.

3.3 Pricing Strategy

Every profit and non-profit firm should set prices for its products. Price is around our daily life. In the past, price could be set by negotiations between sellers and buyers and it was a main factor that determined people's consumer behaviour, nowadays, price is an important feature that affects a company's market share and profitability as well. Price can be set by many different ways, generally, in small companies, it may just set by the bosses' management, on the contrary, in big companies, and it may be set by pricing-set departments. When a company thinks about its price policy, it is proper for the company to follow a price-set procedure, the figure below shows the six-step procedure. (Kotler 2000, 458)

Selecting the pricing objective



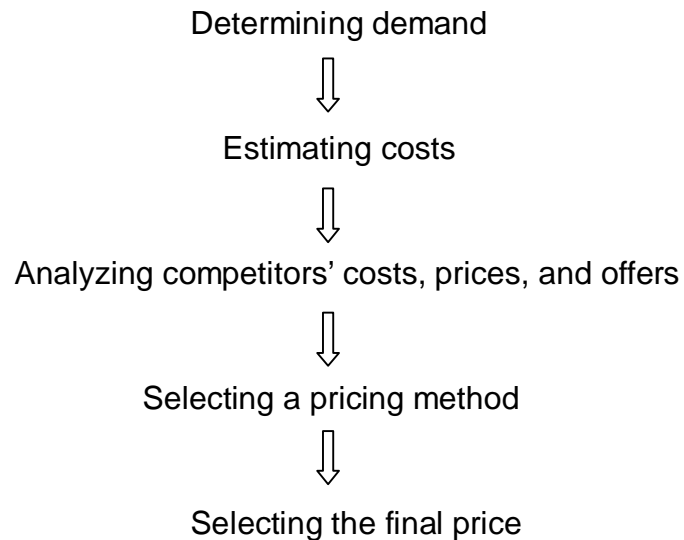


Figure 6. Setting Pricing Policy (Kotler 2000, 458)

Before a company wants to set prices for its products, the company should think about its objectives first, because it is a major factor that guides a company to set its prices. The objectives can be reflected in five aspects- survival, maximum current profit, maximum market share, maximum market skimming, and product-quality leadership. Different companies have their different objectives, some of them want to enlarge their scale, some of them want to occupy more market shares, some of them want to realize their maximum profits, the objective depends on different situations in different companies. (Kotler 2000, 458)

The second step a company should take when setting prices is to determine the demands. The prices may have a great influence on the demand level of a product, generally speaking, the higher the price, the lower the demand level. However, different products have different levels on price-sensitivity; for example, customers are less price sensitive if the products are unique enough. Therefore, marketers should distinguish price sensitivity of various kinds of products. Usually, companies may project the demands of their products through demand curves, three main ways could be used in designing demand curves :

- Collecting statistics on past prices quantities and some other factors and then analysing their relevance.

- Setting various prices in similar fields and then observing the sales.
 - Asking customers directly what quantity they will buy under different price levels.
- Through estimating demand curves, the marketers can control the prices of products better. However, the prices of products are flexible; they will change easily according to marketing environment. Marketing researchers should consider different features that affect prices specifically in order to set reasonable prices for products. (Kotler 2000, 462)

Costs can be seen as a foundation for setting prices, when companies set prices for their products, they hope that the price can cover the costs of production, distribution, advertising, etc. Costs can be reflected in different forms- total costs, variable costs, and fixed costs, average cost and so on. Variable costs change with the level of production, fixed costs don't change with production level. Total costs are the sum of fixed costs and variable costs. Average cost is the cost per unit at a specific level of production. Costs can be influenced by many factors, such as production experience, distribution channels, production scale, technology, etc. Companies should estimate these factors and take efforts to reduce their costs on products in order to enhance their competition power in marketing. (Kotler 2000, 463)

Besides the demands of marketing and the costs on production, the situations of competitors should be taken into account, companies should have some reactions to competitors' prices. If a company provides similar products for its consumers with its competitors, the price should not be higher than its competitors, otherwise, the company may lose its sales. (Kotler 2000, 465)

After estimating so many factors, a company now can set a price for its products, in addition to costs and competitors' prices, there also has a main element for setting prices, namely consumers' assessments on specific product characteristics. There are six main methods can be selected when setting prices: (Kotler 2000, 465)

- Mark up Pricing: Price that consisted by costs on products plus a standard mark-up. Usually, mark ups are higher on seasonal items because it should cover

the risks of not selling, high storage and so on.

- Target-Return Pricing: It is a cost-oriented method, companies set prices to achieve desired returns or sales volumes.
- Perceived-Value Pricing: In this method, consumers' perceived value can be seen as the most important factor in price-setting. Market researchers must recognize consumers' values on products accurately.
- Value Pricing: The price represents that sellers can provide high value products for consumers.
- Going-Rate Pricing: When the costs of production are hard to estimated, companies will use this way to set prices for their products. The going-rate pricing sets prices according to major competitors' prices.
- Sealed-Bid Pricing: If firms want to win contracts or customers, they will set prices on expectations of how competitors will price rather than the costs or demand, usually, the firms will offer lower price bids than their competitors'. However, the prices must not be below the costs.

After choosing the price-setting method, it is time for companies to set final prices for products. There are some key factors that should be taken into account: (Kotler 2000, 470)

- Psychological Pricing: Sometimes, price can be seen as an indicator of quality, consumers may think that the higher the price, the better the quality.
- Marketing-mix Elements: Brand's quality, advertising, etc.
- Companies' pricing policies: Some companies set price departments in order to set prices that can be accepted by customers and profit themselves at the same time.
- Impact of Price on Other parties: Some regulations and laws on price-setting, distributors, retailers, etc.

However, to a company, just a single price is not enough and attractive to customers, companies should always design pricing structures in order to face different situations, like geographic demands and costs, market-segment requirements,

delivery frequency and some other factors. Therefore, companies can select some price- adaptation strategies: (Kotler 2000, 471)

- Geographical pricing: Companies set different price methods for different customers in different locations or areas (Barter, compensation deal, buyback arrangement, offset).
- Price discounts and allowances: Companies may give discounts or allowances to volume purchases, early payment or off-season buying.
- Promotional pricing: Companies may use some pricing techniques to stimulate early purchases (loss-leader pricing, special-event pricing, low-interest financing, longer payment terms, warranties and service contracts, psychological discounting).
- Discriminatory pricing: When a company sell its products, two or more prices may be set for different customers or locations, it can be presented in the following forms- Customer-segment pricing, Product-form pricing, Image pricing, location pricing, time pricing.
- Product-mix pricing: When a product is part of a product mix, the price of the product should be changed in order to maximize companies' profits. There are six situations related to product-mix pricing, namely product-line pricing, optional –feature pricing, captive-product pricing, two-part pricing, by-product pricing, product-bundling pricing.

As there are many factors that can affect prices, price changes always exist in marketing. Sometimes, companies must cut their prices and sometimes companies should increase their prices on products because of the economic environment or changes of competitors. In face with this situation, companies should inspire their surrounding environment carefully and take measures to react to price changes in time, they should know what causes price changes and how to deal with their changes. Otherwise, they may lose their market share or be defeated by their competitors. (Kotler 2000, 478)

3.4 Promotion Strategy

Generally, promotion strategy includes the activities of advertising, sales promotion, public relations and personal selling. It can help a company to improve the brand image, stimulate customers' purchasing frequency and so on.

3.4.1 Advertising

Advertising is a non-personal form of promotion that presents ideas, goods or services by some selected media outlets. As a mass promotion method, it always can reach a lot number of people. Before developing advertising, the marketing leaders should identify their target groups and consumers' buyer motives clearly first, during the process of an advertising programme, five main decisions should be made: (Kotler and Keller 2009, 538)



Figure 7. The five Ms of Advertising (Kotler and Keller 2009, 538).

Advertising objectives are the communication tasks that companies try to accomplish

with specific customers they want to reach during a particular period of time. As marketing environment is changing all the time, when marketing managers are with different periods, they should make a wise choice on advertising. If a company is the marketing leader, then the brand usage should be low, if not, the company should consider enhancing the brand image on its products. Generally advertising objectives can be assorted into 4 main categories: (Kotler and Keller 2009, 539)

- Informative advertising: A company tries to introduce some new products or some new features on an existing product in order to create brand images.
- Persuasive advertising: A company tries to persuade people to purchase its products or services by creating liking, preference or conviction.
- Reminder advertising: Trying to create repeat purchases of products or services.
- Reinforcement advertising: Aiming to make current customers feel that they have made the right choice.

When developing the advertising performance, a company must consider its advertising budget, what is the right amount? Whether it can get an expected return? If a product is in its mature phase or well differentiated from competitors', managers can allocate less on advertising. Here are 5 key factors that affect the advertising budget: (Kotler and Keller 2009, 540)

- Stage in the product life cycle: If a product is new, large an advertising budget should be given in order to build its brand awareness, if a product has established its brand image already, then the budget should be lower.
- Market share and consumer base: A high-market- share product needs a lower advertising budget, if a product wants to gain more market share, high expenditure on advertising should be required.
- Competition and clutter: If a product faces a lot of competitors in marketing, more money should be spent on advertising.
- Advertising frequency: The number of repetitions could make a deep impression on customers' minds.
- Product substitutability: Some products which are less-well-differentiated should be advertised heavily in order to create differentiated brand awareness.

In designing or evaluating an advertisement, marketers must establish a certain message strategy, they must clearly recognize what information they want the customers get and how to express this information in ads. There are three steps that marketers should take in developing the advertising campaign: (Kotler and Keller 2009, 540)

- Message generation and evaluation: When creating an advertisement, first marketers should make a research on which idea can works best with its target group, companies must ensure that the idea can be differential enough from their competitors', fresh insights are important because they can attract customers' attention, then a creative brief is needed (key message, target group, communication objectives, media, etc), usually a good ad pays attention only to one or two core selling propositions. Sometimes, companies use their target customers as their creative teams directly because they think customers can give more accurate information they need.
- Creative development and execution: When developing advertising programmes, it is important to choose a proper advertising medium because different mediums have different advantages and they can bring different consequents. There are various advertising mediums in marketing, such as television ads, print ads, radio ads and so on.
- Legal and social issues: Marketers must ensure that their ads will not offend any social and legal norm, ethical issues, ethnic groups, racial minorities or any special-interest groups.

After the message has been selected, marketers should consider what kind of media can bring this message better and choose one. When deciding on the media and measuring its effectiveness, marketers should take the following steps: (Kotler and Keller 2009, 545)

1. Deciding on Reach, Frequency, and Impact :(Kotler and Keller 2009, 546)
 - Reach: In a period of time, a particular media schedule will expose to a number of persons or households at least one time. Reach is very important when a

company launches its new products, extend well-known brands.

- Frequency: During a certain period of time, the number of times that average person or household is exposed to the message. If the competition is fierce, frequency is the most important thing.
 - Impact: The value of an exposure by a specific medium.
2. Choosing among major media types: Different kinds of mediums have different capacities of delivering reach, frequency, and impact, they all have their own costs, advantages and localizations. When choosing a medium, some major factors should be taken into consideration- the media habits of the target audience, product characteristics, message characteristics and costs. The main media in today's marketing are newspapers, television, direct mail, radio, magazines, outdoor, yellow pages, newsletters, brochures, telephone and internet. (Kotler and Keller 2009, 547)
 3. Alternative advertising options: As marketing is developing all the time, nowadays marketers have more choices in selecting advertising options, the following are the three main types of advertising: (Kotler and Keller 2009, 549)
 - Place advertising: Billboards, public spaces
 - Product placement: Some companies spend some money to expose their products in movies or get product placements with no costs by providing their products to movie companies, some companies just add their logos to sports fields.
 - Point of purchase: In store advertising, such as ads on shopping carts, aisles, shelves, floor space and supermarket checkout lines and so on.
 4. Selecting specific media vehicles: Marketers always choose the most cost-efficiency vehicles when advertising. When choosing vehicles, some factors, such as audience sizes, composition, media costs should be considered. There are some methods to estimate audience sizes- Circulation, audience, effective audience and effective ad-exposed audience. (Kotler and Keller 2009, 550)
 5. Deciding on media timing and allocation: Usually, media timing includes both macro scheduling and micro scheduling problems. Macro scheduling problem has some relationships with seasons and business cycle, micro scheduling

problem is related to allocate advertising costs during a short period of time in order to leave maximum impression to customers. Some factors such as target groups, the characteristics of products, distribution channels have a great influence on choosing media timing. In comparison with timing, the allocation of advertising budgets over space is also very important, some companies advertise in national TV or newspapers, some companies make spot buyers. (Kotler and Keller 2009, 552)

6. Evaluating advertising effectiveness: Basically, a majority of advertisers will measure the communication effect and the sales effect of an ad. Here are two main methods for estimating the effect of an ad: (Kotler and Keller 2009, 554)
 - Communication-effect research: This kind of testing usually performs before an ad is go through media and after it is printed or broadcasted. It includes three key ways- pretesting, portfolio testing and laboratory testing.
 - Sales-effect research: This kind of research is easy to measure in direct marketing but hard to measure in brand or corporate image-building advertising. Usually, marketers use historical approaches or experimental designs to measure their sales impacts.

3.4.2 Sales Promotion

As a main element of marketing campaign, sales promotion can be understood as a collection of stimulus tools in a short period of time, its objective is to irritate faster or greater purchases of some products or services. Generally speaking, sales promotion provides a motivation to purchase, it includes three key tolls: (Kotler and Keller 2009, 554)

- Consumer promotion: Samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, demonstrations and so on.
- Trade promotion: Price off, advertising, display allowance and free goods.
- Business and sales-force promotion: Trade show, conventions, contests for sales rep and specialty advertising.

Usually, companies choose different promotion tools according to different promotion goals, some of them want to attract new customers, some of them want to stimulate the repurchase rate of occasional customers, some of them want to absorb competitors' customers. Promotion goals can be affected by many factors, such as the level of brand image, competition situation, brand similarity, etc. Nowadays, sales promotion has become increasingly popular and in many consumer-packaged-goods companies, it accounts for majority percentages of combined budgets. (Kotler and Keller 2009, 555)

Whenever a company uses sales promotion, it should obey the following steps: (Kotler and Keller 2009, 556)

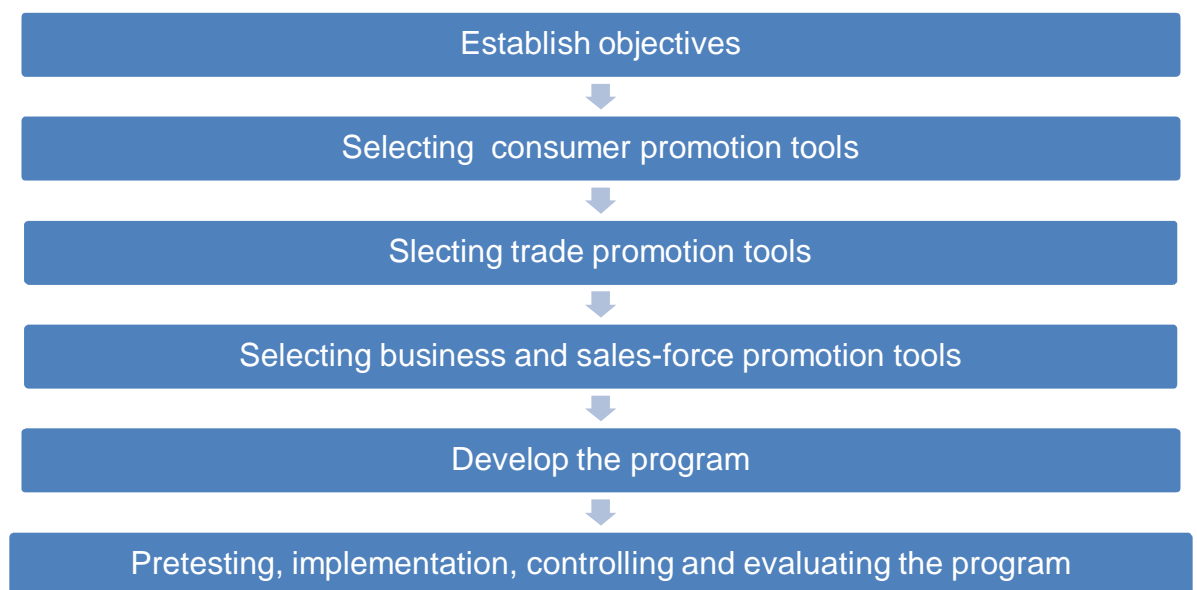


Figure 8. The Major Decisions in Sales Promotion (Kotler and Keller 2009, 556)

Objectives can be classified into different kinds from different angles, companies always try their best to select the most cost-effective tools: (Kotler and Keller 2009, 556)

- For consumers: Encouraging large-scale purchases, attracting competitors' customers, etc.
- For retailers: Encouraging offseason buying, carrying new items, stocking of

related items, establishing brand loyalty, entering new retailer outlets, etc.

- For sales force: Encouraging people to support new products or models, offseason sales, etc.

Normally, consumer promotion tools include samples, coupons, cash refund offers, price packs, premiums, frequency programs, prizes, patronage awards, free trials, product warranties, tie-in promotions, cross-promotions and point-of-purchase displays and demonstrations. (Kotler and Keller 2009, 556)

Manufacturers always use different kinds of trade promotion tools, such as price-off, allowance and free goods. Manufacturers sometimes reward money to the trade in order to persuade retailers or wholesalers to carry a particular item or increase the carrying number of the item. (Kotler and Keller 2009, 557)

The business and sales-force promotion tools have three key ingredients- Trade shows and conventions, sales contests and specialty advertising. Companies use different types according to different situations. (Kotler and Keller 2009, 558)

When developing sales promotion, managers should consider six key factors: (Kotler and Keller 2009, 559)

- Choosing an incentive model according to an incentive size.
- Building conditions for participation.
- Planning the duration of sales promotion.
- Selecting a distribution vehicle, such as mail, radio, advertising, etc.
- Timing of sales promotion.
- Deciding the whole sales promotion budgets: administrative costs and incentive costs.

After sales promotion tools have been decided, companies usually want to test whether the tools they choose are suitable to them by pretesting, then companies can make implementation and control plans on lead time and sell-in time to see the

consequences of the promotion campaign. Finally, companies will evaluate the whole promotion campaign through sales data, consumer surveys or experiments. The promotion can be seen as a big success if it wins competitors' target customers. However, there has great difficult in the process of sales promotion, such as extra promotion budgets, extra trade allowances or uncooperative of retailers and so on. Marketers should find proper solutions if they are faced with these situations. (Kotler and Keller 2009, 560)

3.4.3 Public Relations

If a company wants to be famous or popular in marketing, it not only needs to hold relationships with customers, retailers, manufacturers and suppliers, it also needs to maintain its relationships with potential publics. Public relationship means a series of programs a company do to promote or protect its image, products or services. Most companies have public relationship departments, the main responsibilities of these departments are to monitor the attitudes of their actual or potential publics, allocate information or communications. A good PR department can help top managers to select positive programs and get rid of unsuitable programs. (Kotler and Keller 2009, 563)

The public relations in marketing usually can be called in marketing public relations (MPR), its goals are to promote a particular product or service to publics and enhance the brand image of a company. MPR has six key functions in marketing: (Kotler and Keller 2009, 565)

- Launching new products.
- Repositioning a mature product.
- Building interest in a product category.
- Influencing specific target groups.
- Defending products that have encountered public problems.
- Building the corporate image in a way that reflects favourably on its products.

All companies or organizations should consider when and how to take advantage of MPR, in the process of using MPR, a company must recognize its objectives first, the objectives may differ among different companies according to situations, some of them want to build awareness of a particular product or service, some of them want to win customers' trust, some of them want to decrease promotion costs because MPR's expenditure is lower than advertisements or direct-mails. (Kotler and Keller 2009, 567)

The second step is to choose messages and vehicles. The main tools in MPR include publications, events, sponsorships, news, speeches, public service activities and identity media. (Kotler and Keller 2009, 567)

Finally, companies must implement the whole MPR plan and evaluate the consequences also. As MPR programs are be used along with some other promotional tools, for example advertising, it is hard to measure their results actually. However, companies can estimate the results by measuring their number of exposures or the changes in product awareness, comprehension, and attitudes from MPR programs. (Kotler and Keller 2009, 569)

In recent years, more and more companies prefer to use MPR as their main promotional programs because it is effective in building good relationships with local communities and it can enter some special groups easily. Compared with advertising, MPR programs are more cost-effective. (Kotler and Keller 2009, 569)

3.4.4 Personal Selling

Personal selling is an oral communication with actual or potential customers by sales persons, the main objective of personal selling is to accomplish a sale. In recent days, companies always spend large amount of money in training sales persons. An effective personal selling program should obey the following steps: (Kotler and Keller

2009, 601)

1. Prospecting and qualifying: Sales persons should use their experience to estimate customers' interests, financial capacity, etc.
2. Pre-approach: First, sales persons should get as much information about customers' needs, purchase style, personal characteristics as possible. Then sales persons should select an acceptable approach to make an immediate sale, such as phone calls or mails. Next, the sales persons should establish a general sales strategy.
3. Presentation and demonstration: Sales persons should add a story to a particular product or service by FABV. F means feature, it expresses some physical characteristics; A means advantage, it presents the advantages of some products to customers; B means benefits, it describes some economic, social or technical benefits; V means value, it shows a product or service's value.
4. Overcoming objections: Sometimes, customers may pose some objections to sales persons, the objections include psychological resistance and logical resistance, such as price, delivery time, brand image, etc. When facing with this situation, sales persons must take efforts to turn these objections into motivations to purchase.
5. Closing: In this step, sales persons can ask orders from customers: offer to write down the orders; ask customers about the size, colour, units of the orders; etc. Sometimes, sales persons can use special inducements to close, such as providing a discount, small gifts, extra quantity and so on.
6. Follow-up and maintenance: If you want to ensure customers' satisfaction and make repeat business, follow-up and maintenance are necessary. Normally, sales persons should provide information on delivery time, payment terms, and other important information on products for customers. A follow-up call can help sales persons recognize customers' problems on products better.

All in all, there are too many skills in personal selling programs that sales persons need to learn, just a phone call or mail is not enough. If companies want to keep

long-term supplier-customer relationships with their customers, maybe they should visit customers for several times or take their customers to dinner. Sales persons need to get as much information on their different customers as possible, monitor customers' needs, questions and solve these problems in time in order to satisfy their customers. (Kotler and Keller 2009, 602)

3.5 Distribution Strategy

Besides products, pricing, promotion, distribution (place) can be seen as the final element of marketing mix to satisfy customers' needs. Distribution includes provide adequate quantity of products in convenient locations at proper time when customers need them. A good distribution strategy can offer better services to customers and improve competition power at the same time. (Jobber 1995, 466)

When making a distribution strategy, a company should decide whether to sell products to end customers directly or through distribution intermediaries such as wholesalers or retailers first. Why do companies need intermediaries? Because by using them, companies can improve the efficiency of their actions by reducing the number of transactions, location and time gaps between customers and themselves. Next are the four main functions of channel intermediaries: (Jobber 1995, 467)

- Reconciling the needs of producers and consumers: Manufacturers always produce a large quantity of a limited range of products, however, end users just need a small quantity of a wide range of products. Intermediaries could balance these conflicting situations better.
- Improving efficiency: By reducing the number of transactions or organizing bulk for transportation.
- Improving accessibility: Balancing the gaps of time and location between customers and producers. For example, some producers in foreign countries are far away from their customers geographically.
- Providing specialist services: Intermediaries may have more professional and

long-term knowledge on such as selling, servicing, etc. They can provide better services to meet customers' demands.

After companies have understood the functions of intermediaries, they should choose one or more distribution channels to serve themselves. Generally, we can divide these channels into three major types: (Jobber 1995, 469)

1. Consumer channels: (Jobber 1995, 469)
 - Producer direct to consumer: This direct channel can reduce distribution costs to producers, this channel includes direct mails, telephone selling, etc.
 - Producer to retailer to customer: Retailers in large size always have great purchasing capabilities, it is more economic for producers to supply large sized retailers directly than wholesalers, for example, supermarkets.
 - Producer to wholesaler to retailer to consumer: Companies may use wholesalers when the retailers are small in size with a limited purchasing power. Wholesalers can purchase in bulk from manufacturers and sell small quantities to different retailers.
 - Producer to agent to wholesaler to retailer to consumer: This kind of long channel is usually used when companies want to enter into foreign markets.
2. Industrial channels: Industrial channels are usually shorter than consumer channels because industrial goods own small ultimate customers and require close relationships between producers and customers: (Jobber 1995, 472)
 - Producer to industrial customer: Expensive industrial products such as gas turbines, diesel locomotives and aero-engines are usually supplied to industrial customers directly.
 - Producer to agent to industrial customer: Companies that don't want to establish their own sales forces may employ agents to sell their products. However, sometimes companies can't take enough control over agents.
 - Producer to distributor to industrial customer: Distributors are used when industrial goods are purchased frequently. Distributors usually have both internal and field sales staff.
 - Producer to agent to distributor to industrial customer

3. Services channels: As the intangibility of services, distribution for services should be short, either through an agent or direct: (Jobber 1995, 473)
 - Service provider to customer or industrial customer: Due to the needs for personal contacts between service providers and customers, direct supplies are common.
 - When service providers are far away from their customers in geography or it is uneconomic for providers to build their own sales forces, agents should be used, such as insurance, travel, etc.

When companies know the functions and types of distribution channels, they should start to plan their channel strategies. This commonly includes choosing the most efficient channel, the most proper level of distribution intensity and the degree of channel integration: (Jobber 1995, 473)

1. Channel selection: There are many factors in marketing that influence channel selection: (Jobber 1995, 474)
 - Market factors: Buyer behaviors; buyer demands related to information, installation and technical assistance on products; the willingness of channel intermediaries; the location and geographical concentration of customers.
 - Producer factors: Sometimes companies may lack of resources to build their own sales forces, such as financial resources or customer-based skills. The product mix provided by producers may also influence channel strategies.
 - Product factors: Products that need personal contacts between customers and producers are usually supplied to consumers directly, such as health care or house cleaning. Products that need fresh stock may require short distribution channels, such as milk or meat.
 - Competition factors: Producers should not adopt channels which have been used by competitors as the only way to reach their target groups.
2. Distribution intensity: There are three levels of distribution intensity: (Jobber 1995, 475)
 - Intensive distribution: Intensive distribution means wide cover ages of market through all available outlets. Customers may pay little attention to the brand of

products such as food, cigarettes, beers or newspapers; if a brand is not found in one outlet, another one will be bought.

- Selective distribution: Producers select a number of outlets according to geographical differences; producers can concentrate on selected outlets and improve the relationships and sales forces of these outlets. This kind of channel can reduce competition and is usually used when customers are willing to purchase around their houses.
- Exclusive distribution: Companies choose only one wholesaler or retailer to sell their products in geographic areas, this kind of channel requires close co operations between producers and intermediaries on service, price and promotion.

3. Channel integration: (Jobber 1995, 477)

- Conventional marketing channels: Companies and intermediaries are independent to each other, that means producers may take no or little controls over their distribution channels. However, some companies with big size or strong brands may have the capabilities to take controls over their intermediaries even they are independent.
- Franchising: Contracts between producers and intermediaries which set each member's obligations and rights. However, there still are some potential conflicts between the two parties. Franchising may occur at four levels of distribution chains- manufacturer and retailer, manufacturer and wholesaler, retailer and retailer.
- Channel ownership: Producers take total controls over distributors with channel ownership. Through purchasing retail outlets, producers can control their purchasing, production and promotion activities. However, sometimes producers may don't have enough capabilities to take so much controls.

Once distribution strategies have been made, it is time to set effective implementations to evaluate the strategies. This implement process can be called channel management and it consists of five steps: (Jobber 1995, 479)

1. Selection: For small producers, the main problem is how to persuade the key

channel distributors to stock their products. On the contrary, for better producers, they have more discretion to choose a specific intermediary to distribute their products by indentifying candidates and developing selection criteria. There are many factors that can be used to identify candidates, such as trade sources, reseller enquiries, customers of distributors and field sales force. Common criteria for selection include market product and customer knowledge, market coverage, quality and size of sales force, reputation among consumers, financial situation, managerial competence and hunger for success, the level of willingness for handling the producer's lines. (Jobber 1995, 480)

2. Motivation: How can producers do to excite distributors to distribute their lines? Firstly, producers should find out the needs and problems of distributors. Common motivators include financial reward, territorial exclusivity, resource support and strong work relationships. (Jobber 1995, 480)
3. Training: Producers should provide trainings for distributors according to distributors' internal competences. For large intermediaries, they may despise producers' trainings because they think that they have enough capabilities. For small distributors, they hope that producers can provide necessary technical knowledge, financial support; sales and marketing management for them because they think these helps can make their performance better. (Jobber 1995, 481)
4. Evaluation: Through evaluation, producers can recognize the internal competences and problems of distributors and decide which channels to retain and which channels to drop. The scope and frequency of evaluation depend on the power lies with the channel members. Common evaluation criteria involve sales volume and value, profitability, level of stocks, quality and position of display, selling and marketing capability, quality of service offered to consumers, market information feedback, attitudes and so on. For overseas distributors, the way of comparing current performances against past performances is frequently used to evaluate. (Jobber 1995, 483)
5. Managing conflicts: As distributors and producers are independent parties, conflicts always existing between them. The sources of channel conflicts mainly

from four aspects- differences in goals, differences in desired product lines, multiple distribution channels and inadequacies in performance. Facing these conflicts, both distributors and producers should take measures to avoid and resolve them, common ways to solve these problems are: developing a partnership approach, training in conflict handling, market partitioning, improving performance, establishing channel ownership and coercion. (Jobber 1995, 484)

After making a distribution strategy and evaluating it, it is time to choose a cost efficient manner to move goods from producers to intermediaries and customers. Physical distribution consists of a series of activities involved in the physical movement of materials, components and finished products from producers to distributors and customers. The goal of physical distribution is to provide the right products in right quantities, in the right locations at the right time for intermediaries and customers. Producers should choose a cost efficient physical distributor by finding a trade-offs between cost reduction and customer service requirements. In order to find a proper physical distribution manner, a logic physical distribution system should be established: (Jobber 1995, 485)

1. Customer service: At first, customer service standards should be set. Generally, high customer service represents high costs. In this part, physical managers should find a good way to meet different customer service standards and lower the costs at the same time. Possible methods to improve customer service standards in physical distribution are improving product availability and order cycle time, raising information levels and flexibility, etc. (Jobber 1995, 487)
2. Order processing: Many order processing systems are inefficient due to unnecessary delays. Through reducing order processing time, customers can be served more efficient. Information on customers' orders, stocks of goods, inventory records should be updated in time. (Jobber 1995, 487)
3. Inventory control: Inventory level usually can become a source of conflicts between finance and marketing management. High inventory can solve the problem on stock-outs, however, to financial managers, high inventory means high costs. Therefore, physical managers must try their best to find a balance on

when and how much to order to replenish the stocks. Nowadays, just-in-time inventory system has been established to find the best point for inventory, in just-in-time inventory system, three factors should be taken into consideration- the viability of the order lead time, fluctuation in customers' demands and the customer service standards. (Jobber 1995, 488)

4. Warehousing: Warehousing consists of all activities needed in the storing of goods, these activities start from the time that goods are produced and end at the time that goods are transported to customers. Warehousing activities mainly include bulk, making up product assortments for delivery to customers, storage and loading. When making warehousing strategies, the determination of locations and the number of warehouses should be considered because these two factors will influence the balance between customer service standards and costs. (Jobber 1995, 490)
5. Transportation: The most ideal state of transportation is that goods can be delivered on time and without any damage. However, the choices on transportation modes should also be selected according to costs. There are five key transport methods: (Jobber 1995, 492)
 - Rail: Rails are usually used in transporting large, bulky freight on land over long distances but this kind of mode lacks flexibility.
 - Road: Flexible but its speed should be increased.
 - Air: Speed but expensive.
 - Water: Inexpensive but slow.
 - Pipeline: For particular products such as liquids and gases, it is expensive and time-consuming.
6. Materials handling: This includes activities involved in the moving of goods in producers' plant, warehouses and transportation depots. Nowadays, materials handling tends to be automotive, for example, robots are used to conduct materials handling. There are two main developments in material handling- unit handling and containerization handling. When taking material handling tasks, some factors should be taken into consideration, such as the quality of packaging, the appearance and costs of packaging, the capability to repackage into large

quantities for transportation, etc. (Jobber 1995, 493)

4 ANALYSIS OF PERFECT COMMODITY LTD

In order to make a proper strategic plan for Perfect Commodity LTD in China, first, it is necessary to have a deep understanding of this company and its current situation, make an analysis of the company's goals, current financial situation, size, sales results, competitive advantages and so on.

4.1 Research Methodology

The main research question of the thesis was to establish a suitable and perfect marketing strategy plan for Perfect Commodity LTD in order to improve the company's development in China. The main research method in this thesis was qualitative research, and the analysis was made from the company's point of view. The main approach of the thesis was to interview the managers and the representatives of the company.

Some other information in the thesis comes from the Chinese official website of Perfect Commodity LTD, newspapers, compact disc of Perfect Company and so on. These sources describe the company's size, goals, faith, current situation, general

product categories, latest news and products, branches, etc. Through the general information of Perfect Co. LTD, an overview of the company's situation can be established.

Based on the general information from the websites, newspapers and CDs, an initial design on the structured questionnaire for interviews could be made. The questionnaire contained 14 questions altogether, all the questions were designed and planned around the information needed in the thesis, such as the current investment situation, annual report, sales situation, advantages, difficulties, development tendency, goals and challenges in internal and external environment, etc.

All the questions designed for interviews seem to be credible and valid, because these questions are absolutely answered and explained faithfully and objectively through face-to-face communication with Perfect Company's customer manager, product manager, marketing manager, sales manager and the top representative in Perfect Company in China. In addition, some information was also received from telephone interviews to the managers. However, if any question involves in the company's confidential information, the managers may refuse to answer them, which really brings some limitations to the research.

In the research process, 6 managers were interviewed, they were top manager, sales manager, customer manager, product manager, marketing research manager, advertising and promotion manager of Perfect Company. Altogether 10 interviews were made. Following is the list of the interviews:

Table 1. The list of interviews.

Title	Name	Date	Reason
Top manager	Cheng Lan	2010.06.20	General information of Perfect Company
Top manager	Cheng Lan	2010.06.27	Goals and organizations
Top manager	Cheng Lan	2010.08.23	Annual Reports
Sales manager	Yao Lingling	2010.06.27	Sales modes of Perfect Company
Sales manager	Yao Lingling	2010.08.17	Goals and sales situation
Customer manager	Liu Xiaoxian	2010.07.06	Customer service situation
Product manager	Zhanghui	2010.07.04	Product categories of Perfect Company
Product manager	Zhanghui	2010.08.11	New product

			development
Marketing research manager	Hu Anning	2010.07.12	Marketing research situation
Advertising and promotion manager	Jiang Ming	2010.07.29	Sales promotion activities of Perfect Company

Interview Questionnaire for the representatives and managers of Perfect Co. LTD:

1. As we all know, the parent company of Perfect Commodity LTD Company is Perfect Resources LTD in Malaysia. In the year of 1994, Perfect Resources LTD entered China and established Perfect Commodity LTD in Guangdong Province. Nowadays, Perfect Resource LTD puts much effort to expand its business in the market of China. Why you choose China as your main market in recent years? (Cheng Lan, the top manager of Perfect Co. LTD, Interview 18.06.2010)
2. There are many local health care product companies in China and the competition in health product industry becomes fiercer than before. What advantages does Perfect Commodity LTD Company accounts in Chinese market? (Cheng Lan, the top manager of Perfect Co. LTD, Interview 20.06.2010)
3. What do you think are the good conditions and bad conditions of health care product industry in China? (Hu Anning, marketing research manager of Perfect Co. LTD, Interview 12.07.2010)
4. How can you take advantage of these conditions to help the development of Perfect Commodity LTD? (Zhang Hui, product manager of Perfect Co. LTD, Interview 04.07.2010)
5. What are the long- term goals and short-term goals of Perfect Commodity LTD Company in China? (Yao Lingling, sales manager of Perfect Co. LTD, Interview 27.06.2010)
6. Since 2004, Perfect Commodity LTD Company started to invest the second production base in China, the production base was located in Yang Zhou city, Jiang Su Province, with the total area of 358 acres and the total investment expenditures of 500 million Yuan. The production base of Yang Zhou has been put into use on June 23, 2008. Has this project brought you any good business

opportunities and revenues? (Cheng Lan, the top manager of Perfect Co. LTD, Interview 20.06.2010)

7. What is the corporation culture of Perfect Commodity LTD Company? (Cheng Lan, the top manager of Perfect Co. LTD, Interview 23.08.2010)
8. What are your major product categories? (Zhang Hui, product manager of Perfect Co. LTD, Interview 11.08.2010)
9. What are the major sales methods in Perfect Commodity LTD Company? (Jiang Ming, advertising and promotion manager of Perfect. Co. LTD, Interview 29.07.2010)
10. What special staff systems do you use? (Yao Lingling, sales manager of Perfect Co. LTD, Interview 17.08.2010)
11. What are the main target consumer groups of Commodity LTD Company? (Liu Xiaoxian, customer manager of Perfect Co. LTD, Interview 06.07.2010)
12. What are the main challenges in external and internal environment in your development? (Hu Anning, marketing research manager, Interview 12.07.2010)
13. What are your key promotion programs to attract your target groups? (Jiang Ming, advertising and promotion manager of Perfect. Co. LTD, Interview 29.07.2010)
14. What is the situation of your annual reports in recent years? (Cheng Lan, the top manager of Perfect Co. LTD, Interview 23.08.2010)
15. What is your future development tendency in China's market? (Cheng Lan, the top manager of Perfect Co. LTD, Interview 23.08.2010)

4.2 General Introduction of Perfect Commodity LTD

Perfect Commodity LTD Company (Perfect Company) was established in the year of 1994 in Zhong Shan city, Guang Dong province. The company was invested and founded by Perfect Resources Co LTD in Malaysia. On December 1, 2006, it was approved to carry out its business in Guang Dong Province by the Ministry of Commerce of China. The main business of Perfect Commodity LTD Company was to sell health care food, cosmetics and cleaning supplies to customers. The chair man of Perfect Company is an ethnic Chinese who was born in Malaysia. The commitments of Perfect Company were to provide customers with quality products, provide the career development opportunities for its dealers and adhere to keep long-term investments and development in China. (Perfect About Us Detail Home, 2008)

After unremitting effort of ten years, Perfect Company has grown into a modern enterprise which can research and develop goods, produce and sell products, provide services for customers by themselves. Until now, Perfect Commodity LTD Company has set up about 33 branches and more than 3,700 service outlets and specialty stores throughout different provinces, autonomous regions and municipalities. Since 2000, Perfect Commodity LTD kept its development steadily and started its pace to internationalization. Nowadays, its products and services have been extended to Hong Kong, Indonesia, Singapore and other countries and areas gradually, the overall strengthens of Perfect Company have increased a lot. (Perfect About Us Detail, 2008)

The headquarters (Zhong Shan) of Perfect Company in China has a production base which was covered with an area of 120 acres, it was equipped with R & D centre, quality assurance centres, health food factory, daily chemical products factory. With the confidence to the market of China and the company's "three promises", Perfect Commodity LTD Company invested its second production base in Yang Zhou, Jiang

Su province, the second base was covered with an area of 358 acres, total investment costs on the base are 500 million Yuan. The production base of Yang Zhou has been put into use on June 23, 2008. (Perfect About Us Detail, 2008)

In order to improve the management mechanism, ensure product safety, meet consumers' demand and enhance competitiveness, Perfect Company tried to absorb a large number of professionals from home and abroad, by using these talented persons, Perfect Company could build a specialized product development and quality assurance system. From June 2002 to January 2003, Perfect Company has passed the certification of health food GMP, HACCP food safety control system, ISO9001: 2000 quality management system and ISO14001: 2004 environmental management system, all these certifications belong to international certification authorities. On October 2005, all six health care products of Perfect Company have passed the test of state sports administration, the administration has proved that the products of Commodity Company didn't contain any Stimulants, hormones, drugs. On April 1, 2008, Quality test and Assurance Department Center of Perfect Company was recognized as a national accredited laboratory. At the same time, Perfect Company kept corporation with many professional research institutions and tried to make use of these research results in order to produce better products. On September 27, 2007, Perfect Company was named as "ten top enterprises in the national food safety in 2007". (Perfect About Us Detail, 2008)

At the same time, Perfect Company has received many honors from society because Perfect Company always participated in public service programs and activities positively, the programs covered Hope Project, the Western Development, Charitable relief, Sports Medicine and many other fields. (Perfect About Us Detail, 2008)

4.3 Annual Reports and Statistics

The annual reports and statistics show the current situation of a company objectively,

such as financial situation, sales status, quality of staff and so on. Through the annual reports and statistics of Perfect Co. LTD, some merits and shortcomings of the company can be got.

Table 2. The operating results of Perfect Co. LTD in 2007 – 2009, Unit: Thousand Yuan. (Top manager Cheng, Interview 23.08.2010)

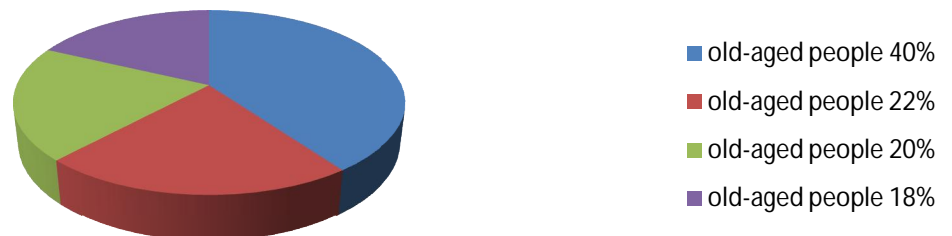
Items	Year 2009	Year 2008	Increase/decrease percentage (%)	Year 2007
Revenue	5830014.9	4989670.9	+ 16.84	4015237.1
Gross Profit	392636.7	295087.3	+ 33.06	224135.8
Total Assets	3583983.2	2161852.7	+ 65.78	1622965.1

From table 2, some information on the total revenues, gross profit and total assets from the year of 2007 to 2009 of Perfect Co. LTD can be got. As we can see, the revenues, gross profits and total assets kept increasing from 2007 to 2009. Although the revenue percentages increased slowly, the gross profits and assets percentages increased sharply, it was obvious that Perfect Co. LTD has put much emphasis on reducing total costs.

The percentages of each consumer groups in Perfect Company according to age levels in 2007



The percentages of each consumer groups in Perfect Company according to age levels in 2008



The percentages of each consumer groups in Perfect Company according to age levels in 2009

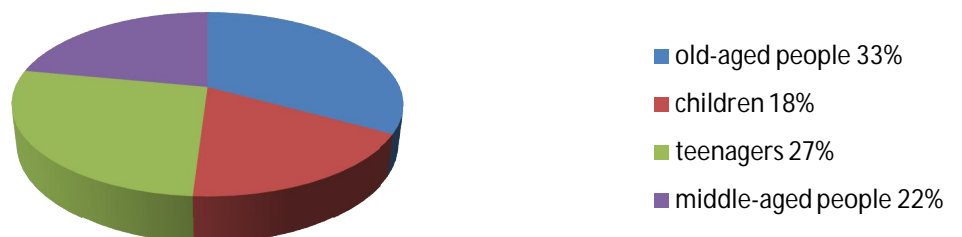


Figure 9. The Percentages of Each Consumer Groups in Perfect Company According to Age Levels from 2007 to 2009. (Marketing research manager Hu, interview 12.07.2010)

From figure 9, it can be seen that the percentages of teenagers and middle-aged

people kept increasing year by year. In the year of 2009, the percentages of each consumer group in Perfect Company tended to balance.

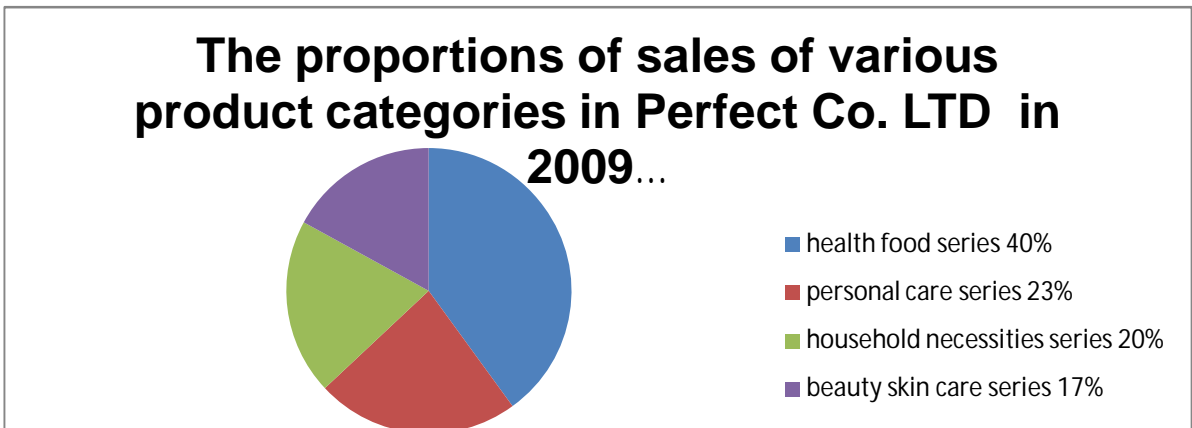
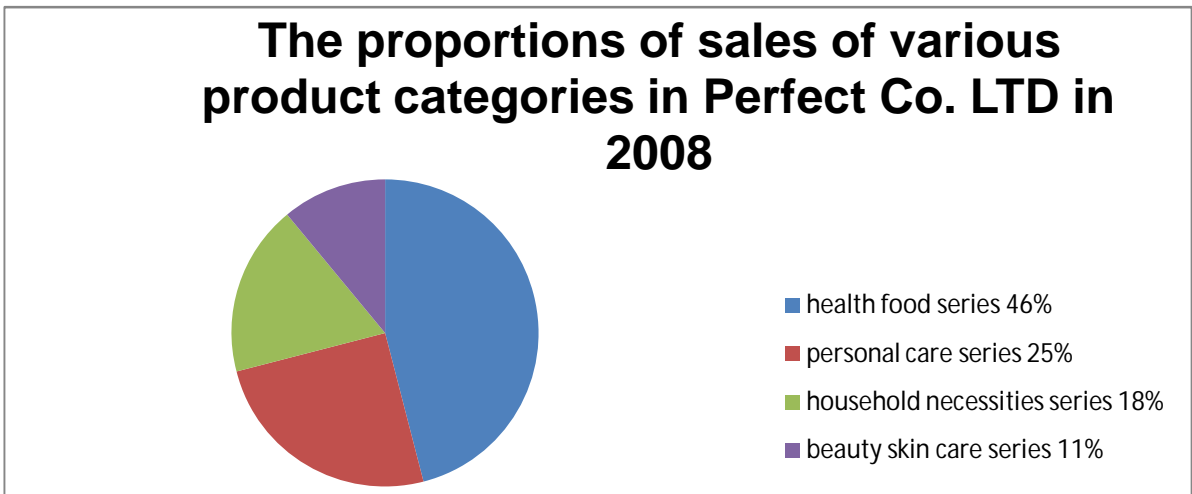
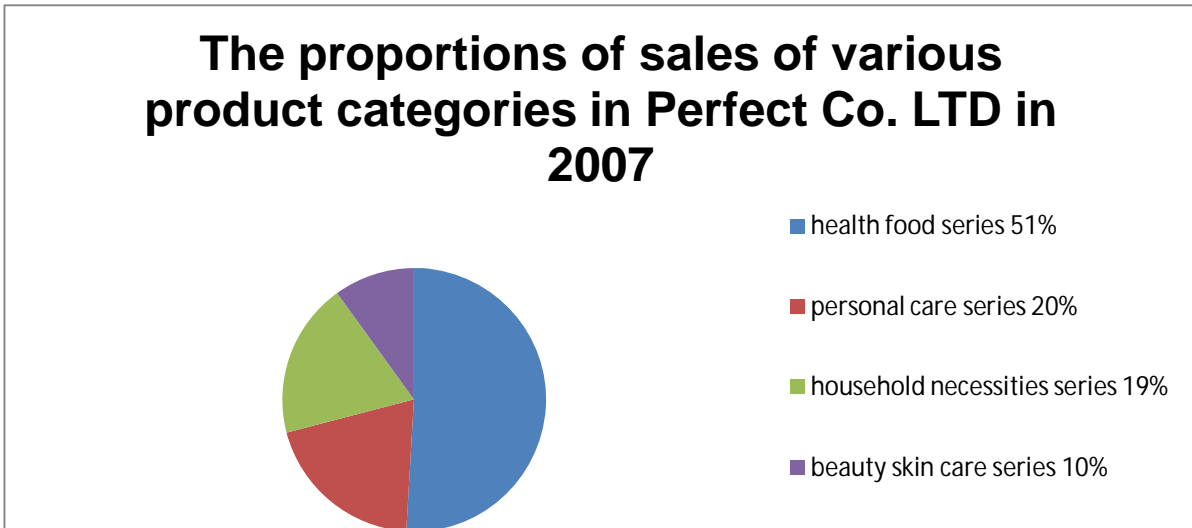


Figure 10. The Proportions of Sales of Different Product Categories in Perfect Co. LTD from 2007-2009 (Product manager Zhang, Interview 11.08.2010)

Figure 10 illustrates obviously that health food series occupied major sales proportions among all product categories and the beauty skin care products accounted for the smallest sales percentages in Perfect Co. LTD. However, the sales percentages of health food products kept decreasing gradually and the sales proportions of other product series tended to increased very slowly.

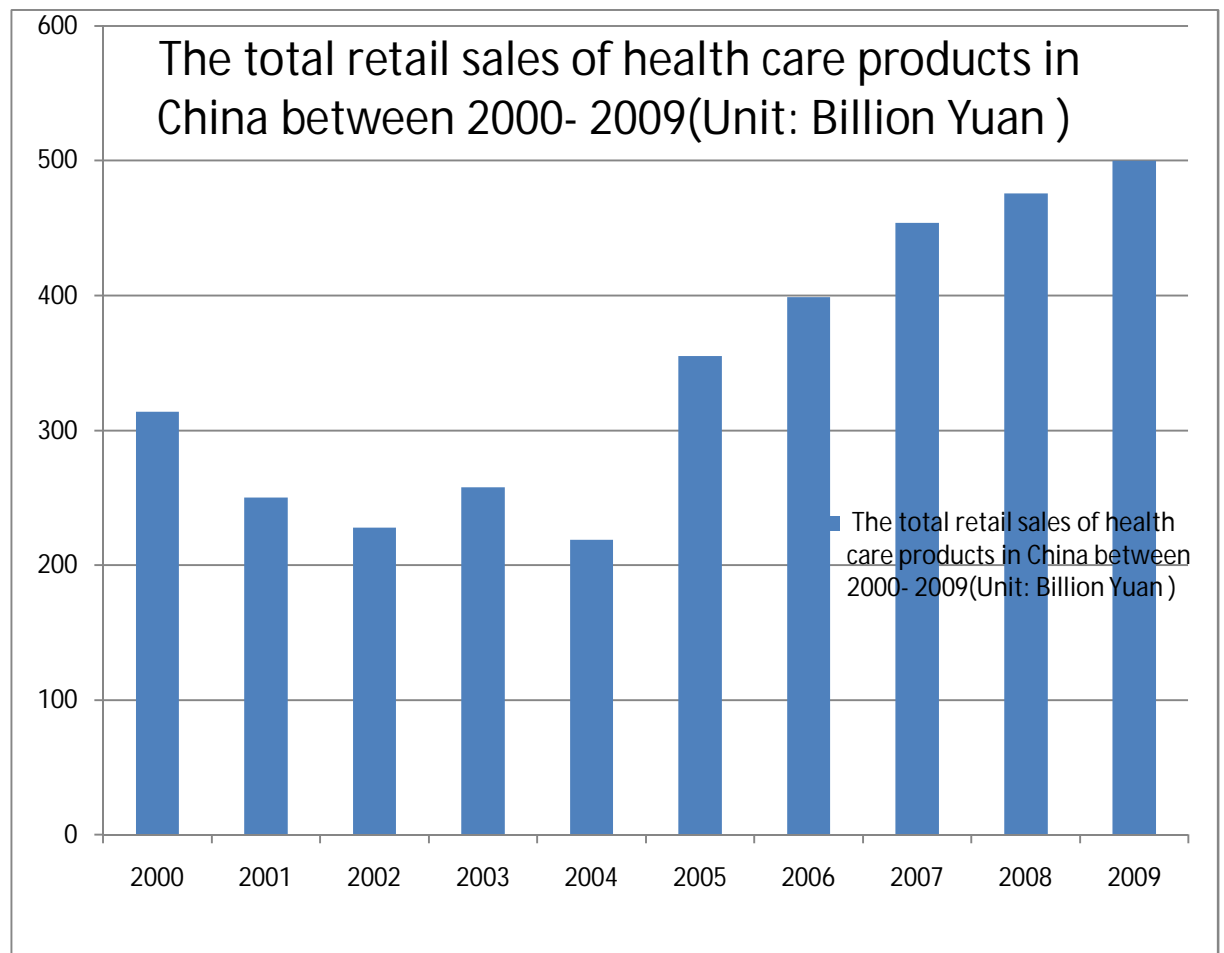


Figure 11. The Total Retail Sales of Health Care Products in China from 2000 - 2010. (Sales manager Yao, Interview 17.08.2010)

According to figure11, the retail sales of health care products in China kept stable

from 2001 - 2003. In the year of 2004, health care product industry reached a trough because of exaggerated false advertising. After 2004, the total retail sales of health care products in China grown smoothly and it reached a peak at the year of 2009. It is clear that there was a great potential growth power in China's health care product industry.

Table 3. The status of distribution of specialty stores in Perfect Company (Top manager Cheng, Interview 20.06.2010)

	East zone1 in China	East Zone2 in China	South area in China	North area in China	South-west area in China	Central area in China	North-east area in China	North-West area in China	Total
The number of specialty stores	784	724	616	516	396	284	288	156	3764
The proportion of the number of specialty Stores (%)	20.83	19.23	16.37	13.71	10.52	7.55	7.65	4.14	100

East zone1 includes Jiangsu, Anhui, Shandong

East zone2 includes Shanghai, Fujian, Zhejiang, Jiangxi

South area includes Guangdong, Guangxi, Hainan

North area includes Beijing, Tianjing, Hebei, Shanxi, Neimeng

Southwest area includes Sichuan, Chongqing, Yunnan, Guizhou

Central area includes Hubei, Hunan, Henan.

Northeast area includes Liaoning, Hei Longjiang, Ji lin

Northwest area includes Shanxi, Gansu, Qinghai, Ningxia, Xinjiang

From table 3 above, it is obvious that the stores of Perfect Co. LTD have spread almost all the areas of China, however, the majority numbers of stores were located in big cities and densely populated areas.

Table 4. The revenue status of specialty stores in different areas of Perfect Company in 2009. (Top manager Cheng, Interview 20.06.2010)

Areas	The revenue of specialty stores in different areas(unit: Thousand Yuan)	The percentage of revenue in different areas (unit :%)
East zone1in China	1117030.85	19.16
East zone2 in China	1420191.65	24.36
South area in China	774809	13.29
North area in China	939798.4	16.12
South-west area in China	471065.2	8.08
Central area in China	456490.15	7.83
North-east area in China	387696	6.65
North-west area in China	262933.65	4.51
Total	5830014.9	100

Table 4 states the revenues of specialty stores in different areas in Perfect Company and its percentages in 2009 respectively. The revenues of specialty stores in east and north areas in China of Perfect Company accounted for majority percentages of the total revenues of Perfect Company in China.

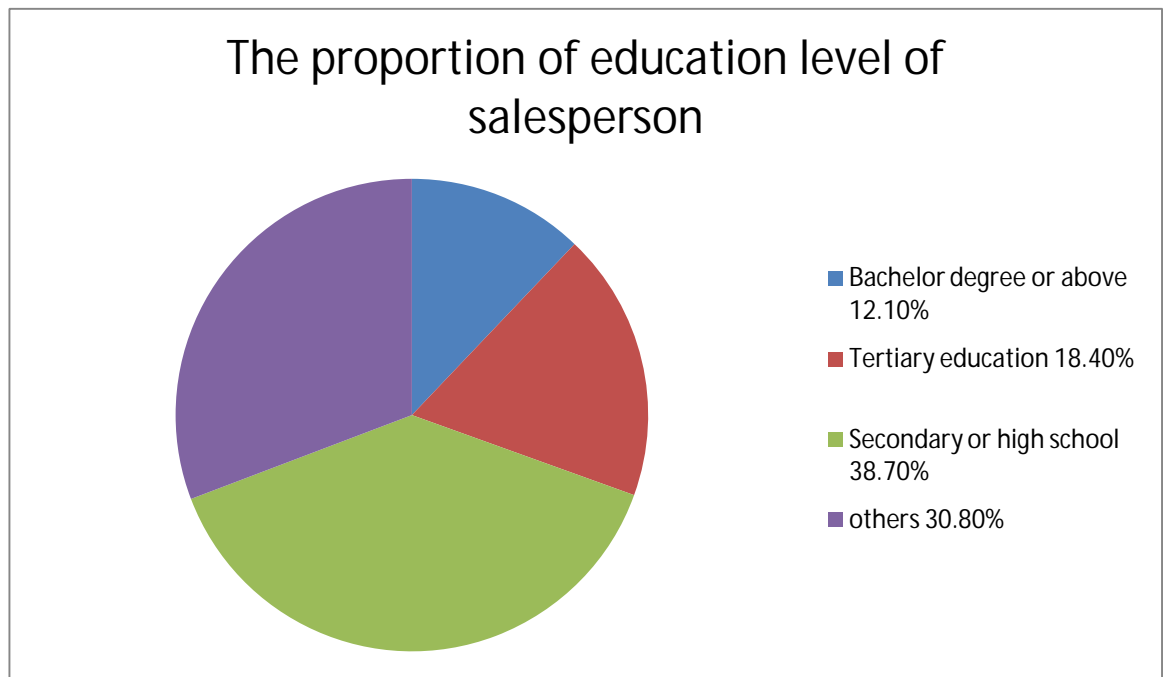


Figure 12. The Status of Education Level of Salesperson in Perfect Co. LTD (Marketing research manager Hu, Interview 12.07.2010)

From figure 12, it can be seen clearly that the overall education level of salespersons in Perfect Co. LTD was not high. Others whose education level was under secondary or high school occupied the second most proportions of education level of sales persons.

4.4 SWOT Analysis of Perfect Co. LTD

SWOT (strengths, weaknesses, opportunities and threats) analysis is an analysis of a company's advantages, shortcomings, favourable factors and clubs external. A good swot analysis can help a company to understand itself better and it is an important guideline for making a proper marketing strategy plan. (Jobber 1995, 40)

Table 5. The Swot analysis of Perfect Co. LTD

<p>Strengths:</p> <ul style="list-style-type: none"> • Local production bases bring price advantages to Perfect Company • The quality and safety of products is good • The price of its products is cheaper • Technology advantage • Pay more emphasis on customer service • Trainings on its staffs • Sales mode- direct selling 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • The company hasn't built enough brand images in China • The drawbacks of direct selling • The general quality of its sales persons is low • Lack of enough after- sale services
<p>Opportunities:</p> <ul style="list-style-type: none"> • A great number of potential customers in health care product industry in China provide a good opportunity for the company's development • Supports from local government • China's local health care product companies lost their competitive advantages gradually • The reform in China's health care industry • Financial support from its parent company • Insisting on sustainable development • Build local production bases 	<p>Threats:</p> <ul style="list-style-type: none"> • Limitations on people's purchasing power on health care products in China • The world economic crisis • Consumers' misunderstanding on the functions of health care products and sellers' exaggerated publicity on the functions of health care products • Most people in the world have resistance psychology in their minds when facing a kind of sales mode- direct selling

Strengths of Perfect Co. LTD

- Until now, Perfect Commodity LTD has established two production bases in China and it still intended to build the third production base in China in the near future. Through the production bases, Perfect Company could complete the whole process of research & development, production and sales. Therefore, Perfect commodity LTD could make full use of all enabling local resources such as cheap labour force, convenient transportation and so on to reduce the costs on products. From this angle, Perfect Co. LTD owned some price advantages compared with some foreign health care product companies which haven't built any local production base in China. (Top manager Cheng, Interviewed, 18.06.2010)
- As the special characteristics of health care products, most people are sensitive with this kind of products so they always pay more attention to the safety and quality of these products and purchase them carefully. Perfect Company believes that if a company wants to be accepted by consumers, the safety and quality of its products should be considered first. In recent years, the products of Perfect Co. LTD have been recognized by many international certification authorities, customers were really confidence in the quality and safety of its products. (Product manager Zhang, Interview 04.07.2010)
- The per capita income of Chinese is still low in the world, however, the price of health care products in Chinese market is generally high relative to the per capita income of Chinese, some of Chinese don't have enough purchasing power on health care products. When Perfect Co.LTD entered China, its goal was to make most of Chinese have enough purchasing power to buy Perfect's products because the company thought everyone has the right to access to health. Therefore, the price of its most products is lower than many health care product companies', for example, Amway. (Marketing research manager Hu, Interview 12.07. 2010)

- Perfect Co. LTD never stopped the pace of innovation and the development on technology. Nowadays, Perfect Company tried to cooperate with some professional colleges and research institutions actively and set up more R& D centres in order to create more new products and promote the quality of its products. Most products of Perfect Co. LTD were made from mineral elements and high-fiber plants and the company promised that its products didn't contain any components of drugs and hormones. (Product manager Zhang, Interview 11.08.2010)
- Perfect Co. LTD has always attached great importance to customer service, it required that every staff member in the company should keep enthusiastic and patient to their customers absolutely. Once customers have any problem, they have to find ways to solve these problems immediately. Perfect Company also provides after-sales services for customers by such as questionnaires, telephone interviews, etc. All in all, the company tries its best to meet customers' demand and make customers satisfied with its products and services. (Customer manager Liu, Interview 06.07.2010)
- Generally, Perfect Co. LTD held a lecture or meeting every two weeks in each area, sometimes the company even organized its staffs to visit its production bases. The objectives of these actions were to make its staffs have more deep understanding on the company and teach more professional selling skills to its salespersons. It was clear to see that Perfect Co. LTD paid so much attention to trainings its staff in order to improve the overall quality of its staff. (Advertising and promotion manager Jiang, Interview 29.07.2010)
- The main sales method of Perfect Co.LTD is direct selling and this kind of sales mode has its own advantages. Through direct selling, the products can reach end-users directly, it is a good way to reduce costs because Perfect Company doesn't need to sell its products to traditional wholesalers or retailers, of course the company didn't need to pay any expenditure on distribution process. Once

the costs become lower, Perfect Company can sell its products in a lower price, it is really attractive to consumers. In addition, customers who buy products from Perfect Company can communicate with the company's staff directly through direct selling, in that case, customers can receive more accurate information on products and the company will become aware of customers' problems and responses on products more timely. (Sales manager Yao, Interview 17.08. 2010)

Weaknesses of Perfect Co. LTD

- Until the year of 1994, Perfect Co. LTD established its first office in Zhong Shan City, Guangdong Province in China. Though it has spread so rapidly in recent years, it is still a young company to Chinese market and its market share in health care product industry is still very low. If you mention Perfect Company, some people may even do not know what the company is and what products it sells. There is no doubt that Perfect Co. LTD hasn't built enough brand image power in customers' minds in China. (Top manager Cheng, Interview 18.06.2010)
- As introduced before, the main sales mode in Perfect Co. Ltd is direct selling, though there are various special advantages in this kind of sales mode, every coin has two sides. Direct selling also has its drawbacks more or less. For example, if you sell products to customers' home directly, they may think that you are a cheater. In addition, the sales mode in Perfect Co. LTD is oversimplified. (Sales manager Yao, Interview 17.08. 2010)
- Different customers have different needs and requirements to products. If a company wants to sell its products, it must find its market segments correctly and meet the demands of its target groups. Perfect Co. LTD has divided all its products into four different categories: health care food, personal care, household necessities and beauty skin care products, these four categories are for different target groups. However, for some products like health care food, Perfect Co. LTD didn't have clear customer segments because it sold health care

food to all people without any gender, age or price limitation. (Perfect Product Homepage)

- As Perfect Co. LTD uses direct selling as its main sales mode, a great number of sales persons are necessary, Perfect Co. LTD accepts any person who wants to join Perfect Company without any consideration on education level, age, etc. In that case, there is no doubt that the overall quality of sales persons in the company is high. Some sales persons do not have enough capabilities to explain the professional functions of products to customers objectively, some sales persons may exaggerate the effect of products, some sales persons may not have the ability to insight into customers' psychology and stimulate customers to purchase their products. All these situation may obstacle the development of Perfect Co. LTD. (Advertising and promotion manager Jiang, Interview 29.07.2010)
- Sometimes the after-sale services of Perfect Co. LTD are not enough and in time because the scope of its target groups is so large, it is difficult to track after-sale situation for every customer and satisfy them precisely. Therefore, Perfect Co. LTD perhaps loses some existing or potential customers without enough or opportune after-sale services. (Customer manager Liu, Interview 06.07.2010)

Opportunities of Perfect Co. LTD

- Even though the per capital income in China is low in the whole world, however, in recent years, with the high speed development of economy and technology in China, the living standard of Chinese becomes higher and higher. People in China nowadays emphases their health and beauty more. In this case, there are a great number of potential customers in health care product industry, this really provides many opportunities for Perfect Company's development in China's health care product industry. (China Daily, 2009)

- With China's reform and opening up, China joined WTO and compared with other countries, China's government encourages more foreign and multinational enterprises to invest and develop in China by providing useful information, preferential policies, transportation convenience, economic supports, etc. Perfect Co. LTD maintains good relationships with the local governments all the time, this indicates that there will be less government resistance when Perfect Company develops its business in China. (China Daily, 2009)
- With so many foreign and multinational health care product companies entering Chinese market, China's local health care product companies lose their competitive advantages gradually because most multinational health care product companies now have the capabilities to establish their own R&D and innovation, production, marketing and sales systems, they can also use China's local favorable resources to produce better health care products than domestic companies. (China Daily, 2009)
- Since the 80s of last century, the health care product industry started its pace in China. At the beginning, because of the immaturity of the market, there were two typical phenomenons in China's health care product industry: Manufacturers' excessive publicity to products and the irrational demand to health care products of consumers. The two phenomenons made customers generate crisis of confidence to health care products. In the year of 2005, Chinese government decided to have a great rectification to the false advertising and illegal operations in health care product industry, this rectification made China's health care product industry become mature and cosmic. This really brings new opportunities to a group of strong and visionary health care product companies, for example, Perfect Co. LTD. (China Daily, 2009)
- Continued investments and long-term development goals offer a good opportunity for Perfect's development in China. In addition, the parent company of Perfect Co. LTD- Perfect Resources LTD in Malaysia gives great financial

supports to Perfect Co. LTD's development in China. (Top manager Cheng, Interview 23.08.2010)

- As Perfect Co. LTD has built two production bases in China already, the company can make full use of China's cheap and favorable resources, such as cheap raw materials, labor forces, equipment and so on. The main sales mode in Perfect Company- direct selling can also help Perfect Co. LTD to reduce costs by decreasing the expenditure on distribution process. Therefore, compared with some other multinational health care product companies, Perfect Co. LTD has a price competitive advantage, this advantage can become a valuable opportunity for the development of Perfect Company in China. (Perfect About Us Detail, 2008)
- For a long time, Perfect Co. LTD has to sustainable development, all its products are made from natural substances. Perfect Company always gives great attention to environmental protection by reducing environment pollution during production process. This behavior stimulates the harmonious of society and nature and turns into a special competitive advantage of Perfect Company. (Product manager Zhang, Interview 04.07.2010)

Threats of Perfect Co. LTD

As there are more and more domestic and multinational health care product companies, the competition in health care product industry becomes fiercer than before, companies no matter in domestic or from foreign countries try their best to absorb consumers' attention by providing low price and high quality health care products for consumers. (Marketing research manager Hu, interviewed, 12.07.2010)

- China's per capita economic level is low compared with many developed countries. In China, the consumption fees on health care products only account for 0.07 % of people's whole daily consumption fees, the situation indicates that

there are still many limitations on people's purchasing power on health care products in China. (China Daily, 2009)

- The world economic crisis lead to the slow growth of domestic and abroad markets, this may affect Perfect Co. LTD's expansion in China's market more or less. At the same time, in order to give some protection to domestic enterprises, Chinese government formulated some local protectionism policies which may prevent the development of Perfect Company in China. (China Daily, 2009)
- Consumers' misunderstanding on the functions of health care products and sellers' exaggerated publicity on the functions of health care products makes consumers generate the crisis of confidence on health care products. For example, some consumers may think that health care products have the effect of treatment, if consumers haven't found significant results as they expected after using some products, they would refuse to purchase them next time or forever. Therefore, it is necessary for Perfect Co. LTD to help consumers to build an objective understanding on health care products. (China Daily, 2008)
- Most people in the world have resistance psychology in their minds when facing a kind of sales mode- direct selling. Consumers don't like people who always persuade them to purchase products no matter where they are and what the time is. Even though this kind of sales mode can decrease sales costs in a certain level, Perfect Company should also take the shortcomings of this sales mode into account. (China Daily, 2008)

5 STRATEGIC MARKETING PLAN FOR PERFECT COMMODITY LTD

After getting information and data from interviews and making analysis of Perfect Commodity LTD's strengths, opportunities, weaknesses and threats, an overall understanding on the company's current situation and future goals can be got. The next step is to give some practical suggestions on marketing strategy plan to try to realize these goals.

5.1 Situation Statement

In the year of 1994, Perfect Commodity LTD established its first office in Zhong Shan City, Guang Dong Province in China, Perfect Commodity was an overseas enterprise which was invested by Perfect Resources LTD in Malaysia. Until now, Perfect Co. LTD has founded two production bases in China. The headquarters (Zhong Shan) of Perfect Co. LTD has a production base which was covered with an area of 120 acres, the base was equipped with R&D centre, quality assurance centre, health food factory, daily chemical products factory and so on. With the confidence to the Chinese market and the company's "three promises", Perfect Commodity LTD Company built its second production base in Yang Zhou, Jiang Su province, and the second base was covered with an area of 358 acres and the total investment expenditures were 500 million Yuan. The production base of Yang Zhou has been put into use on June 23, 2008. At the same time, Perfect Co. LTD intended to invest its third production base in Zhong Shan City in the near future. (Perfect About Us Detail, 2008)

With the high speed development in the Chinese market of Perfect Company, it has set up about 33 branches and more than 3,700 service outlets and specialty stores in different provinces, autonomous regions and municipalities until now. (Perfect About Us Detail, 2008)

In 2006, Perfect Co. LTD was approved to carry out its business in Guang Dong Province by the Ministry of Commerce of China. The main business of Perfect Commodity LTD Company was to sell health care food, cosmetics and cleaning supplies to customers by direct selling. (Perfect About Us Detail, 2008)

However, to the market of China, Perfect Commodity LTD is still a new company, there are still many people who are not familiar with its products and services. Compared with some famous health care product companies, for example, Amway, Perfect Co. LTD should build its brand images and occupy more market share in China's market. (Marketing research manager Hu, interview 12.07.2010)

5.2 Goals and objectives

When talking about objectives, the representatives of Perfect Commodity LTD Company in China have expressed two clear goals: long-term goals and short term goals.

Short-term goals

As there are still many customers who are not familiar with Perfect's products and services, the first task for Perfect Co. LTD is to establish great brand images for its products and services in China's market and leave a deep impression in customers' minds. The next step is to increase its sales volumes by 20 % and enlarge its market share in health care product industry in China next year. After these goals are been realized, Perfect Company intends to establish its third production base and become a listed company in China. (Sales manager Yao, Interview 27.06.2010)

Long-term goals

The commitments of Perfect Company are: providing customers with quality products,

providing career development opportunities for the dealers of Perfect Company and adhering to keep long-term investments and development in China. The chairman of Perfect Co. LTD thinks that everyone has the right to become healthier, so Perfect Company takes efforts to produce more low-cost health products which most Chinese can have enough capabilities to purchase. Perfect Co. LTD keeps its continuous investments and development in China and tries its best to become the marketing leader in China's health care product industry. (Top manager Cheng, Interview 18.06.2010)

5.3 Markets and Target Groups

The main products in Perfect Commodity LTD can be divided into four main categories- health food series, personal care series, household necessities and beauty skin care series. As different product categories have their different features and functions, it is necessary for Perfect Co. LTD to make clear and objective marketing segmentations in order to satisfy the needs of different target groups. Generally speaking, Perfect Company can segment its target groups according to different product categories:

- Health care food: Most products in Perfect Co. LTD are made from mineral elements and high-fiber plants, the company promises that its products don't contain any components of drugs and hormones. Generally, the health care food of Perfect Company is suitable and safe for all kinds of people without any age or sex limitation. However, it is impossible to set all Chinese people as its target groups. Actually, old-aged people and teenagers who are in school are the main consumer groups of this kind of products. If you sell health care food to middle-aged people, they may think that they are strong enough and don't need any kind of health care food, but if you persuade middle-aged people to purchase health care food for their old parents or young children, it becomes easier. (Product manager Zhang, Interview 04.07.2010)

- Personal care series and household necessities: Generally, these two series have the same target group: Housewives. Because in China, most of these kinds of products are purchased by housewives, it is wise for Perfect Company to set this kind of persons as its main target group. (Product manager Zhang, Interview 04.07.2010)
- Beauty skin care series: It is obvious that the main target group of beauty skin care products is female. However, the female target group can be also divided in details according to age, skin of different people, the different functions of various beauty care products, etc. (Product manager Zhang, Interview 04.07.2010)
 1. According to age: For some basic care series, young ladies can be set as the main target group. For some repair and compact series, middle-aged women can be set as the main target group.
 2. According to skin: All beauty skin care products in Perfect Company can be classified into three categories according to different people's skin- sensitive series, moisturizing series and fresh series. Sensitive series is suitable for women whose skins are sensitive, moisturizing series is suitable for female whose skin are dry and fresh series is suitable for female whose skin are combination or normal.
 3. According to job: Beauty skin care products can also be assorted into skin care series, makeup series and perfume series. People in different working environment may have different needs. For example, young ladies who work in Public Relationship departments can be treated as the main target group of makeup series and perfume series, because they have to communicate with all kinds of people, it is necessary for them to leave deep impressions on people's minds by creating good images.

All in all, different customers have their different needs and requirements, at the same time, different products in Perfect Co. LTD have their different functions and they are suitable for different people. When choosing target groups, Perfect Co. LTD should take all kinds of factors on products and the needs of target groups into account, it is a complex process and it needs rich experiences and a deep understanding on its products and customers.

5.4 Strategic Planning and Timing for Perfect Co. LTD

1. Product strategies

If Perfect Co. LTD wants to absorb more customers' attention, it must develop its new products because new products shape the company's future and development. There are four main product categories in Perfect Company- health care food, personal care series, household necessities and beauty skin care series. It seems that the products in Perfect Company are mature enough, so maybe it is hard for the company to develop some totally new products. Developing new products is a complicated process and it needs innovation, more costs, more research and it has more risks at the same time. Therefore, it is better for Perfect Company to improve the existing products by using different methods:

- Additions to existing product lines: Designing more favorable packages or enlarging the package size of some products, adding more natural and nutritional elements to health care food in order to increase more functions of the products, adding some whitening factors to beauty skin care products to meet the needs of people who want to make their skin become white, changing the tastes or flavors of products, etc.
- Improvements and revisions of existing products: Changing appearances or packages of existing products, for example, Perfect Company can design gift

boxes for beauty skin care products or health care products, this action meets the needs of people who want to purchase Perfect's products as gifts, Perfect Company can also design some extra packages for people who buy a large volume of products in one time, etc.

- Repositioning: As mentioned in Market and Target Groups part, Perfect Company should have clearer segmentations on its products. Different product categories are suitable for different target markets:

The main target groups of health care food: Old-aged people and teenagers who are students in school now.

The main target group of personal care and house necessity products: Housewives.

The main target group of beauty skin care products: Females who care about their appearances and skins very much.

- Cost reduction: Perfect Co. LTD can take measures to reduce the costs on existing products by finding cheaper material suppliers in local areas, like minimizing package costs by using experienced skill workers, decreasing warehouse fees by evaluating sales correctly, etc.

2. Brand-image strategies

Though Perfect Co. LTD has entered China's market in 1994, there are still many people who are not familiar with its products and services, it is necessary for Perfect Company to build a strong brand image in Chinese health care industry.

- In order to enhance the brand awareness of Perfect's products, advertising is necessary because it is the most efficient way to make a wide range of people know you in a short period of time. The advertising type of Perfect Co. LTD should be the informative advertising, because first Perfect Company must let people know what field it belongs to and what products it sells. The budget on

advertising should be high because the company's goal is to build brand images. Perfect Company can locate its television ads on CCTV before some famous TV drama programs are going to start at about 8pm every night for a period of time to see the ad's consequences. It is wise for Perfect Co. LTD to design small brochures for its products and send them to target customers free. The company can also advertise its products on famous health care magazines or newspapers, such as China Health Journal, China Daily Paper and so on. In addition, it is wise for Perfect Company to use public billboards in bus stops or gyms, people may read the ads when they are waiting for buses or feel boring.

- Product fairs are also can be used in building Perfect's brand images, Perfect Company can rent a venues in front of a large and famous shopping mall to display its products and provide some samples free for people who are interested in its products on weekends.
- Perfect Co. LTD always pays emphasis on Public Welfares and it hopes that it can help people who need more careless from public. There is no doubt that this is a good way to build its brand images. Perfect Company should participate philanthropy actively, such as blood donation, "Hope Project", seismic and relief, etc. All these actions can show the love and social responsibilities of Perfect Co. LTD.

3. Promotion strategies

In order to stimulus purchase and occupy more market share in health care industry in China, Perfect Co. LTD should plan some attractive and innovate promotion methods.

- Once a customer buys products of 1000 Yuan in Perfect Company for the first time, the customer can receive a VIP card and get a 10 % discount. The customer can use this card when he or she buys any product of Perfect Company

with a 10 % discount at any time. If the purchased products worth 2000 Yuan, the VIP card gives a discount of 15 %. The top discount in Perfect Company is 25 %, if a customer wants to get the top discount, the purchased products must get 3000 Yuan.

- When customers purchase products from Perfect Company on their birthdays, they can get exquisite gifts from the company, such as small samples of beauty skin care products, notebooks and so on. When customers purchase products on their festivals, they can get coupons which worth 100Yuan from Perfect Co. LTD, for example, women can get coupons on Women's Day, mothers can get coupons on Mother's Day.
- For personal care and house necessity products, the most important task is to increase their sales quantities because these kinds of products are not popular in market. Perfect Company must take special promotion methods to persuade housewives to change brands and purchase its products. For example, if customers purchase two pieces of washing powder from Perfect Company in one time, they can get one more for free.
- From the proportions of sales of various product categories (see table 3), it can be seen that beauty skin care series occupies the least percentages among all product categories, so how to grow the sales of beauty skin care products is an important problem to Perfect Co. LTD. To solve this problem, Perfect Company can provide some trials or small samples for customers who are interested in the products for free, or the company can offer free skin care services for target groups before they purchase these products.

4. Distribution strategies

Perfect Co. LTD uses direct selling as its main sales mode, it prefers to sell its products to end-users directly, even this kind of sales mode can reduce sales costs in

some extent, just using only one sales mode seems too monotonous and it is hard for the company to increase its sales volume and account for more market share. Under this situation, Perfect Company could choose more distribution channels to transfer its products to consumers and provide better services for customers.

- For personal care and household necessity products: Perfect Co. LTD can choose some local famous supermarkets to display its products and carry on promotional activities. Because most people prefer to purchase this kind of products in big supermarkets which sell different kinds of goods. This activity meets consumers' purchasing habits. Even though the activity may raise the costs on distribution process, it is worth trying.
- For health care food and beauty skin care products: Perfect Co. LTD could set up special counters in large shopping malls and employ professional salespersons to sell these kinds of products. Because in big shopping malls, there is large flow of people, the company can find more potential customers easily by this way. Meanwhile, customers can get enough and professional services from salespersons in malls. In addition, people always think that products sold in large and famous shopping malls have higher grades and better quality. This activity meets consumers' purchasing psychology.
- In direct selling mode, the quality of salespersons is a key factor which influences consumers' purchasing behavior. It decides whether salespersons can find customers' needs immediately and provide suitable products to their target consumers, whether salespersons can persuade customers to buy their products and whether salespersons can communicate with their customers well. Therefore, Perfect Co. LTD should enhance trainings on its salespersons, like organizing lectures for salespersons to teach some professional communication skills or sales skills to them every week, printing books which contain the information on different product categories, the detailed functions of different products and sending them to salespersons in order to make them familiar with

Perfect Company and its products.

- It is important for Perfect Company to establish an efficient inventory control system because the inventory level influences customer service standards and inventory costs. Perfect Company should employ professional staffs to update sales information and evaluate inventory volumes every week to avoid stock-out and control inventory costs at the same time.

5. Service strategies

If a company wants to build a competitive advantage and occupy more market share, a blameless service system is needed. As Perfect Co. LTD is such a big company, its branches have spread almost all areas in China, it is hard for the company to provide the best services for all customers. Therefore, a good service system is necessary, otherwise, the company may lose a large number of potential and existing customers.

- First, Perfect Co. LTD must set a proper customer service standard, 80 % proportions of customers' orders should be delivered within 48 hours and 100 % proportions of customers' orders should be delivered within 72 hours except some emergencies. If any customer needs any special order, they must pay more.
- The information on customers and ordering process should be saved into computers and updated in time. Only in this way, Perfect Company can control sales situation and ordering process in an efficient way.
- Perfect Company should set up customer service departments in different areas, the responsibilities of customer departments are-answering customers' calls, taking orders from consumers, answering customers' questions on products,

providing advising on how to use its products reasonable, etc.

5.5 Organization and Responsibilities

It is necessary for every company especially for a big enterprise to build an efficient organization structure to operate its business in a logical and systematic way. A clear division of functions can help a company to optimize the allocation of human resources. Every department or person in the organization structure should be responsible for its own share of works. Following is the organization structure of Perfect Co. LTD. (Top manager Cheng, Interview 23.08.2010)



Figure 13. The Organization Structure of Perfect Co. LTD. (Top manager Cheng, Interview 23.08.2010)

General Manager of Perfect Co. LTD: The top manager of Perfect Co.LTD, the responsibilities are to make important decisions with marketing director and sales director of Perfect Co. LTD and monitor marketing and sales director's behaviors, etc. (Top manager Cheng, Interview 23.08.2010)

Marketing Director of Perfect Co. LTD: Making marketing decisions and monitoring the behaviors of product manager, promotion manager, distribution manager and marketing research manager, etc. (Top manager Cheng, Interview 23.08.2010)

Sales Director of Perfect Co. LTD: Making sales decisions and monitoring the behaviors of sales administrator and regional sales managers, etc. (Top manager Cheng, Interview 23.08.2010)

New product development manager: Helping to create new-product ideas, modification and line extension, etc. (Top manager Cheng, Interview 23.08.2010)

Advertising and promotional manager: Managing general advertising and promotion activities and operations, like choosing typical medias, making advertising options, setting promotion goals and objectives, deciding on media time and allocates, setting consumer promotion tools, evaluating activities' consequences, etc. (Top manager Cheng, Interview 23.08.2010)

Distribution manager: Making distribution decisions, selecting distribution channels, choosing transportation modes, evaluating distribution strategies, etc. (Top manager Cheng, Interview 23.08.2010)

Marketing research manager: Making analysis on the external and internal marketing environment, collecting useful data, making marketing surveys, etc. (Top manager Cheng, Interview 23.08.2010)

Sales administrator: Announcing the decisions made by sales director of Perfect Co.

LTD to regional directors and helping sales director to monitor the behaviors of regional sales directors, etc. (Top manager Cheng, Interview 23.08.2010)

Regional sales directors: Carrying on the decisions made by sales director, taking efforts to accomplish sales tasks, collecting information on regional sales situation and monitoring sales situation in their own regions, etc. (Top manager Cheng, Interview 23.08.2010)

5.6 Follow-up

Follow-up, namely marketing control, means the evaluation on the results or consequences of marketing strategies, the function of marketing control is to ensure the completion of marketing objectives by modifying the strategies continuously. (Jobber 1995, 632)

As the marketing environment is changing all the time, every factor in marketing may influence the current objectives of enterprises. Marketing control can help managers to modify the company's objectives and strategies in time according to the changing environment. (Jobber 1995, 632)

In the whole thesis, the objectives of Perfect Co. LTD are to build its brand images, increase its sales volumes by 20 % next year in order to occupy more market share in health care product industry in China. So, the company can use sales and market share analysis to evaluate the results of the strategies.

In the process of analysis, Perfect Co. LTD can compare its overall sales volumes with the last year's sales volumes to see whether the objectives are been accomplished.

In market share analysis, Perfect Co. LTD should calculate how many percentages

that the sales volumes of Perfect Company account for the total sales volumes of health care product industry in China, afterwards, the company can compare these percentages with last year's percentages to see whether its market share in health care product industry has increased.

If the objectives are been accomplished, it seems that the strategies are proper and reasonable, if not, Perfect Company should make a deep analysis on the results and try to find out where the problems are and then try to modify the strategies to solve these problems.

6 CONCLUSIONS AND EVALUATION OF THE THESIS PROCESS

The theme of this thesis project was to build a practical and suitable marketing strategy plan for Perfect Co. LTD. With the rapid development of China's economy, people's living standard has become higher than before, nowadays, people have put more and more attention to their health and beauty. There were a great number of potential customers in China's health care product industry, however, even Perfect Co. LTD has entered China's market in 1994, it has not opened China's market completely. The objective of the whole thesis project was to help the company to expand its scale and occupy more market share through a practical marketing plan. In addition, it is perfect that if the thesis work can give some useful information to other health care product companies in China. (Perfect About Us Detail, 2008)

The thesis project started with the introduction to the background and objectives of the whole thesis, thereby providing the theoretical basis for making a strategic marketing plan. Then an exhaustive analysis on Perfect Co. LTD was made in order to have a deep understanding on the company's current situation, competitive advantages, drawbacks and so on. During the whole thesis process, all the information was derived from interviews of the company's managers and representatives, internal materials and data of Perfect Co. LTD and the official website of Perfect Co. LTD, some other information was gained from newspapers, internet and so on. After making a SWOT analysis, the current problems and advantages of Perfect Company can be found, therefore, it was easy to make a systematic marketing plan for the company based on some theoretical knowledge.

To sum up, the main objective of the thesis was to make a reasonable and practical marketing strategy plan for the development of Perfect Co. LTD in China. It is really perfect that if the thesis project could offer some useful suggestions for Perfect Company and help the company to reach its short and long-term goals.

In the process of the thesis project, the first problem was how to select the contents of the theoretical part. In fact, the scope of marketing planning knowledge is so wide, it was difficult to put all the related theoretical knowledge into the thesis. It is better to choose some highlights and put them into the thesis, through this way, the theoretical part looks concise but objective and comprehensive.

As all the information and data used in the thesis was gained from the company's internal materials, annual reports, official website, interviews, newspapers and internet, to some extent, the thesis work lacked primary data from customers directly.

To be honest, the whole thesis project was not easy. First, it was difficult to choose some proper theoretical knowledge from a great number of literature material from school, then I had to contact Perfect Company's representatives and managers all the time to make appointments with them. During the process of getting information and data, the validity and reliability of information and data should be ensured, only in this way, an objective analysis on the company could be made. Finally, a reasonable marketing plan for Perfect Company was been made by combining all the theoretical knowledge and practical analysis, it was really hard because I was still only a student in school until now. However, it is worth mentioning that all the work was accomplished independently. Even though there were some problems and defects, it seems that the thesis work could bring some valuable advices to Perfect Co. LTD.

All in all, this thesis project gave a lot of valuable experiences to me. This was the first time that I have accomplished an analyzing process and designed a marketing plan for a company. During the working process, I have learned how to put theoretical knowledge into practice and how to make combination of theoretical knowledge and practical situation. Meanwhile, I found that it was important to find new problems and issues continuously during practice, only in this way, things can be improved better.

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