

MARKET STRATEGY STUDY

Case Univertical China Co., Ltd

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<p>Abstract</p> <p>Univertical China is a foreign invested enterprise in China, it has good products and market reputation but the market share increasing is not satisfied by the shareholder. Since the author has been worked for Univertical China for 3 years therefore Univertical China consigned the author for analyzing the market situation and looking forward to find the possible solution. The subject of the report was to propose the market strategies for enlarging the market share.</p> <p>At the beginning the report, it pointed out 3 sales reasons cause the sales dilemmas. 1) The sales price was not competitive. 2) The logistics term cycle was too long for the Northern region customer compare with the competitors. 3) The quotation mode was not flexible. The report made details analysis for above dilemmas. The report offered details of the electroplating market situation for Chinese market by the supply chain analysis for better understand the dilemmas.</p> <p>The customer segmentation showed the growth trend to the electroplating market. The report analyzed the target markets, the PCB and also the automobile market. Especially the automobile manufacturing industry showed the surge in 2009 and 2010. The SWOT and competitor strength grid helped the research analyze Univertical's strengths, weakness and opportunities compare with the competitor. Univertical had good reputation and excellent quality but the price was higher and not advantage in logistics and quotation mode. The Porter's 5 forces provide the electroplating industry future.</p> <p>It illustrated 3 development strategies based on the understanding of the dilemmas. 1) For the price, to low the price was not acceptable. 2) For the logistics issue, to establish the logistics center in Northern China is necessary plan. 3) To establish the copper futures hedging system is the key strategy for the market enlarging, this is the unique what Univertical can be created to compete with competitors. In the discussion part, the implementation has been discussed. Univertical could make more research for the targeted market and meanwhile establish the internal process for futures hedging system and logistics center for implementing the strategy.</p> <p>The discussion shows positive trend for the business operation. The report can be considered that reference material when sales people develop the future market strategy.</p>		
Keywords Electroplating market, copper anode, LME market, PCB, automobile, market growth, hedge		
Miscellaneous The information on page 7,18,19 and 21 are confidential data and those data belong to the internal information of Univertical China.		

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1 INTRODUCTION

Univertical China is an American owned enterprise in China. Their products, copper anodes and copper chemical solutions mainly apply to the electroplating process. The electroplating industry is a traditional industry. The copper anode is an essential material in the electroplating process, and this technology has been in use for more than 50 years. For such a mature industry, the question of how to survive and develop the market share in the current condition is the main topic of this study. Is lowering the price the wise choice to win the market share? In this article, we will analyze the Univertical China business situation in the electroplating industry using a few different theories. The aim of this analysis is find out what possible strategies can be adopted for enlarging the Univertical's market share in the Chinese electroplating market.

To develop the marketing strategy, focusing on the customer's need is indeed important. During the study, the whole supply chain of the copper anode business will be studied with the focus on the customer's needs to figure out what elements can satisfy the customers except for a price change. Univertical's entire value chain will be analyzed to discover the situation of purchasing, production and distribution. Combined with Univertical's competitive advantage, we try to develop the strategies which can enlarge the market share. The result of this analysis may be helpful to Univertical's marketing department when they are considering how to develop their market strategy and expand their market share. It also can give the reader the systemic information of the copper anode market in China. Nowadays there are many foreign investment owned enterprises in China, some of them maybe meet with the similar dilemma as Univertical's. The study can provide a reference example for those companies of how to use the competitive advantage and unique background to develop a unique strategy which is one of the key elements to win the local market.

1.1 CASE BACKGROUND

Univertical - Global Benchmark of Quality.

Univertical commercial statement

Univertical Corporation was founded in Detroit USA, in 1938. Their main products are superior quality anodes and chemicals for functional and decorative plating, for electronics and printed circuit board manufacture and for the semiconductor industry nowadays.

The founder, Mr. Charles Walker invented the formula of the phosphorized copper anode in the 1950s. Anodes are electrodes through which the electric current flows into a polarized electrical device. The contribution of the anodes innovation is to reduce plating consumption and also to make plating functionally more efficient. Univertical's innovation of the anode technology has helped make possible the plating technology that is used today. Also Univertical US is the first anode manufacturer in North America to have obtained an ISO certification for quality.

The Univertical Corporation has a strong market position in North American, number 1 by a large margin in copper and copper chemicals. It occupies more than a 30% market share in copper anodes and copper chemicals, it covers more than 55% of the high quality demand markets, such as semiconductors and decorative industries.

In 2004, Univertical Corporation decided to invest in China in order to serve their global customers who have left North America. Many Asian customers have been served for more over 30 years by Univertical. Univertical China is located in Suzhou, which is in the east of China 80 kilometers west of Shanghai. The main consideration of the location is that Suzhou is the center of the electronic manufacturing industry in the east of China. Suzhou is also conveniently located geographically for transportation and also many potential customers come from the surrounding area.

is important. Eventually, they plan to promote the brand's reputation in the Chinese market.

The market of PCB and GMF industries are two major end user markets. The table in Figures 3, 4 and 5 illustrate the industry total size, and it can be seen they will be in uptrend or at their peak in the next few years. A more detailed analysis will be submitted in the following chapter.

1.2 PURPOSE OF THE STUDY

The main purpose of the study was to increase the sales and enhance Univertical's copper anode market share in China. Analyzing the customers' complaints and figuring out the customer's real needs was supposed to help the marketing team to develop market strategies.

2 COPPER ANODE BUSINESS PROCESS OVERVIEW

In order to identify the roots for the dilemma, it is necessary to hold meetings with sales staff. Following the interviews, according to the Univertical's sales manager, a few major issues are always present that the sales people think they are main reasons for stagnant sales. (Wu, 2010a)

- The sales price is not competitive enough.
- The logistics chain cycle is too long for Northern region customers.
- The quotation mode is not flexible.

It is necessary to understand the copper anodes business process for better understand these customers complains. By thorough study of the supply chain, we will get a better understanding of the copper anode business.

2.1 Supply Chain Analysis

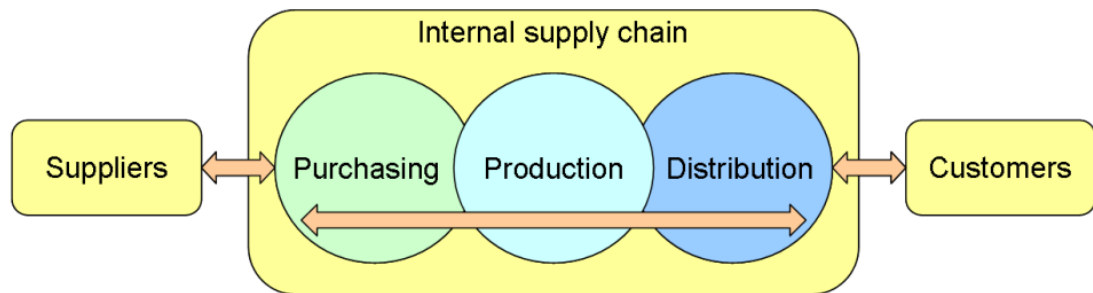


FIGURE 2. Supply Chain Analysis.

See Chen, I. J., Paulraj, A. (2004)

✧ Suppliers

The main raw material of copper anodes is high purity copper and the major transaction venue for where you can spot price and purchase copper is through the metal exchange markets. In the abstract, all the copper suppliers need to register with the metal exchange market. Globally, there are 2 major copper exchange markets related to Univertical's business.

- SME means Shanghai Metal Exchange market. It is located in Shanghai China and covers primarily mainland China and to a lesser content for exports. This is the major exchange market for Univertical China because of the geographical location.
- LME means London Metal Exchange market. It is located in London and it offers the price US dollars or British pounds. This is the import source market to Univertical if Univertical needs to import copper material then LME is the usual choice.

All copper products have to use international quality standards to prove what kind of product level the copper belongs to. The buyer needs to decide what quality of copper they need rather than the copper's supplier.

Univertical China places the purchase order from SME. Every day there is one average trading spot price for the business transaction and money needs to be paid at the time of placing the order. If the money has not been paid even if the order has been placed, the purchase contract can be rendered invalid. In summary, the copper supplier market is an oligopolistic market, each seller supplies a large portion of all the products sold in the marketplace. (Collins 2009a, chapter 1.4). As large firms supplying a sizable portion of a market, these companies have some control over the prices they charge. (Collins 2009b, chapter 1.4). Hereby the copper mine companies are significant copper suppliers and control the market price. Buyers have less choice and it is impossible to bargain the price. Another import character is that money has to be paid in advance. That is one of the biggest pressures for copper manufacturer. The detailed discussion of this will be mentioned later in this study.

✧ Internal supply chain

The internal supply chain consists of three parts

- Purchasing

The purchase contract process time takes about half working day since the purchasing plan needs to be made at least one day in advance. After settling the price of the purchasing contract, the copper is guaranteed be in the plant warehouse within 24 hours due to the convenient geographical location.

From SME warehouse to Univertical plate just takes 80 KM and about 2 hours driving time.

- Production

Production cycle time depends on the production volume. As a guide standard, one production line can produce eight tons of copper anode balls during one shift. One shift is 7.5 working hours. Packing time needs to be accounted for also accepting to the normal production schedule, the sales department needs to give two or three days notification, for then to have enough time for production. Hasty production schedules will impact the

products technical quality which has been verified by lab data. All the products need be verified and proved by the quality department and it takes at least 1 working day.

- Distribution

Univertical deliver the product to the customer directly. Otherwise it is sold by distributor or dealer. Obviously the delivery time depends on the geographical location. In eastern China, the shipping time is on average 2 working days. In Western and Northern China, the delivery time is 5 to 7 working days. For Southern China, it is 3 to 5 working days on average.

In summary of the internal supply chain, the total cycle time from customer order until the product is delivered to the customer's warehouse is about 3 days for the customer who is located in the east and 5 days in the South. All other areas take about 7 days. Compared with their competitors, the delivery time to the east is equal and to other areas is a little longer because Univertical doesn't have backup inventory in those areas.

✧ Customer / segmentation

In general, the plating market is a perfect competitive market. It means there are many plating customers and each of them has an insignificant share of the market – this means many buyers, so many that each buys only a tiny fraction of the total amount in the market. An individual buyer has no control over the price. The price is determined by market demand and supply. (McEachern 2009, 176)

The plating market customers can be classified into the following categories

- PCB market customers. PCB means printed circuit board. They are used to mechanically support and electrically connect electronic components. They consist of several conductive pathways, tracks or signal traces etched from copper sheets laminated onto a non-conductive *substrate*. During the electroplating process, the copper anodes will convert to copper sheets for supporting PCB work.

Customer representative: IBIDEN; TPT group and etc.

- GMF market customer.

GMF means general metal finishing treatment. The range of GMF is wide in scope, products include:

- All plastics plating, like plastic parts for the automotive industry, electronic digital products cases.
- Bathroom accessories.
- Luxury products, like jewelry, watches and etc.

Automotive plating is the biggest proportion of the GMF segment. The plating can make the product's surface more functional for sighting and therefore extend its useful life.

Customer representative: Automotive manufacturers, e.g. Volkswagen, General Motor, Toyota and etc.; Bathroom accessory manufacturers, e.g. Moen, Delta, American Standard etc.

- Semiconductor product market customers. The semiconductor is a material with electrical conductivity due to the flow of electrons intermediate in magnitude between that of a conductor and an insulator. Semiconductor materials are the foundation of modern electronics, including radio, computer, telecommunication and many other devices. Such devices include transistors, solar cells, CPU chips and many kinds of diodes. The semiconductor market related to Univertical's business is mainly located in TaiWan; Univertical Corporation is the major supplier in this region so this article will not go into depth in this area.

Customer representative: Intel, AMD, Chinese chip groups etc.

There are many different target customers in the market. As is the market practice, customers regularly require 45 to 60 days payment term.

The cash flow demand is the significant factor for, copper anode business. Even so, the electroplating customer market is a perfect competitive market with only 2 customers having a somewhat large market share. Those 2 competitors all are related to Chinese state owned capital operations. In the other words, they get the support from not only shareholders but also government support. Usually they can offer better payment term than other smaller players. That is a very important element to measure when customers pick up a supplier.

2.2 Secondary Market Data Study vs. Univertical's Sales Data

As mentioned the PCB and automotive industries are the major consuming industries for copper anodes. Therefore the market study here will focus on these 2 segments. According to this study's purpose, hereby selected data from 2007 to 2009 of the PCB and GMF markets, the result shows a cheerful increase.

2.2.1 PCB Industry Analysis

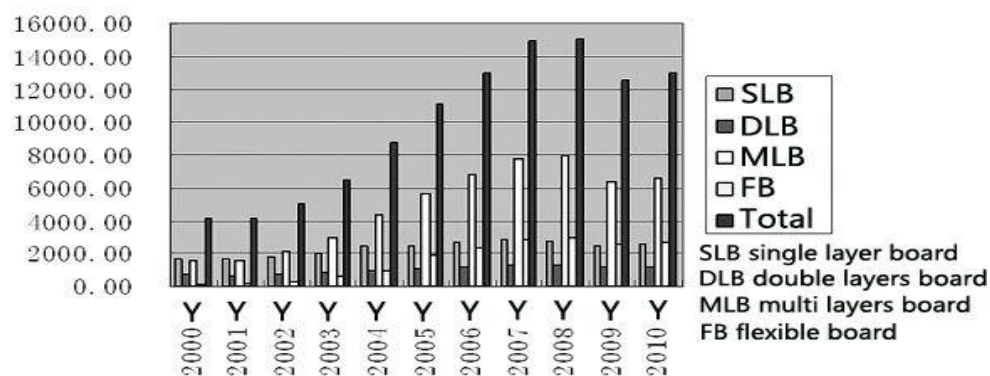


FIGURE 3. China PCB Production and Forecast 2000 to 2010

The figure is presented in the China Electronics Newspaper (Yan YongHong 2009).

Printed circuit boards can be classified into 4 categories. They are single layer boards, double layer boards, multi layers boards and flexible boards. The single and double layer PCBs have lower quality demands compared with multi layers boards. Flexible boards have the highest quality demands compare with others. From the chart of Figure 3, the PCB market shows an upward trend until 2008. It has dropped in 2009

due to the economic crisis and it will pick up in 2010. Among of rest, the proportion of multi layers board presence the driving uptrend and it is the biggest segment of PCB market. Also the Flexible shows very stable rising.

The combined PCB market can consume about 100,000 metric tons of copper anodes based on 2008's total output. In 2009, the total volume dropped by about 10%, it means total consumption of copper anodes still maintained at around at 90,000 metric tons.

2.2.2 Univertical PCB Sales Analysis

According to table of Figure 6, Univertical PCB sales income in 2008 accounted for 37% of total sales, combined with number from Figure 1, the sales volume for the PCB segment was 404 metric tons in 2008.

By the same calculation from Figure 7, we can calculate the sales quantity for the PCB segment in 2009. According to the Figure 1, the sales surged 57 percent to 590 metric tons.

In the summary, the PCB segment sales have been increased from 2008 to 2009, 20 percent rise up and 186 metric tons by volume. Even though the trend shows an increase the market share accounted for less than 1% in the PCB market. The shareholders cannot recognize with the Sales department's achievement.

2.2.3 GMF – Automobile Industry Analysis

Analysis identifies the automobile business as the most significant in the GMG market. Therefore our analysis will focus on the automotive market.

Chinese automotive consumption shows a surge in through in recent years. Plus global industry development brings most manufacturing to China. It not only can reduce the manufacturing cost but also close the target market.

According to the Department of Foreign affairs and International Trade Bureau of Canada's statement, since of January 2009, China has overtaken the United States to become the world's dominant auto market. There are over 100 whole vehicle

manufacturers and close to 2,000 auto parts makers located primarily in South, East and Northeast China. The top ten producers, seven of which are joint ventures, have over 80 percent of the market share. Nearly every major global vehicle manufacturer has established joint-venture operations in China. (China Automotive Market Update –Summer 2009).

To emphasize the target market, the passenger automobile is selected as the key market because it has the highest demand for the plating process. There are more potential market opportunities to Univertical.

The table in Figures 4 present the passenger auto production trends in China from 2007 to 2008. The In 2007, the passenger car production was 6,381,116 units and it reached 6,737,745 units in 2008, a 5.6 percentages rising.

WORLD MOTOR VEHICLE PRODUCTION BY COUNTRY AND TYPE			
2007-2008			
OICA correspondents survey			
CARS	2007	2008	% CHANGE
EUROPE	19,330,513	18,373,538	-5.0%
AMERICA	9,325,594	9,238,009	-0.9%
ASIA-OCEANIA	24,212,695	24,646,730	+1.8%
Double Counts Asia / world	0	0	
Double Counts China / world	-102,754	-81,750	-20.4%
Double Counts Thailand / world	0	0	
AUSTRALIA	283,348	285,590	+0.8%
CHINA	6,381,116	6,737,745	+5.6%
INDIA	1,713,479	1,829,677	+6.8%
INDONESIA	309,208	431,423	+39.5%
IRAN	882,000	940,870	+6.7%
JAPAN	9,944,637	9,916,149	-0.3%
MALAYSIA	347,971	419,963	+20.7%
PAKISTAN	140,614	98,425	-30.0%
PHILIPPINES	38,923	46,458	+19.4%
SOUTH KOREA	3,723,482	3,450,478	-7.3%
TAIWAN	212,685	138,709	-34.8%
THAILAND	315,444	401,309	+27.2%
VIETNAM	22,542	31,684	+40.6%
AFRICA	332,544	378,929	+13.9%
OTHERS			
TOTAL	53,201,346	52,637,206	-1.1%
(1) Official car figures include Belgian GM assembly.			
(2) Official figures take account of Swedish manufacturers world production; in this report, we only use the vehicles produced in Sweden, and the vehicles for which Volvo Trucks does not specify the country of production..			
Estimate			

FIGURE 4. World Motor Vehicle Production by Country and type 2007 to 2008

For more information, see world motor vehicle production by country and type 2007-2008 of OICA correspondents survey

The table in Figure 5 shows the auto production in China from 2008 to 2009. The production surged 54 percent to 10,383,831 units. According to the International Organization of Motor Vehicle Manufacturers forecast, the production will show a continued upward trend in 2010, the production can potential reach 13,790,994 units. A potential 48 percent increase.

WORLD MOTOR VEHICLE PRODUCTION BY COUNTRY AND TYPE			
2008-2009			
OICA correspondents survey			
CARS	2008	2009	% CHANGE
EUROPE	18,381,339	15,195,240	-17.3%
AMERICA	9,202,759	7,006,124	-23.9%
ASIA-OCEANIA	25,058,888	25,469,752	+1.6%
Double Counts Asia / world			
Double Counts China / world	-81,750	-113,370	+38.7%
Double Counts Thailand / world	0		
AUSTRALIA	285,590	188,158	-34.1%
CHINA	6,737,745	10,383,831	+54.1%
INDIA	1,846,051	2,166,238	+17.3%
INDONESIA	431,423	352,172	-18.4%
IRAN	1,232,263	1,359,520	+10.3%
JAPAN	9,928,143	6,862,161	-30.9%
MALAYSIA	484,512	447,002	-7.7%
PAKISTAN	126,268	92,552	-26.7%
PHILIPPINES	46,458	43,558	-6.2%
SOUTH KOREA	3,450,478	3,158,417	-8.5%
TAIWAN	138,714	183,986	+32.6%
THAILAND	401,309	313,442	-21.9%
VIETNAM	31,684	32,085	+1.3%
AFRICA	382,095	281,879	-26.2%
OTHERS			
TOTAL	53,025,081	47,952,995	-9.6%

(1) Official car figures include Belgian GM assembly.

(2) Official figures take account of Swedish manufacturers world production; in this report, we only use the vehicles produced in Sweden, and the vehicles for which Volvo Trucks does not specify the country of production..

Estimate

FIGURE 5. World Motor Vehicle Production by Country and type 2008 to 2009

For more information, see world motor vehicle production by country and type 2008-2009 of OICA correspondents survey

3 DILEMMA ANALYSIS

Since we now understand the shareholder's doubts and have a rough understanding of the electroplating market, now we can better analyze the complaints of the sales department.

3.1 Dilemma One: The Sales Price Is Not Competitive

As the plating market is a perfect competitive market, many competitors offer many different options to customers, which is why the price competition is fierce. The major competitors to Univertical are IMC, OHE, Western and TongLing. Figure 8 illustrates a price comparison between the competitors. Univertical's quotation usual is about 15% higher than others. Sales people explain to the customer that the products can save on consumption. But there is no exact data showing the saved copper anode volume approach 15%.

Univertical is a late comer to the copper anode market in China. The PCB market study shows that the Chinese PCB market started to expand at the beginning of 2000 well before Univertical entered into the electroplating market. There are many market demands that have been satisfied by other copper anode suppliers. As a new entrant to the market in 2006, Univertical did not target many new customers focusing on winning the business from their competitors.

To the end user, the average profit margin in the PCB and automobile market business tend to decline gradually. The copper anode is the consumable raw material. It is not as fixed assets therefore customers are sensitive of price changing.

The shareholders point out that the target customer for Univertical should be one demanding quality so the quality of Univertical's products should be emphasized. Usually these customers have better profit margin. In the words, there is less pressure to cut the price. In addition, reducing the price is not a wise market strategy.

were told that the major PCB manufacturers are mainly located in eastern and southern China (Wu, 2010b). Recently, more PCB manufacturers have been considering moving to inland China because the Chinese government is encouraging businesses move to the western and northern regions to develop those less developed economic areas. Also the labor and other investment costs are motivating factors for manufacturers to move to the inland area. One of the PCB biggest representative manufacturer-Foxconn Group has started to build a major production base in He Nan province. One of the biggest copper anode competitors, TongLing Copper located in AnHui province, which is located more to the west and also north than Univertical China. TongLing is the major supplier for the surrounding area.

In the automobile market, the same limitations appear. Figure 10 shows the automobile production areas located in the east, north, south and part of the west. The location of automobile production is similar to that of PCB production, the major difference is in the Northern China area. With the automobile industry, Northern Chinese manufacturers account for a bigger larger proportion. According to the Figure 9, it appears that in 2008 about 32 percent of automobile manufacturing was located in Northern China.

- ✧ ChangChun (17%) includes Volkswagen, Toyota, Mazda
- ✧ Beijing (8%) includes Hyundai, Daimler Chrysler
- ✧ HeiBei (4%) includes Chery
- ✧ Harbin (3%) includes Suzuki

According to Rank	Manufacturer	Headquarter	JV Partner	Sales (Unit)	Market Share
1	SAIC	Shanghai	GM, VW	1,720,650	19%
2	FAW	Changchun	VW, Toyota, Mazda	1,532,923	17%
3	Dongfeng	Wuhan	PSA, Nissan, Honda	1,320,606	14%
4	Chana	Chongqing	Ford, Mazda, Suzuki	861,377	8%
5	Beijing Auto	Beijing	Hyundai, Daimler Chrysler	771,639	8%
6	Guangzhou Auto	Guangzhou	Honda, Toyota, Isuzu	525,979	5%
7	Chery	Hefei	N/A	356,093	4%
8	Brilliance	Shenyang	BMW, Toyota	285,242	3%
9	Hafei	Harbin	Suzuki	223,802	3%
10	Geely	Taizhou	N/A	21,823	2%
	Others			1,560,000	17%

FIGURE 9. Top 10 Vehicle Manufacturers in China 2008

For more information see the article of China Automotive Market Update – Summer 2009

For such a big market segment, Univertical does not have any targeted strategy. Currently, the only customer to Univertical is ChangChun Volkswagen. However the order volume had declined in 2009. The table in Figure 11 clearly shows that the Volkswagen car manufacturing output surged in 2009. Volkswagen produced 831,622 cars in 2007. Due to the impact of the global financial crisis, the production dropped to 814,944 cars. In 2009, the production surged to 1,243,572 cars, around a 53 percent increased. So why were the orders to Univertical reduced contrary to this? Has the increased quantity not satisfied the customer or has the customer service not met the expectation?

Focus on this specific issue, another discussion was help with the customer service and sales staff inside Univertical. During the discussion, two conflicts were noticed:

- ✧ The customer often complains that the logistics cycle is difficult to predict. Even when Univertical informs the customer the delivery term is 5 or 7 days. Sometimes the situation is out of the control, the e.g. there could be a road incident or other factor disturbing this kind of long distance shipment. The customers cannot reliably plan their operations around with these delivery times.
- ✧ Another quality complains case was mentioned and all believe that is the root of the problem for the customer relationship. At end of 2008, approaching the Chinese New Year holiday period approaching, the customer, Volkswagen ChangChun phoned Univertical and complained that an abnormal condition in the electroplating process had occurred. The dosage of the copper anode had increased by about 10 percent in one week. When the customer service staff informed Univertical's quality manager at first, the quality manager initially denied all the problems. The customer service staff sent the feedback report to the customer and the customer still insisted that it was a copper anode problem. Until the customer called again for an on- site investigation, Univertical did not do anything to help. Although the final test result cannot prove the copper anode's quality had caused the problem, it cannot remove customer's doubt about the quality of Univertical's copper anode in the end. They changed they

supplier for the part of the order and finally figured out the problem, which was not due to the copper anode!

Even though the case was over, the customer was not impressed with Univertical's reaction. They thought the reaction was not timely enough and they didn't even try to change their mindset. For an international brand, this service is not good enough.

Major Auto Clusters in China



FIGURE 10. Major Auto Clusters in China

See the article of China Automotive Market Update – Summer 2009.

WORLD MOTOR VEHICLE PRODUCTION
OICA correspondents survey
WITHOUT DOUBLE COUNTS

2007

GROUP : VOLKSWAGEN							
CONTINENT	COUNTRY	MAKE	CARS	LCV	HCV	HEAVY BUS	Total
AFRICA	South Africa	VOLKSWAGEN	111,473	812	213	54	112,552
AMERICA	Argentina	VOLKSWAGEN	54,682	2,842			57,524
	Brazil	VOLKSWAGEN	654,716	31,221	38,025	7,258	731,220
	Mexico	VOLKSWAGEN	409,598		1,362	198	411,158
	Total		1,118,996	34,063	39,387	7,456	1,199,902
ASIA	China	SKODA	23,805				23,805
		VOLKSWAGEN	831,622				831,622
		Total	855,427				855,427

WORLD MOTOR VEHICLE PRODUCTION
OICA correspondents survey
WITHOUT DOUBLE COUNTS

2008

GROUP : VOLKSWAGEN

Continent	Country	Make	Cars	LCV	HCV	Heavy bus	Total
AFRICA	South Africa	VOLKSWAGEN	91,654		371	200	92,225
AMERICA	Argentina	VOLKSWAGEN	60,669	2,483			63,152
	Brazil	VOLKSWAGEN	678,269	40,365	44,804	8,945	772,383
	Mexico	VOLKSWAGEN	449,098	1	1,011	695	450,805
	Total		1,188,036	42,849	45,815	9,640	1,286,340
ASIA	China	SKODA	56,851				56,851
		VOLKSWAGEN	814,944				814,944
		Total	871,795				871,795

WORLD MOTOR VEHICLE PRODUCTION
OICA correspondents survey
WITHOUT DOUBLE COUNTS

2009

GROUP : VOLKSWAGEN							
CONTINENT	COUNTRY	MAKE	CARS	LCV	HCV	HEAVY BUS	Total
AFRICA	South Africa	VOLKSWAGEN	59,529		81	78	59,688
AMERICA	Argentina	VOLKSWAGEN	51,989				51,989
	Brazil	VOLKSWAGEN	742,950	27,062	6,893	1,741	778,646
	Mexico	VOLKSWAGEN	319,975		497	461	320,933
	Total		1,114,914	27,062	7,390	2,202	1,151,568
ASIA	China	VOLKSWAGEN	1,243,572				1,243,572

FIGURE 11. Volkswagen China Production Statistics in 2007, 2008 and 2009

For more information, see world motor vehicle production OICA correspondents survey

3.3 Dilemma Three: Quotation Modes Are Not Flexible

Customers complain that the quotation offer modes from Univertical are not flexible enough. In other words, it is difficult to bargain with Univertical either in price or quotation method.

In the copper anode business, there are two major methods to settle the price with the customers:

- ✧ Method one: Spot price. This is the most common way to calculate the quotation. Customarily the price will be based on the raw material purchasing cost plus manufacturing cost and profit. If the quotation day's copper price is higher than the purchasing cost then the higher price will be used. In this situation the customer cannot easily figure out your profit but they will compare the quotation with metal market daily price therefore they can estimate your margin. The advantage to this method is that the customer can get the product in the shortest cycle since the manufacturer has the inventory in the warehouse. The disadvantage is that the offer price will be higher than with method two. Especially when the raw material price is in the downward trend.
- ✧ Method two: The second method is based upon a formula. Sales will quote a formula to the customer. For instance

Quotation = SME or LME (Shanghai or London metal market) today price+ adder

The adder includes manufacture cost, other component materials, logistics cost and profit. In most cases, Univertical does not offer the formula to the customer. No manufacturer wants to show the profit to the customer. But certain key and long term cooperating relationships the customer can get this kind of quotation after negotiation. Customers will often inform their production plan so that Univertical has time for preparation. The advantage of this method is customer can easily to understand and control their costs. But the disadvantage is the delivery term is

longer than with method one. The customer needs to wait for the production cycle time usually.

Here is the example for explaining the two different methods.

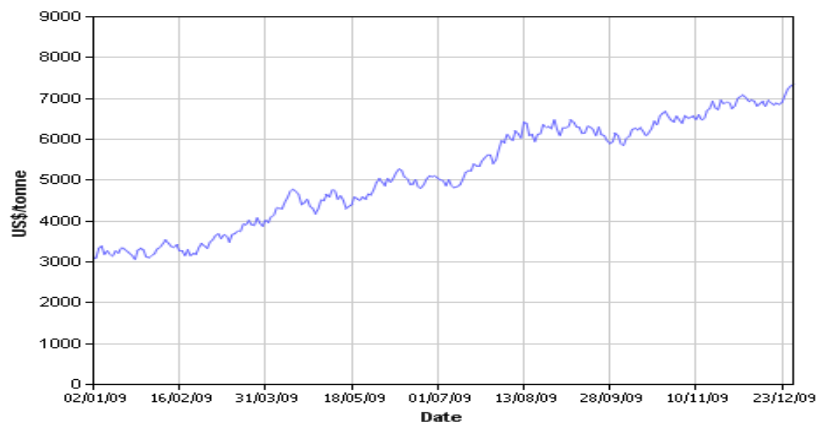


FIGURE 12. LME Copper Price Graph from Jan 2009 to Dec 2009

Figure 12 shows the copper price was about 6300 per metric ton on August 13 and it drops to 6000 metric ton on August 20.

If the company uses the spot price, the first method for quotation, the customer can gets the quotation based on inventory cost which was 6300 plus manufacturer's cost and profit, that can be any number. For example we use 1000 USD for manufacturing cost and profit, just for comparing with the second method. In this simulation, the purchasing cost to the customer is 6300 plus 1000 or 7300 USD per MT.

In the same condition when the customer who uses formula quotation, the second method for quotation on Aug 20 then the cost can be 6000 USD per metric ton plus adder. If the adder is 1000 then the purchase cost is 7000 US dollars per MT to the customer.

In summary, it is clearly to see why customers prefer to get second method for the quotation. Nevertheless it still can't satisfy customer even in this way, one reason for this is the delivery term takes a few days and another reason is when the copper commodity price is in a long term decline and customer receives the products, the product value is always lower than the market value. This of course impacts

customer's final inventory value. During the economic crisis period in autumn 2008, this feature was getting more obvious.

Figure 13 shows the LME copper price in 2008. From Sep 25 to the end of year 2008, the copper price shows dramatic decline. If the customer ordered the product on Sep 25th, the quotation based on the formula is 7000 USD plus 1000 or 8000 USD per MT. When the customer receives the goods in 2 weeks, the copper's market price had dropped to 5000 USD per MT. Therefore when you evaluate the customer's inventory it depreciated 2000 USD per MT accordingly.

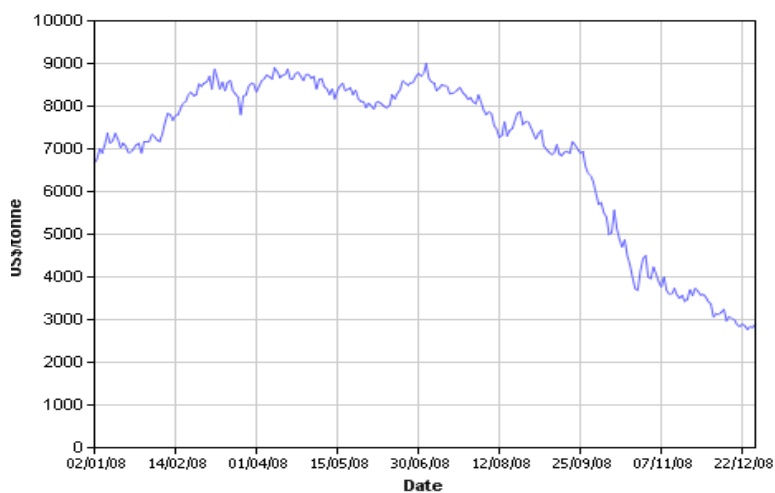


FIGURE 13. LME Copper Price Graph from Jan to Dec 2008

What is more important to the customer? Both methods are risk if you look at them in different perspectives. In business, risk management is the top priority. Stable inventory control is a key element which the customer considers. What the customer wants when they are using method two is to settle the price today then hope they can get the products on the same day or as early as possible. Therefore the delivery term can be shorted and also the inventory's timing depreciation can be avoided.

So far there are no such copper anodes manufacturers can who satisfy this idea way to customer, yet.

4 COMPETITIVE ANALYSIS

4.1 Major Competitors

There are many copper anode suppliers in the market. The competition rivalry is centered on quality, payment terms, service reputation and, of course, price. Four competitors were selected for the analysis. They have different competitive advantages in the market and they are representative sample in this market. The major competitor profiles are as follows.

➤ Cheon Western (China) Copper Ltd

Cheon Western China is a Sino-foreign joint venture share by a Chinese state owned metal factory and HK venture capital. The company was established business in 1993.

Cheon Western's main product is copper anodes, without any chemical solution. The brand has been in the market for nearly 17 years, and their product quality has a good reputation and is consistent. The annual production capacity reaches 40,000 metric tons. Most industry data illustrates that Cheon Western is one of the biggest copper suppliers in Chinese market. The target customer segments for Cheon Western are the middle and upper quality demand markets. Multi layers PCB manufacturers and most of the plastic electroplating manufacturers are part of their customer base segmentation. The payment term is usually about 60 days but no longer than 90 days. Because of the geographic factor, Most of the Southern markets are occupied by Cheon.

http://www.western.com.cn/show_en%20fla/en.htm

➤ TongLing Nonferrous Metals Group Co.Ltd

TongLing Nonferrous Metal Group is a listed company of copper mining, melting and processing. The company was formerly a state-owned enterprise.

The anode is part of the group's copper products. TongLing started with the copper anodes business in 2004 with the annual production currently reaching 10,000 metric tons. TongLing's main customers include the middle and lower quality demand segment, e.g. general plastic plating and single or double layer PCB manufacturers.

TongLing has a strong capital support for the copper anode business. The payment term which they offer can be extended to 120 days in contrast with 60 days payment terms.

<http://www.tlys.cn/appframe.asp?list1=brief&list2=gsjj>

➤ Oriental Happy Enterprise (OHE) Suzhou Co.,Ltd

OHE Suzhou was founded in 2000, it is a TaiWanese-owned enterprise in Suzhou, China. The parent company, OHE TaiWan has been in the copper business in the TaiWanese and in market for about 30 years. The capacity can reach 24,000 metric tons in Taiwan and in that market has the top copper anode manufacturer's position. Since most electronic companies have invested in China, OHE followed the customer globalization expansion plan and established the manufacturing in China.

OHE has shown aggressive growth since 2000. Their strategy is extending the royal relationship from the Taiwanese market to the Chinese market. With stable quality and a good market reputation, OHE Suzhou's production capacity has reached 12,000 metric tons by 2009.

<http://www.cmbi.com.cn/co.asp?id=22061>

➤ IMC –MetalsAmerica, LLC

IMC –MetalAmerica is the other major copper anode manufacturer in America beside Univertical Corporation. It is the major competitor to Univertical Corporation. They produce copper, Zinc and other metal products. The products range is similar to Univertical's metal products, except for chemicals. IMC doesn't have chemical products.

IMC started to sell their products in the Chinese market before 2000. The market strategy is to establish the market share via distributors. IMC selected a general distributor and this distributor is responsible for market development. Since they are the good quality brand product and entered the market early enough. It has occupied a large share of the upper level customer segment. The product has the best reputation of the other competitors. Sales quality in the Chinese market is about 2000 tons per year and the sales seem to be suffering a downturn since IMC's distributor is competition with Univertical's product. Univertical's international brand with excellent quality copper anode is a threat to IMC.

Visibly, IMC is in the closest position to Univertical's in term of quality. Also as all sales are made through their distributor this means that IMC hardly to meet any customers at front line initially. From the service aspect, this is a sales disadvantage. It is another reason for the in decline.

<http://www.imc-ma.com/>

Among the above typical market competitors, what are Univertical's strength and weakness? Hereby we should perform SWOT analysis for the study.

4.2 SWOT Analysis

Strengths	Weakness
<ul style="list-style-type: none"> - Good reputation in plating industry. As an international brand for plating, Univertical has a footprint on this industry for about 50 years. The stable quality and considerate service is appreciated by current customers. It can be a good reference when sales hunt for new customers. - The international background also provides global options for the customer. As mentioned, customer's loyalty to the established brands. It means that global customers have easy options for choosing the same brand. - Better and strong technical support. Univertical has lab facilities both in the US and Chinese plants. It can provide more trustworthy analysis when the customer faces 	<ul style="list-style-type: none"> - Lack of local market reputation. As they entered market late their reputation in the Chinese market is not well-established enough. - Higher price. As a price leader, it is easy to be refused when the customer tries to negotiate the price. - Pricing options are not flexible. Univertical has a strict policy for pricing. Sales people have no right to give any discount or formula to the customer - Logistics process is longer to customers in Non east region of China.

technical issues.	
Opportunities	Threats
<ul style="list-style-type: none"> - Unlimited space for increasing the market share with Univertical's brand. In copper anodes market, Univertical has a very slim market share. Most of customer can be listed as the potential target. - The target market is in a growth period. Especially in the automobile industry. - Updated industry technology demands higher quality products. Many industries show that the semiconductor market has a much higher quality demand and Univertical has serviced the North American semiconductor market for many years. That is the benchmark for the Chinese semiconductor market. 	<ul style="list-style-type: none"> - Government policy. As mentioned the environment rules are getting stricter and that will impact the growth of the plating industry. Therefore this will reduce the demand for copper anodes. - Technology updates. The current technology has been in use for around 50 years. There is reason to believe sometimes in the future it will be updated or replaced. Cleaning plating is the future development trend. - Competitors are improving the technology. As the leader, many competitors study Univertical's products and services, it motivates their competitors.

FIGURE 14. Univertical SWOT Analysis

4.3 Competitor Strength Grid

The following competitor strength grid illustrates the relative strengths and weakness of the above competitors and Univertical.

factors	Weakness 1	2	3	4	Strength 5
Location	IMC		TongLing	OHE Western Univertical	
Quality			TongLing	Western OHE	Univertical IMC
Market reputation		TongLing	OHE	Univertical Western	IMC
Price	Univertical	IMC		Western OHE	TongLing
Customer Service	IMC		TongLing	Western	Univertical OHE
Technocial Support		TongLing	OHE	Western	Univertical IMC
Payment Term	IMC	Univertical	Western	OHE	TongLing

Western - Cheon Western (China) Copper Ltd

TongLing - TongLing Nonferrous Metals Group

OHE - Oriental Happy Enterprise (OHE) Suzhou Co.,Ltd

IMC - IMC – MetalsAmerica, LLC

Univertical - Univertical China

FIGURE15. Competitor Strength Grid

5 PORTER'S 5 ANALYSIS

How can Univertical utilize the strengths and opportunities to eliminate the dilemmas? In combination with the theoretical analysis, Porter's five forces can help us to perceive the industry in a more detailed way.

Porter's five forces is a framework for the industry analysis and business strategy development. The five competitive forces reflect the fact that competition in an industry goes well beyond the established players. All five competitive forces jointly determine the intensity of competition within the industry and profitability, and the strongest forces are governing and become crucial from the point of view of strategy formulation. (Porter 1980a, 6).



FIGURE 16. Porter's Five Forces Model

✧ Threat of substitute products

So far, copper anodes are the only choice for PCB plating since copper is the most suitable conductive material. For GMF, there are many reports about the influence of nanotechnology on coating but currently, it is not a practical solution to the plating industry to be used in mass production. The buyer propensity to substitute is low as any replacement products need to be tested for long periods in the plating process. Therefore the switching costs are high.

✧ The threat of established rivals

Rivalry among existing competitors occurs because one or more competitors either feels the pressure or sees the opportunity to improve their position (Porter 1980b, 17). The competition is fierce in the target market. Numerous competitors can be selected by the customer in plating market. Most competitors to the plating manufacturers pay attention to process innovation instead of copper anodes since it is the mature product in the plating industry.

✧ The threat of new entrants

When a new entrant entry to an industry, it will bring new capacity and desire to gain market share, the price can be drop down which eventually will decrease profitability in all the firms in the industry. There are few major entry barriers to new entrants.

- High capital requirements. In a previous section we focused on the supply chain which showed the capital demands for the copper anodes.
- Customer loyalty to established brands. Plating is a delicate process; any factor changing can impact the result. Customers usually choose reliable brands. Univertical, as the quality leader, has the top reputation in the plating industry.
- Technology barrier are not very high as with patented products but a consistent reputation of quality cannot be built in a short time.
- Government policies. Pollution prevention has been a heated topic in China. As we all know, the electroplating is a highly polluting industry. Therefore the environmental policy of the government is quite strict. It will increase the company's costs in the long term without encouraging the development of the industry.
- Industry profitability. Profitability in this industry is of an average level for manufacturing. For new entrants to manufacturing this is an attractive industry.

✧ The bargaining power of suppliers

The bargaining power of suppliers also calls market of inputs. As shown above the copper suppliers come from a few open metal exchange markets, and all the copper anode material needs to be paid by cash before the raw material is shipped. The quality of copper also has to follow the international standards. Therefore, the choice of a supplier is not complicated. The manufacturer chooses the closest supplier to save on the logistics time and cost. Most of the time manufacturers can get raw materials after paying except in situations when something unexpected, e.g. strike take place in a copper mine. To sum up the bargaining power of the suppliers is very high.

✧ The bargaining power of customers

The bargaining power of customers is described as the market of outputs. The customers put the manufacturer under pressure, which also affects the customer's sensitivity to price changes.

- Buyer volume. Big volume buyers usually have a strong bargaining power to negotiate the price and pricing formula.
- Buyer switching costs relative to firm switching costs. There is a switching cost, which means it takes a longer experimental action period for testing. The switching cost has a relatively high risk level.
- Availability of existing substitutes products. In general, customers can use most of their supplier's product for the manufacture if the quality index matches the demand.
- Buyer price sensitivity. The buyer is sensitive to the price of the price. Due to the copper anode is the consumable material to the manufacturing process, and it impacts the cost directly.

6 MARKETING STRATEGY CHOICE:

6.1 Strategy 1: Focus on Logistics

A successfully implemented logistics strategy is important for companies who are dedicated to keeping service levels at the highest levels possible despite changes that occur in the supply chain.

Marin Murray – Logistics Strategy / Supply Chain Guide

Let's focus on the logistics issue first since it has been appointed by the customer. We need to formulate a logistics strategy to maintain service levels and to have a logistics organization at its most cost effective even though the number of customer increases and new geographical areas are being expanded. It also allows the company to identify the impact of imminent changes and make organizational or functional changes to ensure service levels are not reduced.

In Univertical, part of logistics service is outsourced. A Few logistics shipping companies provide the vehicle service. All goods are distributed from the Univertical Suzhou warehouse to the customer's plant. As we have discovered the cycle time to customers who are in Northern or Southern China are much longer. That makes it difficult to compete with competitors who are located closer to the customer. To have inventory close to the customer market is necessary from a market strategy point of view. Univertical Suzhou's warehouse can cover eastern China, however based on the GMF market analysis more than 30 percent of potential customers are located in the North. The current automobile customer, Volkswagen is located in ChangChun, Northern China. To pick up the relationship and develop further business, it is necessary to stay closer to Volkswagen. PCB market analysis indicates that the market is moving wards to inland China, which means Western and Northern China. To maintain a warehouse facility in Northern China is necessary. By examining this strategy, there are four distinct stages to go through

- ✧ Strategic: The objective of setting up a warehouse in Northern China is to satisfy customers in the area. By cutting the delivery times, the logistics chain must become more efficient than today. This is a must to enhance competitiveness in the Northern and Western market segments.
- ✧ Structural: Univertical does not have any facilities beside Suzhou plant. How to maintain the warehouse facility in other area? Renting warehouse or using distribution centers service can be the option.
- ✧ Functional: Any strategy should review how any separate function in the logistics chain helps to achieve functional excellence. According to historical data a safety volume inventory must be set up in the Northern warehouse to enable delivery of quickly and reliably products. The purpose is to make Univertical more competitive in the Northern and Western market.
- ✧ Implementation: Univertical has an independent logistics department and it is capable of supervising and managing the warehouse facility by reporting, inventory accounting etc. To select the location of the warehouse and choose a trustworthy operator is the top priority needing of consideration.

The cost for renting the warehouse facility has the same significance as the location. The lowest cost combination can make the business more competitive.

6.2 Strategy 2: Focus On The Pricing

Focus on a customer's complain, does Univertical need decrease the price? In general, pricing strategies don't mean lowering prices. If the price is too cheap, customers will think you are less professional than your competitors. Also it will cause vicious competition and lower the whole industry's average profit. Charging too much will lead people to think you're greedy, and they'll find all sorts of little additional troubles for you to work on so they feel like they got a better deal.

Univertical is using competition-based pricing approach for the pricing. It means setting prices based on the prices that competitors charge for similar products. By this approach, customer will base their judgments of a product's value on the prices that competitors charge for similar products.

As a late market entrant, Univertical must study the competitor's price. Among the copper anode manufacturers, Univertical has the top reputation in quality. Competitor's pricing strategy is also affected by Univertical's price. As the highest quality product manufacturer in the market, if Univertical lower the price to attract more customers in the short term, this could cause harmful price wars. In the long term it leads to the whole market's margin being lower. Therefore pricing need to be sustaining and not changed easily.

6.3 Strategy 3: Force on Market Growth

According to Kotler & Armstrong (2004, 259), competitive advantage is an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices.

There are many different methods that can be applied when the company develops the market growth strategy, market penetration; product development; horizontal or vertical integration; diversification; etc. The key to winning and keeping target customers is to understand their needs better than other competitors and to deliver more added value.

What is Univertical's core competitive advantage except for the technical advantage? Per shareholder's expectation, focus on the high demand customer segment, the sales extent will be limited as this is a limited market. It is better to adopt a more active strategy to expand their customer base. During the analysis of dilemma 3, the article pointed out that the customer would like to get the inventory on the day they settle the price. However no copper anode manufacturers can offer it, can Univertical achieve this? That will be the key point of a core competitive advantage. We believe it is possible to create the model with a copper futures hedge.

A hedge is a position established in one market in a try to offset exposure to price fluctuations in some opposite position in another market. The objective of a futures hedge is to lock in the forward value of the portfolio so that there is no uncertainty about its value when the hedge matures. (Alexander 2008, 114)

When we hedge in the copper business, hedging is buying or selling copper contract in the futures market and spot trading in the opposite direction, but an equal number of copper futures contracts to sell at a future time by buying futures contracts or compensate for adverse change in the spot market prices caused by the actual loss. In other words, hedging is to avoid the risk of spot price for the purpose of futures trading behavior. Therefore the inventory value can be locked regardless of the gain or loss. When you deliver the copper anodes to the customer, the

inventory's price can always be settled at today's market spot price. The result is what customer required, when you settle the spot price today then products can be delivered at the same or the subsequent day. An example case will be presented in the following.

Scenario case example: The Copper Spot Price Rose from 8114 to USD 8225/ton on Delivery Date. All data is based on Table 1, the LME copper price for October 2010 and for hedging copper, a specific quantity of copper future contract is 25 tons per contract. Hereby we will use 100 MT as the example.

On October 1, Univertical bought 100 tons of copper from the spot market at spot price which was 811,400 USD. Meanwhile Univertical made the selling for 3 months futures contract in LME futures market for 813,200 USD.

After the production process, the copper anodes were ready in the warehouse. On October 29, the customer makes an order for this batch of copper anode. On Oct 29, the LME copper spot price was 822,500 and the 3 month buying price was 821,900. When Univertical sold copper at the spot price in the meantime it also bought 3 months of futures contract. The hedging results in making a loss the futures market. However a gain in the spot market will be offset by the loss in futures market and vice versa.

From the scenario, we can see that Univertical have enough time to prepare the inventory so that whenever the customer wants to settle on the spot price, the loss or gain can be offset by hedging the futures contract. Univertical fixed the inventory risk while it can satisfy the customer's delivery terms. This is a win-win strategy for the business.

Copper futures can be traded at the London Metal Exchange (LME) and the New York Mercantile Exchange (NYMEX) but not Shanghai metal exchange. That means Univertical China has an outstanding competitive advantage over other domestic competitors because of Univertical's international background. Chinese companies can't trade copper futures contracts in LME or NYMEX since this financial action is prohibited by the Chinese government. Univertical China can make it happen in

partnership with Univertical Corporation US. Univertical China can buy and sell copper on LME spot market for domestic customers re-export business, which means that the customer buys Univertical China's copper anodes and uses them for its export business. As sales people indicated, many customers business is that of re-export. Univertical Corporation makes selling the futures contract on the LME at the same occasion. Their gain or loss can be transferred between the Univertical Corporation US and Univertical China as an internal financial transaction.

TABLE

Table 1 LME Copper Daily Official and Settlement Price for Oct 2010

	CASH BUYER	CASH SELLER	Mean Cash	3- MONTHS BUYER	3- MONTHS SELLER	Mean 3mths
1.loka.10	\$8 114,00	\$8 115,00	\$8 114,50	\$8 131,00	\$8 132,00	\$8 131,50
4.loka.10	\$8 085,00	\$8 085,50	\$8 085,25	\$8 119,00	\$8 120,00	\$8 119,50
5.loka.10	\$8 124,00	\$8 125,00	\$8 124,50	\$8 135,00	\$8 140,00	\$8 137,50
6.loka.10	\$8 215,00	\$8 215,50	\$8 215,25	\$8 238,00	\$8 239,00	\$8 238,50
7.loka.10	\$8 261,50	\$8 262,00	\$8 261,75	\$8 285,00	\$8 286,00	\$8 285,50
8.loka.10	\$8 104,00	\$8 104,50	\$8 104,25	\$8 114,00	\$8 115,00	\$8 114,50
11.loka.10	\$8 335,00	\$8 335,50	\$8 335,25	\$8 325,00	\$8 326,00	\$8 325,50
12.loka.10	\$8 265,50	\$8 266,00	\$8 265,75	\$8 270,00	\$8 271,00	\$8 270,50
13.loka.10	\$8 398,00	\$8 400,00	\$8 399,00	\$8 409,50	\$8 410,50	\$8 410,00
14.loka.10	\$8 411,50	\$8 412,00	\$8 411,75	\$8 415,00	\$8 415,50	\$8 415,25
15.loka.10	\$8 362,00	\$8 362,50	\$8 362,25	\$8 370,00	\$8 371,00	\$8 370,50
18.loka.10	\$8 340,00	\$8 340,50	\$8 340,25	\$8 344,00	\$8 344,50	\$8 344,25
19.loka.10	\$8 290,00	\$8 295,00	\$8 292,50	\$8 310,00	\$8 315,00	\$8 312,50
20.loka.10	\$8 246,00	\$8 250,00	\$8 248,00	\$8 271,00	\$8 272,00	\$8 271,50
21.loka.10	\$8 405,50	\$8 406,00	\$8 405,75	\$8 423,00	\$8 424,00	\$8 423,50
22.loka.10	\$8 309,00	\$8 309,50	\$8 309,25	\$8 324,00	\$8 325,00	\$8 324,50
25.loka.10	\$8 500,00	\$8 501,00	\$8 500,50	\$8 501,00	\$8 502,00	\$8 501,50
26.loka.10	\$8 465,00	\$8 466,00	\$8 465,50	\$8 473,50	\$8 474,50	\$8 474,00
27.loka.10	\$8 331,00	\$8 332,00	\$8 331,50	\$8 344,00	\$8 345,00	\$8 344,50
28.loka.10	\$8 331,00	\$8 332,00	\$8 331,50	\$8 339,00	\$8 340,00	\$8 339,50
29.loka.10	\$8 224,00	\$8 225,00	\$8 224,50	\$8 219,00	\$8 220,00	\$8 219,50

http://www.lme.com/dataprices_historical.as

6.4 Target Market Identification

Combined with Univertical's strength and the optional strategy choice, the target market can be summarized as follows:

- ✧ Higher quality demand market. In general this means a proportion of all the customer segments.
 - Flexible PCB segment. As the electronic industry gets more and more developed, it makes electronic devices which are more functional but smaller in size. Based on the PCB industry analysis, stable growth is visible in the Flexible PCB segment.
 - Passenger automobile segment. The surge in market growth makes this segment very attractive. As we discussed the crisis with the Volkswagen ChangChun. To fix the unpleasant relationship is the top priority. It is an obstacle to more cooperation with the automobile industry. The Volkswagen in ShangHai can also be targeted by the sales force because of the influence from ChangChun if Univertical can repair the relationship. In addition, Brilliance, which is the BMW manufacturer in ShenYang is a new potential customer.
 - The customer segment with re-export business. As with the market growth strategy previously illustrated, the hedging method can help the customer save the time from spotting the price until the delivery. It makes Univertical's competitive advantage outstanding about others. The government has stricter rules for the re-export business. The manufacturer can only apply this trading model if it can grant long terms and have a stable business. In other words, it means that Univertical will have a long term and stable business if Univertical can be in partnership in re-exporter business with customers. It is a benefit to Univertical to make this part of their long term business development plan.

7 DISCUSSION

In this case study, to better understand the customer's needs, by analysis of the customer's complaints, the current situation of the copper anode business in China was studied to get an overall view of it. The copper anode's customer is the electroplating industry and the two biggest segments of the electroplating industry are the PCB and automobile industries. The PCB business shows a stable growth after the global economic crisis. The automobile industry shows a surged growth since 2009. It was at about a 54 percent increment from 2008 to 2009. According to the forecast of the International Organization of Motor Vehicle Manufacturers, a potential 48 percent growth will happen in 2010 compared with 2009's production. The electroplating market is a perfect competitive market. There are many potential customers but also many competitors. Univertical's market share accounts for around 1 percent of the market. The supplier market, the copper manufacturers market is an oligopolistic market to copper anode manufacturers. There is no possibility to bargain for the price and payment terms with copper suppliers. The copper anode manufacturers have low bargaining power in both markets.

Based on the supply chain theory, the internal process of Univertical has studied, it has good quality control but the logistics is the weak link compared with their competitors. The shipments take too long to regions other than eastern China. In the current market, Univertical as a late-comer does not have an efficient and unique strategy to enlarge their market share.

For a better understanding of the customer's needs, the study deeply analyzes the customer's demands and complains therefore we find out 3 major dilemmas that may limit Univertical's market share expanding plan. There is the complaint that the sales price is not competitive as a late-comer in the market; compared with their competitors, the logistics cycle time is too long to the regions except for Eastern China; the quotation modes are not flexible, Univertical has the common quotation

modes as other competitors but customer demand the better way for the quotation, not any copper anode manufacturer can satisfy customers right now.

The author recommends that Univertical China should focus on the target market by utilizing its own competitive advantage. To figure out Univertical's competitive advantage, the SWOT analysis and the Porter's 5 forces analysis are adopted in this study. Univertical has strong quality reputation in electroplating market, and Univertical China has the international background can be used compare with other local competitors. You will have more probability of success when you know your rival better. The study uses the competitor strength grid to illustrate the relative strengths and weakness of the above competitors and Univertical. It provides a better view of Univertical's current condition position in the market.

After clarifying the all the situations, the strategies to enlarge the market share were presented. Except for disagreeing with a lower pricing strategy, Univertical should consider establishing more logistics centers for distribution, with a special emphasis on the growth trend in north and western China. The strategy of creating the hedge system is for shorten the copper raw material reservation cycle time. It can sharply cut the delivery time to the customer. So far it is the only market strategy which differs from their competitors besides quality. Univertical should emphasize and utilize this unique competitive advantage. The re-export customer segment need to be paid enough attention to because of this strategy. By the all above analysis, we identify that three target markets need to be concentrated on. There are the Flexible PCB market, the passenger automobile market and re-export business market. The Flexible PCB market has high quality demand which is Univertical's strength. The passenger automobile market needs more attention as it is in surged growth recently. For the re-export business, the customer takes longer cycle time for this business and with Univertical's strategy, hedging futures copper contracts, can save a lot of time and also it makes it so that the customer can follow the market spot price therefore reduce the price fluctuation bought by the changing in the inventory value, to lock the risk.

Consolidating the core competitive advantage is the key when developing the market strategy for enlarging the market share. Provide something which your competitor cannot achieve then you are very close to success.

The shareholders expect a growth of 25% in 2011 in the copper anode business (Wu, 2010c). When the objective is identified, the sales force needs to focus more on how to make a marketing action plan and how to implement the chosen strategy.

In Univertical's case, the sales forces need to perform more research on the potential target markets. They need to have a better understanding of the targeted industry situation. Who are the leaders in the different segments and what the business operating systems are running is. With the chosen strategy, Univertical can bring more added values to the customer as we explained. When you put yourself in your customer's shoes then you will know if the chosen strategy matches their demands.

But to win in the market absolutely depends on the strategy implementation. As a new business mode, for the hedging copper futures contract, the author believes it is a practical and applicability mode for the copper anode business. Univertical China needs consider how to establish a procedure with Univertical Corporation and also with customers. When customer order the spot price copper then Univertical Corporation needs make the hedging futures contract at the same time to offset the risk of price fluctuation. Univertical China also needs consider how to transfer the gain or loss for the hedging business with Univertical Corporation before the accounting period closed. These can be the future study topic.

Since this new strategy has not be applied before in the copper anode market in China, so Univertical needs pay additional attention on picking up the right sales people to implement it. Selecting a good sales force to work with the major target customers is key element in this strategy. The right people can express the purpose clearly to the customer and ensure the success.

During this thesis writing process, there were many communications happened with Univertical's sales team, many possibility options have discussed for enlarging the market share and sales. There are many ways for increasing the sales but for

remaining the profit, the chosen strategies seems are the most sensible choices in the current condition. Especially the hedging copper futures mode, it is an innovative process for the copper anode manufacturer in China. The sales force believes it has good market opportunities (Wu, 2010d).

With the right strategy, you need be at the right time and on right place with right people to win the market. The details of the strategies implement can be future study for Univertical China.

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