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STRATEGY OF CHINESE MARKET DEVELOPMENT FOR MEHI OY

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THESIS
ABSTRACT

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Mehi Oy is a metal cutting tool manufacturer in Finland. Due to the impact of the financial crisis over the last few years, the company intended to develop new markets in order to compensate for the shortage of domestic sales and seek more overseas opportunities. As a fast developing country, China became a vital target market for the manufacturing industry. The aim of this thesis was to research the market potential in China for the commissioning party - Mehi Oy.

The marketing strategy analysis consisted of market environment assessment, market entry mode, selection of marketing channels, industrial association interviews, customer communication, customer visits and the experience of exhibition participation for sales promotion. The sample of market and marketing research could be briefly divided into six groups, namely, industrial associations, new-developed branches in China of existing customers, new customers searched by web sources, exhibition visitors and local distributor agents. The total sample size was one hundred and eleven.

The outcome of thesis research achieved the expected goal. In terms of marketing results, market intelligence was gathered; new customer relationships and cooperative partnerships with local distributors were created by the marketing effort. The conclusion enabled Mehi Oy to comprehend that China is a potential market. Therefore the company decided to continue the project of Chinese market development and proposed a next new plan for further sales promotion in China.

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PREFACE

Market development aims to increase the size and expand unserved segment of a company's market. The strategy of market development is one of the significant factors that may help a company to grow. As a growing metal cutting tool manufacturer, Mehi Oy believes that it has a need to research and develop new markets in order to improve business. China, consequently becomes a vital target market in manufacturing industry.

The author has been as one member in the team of planning and implementing Chinese market development strategy. Hereby, I wish to express my thanks to Tomi Holappa from Mehi Oy for providing me a precious opportunity to be a team member during my practical training period and afterward working life. In addition, Kainuun Etu Oy as a coordinating party has offered me a working place and facilities in order to support the execution of my tasks. Therefore, many thanks as well to project manager - Teuvo Nissilä and other colleagues in Kainuun Etu. I sincerely appreciate all helps from them.

Additionally, speaking of appreciation, I have to thank my home university - Kajaani University of Applied Sciences. She provides me the joyful study atmosphere and professional knowledge. During my training and thesis working period, my supervisor – Anas Al Natsheh has given me sufficient guidance and support. Moreover, one-year exchange study life in Heilbronn University brought me supplementary knowledge and experiences.

Based on my education background, training and working experiences, finally I would like to share my research result on Chinese market development of this thesis with the readers.

Qing Lin

Kajaani, Kainuu
June 2011

LIST OF ABBREVIATIONS

CBN	Cubic Boron Nitride
CHINA POPIN	China Population Information Network
CIEC	China International Exhibition Center
CMCTEA	China Metal Cutting Tool Engineering Association
CMIF	China Machinery Industry Federation
CTMO	China Trademark Office
ESCAP	Economic and Social Commission for Asia and the Pacific
KAJAANI UAS	Kajaani University of Applied Sciences
Oy	Osakeyhtiö: prefix/postfix indicating a Finnish Limited company
PCD	Polycrystalline Diamond
SAIC	State Administration for Industry and Commerce People's Republic of China
SITC	Standard International Trade Classification

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1 INTRODUCTION

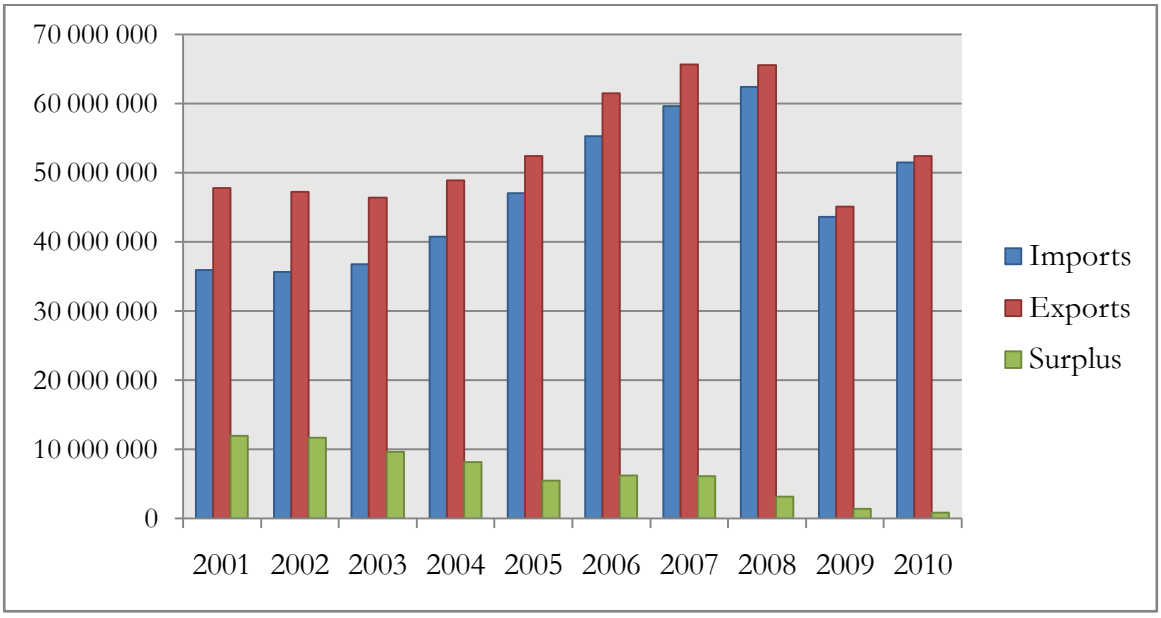
According to Finnish Customs (2011 a), the overall trend of foreign trade in Finland has been gradually increasing in the past decade except the impact of financial crisis in the last two years. Finnish Customs (2011 b) illustrated that imports and exports in 2010 achieved up to 51.5 and 52.4 billion Euros; rose 18% and 16% over the previous year (See Figure 1.1 & 1.2). (Statistics Finland, 2010.) This trend of trading reveals that Finland accelerates the expansion of international business, more and more Finnish companies are willing to seek economical supply resources and mighty potential of overseas market in order to improve trade growth. This academic thesis will study how extensive the potential of manufacturing market is in China for the commissioning party – Mehi Oy.

Mehi Oy is a Finnish metal cutting tool manufacturer that has been committed to the domestic market for nearly 40 years. Nevertheless, with the development of economic globalization, it has been necessary for Mehi Oy to start exploring and developing foreign markets as many Finnish companies have done. Based on the premise of successful and mature operation in the existing field, the excess production capacity and outbound unsaturated market enable Mehi to aim at expanding market segment and extending customer base for the purpose of selling more products. As a country with huge geographical area, China becomes a new and considerable sales channel for Mehi Oy. The strategy of the Chinese market development is to develop a new market for existing but continuously modified customized-products in order to enhance sales volume. (Mehi Oy 2010.)

The thesis will clarify the theoretical background of strategic marketing management, meanwhile and combine with practical application of market development methodology. By many different marketing concepts, the central thinking of management is to identify target customers, create customer relationships, deliver value to them and satisfy their needs and expectations as the final destination of all business activities (Kotler & Armstrong 2008, 4).

The following chapters will specify the strategic planning and implementation process of Chinese market development and put emphasis on analyzing the key points of success and difficulty for seeking and achieving prospective customers in China. The topics include market environment analysis, customer communication, exhibition participation, and so on. The

purpose of this paper is to provide readers the useful information of business-to-business marketing between Finland and China.



(1000 Euros)

Year	Imports 1000 e	Exports 1000 e	Surplus 1000 e
2 001	35 890 694	47 800 400	11 909 706
2 002	35 611 086	47 245 156	11 634 070
2 003	36 774 653	46 378 316	9 603 663
2 004	40 729 688	48 916 985	8 187 297
2 005	47 026 609	52 453 007	5 426 399
2 006	55 252 641	61 489 232	6 236 591
2 007	59 616 039	65 687 616	6 071 577
2 008	62 402 368	65 580 219	3 177 851
2 009	43 654 637	45 063 410	1 408 773
2 010	51 499 543	52 372 073	872 530

Figure 1.1: Finland - Imports, exports and trade balance in 2001-2010 (Finnish Customs 2011 a.)

	Tuonti - Import - Imports 2010			Vienti - Export - Exports 2010		
	value	share	change	value	share	change
SITC	1000 e	%	%	1000 e	%	%
Koko tuonti/vienti - Total import/export	51 499 543	100,0	+18	52 372 073	100,0	+16
Elintarvikkeet ja elävät eläimet - Food and live animals	2 848 822	5,5	+9	1 104 976	2,1	+11
Juomat ja tupakka - Beverages and tobacco	493 260	1,0	+8	134 858	0,3	-2
Raaka-aineet, pl. polttoaineet - Crude materials, inedible, except fuels	4 581 564	8,9	+71	3 559 101	6,8	+64
Poltto- ja voiteluaineet, sähkövirta - Mineral fuels etc	9 487 883	18,4	+31	4 210 753	8,0	+46
Eläin- ja kasviöljyt ja -rasvat - Animal, vegetable oil, fat	299 389	0,6	+85	50 149	0,1	+27
Kemialliset aineet ja tuotteet - Chemicals and related products, nes	5 921 922	11,5	+15	5 870 216	11,2	+28
Valmistetut tavarat valmistusaineen mukaan - Basic manufactures	6 351 522	12,3	+21	16 566 474	31,6	+31
Koneet, laitteet ja kuljetusvälineet - Machinery, transport equipment	14 755 218	28,7	+5	16 913 912	32,3	-7
Erinäiset valmiit tavarat - Miscellaneous manufactured articles	5 070 976	9,8	+9	2 978 561	5,7	+10
Muut tavarat - Goods not classified elsewhere	1 688 987	3,3	+22	983 074	1,9	+53

Figure 1.2: Finland - Imports and exports by sections and divisions of the SITC (Finnish Customs 2011 b.)

2 PROFILE OF MEHI OY

This chapter will introduce the profile of Mehi Oy in order to familiarize the background of the company. The following information may help to understand the company history, the office location, the organization structure, the financial situation, key products and the customer base. After browsing the company profile, the reason of developing Chinese market for Mehi Oy may also be indicated.

2.1 About Mehi

Mehi Oy was founded in 1973, the initial reason for its establishment was to modify inserts for the needs of many national engineering workshops. From 1985 to 1990, Mehi was engaged in manufacturing its own products – standard boring and drilling tools. Since the end of last century, in order to satisfy widespread requirements of modern machine tools and work stages, Mehi started researching and developing customized tools, which have been manufactured until today. (Mehi Oy 2010.)

Mehi products are manufactured by high quality raw materials, modern machinery, advanced technology and production methods. In the process of designing and manufacturing, 2D and 3D software are widely applied, meanwhile in the management of working tracks, a CAM (computer-aided manufacturing) program is essential to control tooling with more precise dimensions, minimize waste and reduce energy consumptions. (Mehi Oy 2008.) In order to maintain a good reputation in the metal industry, Mehi keeps listening to customer needs, searches optimum solutions and provides high quality products and technical supporting services for customers at a competitive price in a short delivery time.

The manufacturing plant of Mehi Oy is located in Northern Finland – Suomussalmi, nevertheless Hertek Oy and Työkalupalvelu Tool Service Grönbrom as two of distributor representatives of Mehi Oy are responsible for managing domestic sales, as well as the sales of a few countries in foreign markets, such as the Baltic, Italy and Brazil. In 2009, the proportion of domestic sales was 64%; exports proportion was 36%, in which exports to China accounted for 34%. (Mehi Oy 2010.)

Nowadays due to the domestic market having already been saturated for metal industry, Mehi estimated that the Finnish market would not be sufficient to achieve the goal of sales growth anymore. Therefore Tomi Holappa - managing director led Mehi to develop global markets, especially concentrating on China in the current situation, because as one of the targets, China had already become a particularly major subscriber in metal cutting tools.

In Mehi Oy, there are five employees working in management positions, including two designers, a production manager, and an administrator who is also in charge of customer service. Teuvo Merilä was the previous managing director. Since his retirement in 2010, Tomi Holappa has taken over his responsibilities and continually carried out the project of marketing in China. Besides, there are about twenty employees working in the plant with two-shift operation. In the plant, Mehi equipment mainly include three CNC lathes, three machine centers, five grinding machines and one checking machine. Nevertheless, Mehi is able to invest in additional equipment in case the market demands growth. Those well-skilled employees and advanced equipment make Mehi's product entry into global markets possible. (Mehi Oy 2010.)

2.2 Main Products

Brennan, Canning and McDowell (2009, 263) point out that the success of marketing behavior of a company can only be materialized when customers are willing to buy its products and services. The problem-solving abilities of the supplier constitute a source of value which is delivered to customers by the product offering. The value proposition is based on the selection of markets and customers to be served. The product offering is a dynamic process. It is tailored by customer needs, desires, preferences and buying habits of the selected market. Over time, the offering must change as customer needs and preferences change.

Mehi's product system can be divided into three parts: standard tools, special tools (or named as customized tools) and other machinable products in sub-contracting. Standard tools mean tools used for boring and drilling purposes; nearly 40 years of expertise and experiences enable Mehi nowadays to design and manufacture the distinctive customized tools for meeting customer's special needs. Customized tool offering must be modified all the time when customer needs are different. Currently, special tools are the central production

goal, accounting for 70% of the total amount. Meanwhile special tools are also the leading products for export. The production of standard tools only accounted for 30%, however most engineering workshops still have certain demands on standard ones. Therefore, some of standard tools are stocked in Mehi's storage room for general orders or customer's emergent procurement.

- Standard Tools

Mehi-Standard Tool is a functional entity assembled with an attachment system for milling, drilling and boring manufacturing. The Mehi tool series is used to remove material from the work piece by means of roughing and finishing operations. The selection of machining operations is in accordance with the purpose and cutting conditions. Roughing bores are used to remove large amounts of material as rapidly as possible from the starting work stage, so as to cut a general shape which is close to the expected form. In machining process, roughing operations are usually performed with lower cutting speeds and followed by finishing operations. Finishing tools can complete the precise requirement and achieve the final dimension, tolerances, and surface finishing. Mehi-standard tools consist of clamps, joints, bores, bit holders, and fine-tuning elements. The delivery time for standard products is approximately from 2 weeks to 6 weeks, nevertheless it also depends on the order quantity. (Mehi Oy 2009.)

- Special Tools

Mehi-Special Tools are of high accuracy for machine tools to attain the final result. In machining, for example, boring is the process of enlarging a hole that has already been drilled. By means of boring, the result can be achieved to a greater accuracy of the diameter for a hole. On the other hand, in terms of flexibility, special tools are unique by following customers' needs and wishes. The users of Mehi special tools do not need to worry although they have machining tools with different types of adapters. A Mehi tool is clamped into a tool holder that can match milling cutter adapter, a Weldon chuck or a collet chuck. Additionally, it is a common phenomenon that most of users lack the knowledge of their tooling innovation for production development. Training and some reasonable suggestions of tooling modification from Mehi to customers enable them to improve their productivity, meanwhile to strengthen customer reliance on Mehi's products and technology. (Mehi Oy 2009.)

Mehi-Special tools can be produced for both the smallest and largest requirements of diameter from 50 to 1400 millimeters. The supply of special tools can be managed by small series works or a large quantity. The designing and manufacturing process of Mehi special tools is presented by the website http://www.youtube.com/watch?v=rLjOhlnmDJo (Mehi Tools 2010).

- Subcontracting

Besides of standard and special tools, Mehi also undertakes the subcontracting from partners and customers when they do not have the time or skills to perform certain tasks. Mehi is able to become a qualified subcontractor, because tooling subcontractor enterprises with the know-how and expertise are quite rare, meanwhile the general contractor sometimes has to keep the project with low-cost for manufacturing of standard products. A small series of customized products may block off their large number of production for standard ones. The orders of subcontracting in Mehi usually can be engine parts, curing and smoothing of finished goods with high precise condition. The subcontracting from Mehi allows its clients to work on more than one phase of the project to be completed at once. Consequently, advantages for both parties enable the cooperation to keep a long-lasting relationship. (Mehi Oy 2009.)

2.3 Customer References

As one of the leading metal cutting tool manufacturers in Finland, the existing and potential customers of Mehi Oy may cover the entire manufacturing industry in both national and global markets. According to Davidson & Rogers (2006, 103), a company's customer base may be considered its most important asset. In other words, nothing happens unless a sale is made. The key to manage a productive customer relationship and drive sales to be achieved is in terms of customer information collection and how it can be used. The examples of typical customers for Mehi Oy include Wärtsilä, Metso, AGCO Sisu Power, and SEW Industrial Gears.

- Wärtsilä

Wärtsilä is a Finnish listed company that lies in the field of power plants and marine solutions with 17,500 employees in 70 countries around the world (Wärtsilä 2011 a).Supplies of Mehi's tools may concern with ship machinery sector which involves the production of engines and generating sets, reduction gears, propulsion equipment, control systems and sealing solutions for vessels and offshore applications. Mehi's majority of purchase orders come from Wärtsilä Vaasa, Finland and Trieste, Italy.

China is seen as the fastest-growing shipbuilding market in the world, therefore Wärtsilä made the decision of setting up the Chinese branch in 1986 (Wärtsilä 2011 b). Wärtsilä China brings Mehi Oy hopes and opportunities for cooperation since it caters to Mehi's wishes of developing Chinese market. However, it also a big challenge, because Wärtsilä is especially looking for committed suppliers in Asia or the location where the production is. In other words, the favorable ones can be new local suppliers or current suppliers willing to join global model with Wärtsilä by setting up production in the same region. (Wärtsilä 2011 c.) Establishment of a production plant would be a large investment and significant decision for Mehi Oy. In addition, in the manner of customer communication, Wärtsilä Chia Ltd presented that Chinese manufactory did not produce all components by themselves. Cutting tools might be needed by the component suppliers of Wärtsilä, however it was a small possibility that its suppliers' procurement decision was under controlled by Indirect Purchasing Wärtsilä China, Shanghai office.

- Metso

Metso is a global supplier with many sectors in more than 50 countries. Metso's Corporate Office is located in Helsinki, Finland. (Metso 2010 a.) The business areas consist of mining, construction, power generation, automation, recycling and the pulp and paper industries with 28, 500 employees. Metso was created in 1999 by the merger of Valmet and Rauma. Valmet was a paper and board machine manufacturer, while Rauma's operations were dedicated to fiber technology, rock crushing and flow control solutions. In accordance with Metso's history background, it is not difficult to see that nowadays the net sales from paper sector shared the biggest part with 30% of the total amount. (Metso 2010 b.)

Mehi Oy provides products offering to Metso Mining and Construction sector, Metso Power and Metso Field Systems in Automation sector in Finland, as well as today's Moventas, which was formed from original Metso Drives. In addition, Mehi started cooperating with Metso Paper Technology (Shanghai) Co., Ltd in May 2010 for the first time.

In 2006, Metso Paper established a new plant of paper machine production in China. On December 8, 2006, the opening ceremony of Metso Paper Technology (Shanghai) Co., Ltd took place in Jiading, Shanghai. With the rapid development of paper industry in China, a half of new orders in papermaking production line are from China. The Shanghai unit establishment opened a new window to the Metso group in strengthening customer service, manufacturing and sourcing operations. (Metso 2010 c.)

Since the cooperation with Metso Paper Shanghai, Mehi has been keeping a close relationship with this new customer by means of frequent customer visits. In accordance with the company introduction that is presented by Mika Gåsman – Senior Production Development Manager and Paper Business Line at the first meeting, Mehi learnt that Metso acquired Shanghai – Chenming Paper Machinery Co., Ltd on August 31, 2006. Nowadays there is a modern machining workshop, a foundry workshop, and a design department in the Shanghai plant. In the Shanghai unit, Metso produces paper and board machines for internal supplies focusing on the paper projects in China and supplying paper and board machine components for users outside China. The managing director in Metso Paper Shanghai is Jukka Kyttälä, who leads approximately 450 employees. (Metso 2010.)

- AGCO Sisu Power

AGCO Sisu Power is a global brand in diesel engines of AGCO Corporation. There are three functional sectors belonging to AGCO Sisu Power, respectively for manufacturing durable and environmental friendly off-highway diesel engines; diesel generators and pumps; gear wheel, axels and gear boxes. (AGCO Sisu Power 2011 a.) AGCO Sisu Power has 60 years history of producing diesel engines in Linnavuori, Finland. From 2005 to 2007, the company has renovated its production technology of modern facilities. (AGCO Sisu Power 2011b.)

Mehi has been maintaining its supplies to both former Sisi Diesel and today's AGCO Sisu Power. The acquisition of AGCO Sisu Power made by US AGCO Corporation, the new brand was determined in 2008. AGCO has the productivity of more than 30, 000 diesel engines annually manufactured by around 680 employees to tractor or other farm machinery industries. Since AGCO Finland has many purchase orders to Mehi Oy, therefore Mehi attempted to search the possibilities of cooperation with the Chinese unit during the process of developing a new market. However, in terms of the communication with the Finnish unit, it has been witnessed that AGCO Sisu Power currently did not have production activities in Asia except sales representatives. (AGCO Sisu Power 2011 b.)

- SEW Industrial Gears

SEW Industrial Gears is a global manufacturer of drive automation with 14,000 employees around the world. Until today, the company already has over 80 years of history. SEW provides gear motors, drive electronics, and tailor the drive solutions to the needs of special applications. The efforts of SEW products is to move conveyer belts, bottling plants, sports stadium roofs, gravel plants, assembly lines, or luggage at the airport and escalators for people. (SEW Eurodrive 2010 a.) Mehi is one of the important tool suppliers for SEW which delivers goods to both units in Karkkila, Finland and Tianjin, China. In 2008, Mehi's annual turnover from SEW exceeded 30% of overall, although the impact of financial crisis existed. In a way, SEW's large number of procurement has relieved Mehi's sales pressure during that difficult period. The purchase orders from China have been retained significant all the time since the co-operation. The terms of delivery for SEW is usually adopted in Incoterm Ex Works.

In 1994, SEW-Eurodrive (Tianjin) Co., Ltd was founded in Tianjin Economic Technological Development Area of China. In March 2011, the company name was changed to SEW Industrial Gears (Tianjin) Co., Ltd. The company occupies 175,000 square meters, total construction area is nearly 100,000 square meters. SEW Tianjin is the only manufacturing center in the Asia-Pacific area as one member of SEW Group with fully imported equipment and technology. The products of SEW Tianjin unit are designed, manufactured and assembled in accordance with quality standards, which ensure the product offering keep the same quality with German company. There are 34 sales offices in China, serves for many large and medium-size domestic enterprises and national key projects. In addition, numerous of industrial

reducers, gear motors and frequency control devices are shipped from Tianjin manufactory to all over the world. (SEW Eurodrive 2010 b.)

Davidson and Rogers (2006, 103) claim that the foundation of customer relationship is to identify and manage customers. Loyal customers represent profitable sources by means of repeat purchases, which is more valuable than one-off sales. Mehi serves many well-known Finnish customers and multinational corporations (MNCs). Besides above-mentioned customers, the following are other key customers for Mehi Oy.

- Rautaruukki
- Kone Oyj
- KCI Konecranes
- Valtra
- Parker Hannifin Lokomec Oy
- Gardner Denver
- Componenta Nisamo
- Tulikivi
- Nomet Oy
- Kolmeks Oy
- Konepaja Ceiko Oy

(Mehi Oy 2008.)

3 PROGRESS OF PROJECT ON MARKET DEVELOPMENT

Mehi's market development project started in January 2010, launched by three cooperation parties, namely, Kainuun Etu Oy, Mehi Oy and Kajaanin Ammattikorkeakoulu. Mehi Oy is the key party as well as the beneficiary in this project who might directly achieve the profit from the project outcome. Nevertheless, it will be too much challenge if Mehi work alone on the project without many supports and assistants from other significant parties.

Kainuun Etu Oy is a municipality-owned regional development institution, which provides consulting service for partner enterprises within the Kainuun region to develop their business operations for both national and global areas. In Kainuun Etu, there are four sectors that specialize in different industrial fields. They are ICT, Electronics & Metal Industry; Experience Production & Food Industry; Wood Sector; and Stone & Mining Sector. The Mehi Project was placed in the sector of ICT, Electronics & Metal Industry. (Kainuun Etu Oy 2011 a.) Mikko Kettunen was the previous sector manager who gathered three parties to make the strategic plan and organize the project implementation.

In the sector of ICT, Electronics & Metal Industry, the staffs are highly qualified in designing and creating project portfolios that innovate its partner enterprises to achieve their strategic goals for growth and development in international environment (Kainuun Etu Oy 2011 b). Teuvo Nissilä was the project manager, besides; he is also the leader of Metapart metal engineering network with 13 members. Mehi is one of the members, which has attained the project investment from Metapart fund segment in Kainuun Etu. The effective cooperation between members is the final destination of the project led by the Metapart Group and coordinated of Kainuun Etu. (Metapart 2011.)

Kajaanin Ammattikorkeakoulu, is also known as Kajaani University of Applied Sciences (Kajaani UAS) that is a state-recognized educational institution in Finland (Kajaanin Ammattikorkeakoulu 2011). The teaching method in Kajaani UAS is not only providing lectures, but also participating in various projects of real enterprises in the Kainuun region. On the other hand, project participation is to deliver the qualified students with mature-education to the enterprises for meeting the requirements of regional development. The

Mehi Project was coordinated by professor Anas Al Natsheh who has guided and supervised four students from Kajaani UAS from January to the middle of May 2010.

Main tasks of the Mehi Project were divided into three areas, according to different features of target countries. Anni Kääriäinen and Katri Karjalainen were in charge of investigating the possibility in European market; Margaux Bergonzoli was responsible for South American market who can speak fluent Spanish; Lin Qing dedicated her work to market research and customer development in China where Mehi believed it is the most potential one.

Once the responsibilities were allocated, students started working on their own target market individually as well as working as a team. For example, it was an important decision that everyone has agreed on exchanging the marketing information and experiences by means of regular meetings, in order to promote the project fast and effectively.

The project start-up meeting took place in Mehi Oy on January 15, 2010 for the purpose of learning company profile and defining the future marketing strategy. Tomi Holappa provided students – the future marketers sufficient information, such as company history, products and equipment, existing customer list, current marketing situation and future target market segments. All information was valuable for approaching work of customer communication. Moreover, during marketing period, it was available that marketers always could collect more information and knowledge by contacting Mehi Oy or gaining guidance from supervisor teacher- Anas Al Natsheh whenever needed.

Regarding to the specific assignments for marketers, they were engaged in seeking possible exhibitions, searching potentials in target market and communicating with prospective customers. Many exhibitions that referring to metal or engineering industries have been found by marketers, for instance, ToolTec exhibition in Helsinki. However, the final decision of the one that Mehi expected to participate was a comprehensive exhibition in China in May 2010. It is known as the abbreviation title of Metal + Metallurgy China 2010, though it also includes casting, foundry and refractories industries. By means of Chinese exhibition participation, for one thing, Mehi was able to conduct research on customer needs in the target market. For another, it was the most cost-effective way to promote business by meeting visitors in a short time.

In the initial stage, marketers have sought customer sources based on Mehi existing customer base. Because many of them are multinational enterprises, therefore their overseas manufactory might be the most potential one as Mehi improves global business (See Appendix 1). Moreover, in terms of existing relationship, it comes easier to build the trust and make a new deal possible. In addition, the benefit is also to improve understanding of marketing conducts for inexperienced marketers for the future communication with new customers.

Both verbal and written forms of communication were used between potential customers and marketers. The marketing preliminary for specific assignments included preparation of one-page company presentation and a call scenario by group work of all marketers with the coordinating organization - Kajaani UAS (See Appendix 2 & 3: Among them, Margaux Bergonzoli contributed on the main commission of composing and editing for those files). Once all materials were ready and project schedule were arranged by second meeting within group work on February 3, 2010, marketers started the practical works (See Appendix 4).

Firstly, contact information of target customers have been found by internet. Usually it was only published for switchboard instead of the expected person who is in charge of procurement or production activities. Therefore, it was a basic and essential step to find the right person when marketers call to switchboard of prospective customers. Sometimes the operators put the line to production managers directly, however some of them required to leave a massage or send an E-mail to him or her first. Moreover, it was also difficult to speak with the expected person since they were not available or without any interests. In other words, marketers had to try many times to draw their attention and make communication possible.

Second step of marketing process was to send an E-mail with attachment of Mehi presentation or brochure to interested customers and call back to check the feedback within one week. Appendix 5, 6 and 7 present the marketing results of European and South American markets. Unfortunately, there was no any new customer in European and SA markets, because of the challenged Business-to-Business marketing features and the short marketing operation period. However, the fruitless outcome did not mean a lack of work. The spirit and performance of all marketers was appreciated and satisfied by Mehi Oy. On the other hand, marketing in China was still in progress, because of the task of contacting exhibition visitors had to be continued. Furthermore, the market development strategy was completely concentrated on China since May 2010.

At the same time with the commission of Chinese marketing, Annika Thieme, an exchange student from Germany, had devoted herself to the thesis writing in which the Mehi project also was involved. The purpose was to research if the German market would be the interesting one for Mehi Oy to enter. The kick-off meeting for her thesis was on April 6, 2010; the research duration lasted 5 months (See Appendix 8). Based on the valuable documentation of the significant information in her thesis, Laila Oikarinen had proceeded realistic work of customer communication during her six weeks training period at the beginning of 2011. Customer information was selected from the outcome of the thesis by Annika Thieme. As the central engineering industry in Europe and even in the world, Germany consequently became the interesting one to Mehi Oy by Annika Thieme's research conclusion. Furthermore, the marketing commission to Germany will be improved continuously.

Following the first business trip of Chinese exhibition participation, Mehi Oy has visited China twice afterwards. The main task for the trip in November 2010 was to negotiate with local potential distributors in China. Summarizing from the experiences of long-distance marketing over eight months, it was difficult to initiate sales activities without local presence as a general conclusion. Therefore Mehi has determined to select a few capable distributor agents as partners (See Appendix 9). During the negotiations, Finpro Shanghai (Finland Trade Center, Consulate General of Finland) provided many professional advices and effective assistance.

Moreover, another important purpose for this trip was to meet new customers - Metso Paper Technology (Shanghai) Co., Ltd, as well as the future potential one – Metso Automation (Shanghai) Co., Ltd. Furthermore in SEW Industrial Gears, senior manager of production development - Juergen Uhlenbrock had replaced the location of the previous one – Toivo Venalainen, accordingly Mehi would like to acquaint with the new key person to maintain and improve the precious relationship with SEW. In addition, Wärtsilä China Co., Ltd was also listed in the visiting plan, though the purchasing possibility is little at present since Wärtsilä is a assembling manufactory in China without tooling demands currently.

On May 27, 2010, Metso Paper Technology (Shanghai) Co., Ltd requested the inquiry of a series tools from Mehi Oy for the first time, later the official order has been made and sent to Mehi; the first transaction has been completed by two parties. In August of the same year, Mehi first delivered finished products to Shanghai after four weeks of delivery time. Those

products with high quality and exclusive technology were satisfied by the new customer – Metso Paper. On November 16, 2010, in order to improve new customer relationship, Mehi achieved an opportunity to visit Metso Paper Shanghai, which enabled two companies to understand each other better.

Because of the requirement of latest modern machinery that have been equipped in Metso's workshop, therefore they invited Mehi to offer a technical training for improving their production capacities. At the beginning of March 2011, Mehi travelled to China for the third time at Metso's invitation. After visiting their plant, all demands that may improve their production line has been discovered, and every detailed information regarding to training have been determined. Besides of Metso visiting, many more activities have been completed during the trip in March. For example, Mehi has visited The 10th China International Machine Tool & Metalworking Exhibition in Tianjin. Some of interested exhibitors may become the future target customers or partners for Mehi Oy. All in all, the whole trip events brought more opportunities to Mehi for developing Chinese market in the future (See Appendix 10).

4 PROJECT RESEARCH METHODOLOGY

Project research is the systematic gathering, recording and data analyzing that enable the information available and useful in making strategic decision. This chapter begins by defining the project mission and objectives. The rest parts will be devoted to methodological issues. Until the research problem is indentified the real work can not start. Additionally, the research methods have to be applied accurately, hence the data collection will be helpful for concluding the results. In the research process, the appropriate methodologies provide the opportunity to find answers for research questions. For example, which type of research must be selected, quantitative or qualitative, should be done.

4.1 Mission & Objectives

The significance of strategic planning is to ensure survival, growth, and profitability of a company in terms of the market environment. As it was stated in chapter two that the environment of Finnish manufacturing market would not sustain sales growth of Mehi Oy, thereby Mehi was in search of a new and large-scale growth market. A very important premise of the determination of marketing plan is to define mission and objectives in order to develop the new market. (Jobber & Lancaster 2006, 44.)

Mehi was in a stable position for serving existing customers. The mission of next stage as well as the challenge for the company must search for a new growth opportunity in the new market environment. It requires Mehi Oy shall have a vision of a capability of providing products that would revolutionize the best solution to solve the difficult problems for customers.

Marketing objective must be definable in order to accomplish the mission, because they reflect customer needs and how the company can satisfy them. (Jobber & Lancaster 2006, 47.) Mehi Oy's marketing objective is to develop Chinese market by means of new customer achievement. In order to achieve the goal, Mehi has to design and manufacture the unique customized products for customer needs, meanwhile to lead and guide prospective customers to use its products.

4.2 Research Problem

Chauri and Cateora (2010, 153) state that before planning a market research study, firstly the researcher is required to identify and express the underlying decision problem. The more the research problem is identified accurately, the greater the possibility that the results will contribute real value to the firm is. The research problem for this thesis is to investigate the strategic methods that Mehi Oy is able to develop Chinese market and achieve more potential customers in order to beat against outside struggling economic environment of financial crisis in the current markets. According to McQuarrie (2006, 26), figure 4.1 illustrates the decision cycle of the research problem for Mehi Oy.

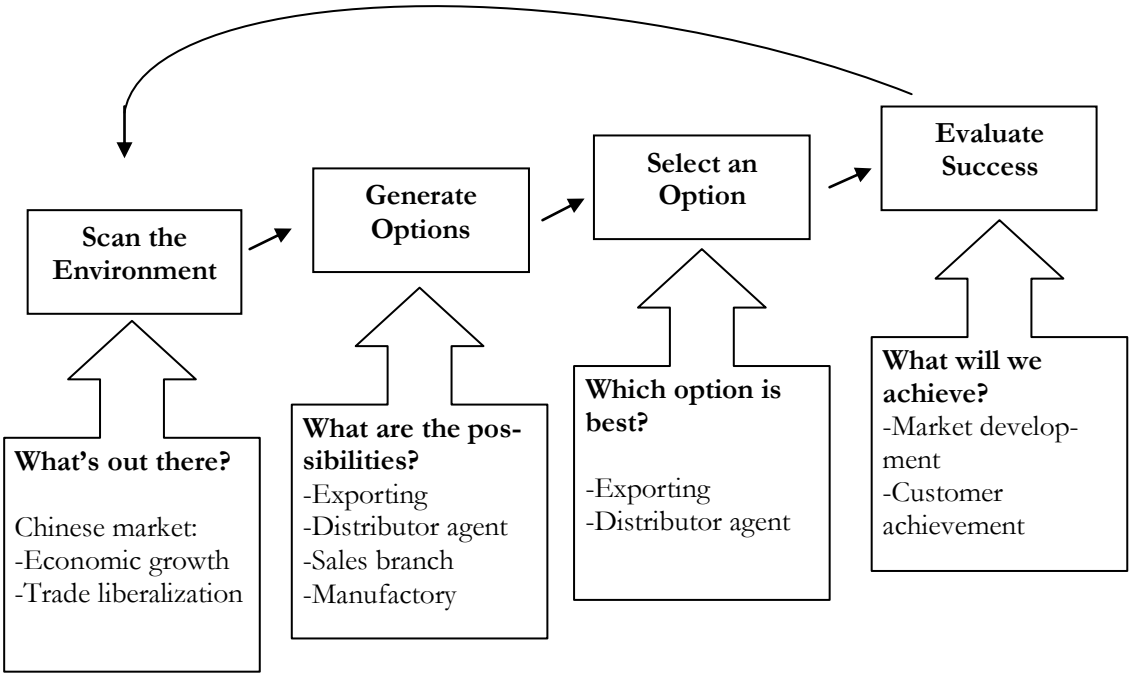


Figure 4.1: Decision cycle of the research problem (McQuarrie 2006, 26)

Environmental scanning is to gather and analyze sufficient market information for strategic decision making. It is the primary marketing execution to know what is happening in environment and how it impacts in the business operation. According to ESCAP (2011, 3), the developing economies of Asia and the Pacific emerged in 2009 as the fastest growing in the world with annual growth rate of 4%, in which China growing at 8.7%. In addition, in the third WTO Review of China's trade policies and practices and their impact on the function-

ing of the multilateral trading system, Chinese government needs to reduce regulatory and other trade barriers further, especially on customs procedures, technical regulations and standards, import licensing, and export restrictions. The strength of trade liberalization and investment regimes is to foster competition and achieve more efficient allocation of resources in economy. (World Trade Organization 2011.)

Overall, China's macro trading environment will be conducive to Mehi Oy's implementation of marketing strategy. Subsequently, the key research problem has to be faced is the selection of strategic measures. Possibilities of marketing measures for Mehi Oy are exporting, cooperation with distributor agents, establishment of sales branch or manufactory in China. Considering investment risks, the best option for the beginning phase is exporting in both direct marketing channels and indirect marketing channels that Mehi markets its products by local distributors as intermediaries. Consequently, the final business goal is to penetrate Chinese market and achieve more customers successfully.

4.3 Quantitative and Qualitative Research

Once the market environment was analyzed, the correct selection of research methods enable the information of environmental scanning useful in the initial exploratory stages of the strategic decision (McQuarrie 2006, 28-41). Generally, the marketing research methods remain the same for foreign and domestic marketing that can be grouped into two basic types, quantitative and qualitative research. In both methods, the marketer should concentrate on gaining knowledge about the target market.

By using the method of quantitative research, the respondent is required to reply either verbal or written structured questions. For example, the respondent may answer 'yes' or 'no' questions or select an answer from multi-choices. Questions are designed in order to investigate the respondent's behavior, intentions, attitudes, and motives. Quantitative or survey research provides responses to the marketer with precise estimations. The structured responses gathered from a survey are easy to be summarized in percentages, averages or other statistics. Survey research is often classified as quantitative research, and the typical instrument used by survey is the questionnaire administered by interview, mail or telephone. (Chauri and Cateora 2010, 155.)

Qualitative research, on the other hand, is open-ended, in-depth research method that seeks unstructured responses. The results may indicate the respondent's thoughts and feelings on the subject. Qualitative research conclusion may help to understand the respondent's interests, their outlooks and ideas, their attitudes and opinions, and their final decisions. The most popular instruments of qualitative research are focus group, interviews and case studies. Qualitative research is also used in international marketing research to examine the response that is centered on understanding of a market. (Chauri and Cateora 2010, 155.)

The research methods of Mehi project focused on qualitative research, which consist of interviews by verbal and written forms as well as the visits to customers and distribution agents. Following is an example of interview research. A British childrens-wear subsidiary of Sears was planning to enter the Spanish market. The company's objective of marketing research concerns about the differences in attitudes and buying patterns between the Spanish and British markets. Because the types of retail outlet in Spain were different, accompanied shopping interviews were used to investigate what were the differences and what shoppers' attitudes. During the interview process, respondents were accompanied on visits to outlets in different regions of Spain where selling childrens-wear. The respondents presented what they were seeing and feeling. Therefore the interviewer can see the outlet through the eyes of the shopper, and then make the criteria according the local shopping environment and products available. Interview research and other focus group studies enabled the company develop a successful entry strategy into Spain. (Chauri and Cateora 2010, 155-156.)

4.4 Data Collection

Hutt and Speh (2001, 150) indicate that primary data of marketing research is often collected for achieving firsthand information of customer attitudes, motivations, and buying intentions. Nevertheless business marketing researchers also rely on secondary data, because it is more quickly obtainable than the primary one, sometimes it is also able to make primary data collection more specific.

Mehi Oy researched industrial segments as well as company profiles within the target segments by web sources as secondary data. By understanding of secondary data, for example, contact information of target customers, the market researcher could start gathering the

primary data. Surveys are the most common primary data-gathering method in business marketing research. A survey takes place when a questionnaire is set and asked of a sample of customers. Due to the fact that the sample of a survey is usually large, however the total population in each category of Mehi Oy's marketing research was less than one hundred. Consequently, the survey method was not suggested for this project.

The common research tools of primary data were interviews and customer visits for developing Chinese market. Interviews consisted of industrial associations, Chinese branch of existing customers, and some new customers. Interviews have been applied by Skype voice system and afterward Email contacts. The purpose for interview research was mainly to investigate market potentials and customer buying intentions. Besides, communication with exhibition visitors has also taken place for seeking the broad marketing opportunities. Customer visits included visiting existing customers and new-developed branches of old customers. The feedback from customer visits could examine customer satisfaction as well as the possibility of extension-relationships. Moreover, visits also involved local distributors for researching the cooperation intentions by means of Chinese business trip. Furthermore, an invitation letter by Email communication also was sent to exhibitors for providing the chance of visiting Mehi's booth during the exhibition period in China.

5 PRESENTATION OF THE THEORETICAL BACKGROUND

This chapter presents the theoretical background for the thesis by providing wide-ranging and in-depth knowledge. Many literary works that related with the subject will be drawing for the thesis. Arguments consist of market entry mode, marketing channels, market environment analysis, marketing communication via IT, and the functions of the exhibition as one of the sales promotions.

5.1 Market Entry Mode

Helsen and Kotabe (1998, 241) conclude seven modes of market entry. They are: exporting, licensing, franchising, contract manufacturing, joint ventures, wholly owned subsidiaries, and cross-border strategic alliances. The final entry decisions must heavily impact the company's performance in global markets.

The different modes of market entry can be classified by the degree of control. From low-control strategy, for example, indirect exporting to high-control strategy, wholly owned subsidiary or majority stake partnerships as examples, the company can make the entry-mode decision according to how much control is desirable. However, the control degree does not simply mean that own as much as the best, a high control level also entail a large investment and huge amounts of risk. Therefore, the selection of market entry strategy must face the balanced benefits between control degree and the cost of resource commitment and risk. (Helsen & Kotabe 1998, 249.)

The companies that aim at starting their international expansion with exporting may have three options: indirect exporting, cooperative exporting, and direct exporting. Indirect exporting defines that the company hires a middleman in its home market to take the responsibility of exporting transaction. Indirect exporting is often seen as a "testing" strategy that will be switched by another once the demand for the product takes off. The drawbacks of indirect exporting may involve inadequate sales support, wrong pricing decisions, or poor distribution channels. Piggyback exporting is one of the typical forms of cooperative exporting that the exporter appoints a local or foreign company for overseas distribution network.

Direct exporting means the company sets up its own exporting department and the sales in the foreign market directly by the manufacturer as the name implies. The manufacturer may market its products to the foreign customers personally or via a middleman located in the foreign market. (Helsen & Kotabe 1998, 251.) Figure 5.1 illustrates the advantages of direct exporting comparing with indirect exporting.

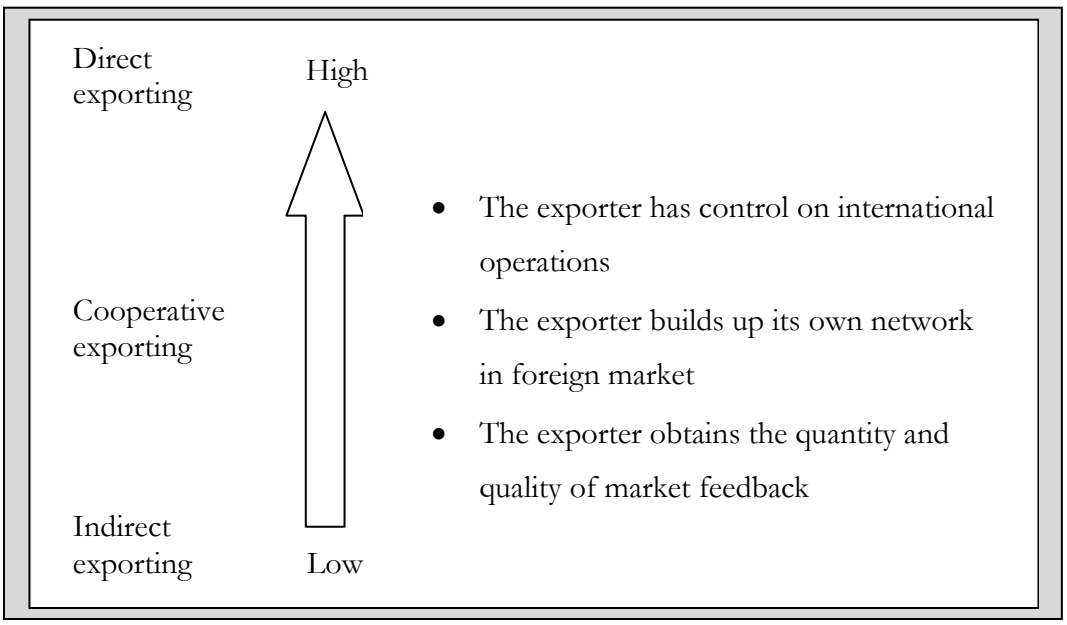


Figure 5.1: Market entry mode – exporting (Helsen & Kotabe 1998, 251-252)

Licensing strategy may also be selected by a company for penetrating foreign markets. Licensing is a contractual transaction where the licensor offers certain proprietary assets to the licensee, in return the licensor will achieve the royalty fees. The proprietary assets may consist of trademarks, technology knowledge, production processes, and patents. Licensing strategy very often can attract small companies that lack the resources and the wherewithal to invest in foreign facilities. As another low-commitment entry mode, licensing may overcome the import barriers and allow licensor to get access to markets where are completely closed to imports. The disadvantages of licensing may include the low return caused by licensee's lack of sales enthusiasm. (Helsen & Kotabe 1998, 252-253.)

Franchising is an agreement where the franchisor provides the franchisee the right to use franchisor's business concept and product trade name, for example, marketing plan, operating manuals, standards, training and quality control. On some level, franchising is similar with licensing, because the providers of both strategies can get royalty payments from proprietary offers. Many service companies choose franchising as a means of entering into foreign marketplace. The reason of a company to use franchising may consider the franchisee has a better understanding of local customs and laws. As a 'cousin' of licensing, franchising holds the same risks with licensing as well. A major concern is the lack of control on the operations of franchisees. (Helsen & Kotabe 1998, 254-255.)

Contract manufacturing means the international company agrees a local manufacturer to produce parts or even the entire products, yet the responsibility of marketing the products still belongs to the international company. The purpose that the company selects contract manufacturing strategy is cost savings. Therefore the labor-intensive countries are often the target markets that allow the international company to save the production costs. On the other hand, the contract manufacturing faces the risk which the selected manufacturer could be the future competitor. The international company may keep the technological intelligence in its home country to lower this risk. (Helsen & Kotabe 1998, 255.)

The strategy of Joint ventures is considered as the most viable way to enter foreign market for many MNCs, especially focusing on emerging markets. According to Helsen & Kotabe (1998, 256), equity joint ventures accounted for almost 65% of the foreign investment projects in China in 1991. With a joint venture, the foreign company can establish a new entity in the target county with its partner. Both parties may share the equity and other resources in three ways, namely majority (more than 50% ownership); fifty-fifty; and minority (less than 50% ownership). The benefit of joint ventures is the profit potential and the operation control, comparing to licensing, for example. However, in some countries, the local government does not allow the wholly owned ventures in certain industries. In that case, MNCs lose the opportunity of full control or a majority equity stake. They overcome this drawback with deploying expatriates to monitor finance, marketing, and other critical operations. (Helsen & Kotabe 1998, 256-257.)

Helsen and Kotabe (1998, 259) indicate that multinational companies often desire to enter into new markets with wholly owned ownership. The strategy of wholly owned subsidiaries

in foreign markets consists of two forms: acquisitions and greenfield operations. Acquisitions means MNC buys up existing companies. Although it is the fastest access strategy, there are some disadvantages and problems in achieving acquisition success. For example, one of the obvious problems is that integrating two organizations can be quite difficult to be consistent on organization cultures, control system and relationships. A Greenfield operation is the establishment of a new wholly owned subsidiary. It is more likely preferred when the investment plan can meet the demands of physical capital intensive plants. This entry strategy takes long time, because of quite much work on establishing new operations and distribution networks; learning and carrying out appropriate marketing strategies in the new market.

Cross-border strategic alliance means two or more organizations desire to achieve the same strategically significant goals and share the mutual benefits by a coalition. That can be licensing, joint ventures, R&D partnerships, or informal arrangements. A successful strategic alliance will probably never be defined in a formula. However, the alliance managers may consider choosing the partner with similar cultures, assets sizes, and the levels of venturing experiences. (Helsen & Kotabe 1998, 262-266.)

5.2 Marketing Channels

Marketing channel is a path where goods or services flow from the direction of production to the direction of consumption with or without marketing intermediaries. The use of intermediaries occurs when their contact, experience, and specialized operation can offer the firm more than it can achieve on its own. A company's channel decisions are linked with every other marketing strategy. (Kotler & Armstrong 1999, 354.) For example, the company's sales force and advertising decisions depend on how much the training and other supports the dealers need. On the other hand, the company's pricing must change when the number of distribution channel levels varies. Figure 5.2 illustrates the number of business marketing channels. Channel 1 is direct marketing from manufacturer to business customers. The business marketer use its own sales force to sell directly without any intermediaries. The remaining channels are indirect marketing channels which involve industrial distributors, manufacturer's representatives or sales branch, or both.

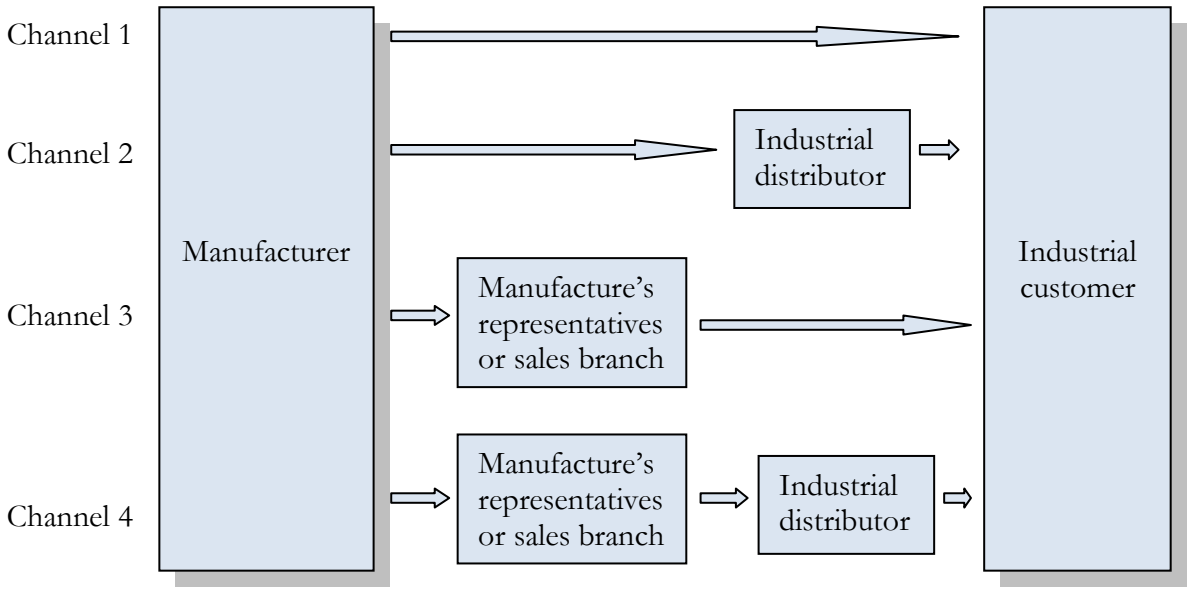


Figure 5.2: Business marketing channels (Kotler & Armstrong 1999, 355)

The members in a distribution channel are dissimilar companies that have banded together yet for the common goal of marketing the products successfully. Each channel member is dependent on the others, therefore all channel firms should cooperate one another and set up the strategy together, for instance, pricing. The healthy margins or profitable sales can be secured once they understand and accept their roles and coordinate their activities. By channel behaviours, they can more effectively sense, serve and satisfy the target market, thereby the win-win situation can be achieved. (Kotler, Armstrong, Saunders & Wong 1996, 813.)

5.3 Market Environment Analysis

The market environment involves all of the external factors that impact on the implementation of marketing strategy. Aaker and McLoughlin (2007, 95) conclude that external environmental analysis usually can be divided into five areas: technology, government, economics, culture and demographics. Assessing external environment enables the enterprise to monitor and forecast market demands, therefore it can set up the accurate marketing strategy (Hutt & Speh 2001, 11).

The more science and technology develop rapidly, the shorter marketing life of products will be. Productivity growth depends on technological development extremely nowadays. Although enterprises are able to provide a wider range of advanced products, innovation in technology also means that it might be more than one technical solution for meeting customer needs. From the microscopic point of view, technological demands must emphasize on an open, long-term relationship between customers and suppliers. By understanding customer's production development, it helps suppliers to innovate their technologies for the satisfaction of customer's updated demands. (Kotler & Armstrong 2008, 80.)

Aaker and McLoughlin (2007, 98) indicate that adjunction or removal of legislative or regulatory terms will bring threats or opportunities for strategic decision. For marketer, laws and regulations identify rules and procedures that guide marketing policies and activities. The governmental environment is a real-time external force to be monitored. Marketers have to research the latest rules before the decision making. Early information or researches may misguide marketing determination since regulations are sometimes revised or adjusted over time. In addition, different countries or regions may have different provisions on the same issue. Marketing research must follow the law or regulation in the target market environment.

Analyzing the economic environment of foreign markets enables the researcher to predict how trends and policies in the target market may impact on strategic decision and future performance. The reason of economic evaluation is first to analyze the overall outlook of the economy and then assess the influence of economic changes on the firm. (Jobber 2001, 121.) Although the growth rates in Gross Domestic Product (GDP) have been conceded as a highest level in the twentieth century, the growth in international flows in goods and services has developed even faster. The barriers to international trade keep getting lower, which increase the competitiveness and the concomitant needs for the companies to pay attention to the international economic environment. (Helsen & Kotabe 1998, 25.)

As Terpstra and David defined, "Culture is a learned, shared, compelling, interrelated set of symbols whose meanings provide a set of orientations for members of society. These orientations, taken together, provide solutions to problems that all societies must solve if they are to remain viable." (Helsen & Kotabe 1998, 84.) The marketing concept is usually defined as the process of listening to customers, understanding and satisfying their needs and wants,

and putting the customers at the center of the organization operations. As the core comprehension of marketing concept is a statement of business culture, a set of values and beliefs concerning to the importance of serving the customers. Therefore the implementation of the strategic marketing requires understanding business culture and managing it in order to deliver the value to customers. (Jobber & Lancaster 2006, 174-175.)

Demographic data are the characteristics of human populations and population segments, which include gender, race, age, income, educational attainment, employment status, and so on. Furthermore, in B2B marketing, demographics act like a filter that measure the best customers and form the basis of customer profile. (Kotler & Armstrong 1999, 68.)

5.4 Marketing Communication via IT

The ultimate goal of marketing strategy must be successful communication with target customers. In other words, the product concept and benefits have to be presented, explained, and developed to potential customers in the target market by marketing communication media. Information Technology (IT) nowadays can be used when sales representatives are involved in customer contact, especially for B2B marketing. As one of the communication tools, a personal computer very often enables international marketing communication more fast and convenient. (Jobber & Lancaster 2006, 348.) Skype voice system and E-mail contacts can be used to achieve the marketing goal by the personal computer assistance.

According to Jobber & Lancaster (2003, 209), the Internet is a global network interconnected by computer networks. It is the fastest growing marketing medium today, because most people expect to spend more time online than read a newspaper or magazine, neither watch TV advertisement. There are rich resources on the Internet that provide valuable business information in using the World Wide Web (Ellsworth & Ellsworth 1997, 211). Business web site searching of potential customers by Internet is a pre-work that enables a firm to understand a brief business profile of targets.

Skype is a software application that provides an economic choice in the field of worldwide communication. The major function of Skype application is to make voice and video calls and chats over the Internet. As a voice communication tool, calls are able to be dialed to

both home country and foreign countries, as well as to landlines and mobile phones. (Skype 2011.) The benefit of a voice communication is that people can not ignore. You may miss an advertisement on television or on the radio; you may skip through an advertisement in a newspaper. However, once calls come in, you must listen what caller expresses. On the other hand, the limited window of communication opportunity requires a sophisticated caller to establish rapport and trust quickly, handle the pressures efficiently, provide clear information and listen carefully.

Written communication is placed in an important position for salespeople in marketing process. If the target is correct and message is drafted aptly, E-mail marketing can be helpful for delivering the right information to the right prospect at the right time in selling cycles. A thank-you letter mailed immediately after a vital marketing call often can improve communication performance better. (Charlesworth 2007, 100.) No matter big, small or medium sized companies can benefit from the power of E-mail communication as a promotional and lead generation tool. E-mail messages sent to customers allow companies to provide easily-clickable links to their web site, and allow receivers to forward to others, consequently to create special promotions quickly.

5.5 Sales Promotion – Exhibition

Media and direct mail advertising are often constituted as the business-to-business promotional programs. However, the effect of marketing promotion also can be reinforced by other activities, such as exhibitions or trade shows. The special attention is given to the industrial exhibitions that improve promotion for business markets effectively. (Hutt & Speh 2001, 425.) Exhibitions provide one physical location to both buyers and sellers, which may bring benefits of supply and demand for both sides. Exhibitions allow enterprises to meet many potential customers face-to-face in a short time. However, site sales typically do not occurs in business-to-business shows. Therefore, enhancing brand and product visibility as well as generating sales leads are the most common purpose that industrial exhibitors participate. Moreover, a product presentation is able to provide information to many audiences once they gathered at one time. In addition, show participation also enables exhibitors to view the latest industry trends, learn competitors and set up new contacts. (Brennan, Canning & McDowell 2009, 184.)

Most industries organize a trade show or exhibition annually or every two years in order to display new and advanced technology in the industry. The exhibits can provide a unique opportunity to publicize the company's existing and new products. The purpose of exhibitions is to generate sales, identify decision influencers and potential customers, present company information and display products, study potential application problems, and fix current customer problems. Once a firm desires to participant an exhibition, the challenge is to decide which one is appropriate and how much of the promotional budget to expend. Many firms make a preshow survey in their target segments in order to learn which exhibitions may achieve their goals. Trade show strategies should also be connected with marketing communication activities that enable the exhibitor to schedule appointments with prospective customers during the show. (Hutt & Speh 2001, 426-428.)

6 RESULTS

Research results are five-argument summaries, which consist of marketing environment scanning, industrial association interviews, customer visits, marketing communication and analysis of Metal & Metallurgy China 2010 exhibition. Those results were concluded during the phases of project implementation and also when it was completed. By project running over more than one year, research results may provide the marketing solutions for the purpose of Chinese market development.

6.1 Market Environment Scanning

This section will present the result of scanning Chinese market environment in order to investigate the impact on the market development strategy. Figure 6.1 illustrates the research questions for each dimension of external market environment. Within five dimensions, technological assessment of target market – China is the primary and the most meaningful analysis for Mehi Oy.

Dimension	**Research questions**
Technology	What is the current state of manufacturing technology in China that concerns Mehi products?
Government	What regulations in China that may impact Mehi Oy's international business?
Economics	What is the economic status in China and how does it affect strategy?
Culture	What are the features of Chinese business culture?
Demographics	Does the demographic trend in China provide an opportunity to Mehi Oy's marketing strategy?

Figure 6.1 External environment scanning

6.1.1 Technology

China Metal Cutting Tool Engineering Association (CMCTEA) is a technical platform to build up win-win cooperation relationship for its members. The mission of CMCTEA is to collect and provide both national and international industrial information to its members and the others who desire to understand industrial knowledge and technological environment in China. (CMCTEA 2010.) Many expert articles are published on its website regularly. Those technological intelligences are quite valuable in order to research market environment directly and rapidly.

According to the article 'The Development Direction of Holemaking Technology', the application of holemaking account for 1/3 of total manufacturing operations. Holemaking is a semi-enclosed cutting process. Therefore removing chips, cooling and pouring cutting fluids are more difficult for manufacturing a hole. With scientific and technological development, the requirement of hole accuracy and level of the surface roughness is upgraded constantly. Moreover manufacturing precision holes become the key to the modern production. Drilling and boring tools are often the main tooling purpose for manufacturing holes. They are widely used in equipment manufacturing industry, such as aerospace; automotive; high-speed trains; wind power; machine tools and precision machinery. (Liu & Ye 2011.)

In current Chinese manufacturing technology, holemaking applies the production pattern of one working stage completed by one person with one machine and one cutting tool or boring model. It leads to low technological level and working efficiency, poor manufacturing accuracy, and lack of flexible structures. In response to this phenomenon, it has to be solved that the tooling materials with high-performance, high efficiency and long production life are applied in various types of cutting tools for holemaking process. Currently, in order to further enhance the economic benefits of holemaking, numbers of advanced cutting tools are required to be used in production - carbide indexable cutting tool, for example. In recent years, tool industry imports foreign advanced technology and develops various new models of cutting tools in holemaking for many industries, such as automotive, motorcycle, aerospace and so on. New model of cutting tool with innovative technology plays a significant role in promoting those industries' development and the progress of technology in holemaking process. (Liu & Ye 2011.)

In addition, it is also pointed out that the importance of customized tool application in the article of 'Customized Tool Used in Special Drilling Purpose'. Due to work pieces of various large composite materials in the request of manufacturing become more, machine tools meet a challenge of deep hole manufacturing and complex hole manufacturing. In order to obtain a satisfied manufacturing solution and competitive performance, it must use customized tools. Customized tool means a special tool holder equipped with multiple standard inserts, which can replace two or more standard cutting tools. Customized tool can be made of special carbide materials and/or indexable inserts. The working efficiency may reach to maximum, and the tool life will be longer and more stable. (Richt 2011).

Richt (2011) points out that when manufacturing is complex on work pieces, customized tool may provide the special solution. The solution based on the combination of standard inserts, chuck, drill slot, anti-vibration system, joint, bit holder and clamp. In machining operation, the success of deep hole manufacturing depends on mixed application of standard and customized tools. On one hand, it requires the practical experiences on design of customized tools. On the other hand, customized tool may achieve the best solution and match the requirement of machine tools when manufacturing work pieces with composite materials. In fact, around 80% of cutting tools must be designed for special purpose. As a consequence, customized tools shorten the pre-setting, setting, and tool changing time, and achieve satisfied manufacturing result by safe and reliable operation process. On the whole, customized tool become the main target of demands in technological market. In the future, the production experiences on customized tool will be more valuable.

Furthermore, Zhang (2011) states in the article 'New Regulations of Cutting Tools' that cutting tool technology is rapidly developing in response to constant changes of production requirements. Manufacturing workshops nowadays have to look upon their cutting tools and tool suppliers in a different way. In the next 20 years, the production capacity will increase double times in many industries – aerospace, for instance. Nevertheless, it is impossible that they only double machine tools in order to achieve production capacity growth. If they do so, recruitment of new workers has to be increased in the same ratio for operating the equipment. It is an unrealistic consideration. As a result, technological development is the only way to solve this problem.

How to accelerate technology innovation? In short, cutting tool suppliers must follow five new regulations for future production. Firstly, an optimum choice of cutting tool is able to complete more manufacturing assignments by existing amount of equipment. Cutting tool selection has to be considered for saving manufacturing costs, tool changing costs and labor costs. In other words, cutting tool can manufacture more work pieces by means of every production shift, hence to improve production capacity in the workshops. (Zhang 2011).

Secondly, more expert manufacturing knowledge is required. Tool manufacturers usually utilize customized tools and tool systems by following special manufacturing technology while they design and develop high-performance cutting tools. For those workshops who desire to gain high performance and productivity, it is not possible to achieve the goal that they simply select ordinary standard tools by themselves from catalogues. In fact, because cutting tools are full of variety nowadays, workshops can not search the right tool only by their knowledge. They have to hunt for mature tool suppliers. Today, workshops expect that cutting tool suppliers can provide sufficient professional knowledge as one part of cutting tool procurement. (Zhang 2011).

Third, PCD (Polycrystalline Diamond) and CBN (Cubic Boron Nitride) cutting tools can improve the cutting speed and working performance. In addition, the biggest source of manufacturing costs has to be considered. In a unit of working time, if more work pieces manufactured by applying high-performance cutting tool, the labor and equipment costs can be reduced. Therefore, the manufacturing costs per one piece can be lowered to the minimum. Last but not the least, selection of cutting tool has to be planned with machine tool procurement from the outset of manufacturing design. (Zhang 2011).

In general, there are above technological environment factors in China which affect metal cutting tool industry. Mehi Oy has a precious opportunity to occupy a competitive position in Chinese market in accordance with environmental assessment. Manufacturing performance by using Mehi tools can achieve high accuracy, high efficiency and cost savings. Especially, Mehi – customized tool has multi-purpose function, which means one tool can instead of two or more standard ones to complete one work stage. The design of Mehi cutting tool systems can meet the requirements set by the latest technology of machinery in the ever increasing speeds with the abundant experiences and expert knowledge.

6.1.2 Government

When project of market development started, Mehi Oy has considered applying trademark registration in China for protecting its particular technology and products. Trademark is a sign used by one party to identify its source of the goods or services as a unique one, meanwhile to distinguish from those of others. However, by understanding of Chinese trademark regulation, Mehi decided to delay the application plan. According to 'Means of Trademark Application', any foreign enterprise that intends to apply for the registration of a trademark in China shall hire an appointed organization as its agent. (CTMO 2003.) Due to that reason, the marketer interviewed the trademark office and some of agents that concern the matters of trademark on behalf of Mehi Oy to clarify more needed information.

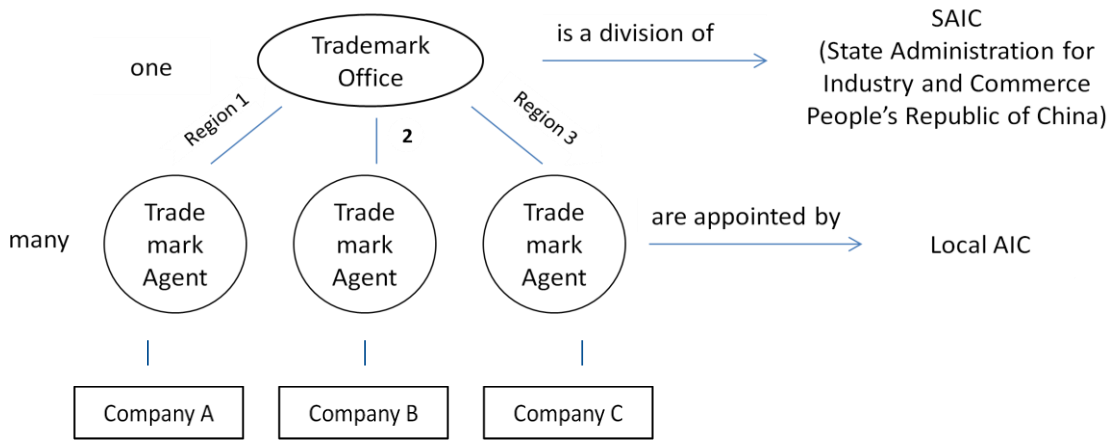


Figure 6.2: Trademark institutions in China

First of all, there is only one trademark office in China that is located in Beijing. Trademark office is a division of the State Administration for Industry and Commerce People's Republic of China (SAIC). Trademark agents are appointed by local Administration for Industry and Commerce, which spread in every city or region. According to the reply from trademark office, it is indeed compulsory that foreign enterprise must submit application of trademark registration by agents. Second of all, name checking for the purpose of distinguishing with others may only take one day. Registration fee is 1,000 Chinese yuan. However, the response of agent service charge and processing duration are not exactly same from different agents. Duration of processing the trademark application may take 2 to 2,5 years; agent charge is from 3,000 to 10,000 Chinese yuan by different regional agents. (CTMO 2010.)

Finally, the key reason that Mehi temporarily withdrew the intention of trademark registration in China is a long processing period. In Finland, the processing time of trademark application is an average of 5 months (National Board of Patents and Registration of Finland 2009). As a Finnish enterprise, Mehi Oy considered the processing time may not be longer in Chinese trademark regulation either. Nevertheless, around two years duration is too long to be consumed and must make many efforts on this issue, besides, it can not play a protective role promptly.

6.1.3 Economics

OECD reported economic outlook of China that China's GDP growth slowed during the first half of 2010 as the effect of the stimulus policy fading, however it has picked up somewhat since then. This buoyancy of economy was forecasted to continue until 2012 (See Figure 6.3). (OECD 2010.)

China: Macroeconomic indicators

	2008	2009	2010	2011	2012
Real GDP growth	9,6	9,1	10,5	9,7	9,7
GDP deflator (per cent change)	7,8	-0,6	5,0	3,7	3,0
Consumer price index (per cent change)	5,9	-0,7	3,1	3,3	3,0
Fiscal balance (per cent of GDP)*	0,9	-1,2	-1,9	-2,2	-2,1
Current account balance (per cent of GDP)	9,6	6,0	5,8	5,9	5,5

Note: The figures given for GDP are percentage changes from the previous year.
*Consolidated budget, social security and extra-budgetary accounts on a national accounts basis.

Figure 6.3 China-Economic outlook 88 country summary (OECD 2010)

Since 2001 when China entered the WTO, its economy has become one of the most powerful engines of worldwide growth, accounting for 7% of global activity (Herd, Koen & Noord 2011, 4 & 6). Especially in 2010, China's economic growth contributed almost one third of overall in the world as the global economic recovery from the worst recession since the Great Depression. At the same time, China became the world's second largest economy (Herd, Koen & Noord 2011, 3).

Increased participation to world trade and the vagaries of the economic situation led China's policymakers to put emphasis on strengthening domestic demands over the past three years and greater in the 12th Five Year Plan. This 12th Economic Plan will run from 2011 to 2015. Policies will concentrate on changing the comparative advantage of the economic structure from labour-intensive moving to more dynamic and technologically-based industries as core orientation. The 12th Five Year Plan claims greater opening-up of the economy which has already been achieved growth on foreign trade, inward and outward direct investment. (Herd, Koen & Noord 2011, 11.)

Furthermore, one of the major challenges in the next ten years is urbanization – An ongoing transformation from agriculture towards services and manufacturing. Urbanization plan encourages the growth of urban jobs in order to achieve that rural populations can move to cities and gradually become urban residents, have the right of appropriate health, education and other public services. As a result, continued urbanization will boost incomes and consumption, increase demand of domestic market, and help to balance the external inequality. On the other hand, from supply side of economy, there will be seven new strategic industries that are focused and expected to achieve up 8% of GDP by the end of Five Year Plan. They are new-generation information technology, energy-saving and environmental protection, new energy, biotechnology, high-end equipment manufacturing, new materials and new-energy cars. (Herd, Koen & Noord 2011, 25.)

On the whole, the outcome of China's economic environment analysis is positive for Mehi's strategy of new market development. For instance, adjustment policy of economic structure that is from labour-intensive to technology-intensive benefits to develop business for the company as technical orientation. As a manufacturing enterprise, Mehi Oy also meets China's economic transformation from agriculture to services and manufacturing industry. Consequently, China's economic circumstances may bring the great opportunity for Mehi's business potential.

6.1.4 Culture

The cultural environment is made up of institutions and other forces that have influence on basic values, perception, behaviours and preferences, accordingly have an effect on consum-

er marketing decisions. Chinese business culture has five features, namely, harmony, developing trust, indirect communication, value of reputation and authority of leadership.

Harmony plays the first key role no matter in Chinese life or doing business with China. It means individuals or enterprises attempt to avoid competitions and conflicts, instead, to maintain inner harmony. (Reuvid & Li 1998, 184.) People used to say in China: he wei gui, or he qi sheng cai, translated into English as Harmony is prized, or Harmony can give birth to more money. Indeed, in Chinese cultural environment, harmony sustains and develops the network of organizational governance. Within the harmonious context, an established network of quality contacts may help to accomplish many affairs. In other words, having a good personal network (Guanxi) is a very powerful asset and never should be ignored. (Reuvid & Li 1998, 179.) Harmony or only the surface harmony is an art of etiquette that maintains composure and act as a polite and courteous way. Harmonious personal network does not only mean considerate, polite and well-mannered conduct, but also represents humility or modesty.

Before people can start sharing, creating or exchanging information, developing trust in a relationship is a significant factor for business transactions. Trust is not something that simply exists from the beginning, the key to generate trust is a process of study, communication and understanding one another. (Reuvid & Li 1998, 183.) In business, first step is to learn target's profile and attempt to collect as much as information of their preferences. In the ancient Chinese book on military strategy claimed that *Know your enemy and know yourself, emerge victorious in every battle.* In the same way with Chinese business culture, if a businessman wishes to win the negotiation or win an opportunity of selling products in success or cooperating with expected partners, the most important is to study his targets meanwhile to act their interest as he knows. Briefly, learning is the prime task to build up trust.

Furthermore, communication and reciprocity with targets should be performed after learning them in the process of developing trust. Effective interaction and communication can build credibility to customers, develop intimate relationships and create loyalty. In Chinese business culture, reciprocity is a common social psychology, refers to exchanging favors between individuals or groups. Positive reciprocal actions differ from altruistic actions that are taken without hope or expectation of future positive responses. Reciprocal behaviours in business always make people feel that they gain a chance of favor back in future after they

have done a favor. Therefore, businessmen follow the principle of keeping close and keeping offering favors to whom might be the one of mutual benefit for them. Trust can grow up during years of communication and reciprocal actions, as a result the business activities will be more effective and successful.

Indirect communication style refers to societies or groups where people have close connections over a long time. Most cultural behaviours are not explicit, because the information flow has existed and most members know what to do and what to think from years of interaction with each other. Chinese communication style highly depends on the surrounding context of a conversation. In other words, the communicator will leave the listeners to fill up the missing words and suspect the meaning by correctly understanding the contextual clues. (Kenna & Lacy 1994, 19.) Chinese read between the lines by means of indirect way of communication. For example, most of time the business negotiations with Chinese is not only to read the lips, but also to read people's mind, face, hands and their actions.

Finpro is a Finnish association that provides clients the comprehensive internationalization services around the world. While Finnish companies plan to develop overseas market yet they lack of sufficient experiences and local market knowledge. Finpro may contribute the services of consultation and assistance in marketing strategy and the knowledge of local market atmosphere. (Finpro 2010.) As a conclusion of the conversation with Mauri Francke, head of Finpro Shanghai office, the value of reputation and authority of leadership lay on a high position in Chinese business culture. (Finpro 2010.)

Francke indicated that doing business in China may claim as reputation-based decision. It is less possible in business-to-business marketing when the suppliers attempt to start as selling to local buyers directly without personal network or high reputation. In that case, the suppliers may require enhancing the brand awareness firstly by means of building up the relationship with international enterprises and then making the sales contract with them possible. Once the suppliers possess many well-known customers and the brand is mature in the market, the sales promotion will not be difficult anymore. (Finpro 2010.) The solution for where Mehi Oy enters into Chinese market also can be lie on raising the reputation by starting doing business with international firms as Francke suggested.

On the other hand, another big challenge for Mehi Oy is prospective customer contact without acquaintance of the key person. In China, business culture is highly connected with authority of leadership. The marketing possibilities can often be rich and strong to the one who has a good relationship with key leaders. In addition, the organizational structure in China is centralization that companies consolidate power and decision-making abilities at the top of the organizational chart. (Hill & McShane 2008, 185.) The communication target of Mehi Oy is production manager or supply manager as the right contact person. However, managers are not available for communication if acquaintance with one another does not exist. The contact information of potential customers normally is not published by web sources except switchboard of a company. A chance of talking with the right person transferred by switchboard is impossible without awareness of the person's name. That is a threat to Mehi Oy for sales activities. Due to that reason, cooperation with local distribution agents might be a satisfying solution for opening the door to Chinese market. With the personal network of local distributors, customer communication may improve positively. In general, Chinese marketing success must consider relationship foundation, trust development, and reputation promotion as cultural basis.

6.1.5 Demographics

As we all know, China is a considerable population country as the first largest in the world. According to the statistical data of China POPIN (2009) (China Population and Development Research Center), at the end of 2008, China's population was 1,328,020,000 (See Figure 6.4). The demographic condition established the fundament for where China has a broad market space.

Mehi Oy's future customer segment in China will locate in manufacturing companies with both big and small size, local and international business. The export sales to international corporations will be directly from Mehi Oy, yet the marketing activities to small-sized local companies or national owned enterprises will be fulfilled by distribution agents.

Item	Population (Year-end) (10 000 person)	Percentage (%)
National Total	132 802	100.0
of which: Urban	60 667	45.7
Rural	72 135	54.3
of which: Male	68 357	51.5
Female	64 445	48.5
of which: 0-14 years	25 166	19.0
15-59 years	91 647	69.0
60 years and over	15 989	12.0
of which: 65 years and over	10 956	8.3

Figure 6.4: Main population data in 2008, China (China POPIN 2009)

6.2 Industrial Association Interviews

Interviewing is the dominant research approach in business marketing, because the information involved in specialized research problems and samples are often small. Interviews usually locate and secure the attention of the correct respondent, therefore they are able to produce a high response rates. (Hutt & Speh 2001, 150.) Figure 6.5 illustrates the research result on industrial association interviews.

Research Result – Industrial Association Interviews

Sample size	2
Response	2
Response rate	100%
List of sample	- China Machinery Industry Federation - China Metal Cutting Tool Engineering Association
Research problem	- Market potential and target area - Awareness of distributor agents

Figure 6.5: Research of industrial association interviews

China Machinery Industry Federation (CMIF) is an authorized and legal organization for providing services to both government and its members. According to (CMIF, 2008), machinery industry is one of the major industries in china. As the largest industrial sector of entire country, it is classified into 12 major categories by its technical classes and performance level. They are: automotive industry, electrical equipment manufacturing, heavy-duty and mining equipment manufacturing, petrochemical and general machinery, agricultural machinery, construction machinery, internal combustion engine manufacturing, machine tool and tools industry, instruments and meters, general machinery basic components, environmental protection machinery, food-processing and packaging machinery. (CMIF 2008.) Figure 6.6 illustrates the distribution of Chinese machinery industry with the number of enterprises in each industry, in which agricultural machinery industry is the largest one with 4000 enterprises.

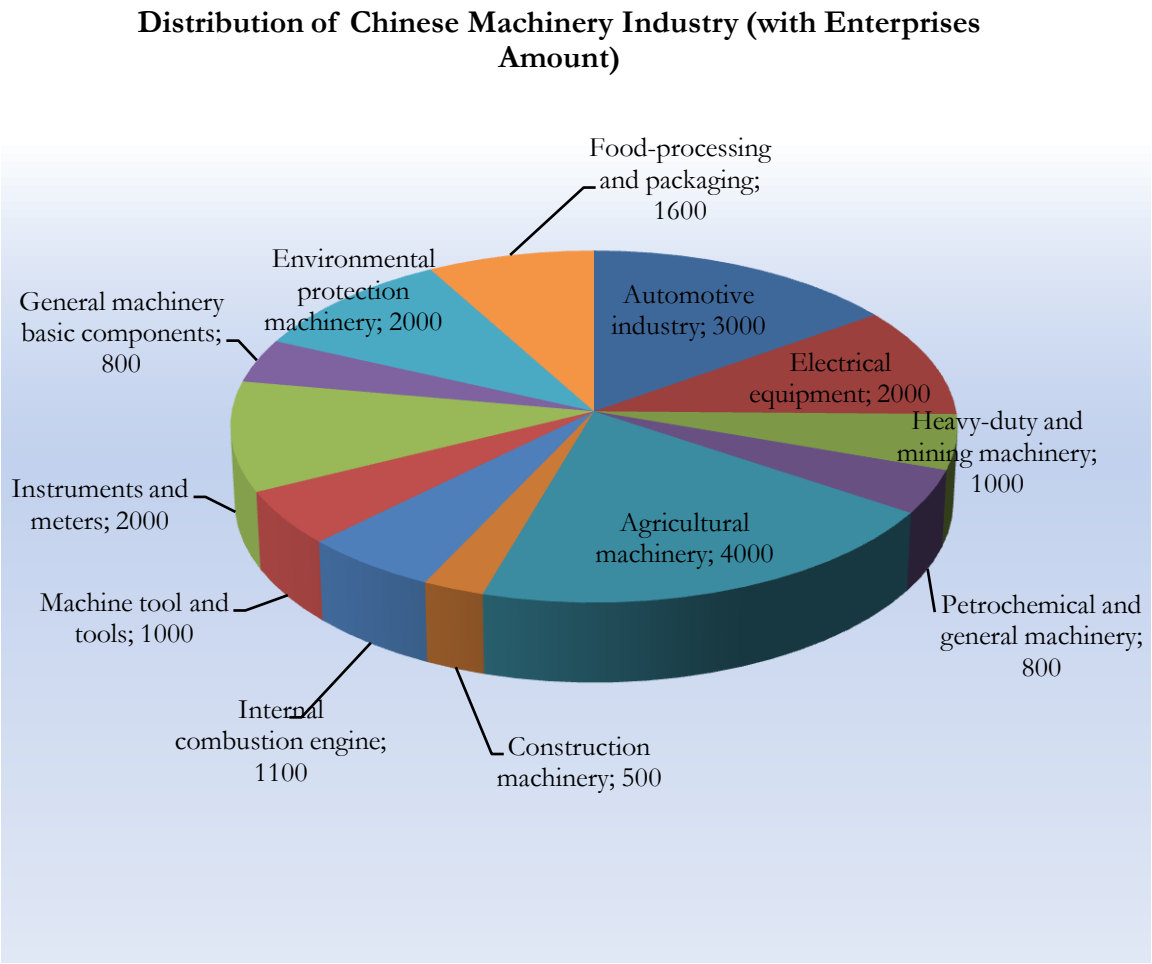


Figure 6.6: Distribution of Chinese machinery industry (CMIF)

Below the 12 categories, 271 subordinate industries are generated from the general machinery industry. 120,000 machinery enterprises and research institutions are laid out in the whole country. The number of people who devoted themselves to this field is approximately 20 millions. Machine tool and tools industry as one of 12 categories includes metal cutting & metal forming machine tools, foundry equipment, wood-working machinery, abrasives and grinding tools, measuring & cutting tools, electric apparatus for machine tools and machine tool attachment. In this industry, there are more than 1000 major enterprises. (CMIF 2008.)

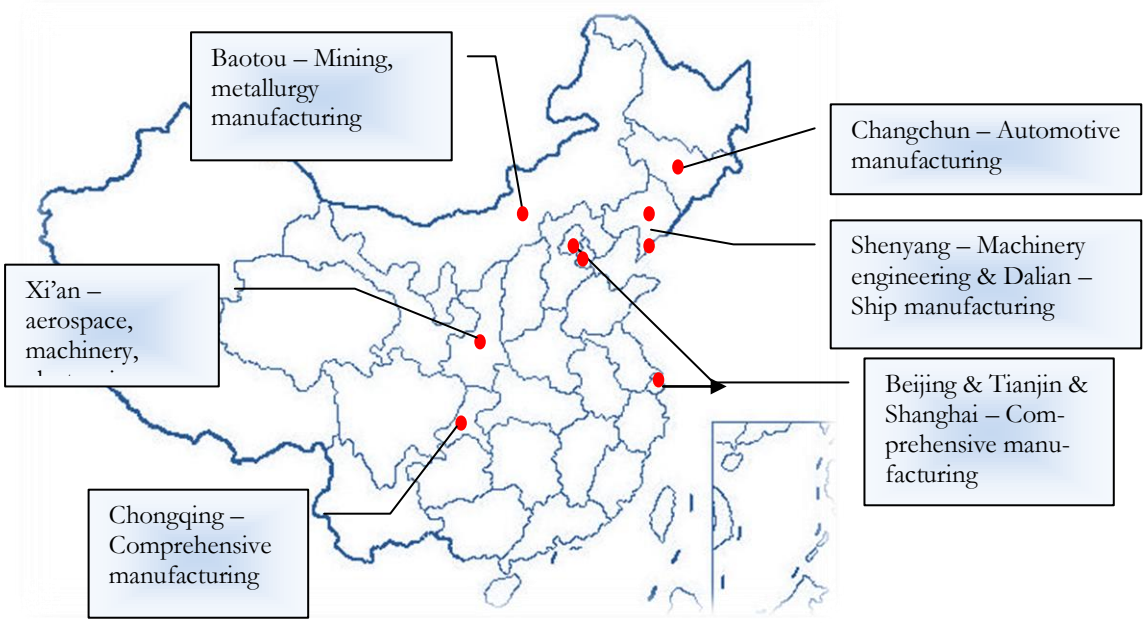


Figure 6.7: Key industrial centers in China

According to the interview with Guohua Sun who has duty on customer service in CMIF, there might be a big possibility of increasing demands on metal cutting tools in Chinese market, because the performance rate of equipment in manufacturing industries as the customer industry of metal cutting tools maintains at a high level and will continue to grow in the future. Furthermore, Northeast China is the biggest heavy industry base. For example, Shenyang city is famous as a mature and solid industrial foundation with abundant material resources and skilled workforce. In Southwest China, Sichuan province is machining industry center, besides, China Metal Cutting Tool Engineering Association is located there. Chongqing is a major city that was part of Sichuan province, yet it became one of the Chi-

na's four direct-controlled municipalities in 1997 with other previous ones which are Beijing, Shanghai and Tianjin. As the center of business, trade, economy and culture, municipalities play important roles in comprehensive manufacturing industry. Figure 6.7 illustrates the key industrial centers in China. As Sun stated, cooperation with local machining factories may as an easier start in Chinese market. According to his point of view, import procedure is more complicated than national procurement, meanwhile the price is higher than local supplies. However, because technology is a key property and is the high confidential know-how in Mehi Oy, therefore it is impossible to establish partnership with any other same kind of enterprises. On the other hand, Sun also pointed out unique and high technical products may be regard as the major strength which will lead market demands in China. (CMIF 2010.)

The mission of CMCTEA is to offer seminars, training courses, and technical consultations to its members, as well as to organize cutting tool exhibitions for exchanging technical information. The purpose of interviewing with CMCTEA is to seek some cutting tool intermediaries who may assist Mehi Oy to market its products in China. It is often easier for intermediaries on searching both goods and customers. Therefore the benefit of intermediaries' resources on each side of distribution channel can provide for manufacturers as well as customers. Additionally, sophisticated business communication aided by intermediaries enable seller and buyer no longer have to bargain over every transaction. CMCTEA has recommended two cutting tool intermediaries from Chengdu and Qingdao to Mehi Oy. Nevertheless, their business range focus on 'insert' dealing, which does not completely match Mehi's products. 'Insert' dealers are quite many for present situation in Chinese market, besides, most of insert brands come from Japan. The market share of European or American products in cutting tool industry are not as much as Japanese, except a few numbers of mature brands that entered into Chinese market earlier, Sandvik and Kennametal, for example. The product in Mehi Oy is for boring and drilling purpose with a integral functional tool body. Insert is only one small part of cutting tool which was not produced any longer in Mehi Oy. In addition, the phenomenon of 'insert' dealers more than 'tool' dealers is also because inserts are all standard. They do not need any know-how for marketing communication. Cutting tool, especially customized tool is ever-changing, thereby it requires tool dealers have to promote sales based on technical knowledge. That is Mehi's searching direction on distributor agents at that time and afterward process of project. (CMCTEA 2010.) Although those two dealers pointed out by CMCTEA were not expected ones for Mehi Oy, the communica-

tion with the association and dealers also allowed the company to study what the more wide-ranging needs is in the tooling distribution in china.

6.3 Customer Visits

Customer visit is a means of learning more about research problems about customer needs and expectation. Analyzing customer's problem may help to identify new product opportunities. Taking a tour of customer site improves understanding of product applications. Regular customer contacts enable to indicate emerging market trends and changes in the business environment. Feedback from customer visits can also become a measurement of customer satisfaction. (McQuarrie 2006, 36.) Figure 6.8 illustrates the research result on customer visits.

Research Result – Customer Visits

Sample size	4
Response	4
Response rate	100%
List of sample	- SEW Industrial Gears (Tianjin) Co., Ltd - Metso Paper Technology (Shanghai) Co., Ltd - Wärtsilä China Ltd - Metso Automation (Shanghai) Co., Ltd
Research problem	- Customer needs and satisfaction - Opportunity and threat of marketing potential

Figure 6.8: Research of customer visits

As the first, big sized, and one of the most significant customers when Mehi Oy primarily entered into Chinese market, SEW Industrial Gears (Tianjin) Co., Ltd became the first target of customer visits. Mehi Oy visited SEW in May 2010 at first time since the project's start-up. The interviewee was Toivo Venalainen, senior manager of production development and

machinery investments. Visiting purpose at this time was to investigate the performance condition of Mehi's products in manufacturing operations of customer's workshop. Venalainen stated that the products that were supplied by Mehi Oy have been maintaining the good performance. Customized tools had a growing number of demands from them. Mehi's products were able to meet and satisfy their expectation on design, quality as well as the delivery time all along. From the other side, problems are always inevitable. Essential task of keeping loyal customer relationship is to learn about underlying problems and place where current products can be improved for the innovative customer needs and satisfaction. During the visit, SEW expressed the hope that Mehi Oy could help them to solve a vibration problem that they have found it earlier from one customized tool. At the phase of designing, Mehi Oy had the different opinions on tool design with customer SEW. In the end, on the agreement of both sides, Mehi followed the wishes from customer's expectation although running performance was not able to be guaranteed by Mehi Oy. Nevertheless, no matter what reason lead the problem, it is always an eternal fundamental orientation that corrects the unsatisfied results immediately and discovers a reasonable solution after sales. As a consequence, Mehi decided to take a test on original tool and redesign a new one once necessary. (SEW Eurodrive 2010.)

In November 2010, Mehi visited SEW as the second time. Juergen Uhlenbrock was the major interviewee who has taken over the responsibility after Venalainen's departure. The original purpose for second visit was to meet the new production manager and enhance mutual understanding. During the visit, Mehi was aware that one latest quotation of a large order for SEW was almost double higher than a local supplier. Uhlenbrock stated that through the internal conference within the company, SEW still preferred to select Mehi's tools, because of the high quality and irreplaceable know-how, besides, the most important is the valuable long-term relationship between Mehi and SEW. However, they would appreciate if Mehi could consider providing an updated offer with a certain discount. Based on the faith that SEW is the most valuable and loyal customer of Mehi Oy, the request on discount was accepted as the final decision. (SEW Eurodrive 2010.) The last time visiting was because SEW planned to innovate a large new project, therefore they purchased three or more CNC machine tools. In order to meet customer's further needs for the new project, it was meaningful to exchange detailed technological views with the customer face to face. In terms of the outcome of third visiting in March 2011, Mehi Oy has successfully taken over the majority of tooling supplies for SEW's new project. (SEW Eurodrive 2011.)

Customer visit is an opportunity to conduct voice of the customer research. It will provide much more value in the long term relationship by understanding customer needs and problems. They are often likely to prefer the one who is not only for the purpose on sales but instead interested in listening to their needs, problems and preferences. From customer feedback, Mehi Oy understood customer demands and expectation, thereby it enables to maintain and consolidate the customer relationship with SEW.

Mehi Oy successfully established the customer relationship with Metso Paper Technology (Shanghai) Co., Ltd in May 2010. In marketing process, Mehi firstly sought the contact information of Metso Finnish cooperative by internet. Secondly, an expected contact person's name in China can be aware by the aids from Esko Koivisto in Finnish office, which enable to build a bridge for Mehi Oy and Metso Chinese branch possible. On 27th May, Mehi Oy officially achieved a positive reply from Metso Paper Shanghai via E-mail. (See Appendix 11) In the letter, Ruoyu Wang stated that he is the tooling engineer in Metso Jiading, Shanghai. From his supervisor - Mika Gåsman, he was aware that Mehi has a ability to manufacture high quality products. Due to the demands on rough boring tools with rang from 150 - 600mm, he requested the professional opinion and quotation from Mehi Oy. Additionally, Gåsman is quite familiar with Mehi tools, because he has been working in Metso Finnish unit earlier. From this point of view, the fact points out that the knowledge of technological application in both sides of supplier and customers plays the key role in Mehi Oy's marketing activities. Moreover, the previous relationship with Finnish unit may also be considered as one of the sales opportunities.

In November 2010, Mehi visited Metso Shanghai as the first meeting. Gåsman arranged a site tour and showed their equipment in their factory at the beginning of visit. According to his claim, machine tools and other equipment was too old for modern increasing technology in their factory since the acquisition of Shanghai Chenming Paper Co., Ltd. He has already decided to innovate their entire production line. Therefore finding out the underlying problems of technology where had to be improved for customer needs was the vital task that may bring further demands on Mehi's tools. (Metso 2010.) Mehi visited customer Metso Shanghai again in March 2011, because they would like to investigate the possibility if Mehi could offer them a machining training. During the visit, Gåsman announced what training results that they desired to achieve from Mehi Oy. For example, machining audit; the best

solution for machining development following the current situation; correct tool model and dimension for machining operation; matching tooling for each machining step; machining hour estimation, and so on. (Metso 2011.)

Besides SEW Industrial Gears (Tianjin) Co., Ltd and Metso Paper Technology (Shanghai) Co., Ltd, customer visits in November 2010 also included Wärtsilä China Ltd and Metso Automation (Shanghai) Co., Ltd. Although the last two companies have not taken the purchasing intention at once, the communication with them also enabled to learn their business and may leave an open opportunity for the future.

Due to sales opportunity is invisible without awareness of expected contact person's name, corresponding to business atmosphere in China, thereby researching marketing potential of existing customers' Chinese branch always takes place by means of Finnish unit contact as the first step. Similarly, contact information of Antti Palonheimo, director corporate supply management of Wärtsilä China Ltd was conveyed by Wärtsilä Vaasa unit to Mehi's marketer. Once Mehi understood assembling line replaced component manufacturing in Wärtsilä Chinese branch, the marketing research was shifted to investigate the possibility of communication with their suppliers (See Appendix 12). However, the reply from Jiexiang Su – Category manager, Indirect purchasing Wärtsilä China indicated that referring to tools, discussion between engineers, site audit, tool testing, and availability are essential. Without local presence, there would be quite many threats (See Appendix 13). Mehi Oy still arranged visiting in order to study more information in case any implicit opportunity exits although local presence could not be fulfilled yet. The result from visit of Wärtsilä China Ltd in Shanghai pointed out Wärtsilä's business operation in China is joint venture as 50%-50% with China Shipbuilding Industry Corporation 711 Research Institution. There are approximately 800 components of ship engines with 100 suppliers. This also was the reason that Jiexiang Su was impossible to make the decision of tooling procurement. Decision of component procurement was under his charge, yet purchasing cutting tools for 100 suppliers of Wärtsilä China Ltd were not connected with his duty. Nevertheless, Su would attempt to convince their suppliers to consider the advantage of Mehi's products, based on the long cooperation history with Wärtsilä Finnish cooperative. (Wärtsilä 2010.)

Visit of Metso Automation (Shanghai) Co., Ltd was organized occasionally when Mehi Oy had already been in China visiting without earlier communication, because their new premis-

es was just founded in Waigaoqiao Free Trade Zone in Shanghai. It might be a precious opportunity to learn customer at their new business start. Besides, the key production manager who was still working in Finnish cooperative would be assigned to Shanghai's new office. During the period of his availability in Shanghai branch, Mehi was fortunate to learn of their production and equipment by his guidance of factory tour. Many new types of equipment were purchased for new operation, such as, broaching, vertical and horizontal CNC machine, CNC grinder, and roll forming machine. The major products of Metso Automation Shanghai unit are ball valve and plug valve. Regarding to Mehi's tools, an increasing marketing opportunity may appear in future contact with Metso Automation (Shanghai) Co., Ltd. (Metso Automation 2010.)

Customer visits often occur for marketing development, relationship management or business information gathering of industrial and B2B markets. The fact that customer visits particularly become a typical research tool at technology firms because there is not any other market intelligence can provide quite direct and immediate feedback of customer problems and needs. From the feedback of customer visits, Mehi Oy was able to get close to customers, understood the voice of them, gathered information and advice from them as well. Therefore, customer visits could help to learn customer's underlying problems that can be solved afterwards, as well as investigate marketing threats and future marketing potential opportunities.

6.4 Marketing Communication Effort

Integrated marketing communication is a comprehensive solution that coordinates communication medias, avenues, and other sources to maximize the influence on customers at a minimum cost. This solution will affect and verify the accuracy of a company's business-to-business, marketing channel, and customer-focused marketing strategy. This section will present the process for managing customer relationships and drawing the cooperation attentions of local distribution agents that market the Mehi tools and drive brand value via communication efforts. Such efforts include new-developed branches in China of existing customers; new customers who have been searched by web sources; and Chinese distribution agents.

6.4.1 Chinese Branch of Existing Customers

Communication Result – New-Developed Branch in China of Existing Customers

Sample size	10
Response	8
Response rate	80%
List of sample	- Metso Paper / Metso Automation / Wärtsilä (have analyzed in Chapter 6.3) - Kone Corporation - Moventas - Parker Hannifin Corporation - Valtra Inc. - Sandvik Group - Konecranes - ABB Group
Research problem	- Purchasing intention

Figure 6.9: Result of communication with Chinese branch of existing customers

Majority of Mehi's existing customers are multinational corporations, therefore their Chinese branches are the first potential ones for market development strategy. Following is the marketing step how Mehi Oy communicates with Chinese branches of multinational corporations. First, Mehi's marketer research business website to understand potential customers and collect contact information of existing customers' headquarter or Finnish unit. Second, marketer call there to be aware about whom the contact person will be for Chinese branch, because normally there only is a switchboard contact number published on Chinese page of multinational corporations' business website. Moreover, in most Chinese business, it is not allowed to speak with specific person if the name is not pointed out. However, due to failure of Chinese contact information collection from European or Finnish unit, two marketing communication were invalid. They are Parker Hannifin Corporation and ABB Group (Park-

er Hannifin 2010 & ABB Group 2010). In addition, regarding to Konecranes, the phone was not being answered all the time although the person's name and phone number were informed by Finnish HQ (Konecranes 2010). Finally, the effective communication carried out with 7 potential customers, in which Moventas replied that there were no needs of metal cutting tools (Moventas 2010). Besides the marketing results analyzed in the Chapter 6.3, the response of the other three potential customers are quite similar, they are Kone Corporation, Valtra Inc., and Sandvik Group. They do not manufacture all components of their products. Therefore Mehi's tools can not be used, instead, may needed by their component suppliers. The sales have not been achieved although Mehi's products had been recommended by above companies to their suppliers. (Kone Corporation 2010, Valtra Inc. 2010 & Sandvik Group 2010.) The successful marketing result as well as the fruitful sales has achieved on communication with Metso Paper Technology (Shanghai) Co., Ltd. Furthermore, Mehi Oy has great confidence in marketing communication with Metso Automation (Shanghai) Co., Ltd. and the future marketing emphasis will put on it.

6.4.2 New Customers

Communication Result – New Customers

Sample size	36
Response	7
Response rate	19%
List of sample	- See Appendix 14
Research problem	- Purchasing intention - Visiting intention of Chinese exhibition that Mehi participated in May 2010

Figure 6.10: Result of communication with new customers

Marketing communication with new customers has implemented before Mehi participated Chinese exhibition. The purpose of communication was to research the purchasing intention from potential customers on the one hand, and invite them to visit exhibition that Mehi in-

tended to participate on the other hand. Without contact information of responsible person in production or supply department, An E-mail letter sent to operator did not enable communication quite effective and led to low response rate. The response from new customers divided into four categories. The first one, potential customers do not desire to select suppliers from overseas since there is not import or other international business in their company. The second one, potential customers do not plan to change current suppliers. The third one, there are only small needs of metal cutting tools from customers, thereby the purchasing decision may not be made right away. The last one, potential customers had some business disputes with their previous foreign suppliers. In this case, they do not consider either expanding business or purchasing from foreign countries at moment. Consequently, the exhibition visiting is not interesting to above customers either.

6.4.3 Local Distributor Agents

Communication Result – Distributor Agents

Sample size	8
Response	8
Response rate	100%
List of sample	- Beijing Baihui Machinery Import Export Co., Ltd. - Beijing Wisdom Technology Development Co., Ltd. - Beijing Promise Industrial Equipment Co., Ltd. - Co-mine Corporation Limited - Shanghai Sunnet Machinery Co., Ltd. - Shanghai Herly International Trading Co., Ltd. - Prime TEC - XS EurTrade
Research problem	- Cooperation intention

Figure 6.11: Result of communication with local distributor agents

In distributor agent list, there are 8 potential distributors that Mehi Oy attempted to research the cooperation opportunities, in which the first four companies from Beijing, and the last four companies from Shanghai. Mehi's cooperation strategy is to select one agent in each city, authorize them to represent Mehi Tools and carry out marketing activities in Northern China and Southern China, respectively. Mehi Oy has visited seven of them in China, except Beijing Baihui Machinery Import Export Co., Ltd., because the product that they act as agent is machinery. Their agent business is not related with metal cutting tools, yet they do not desire to expand their business field either. (Beijing Buihui Machinery Co. 2010.) The purpose of visiting is to make a final decision that who the most qualified one is as Mehi's future partner.

For agents, they should try best to avoid the product conflict between different brands that they undertake the agent responsibility. From this point of view, Beijing Wisdom Technology Development Co., Ltd and Shanghai Herly International Trading Co., Ltd wish to keep loyalty to their current clients. Therefore, Mehi Oy abandons the plan of cooperating with them. Beijing Promise Industrial Equipment Co., Ltd has sufficient industrial experiences as tool dealers for many years. Their agent brands consist of Millstar, Haimer, DIXI, Rigibore, Mircona and other 15 brands from America and Europe. However, precisely because there are many supply resources for Promise, a strong desire of cooperation with Mehi Oy has not been reacted. (Local Distributor Agents 2010.)

Shanghai Sunnet Machinery Co., Ltd is also an agent that brings international brands of metal cutting tools into China. In Sunnet, there are 10 experienced engineers, total number of employees are 24. In 2009, their turnover was 85 million Yuan. During negotiation, Sunnet requested tool design solutions from Mehi Oy for two cases from its client. However, the final partnership was not established since the price offered from Mehi Oy was not satisfied by Sunnet's client that was informed to Mehi in the afterward E-mail communication between two parties. XS EurTrade has around 150 employees in different areas of China, their major agent product is motor reducing gears. In the past few years, its clients have requested on cutting tools some times, however XS lost the chance for business development because of lack of technological knowledge. Cooperation with Mehi Oy may provide XS an opportunity to expand its business scope. Therefore, agreement on the meeting between two parties was that Mehi Oy organizes a product and technology training to XS for improving its salespeople's skills, XS would support sales promotion and human resources for Mehi's

marketing activities. Nevertheless, the key manager and some salespeople left the position or transferred to other subsidiaries later after the negotiation. This phenomenon led Mehi Oy loses the confidence on XS more or less. The final cooperation decision might be reconsidered once XS can be back to a stable status. (Local Distributor Agents 2010.)

Finally, the cooperation intention locked on Co-mine Corporation Limited and Prime TEC. For one thing, these two companies maintain a explicit cooperation motivation all the time since the first time of communication. For another, they have a specific plan of marketing management for Mehi Oy. For example, new customer visits will be fulfilled by Co-mine for researching more potential customers in China. The first group of customer visit location consists of Xian, Changchun and Baotou. Industries may cover aerocraft, fast train and machinery manufacturer. Moreover, Prime TEC plans a one-year permanent exhibition in China for Mehi Oy. They can organize exhibition-related affairs, bring potential customers to visit there, display sample tools, and help them to understand Mehi's products better. All in all, the communication with distributor agents is valuable, the future hope of marketing in China must include the effort from Co-mine Corporation Limited and Prime TEC. (Local Distributor Agents 2010.)

6.5 Exhibition – Metal & Metallurgy China 2010

Metal & Metallurgy China exhibition has taken place in Beijing from 11th to 14th May, 2010. It is one of the two greatest exhibitions in metallurgy and foundry industry worldwide. The trade show provides exhibitors from all over the world a good opportunity to showcase the latest products and powerful tool to promote in Asia-Pacific region. (CIEC, 2008.) Mehi Oy was one of the exhibitors in Metal & Metallurgy China exhibition was able to showcase the product expertise to a fairly well-qualified target audience as well (See Appendix 15).

According to show report, 1,326 exhibitors and 47,693 visitors from 63 countries and regions have participated the show (See Appendix 16). Among them, 256 exhibitors were overseas enterprises and 1070 exhibitors from domestic companies. The number of visitors was the biggest at the first day of exhibition as 17,175 people. Total exhibition halls were eight with display area of 106,000 square meters. W1 hall was especially for international pavilion where Mehi Oy was also located in.

Before participation of exhibition, a series of well-prepared articles have to be planned in order to achieve successful exhibition marketing result. For example, product samples, brochures with English and Chinese version, a movie presentation of production process, roller banner stands and memory sticks with the file storage of product presentation as visiting gifts are involved in Mehi's preparation list.

6.5.1 Communication with Other Exhibitors

One of the important reasons that Mehi Oy participated Metal & Metallurgy China exhibition was to seek the opportunity of sales potentials not only from visitors but also from other exhibitors. Because of most industries where exhibitors involved in may include the use of cutting tools. For example, as Wei Gao from China Foundry Association stated that metal cutting tools, such as your company's products (referring to Mehi Oy's products) are the tools must be used for manufacturing rough pieces to the finished product of castings (See Appendix 17) (China Foundry Association 2010). Due to above reason, Mehi Oy sent invitation letters by Email to all exhibitors in international pavilion for the chance of communicating with them. Figure 6.12 illustrates the result of exhibitor invitation.

Exhibition Result – Exhibitors

Sample size	73
Response	4
Response rate	5%
List of sample	- See Appendix 18
Research problem	- Communication opportunity during exhibition

Figure 6.12: Result of invitation of communication with other exhibitors

The invitation letter sending was to present Mehi Oy and provide a first impression to other exhibitors. The contents of response from some of them mainly include exchanging information and creating an opportunity of meeting each other on exhibition. Appendix 19 is an example of exhibitor's response from Eisenbeiss BmbH. Although the response rate was

not high, Mehi intended to visit them personally during exhibition period to investigate the business potentials actively. Therefore further contact has not been taken before exhibition.

6.5.2 Communication with Exhibition Visitors

Exhibition Result – Visitors (Including a few exhibitors)

Sample size	55
Response	49
Response rate	89%
Response – Open opportunity	21 (Positive response rate: 43%)
– Refusal	28 (Negative response rate: 57%)
Reasons of refusal	o Mehi Oy does not have sales office in China for local contact o Potential customers do not intend to change current suppliers o Potential customers do not have machining operation, instead, only have assembling line or sales activities
List of sample	- See Appendix 20
Research problem	- Purchasing intention

Figure 6.13: Result of communication with exhibition visitors

Mehi Oy collected 55 visitors' contact information by means of exhibition participation, in which some of them have already reacted interests on Mehi's tools in the process of communication during exhibition period. For example, Sufi Asif Hussain from Eagle Foundry & Work Shop exchanged all technical details that he may need for the production in his company with Mehi's production director. Mehi Oy also promised him to send a drawing and quotation once come back to Finland. Although the final order has not occurred, understanding customer needs and market intelligence was also valuable for the purpose of exhibi-

tion participation. (Eagle Foundry & Work Shop 2010.) After end of exhibition, Mehi Oy still kept in touch with exhibition visitors and continued the marketing research. Figure 6.13 illustrates the result of communication with exhibition visitors.

In the visitor list, it contains a few local distributor agents. Besides their visiting purpose was to investigate the cooperation intention, most visitors desired to learn Mehi's products and production technology, hence could make a decision of purchasing intention. Therefore the contacts with them in the later were to further understand their needs. Due to some reasons, for example, the phone number was not valid, Mehi Oy lost six contact opportunities within the collected visitors. The ones who have responded divided into two categories, namely positive response and negative response. Positive response means the potential customers leave an open opportunity for their future needs or really concern Mehi's products and would like to achieve a technical solution from Mehi's know-how. Following are two examples of positive response. (Exhibition Visitors 2010.)

Star Pipe International Trade Co., Ltd located in Tianjin Port Free Trade Zone. They are engaged in trade of pipe fittings castings and source in China for export under the control of parent company in US. Mehi Oy required Manish Chopra from Star Pipe International to state their technique issue by phone and Email communication. He replied they may need some special tool solutions, therefore he sent drawing of the product with dimensions in order to inform Mehi Oy what they want (See Appendix 21). However he has not made the purchasing decision although he has not pointed out any dissatisfaction. APB-Austria Precision Bearings GmbH is a rolling bearings manufacturer. According to phone communication, APB China planned to start building a new manufactory in Changshu at the end of 2010. They estimated the new project would be completed until July 2011. In addition, an E-mail received from Rongbin Xu from APB also indicated that APB bearings apply in hard turning technology. Therefore cutting tools and chucks are the key to ensure their product's quality. He was not aware that whether APB Austrian manufactory had used Mehi's tools already, because Chinese new factory would select the same fully mature suppliers with Austrian unit. However he would forward E-mail information from Mehi to his Austrian colleagues. Therefore the further cooperation possibilities could be considered afterward (See Appendix 22). (Exhibition Visitors 2010.)

Negative response means potential customers refuse to consider purchasing plan or they do not have needs of metal cutting tools. The reason of refusal could be summarized into three points. First of all, since Mehi Oy does not have sales office or any other local contact place, some of potential customers do not wish to import products from overseas. From their point of view, import may lead to complex procedure, high price, long delivery time or product problems can not be solved promptly. Secondly, some potential customers are satisfied by current suppliers. There is no reason to change their supplier at the moment. Additionally, the third situation is that potential customers do not have machining operation, instead, they may only have assembling line or engineering part for machines and work together for production with subsuppliers or only sales activities in China. Therefore cutting tools are not needed for their business. (Exhibition Visitors 2010.)

Over all, industrial exhibition participation is a marketing solution that aims at creating, maintaining and enhancing brand awareness; researching market intelligence; generating sales leads; as well as fostering relationships with existing and potential customers. Mehi's sales promotion by participating Metal & Metallurgy China exhibition enabled to create brand awareness in Chinese market at the first time, meanwhile enabled Mehi Oy understand the target market as well. Although the real sales have not been occurred yet, frequent communications with exhibition visitors during and after exhibition period pointed out a future marketing direction to Mehi Oy. Mehi may consider the possibility of setting up sales office with the sufficient fund basis in a long-term plan. Sales office establishment may provide more efficient communication with potential customers and keep close to them. Moreover, acquaintance with some qualified distributor agents brought a great future opportunity and facilitation for developing Chinese market.

7 DISCUSSION

Mehi Oy has successfully operated in a niche market for almost 40 years, however the volume of orders and the sales index have decreased with the financial crisis since last two years. The company realized that expanding into the new markets would be imperative in order to achieve increasing sales, brand awareness and business stability. When Mehi faced the selection of entry strategies, exporting was preferred in the first place for entering into the Chinese market. One of the considering factor is that the company can insistently research and observe the target market during the period of exporting operations.

An empirical study of market entry decisions made by 180 large MNCs during 15 years indicated that the strategy of wholly owned subsidiaries or other high control entry modes are most likely to be selected by MNCs when they have already accumulated a substantial experience with foreign market entries. On the other hand, MNCs prefer a partnership or low control market entry strategy when entry is in a highly risky or sociocultural distant country. (Helsen & Kotabe 1998, 250.) According to so, without sufficient experiences of foreign entries, Mehi Oy decided to enter into Chinese market with a high understanding cultural background by exporting as the first stage of entry strategy. The benefit of start as exporting entry mode is also to collect more valuable market information and correct strategy estimation with the low investment transactions when the high-control marketing management is needed to replace in the future.

Additionally, because of the drawbacks of indirect exporting that were analyzed in the theoretical part, Mehi Oy has determined to take the cooperative and direct exporting strategies. The strategy decision has also been caused by customer relationship had already existed in Chinese market, SEW Industrial Gears (Tianjin) Co., Ltd, for instance. The loyal relationship had been maintained all along between two parties. Therefore, Mehi Oy had certain marketing intelligence and experiences already in China. On the other hand, the strategy of wholly owned subsidiary has been considered as well by Mehi Oy. However, it was set up in the middle-long term strategic plan, because of the long implementation duration, high risks and investments. Mehi may use this strategy once all internal and surrounding conditions are mature in five to ten years.

In the past ten years, Mehi Oy had always been using direct marketing channel to deliver products to China. In the future, this channel will maintain for existing customers and new customers as multinational corporations. The pricing is 30%-40% discount of market-price to the end-industrial customers in direct marketing channel. Since the start of developing Chinese market, Mehi Oy has planned to use channel two which contains one intermediary level for the marketing communication with local or national enterprises. In industrial markets, this level is typically an industrial distributor. Through the intermediary, the greater efficiency will be achieved in marketing activities to target customer segments. Referring to channel three or four, Chinese sales branch establishment might be considered in five years once the marketing performance will be mature in the target market.

Once the market entry strategy and marketing channel have been selected, the following steps are the practical research and data collection. The findings and results of developing Chinese market have been presented in the chapter 6. The summary of the research experience may interpret in this chapter. One typical issue that Mehi Oy markets its products and enters into Chinese market is lack of local presence. Of course, there are other reasons to lead negative responses. For example, the potential customers do not have production activities, or they do not plan to change current suppliers. However, Mehi Oy can not conduct any reaction if the potential customers only have assembling tasks or sales activities. Lack of local presence, on the other hand, there are some methods can cover this shortage. By cooperating with local distributor agents might be considered as one way. Local agents have some network business in China, they may support Mehi's sales promotions and visit customers face to face constantly. Additionally, establishment of sales office or other forms of institutions will be the ultimate solution, yet the investment must be based on the certain market returns. The current size of customer base is still not enough to ensure Mehi Oy to make the decision that setting up a sales site. The significance of local presence is not only presented from potential customers, the existing customer too. SEW Industrial Gears (Tianjin) Co., Ltd indicates that the on-site technological service trace may improve the business.

Furthermore, the impact of business culture should not be neglected. Figure 7.1 illustrates the summary of potential customers' response rate. In the category of new customers searched by web source, the reason of low response rate may concern to Chinese culture – Guanxi. Without personal network, the marketing communication is almost ineffective. The response may only be considered as a well-intentioned rejection though. Moreover, the in-

terview with new-developed branches in China of existing customers is also difficult, because the expected contact person can not be pointed out directly from Chinese office. However, due to the different culture in Finland or most countries in Europe with China, Mehi Oy fortunately can be aware the expatriates in China from Finnish or European units.

Respondents of potential customers	Sample size	Response
Chinese branch of existing customers	10	8
New customers searched by web source	36	7
Exhibition visitors	55	49
Total potential customers	101	64
	Response rate	63.4%

Figure 7.1: Summary of potential customers' response rate

The typical successful example of marketing communication in the project of developing Chinese market for Mehi Oy is Metso Paper Technology (shanghai) Co., Ltd. The reason may include two points. Firstly, the potential customer is still in the stage of building a new production line, the new supply resources are needed. Moreover, the production manager of the potential customer has experience of using the Mehi tools. By his technological knowledge and trust on the Mehi products, the marketing effort can be achieved. The result may also indicate that the technological expertise and cultural understanding play the key roles for Mehi Oy to market its products and develop Chinese market successfully.

Last but not least, the central benefit of Mehi Oy's marketing in China is the technological advantages of customized tools. Although the price level might be higher than the Chinese local cutting tool suppliers, the cost of one customized tool designed by special needs actually would be lower than a few pieces of standard ones if the difficult holemaking with a complex form is required. Additionally, the customized tools also shorten the operative time for cutting tools users, because of the less tool changes and faster machining operation on the work pieces. The quality improvement, therefore, may include that the centrality of manufacturing performance is guaranteed. Nevertheless, the technological benefits must be presented by the marketer's certain professional knowledge and sales skills. It may directly lead the successful marketing communication with potential customers.

8 CONCLUSION

Strategy is a channel that helps the organization from where it is now to where it wants to be in the future (Brennan, Canning & McDowell 2009, 88). Marketing strategy consists of market research, sales planning, and other forms of mass communication (Drummond, Ensor & Ashford 2001, 10). Since Mehi Oy believed that it would be more potential in overseas market than home country, thereby the project was created for the purpose of demonstrating this belief. Passing by the initial phase of market research, China became the focus of Mehi's target markets. The management of marketing strategy led Mehi Oy to explore an optimal solution for increasing the profitability by seeking more prospective customers in the new market. Although the project of Chinese market development for Mehi Oy was full of challenge, the result on the marketing effort was worth to study and was beneficial to future further marketing actions in China.

Today's global customers have more options in terms of buying motivation and choices available. Customer relationship management is now understood as one of the core marketing processes by the theory of most entrepreneurs. (Ferrell, Hartline & Lucas, Jr. 2002, 95.) The marketing goal is not to make a single sale, instead, to create a customer and build a relationship in which supplier and customer become interdependent. As a result of communication, awareness is developed when potential customers become familiar with company's reputation, its product or technology. (Ferrell, Hartline & Lucas, Jr. 2002, 159.) In addition, trade fairs and exhibitions are another essential medium of international communication activities. Successful exhibition participation enables the firm to facilitate the economic growth in a target region or country. (Albaum, Strandskov & Duerr 1998, 441.) The outcome of customer communication and exhibition participation from Mehi's marketing strategy and implementation was fruitful. Establishment of a new customer relationship has already become true; some of the others have revealed their future cooperation intentions as well; two distributor agents have been pointed to represent Mehi Tools for aided-marketing activities in Northern and Southern China, respectively. Mehi Oy has reached the marketing goal as 30% of annual turnover from Chinese market. The next strategic plan will rise to 50% which may achieve the mission of setting up the sales office in China. The marketing outcome also indicated that the manufacturing market in China is and would be increasing potential for Mehi Oy.

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LIST OF APPENDICES

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APPENDIX 20/1 – 20/3: EXHIBITION VISITOR LIST

APPENDIX 21/1: E-MAIL REPLY FROM STAR PIPE INTERNATIONAL CO., LTD

APPENDIX 22/1: E-MAIL REPLY FROM APB-AUSTRIA PRECISION BEARINGS GMBH

APPENDIX 23/1: QUESTIONNAIRE

APPENDIX 1 MEMO A

MEMO A

TO:	Tomi Holappa	Factory Director (Mehi Oy)
FROM:	Lin Qing	Project leader/Chinese marketer
	Anni Kääriäinen	European marketer
	Katri Karjalainen	European marketer
	Margaux Bergonzoli	South American marketer
DATE & TIME:	25.01.2010	15:30 – 16:50
PLACE:	Taito 1, Kajaani University	
RECORD BY:	Lin Qing	
SUBJECT:	General information for working orientation	

Lin simply introduced the product manufacturing process of Mehi Oy, including from the beginning of design until the final step of delivery.

Anni and Katri have already found out some exhibition in Finland and other countries in Europe, the theme of those exhibitions is metal and engineering industry tradeshow. Information materials are printed out, Lin can bring to Mehi if needed. However, as Lin's opinion, for European market we might be as a visitor better than as an exhibitor, which means we can look for more exhibitions for the target customer's industry. In that case, we may have more chance to search potential customers; meanwhile the cost would be cheaper. Surely, it is not totally impossible that we show our product as an exhibitor, if the exhibition will exactly meet our needs.

Margaux have founded some potential customers in South America. She is still working on that, improving the company profile later, and meanwhile we decided that we will complete an Excel format for the criteria of all potential customers' profile in the future regular tasks. The content includes the information bellow,

- Name
- Country
- Industry
- Size (employees' amount, turnover, etc)
- Main product
- Contact person/information
- Website

@ Tomi: Please inform us if you need more information or you have advice for us. I suggested that we probably could start researching our current customers who have office or business in foreign countries as the answer to the other three girls about where we could start our marketing work. First step might be looking for right contact person who is purchase manager/production manager, and learning the company's general information. After that, we inform you and discuss about how we should do next. Your advice is very important, since you are working in Mehi daily and has sufficient production knowledge and experiences. Therefore, we would like to learn from you if we have problems of negotiation with target customer at the first time. New customer seeking is more valuable. We will research companies' information by internet, hold every chance and try to make new sales real. Please correct me immediately if I provide wrong information or guidance to others.

- From Lin

APPENDIX 2 COMPANY PRESENTATION

MEHI Tools About us

MEHI Tools is Finland's biggest special tools manufacturer. Our expert knowledge and 30 years experience of tool manufacturing and design for the engineering industry enable us to deliver the best services required at a competitive price.

MEHI Tools listens and respects long-term customer relationships: We understand our customer needs and find the right solutions.

MEHI Tools Products

We design and manufacture customized, high quality tools and we supply a wide range of quality standard products including boring and drilling tools. Our manufacturing process uses:

- only the very best raw materials and state-of-the-art production equipment available
- ISO 2001 Quality Standard.

Rapid delivery, user-friendliness, and reliability are our watch-words.

MEHI Tools Customers

Our international partners operate in the fields of shipbuilding, car, elevator, and paper manufacturing and we produce high-quality tools for many well-known Finnish and international engineering companies, among them:

- *Wärtsilä* - www.wartsila.com – is a market leader in diesel and natural gas engines, biopower solutions and complete propulsion systems.
- *Gardner Denver* - www.gardnerdenver.com – is a recognized market leader providing compressed air and gas, vacuum and fluid transfer technologies to industries throughout the world.
- *Metso* - www.metso.com – is a global supplier of sustainable technologies and services for mining, construction, energy and the pulp and paper industry.

Contact information

Mehi Oy MEHI Tools
Metallitie 2
89600 Suomussalmi
207 929 607
FINLAND

Tomi Holappa
Factory Director
Tel. +358 (0)

tomi.holappa@mehi.fi

www.mehi.fi

APPENDIX 3 CALL SCENARIO

MEHI

- Greeting/presentation => Good morning.
- I am calling from MEHI Tools Company from Finland. I am in charge of _____ Marketing Manager.
- Our purpose is to design and manufacture tools for the engineering shop industry.
- We think that your company might be interested by our products.
- I would like to speak with the production manager, or someone who is taking care of production, please. May I have his phone number or contact information, please?
- Could you put me through to the appropriate person?

With the purchasing manager

- Good morning.
- My name is …..
- I am calling from MEHI Tools Company. We are the biggest company that is producing special tools in Finland.
- Can I send our brochure for you by e-mail?

YES:

- This sound very good, thank you for your time. As you could see in our brochure we are able to design and manufacture special and standard tools, which could help you improve your production process. And this will enable you to achieve better results by improving productivity and reducing costs.

NO:

- Ok, if you have enough time, I can explain you now and you can check it later on. Our aim is to design and manufacture customized tools and also standard tools, which are, most of the time, used in engineering shops. Our customized and standard tools can help you to improve your production process. And this will enable you to achieve better results by improving productivity and reducing costs.

WE ARE NOT INTERESTING:

- Ok, thank for your time. If later on you need this kind of product, just take contact with us and we will provide for you solutions.

WE ARE INTERESTING:

- I will send you the contact information of the Factory Director (Tomi Holappa: tomi.holappa@mehi.fi) where you can send your wishes about the product you need and he will continue the process with you.

- I will forward your contact information to our Factory Director and he will soon contact you to the process.

Business solution:

- By providing customized tools, we can help you to increase productivity, reduce costs and use the resources in the best way possible.

- For example, we manufacture: roughing bores, finishing tools, chucks, connections, mills and special tools according to our customers' wishes.

- As your company is producing/manufacturing…….. We think that you might be interesting by our products.

- Sometimes you need to customize your tool to achieve better results. We are able to listen your wishes and build reliable special tools in a short time (2-6 weeks)

Delivery time:

- good delivery time and flexibility (around 2-6 weeks depending on situation).

Guarantee:

- In general our tools are guaranteed during 12^{th} months to the frame of the tools.

Prices:

- We are able to provide the best machining tools at a very competitive price. Price depend on designing and how difficult it is manufacture.

- Our company is leader in Finland. We also work for international well-known companies for a long time.

Potential customer's questions:

For which kinds of industries do you usually work?

- Our customers come from different fields like: cars, ships, and elevators, lifts and papers industries.

Your products are made with which kind of raw material?

- The best quality raw material: stainless steel.

- We follow the ISO 2001 Quality Standard.

How can you deliver your products?

- We usually deliver EXW but it can be changed according to your wishes.

Why do you want to provide your product so far?

- We are willing to help more companies by providing reliable customized tools.

Why should we order your product from Finland, which is quite far away?

- Because, thanks to our knowledge and experience, we can provide you reliable products at a competitive price with a shorter delivery time.

- For instance, while our competitors will take 6 months to manufacture you a product, we are able to do it, and additions to this also deliver it on half time.

Terms of payment?

- Depends on order

- Usually 30% order
  60% before sending
  10% after delivering

Do you have references?

- Wärtsilä, Vaasa (Finland) & Trieste (Italy)
- Sisu Diesel
- Metso
- Rautaruukki
- Kone Oyj
- KCI Konecranes
- Valtra
- Parker Hannifin Lokomec Oy
- SEW Ig (Industrial Gears), Karkkila (Finland) & China
- Componenta Nisamo
- Tulikivi
- Nomet Oy

What to do if the customer seems interested?

- Ask him for his personal e-mail address, to send him more information.
- Give him your own e-mail address
- Give him MEHI's contact

End of the call:

- Thank you for your time.

- If you need more information then you can contact us, it will be a pleasure to provide you more information if needed.

- Give your own E-mail address.

APPENDIX 4 MEMO B

MEMO B

TO:	Tomi Holappa	Factory Director (Mehi Oy)
FROM:	Lin Qing	Project leader/Chinese marketer
	Anni Kääriäinen	European marketer
	Katri Karjalainen	European market er (Absence)
	Margaux Bergonzoli	South American marketer
DATE & TIME:	03.02.2010	12:15 – 12:50
PLACE:	Taito 1, Kajaani University	
RECORD BY:	Lin Qing	
SUBJECT:	Processing for Mehi project	

Margaux completed almost 20 companies' information searching in the region of South America, please find the enclosure 1. She has researched these companies by the keyword of "Metal" on Internet. It looks like the same industry with Mehi, so Lin suggested that we should probably look for the target customers' industry, e.g. engine manufacturer.

Anni and Margaux are going to make a presentation of Mehi profile by one A4 page, as Tomi discussed with Lin at last meeting. Tomi is responsible for checking if it is appropriate. We can contact customers by sending this Mehi presentation as first step. The purpose would be giving them a general impression of our company and product, later/meanwhile make a phone call.

Timetable

Deadline	Task
09.02.2010	Mehi presentation (Word format, one page)
17.02.2010	Company information research (Excel format) Target: industrial city/region
16.03.2010	Exploring right contact person – purchasing / production manager
28.04.2010	Further negotiation
04.05.2010	Project conclusion

APPENDIX 5 ORIGINAL DOCUMENT FROM MARGAUX BERGONZOLI

APPENDIX 4 LIST OF COMPANIES CALLED - SOUTH AMERICA - MARGAUX

COMPANY	COUNTRY	CITY	WORK DONE		PARTICULAR OBSERVATION
			Phone calls	Brochure sent	
Metal 2	Brazil	Sao Paulo	yes	yes	
Super Metal	Brazil		yes	no	nobody spoke english
Hemeind LTDA	Colombia		yes	yes	
Flexilatina de Colombia	Colombia		yes	yes	
ABL Interna-cional	Colombia		yes	yes	
ABS ma-quinas	Colombia		yes	yes	
AVA S.A.	Colombia		yes	yes	
Bonem S.A.	Colombia		yes	yes	
ABB	Argentina	Buenos Aires	yes	no	wrong contact information
ABB	Colombia	Bogota	yes	no	couldn't get any contact information
ABB	Chile	Santiago	yes	yes	
AGCO Sisu Power	Spain	Zumaia	no	no	wrong contact information
Wärtsilä	Argentina	Buenos Aires	yes	no	couldn't get any contact information
Wärtsilä	Brazil	Rio de Ja-neiro	yes	yes	
Wärtsilä	Chile	Valparaíso	yes	yes	
Wärtsilä	Colombia	Bogota	yes	no	couldn't get any contact information
Metso	Argentina	Buenos Aires	yes	no	
Metso	Brazil	Aracruz	no	no	wrong contact information
Metso	Brazil	Paraná	yes	yes	
Metso	Chile		yes	no	entity not interested

APPENDIX 6 ORIGINAL DOCUMENT FROM KATRI KARJALAINEN

APPENDIX 5 **LIST OF COMPANIES CALLED - EUROPE - KATRI**

Company	Country	City	Phone calls	Brochure	Particular Obs.
Abb	Finland	Helsinki	x	-	
Agco sisu power	Brazil		-	-	Manufacturing is in Brazil
Ahlström	Italy France Sweden	Sassoferrato Cresssa Saint-Sevérin Ställdalen	x x x x	- - - -	
Parker hannifin	Germany Czech Republic Poland Sweden	Koeln Obendorf Mainz-Kastel Klecany Chomutov Warszawa Boras Trollhattan	x x x x x x x x	- x x - x - - -	no answer Gave right no. center lady no answer
Cardner Denver	England Germany	Manchester Schopfheim,	X x	- -	
Sew industrial gears	French Germany	Forbach Cedex Graben-Neudorf	x x	- -	speaks only French or Germany
Component Nisamo	Netherlands Finland Sweden	Weert Lempäälä Kristienhamn	x x x	- - -	
PIV Drivers GmbH	Germany	Bad Homburgg	x	-	
Brevini Winches	Italy	Reggio Emilia	x	X	
Eisele Antriebstechnik	Germany		x	-	produce their tools by themselves
Nomet Oy	Finland	Tampere	-	-	Subcontractor company
Wärtsilä	Denmark Switzerland France	Hirtshals Winterhur Mulhouse	X X X	- X -	 Didn't speak Engl.

APPENDIX 7 ORIGINAL DOCUMENT FROM ANNI KÄÄRIÄINEN

APPENDIX 6 (1/2) **LIST OF COMPANIES CALLED - EUROPE - ANNI**

Company	Country	City	Phone calls	Brochure	Particular Obs.
Komas	Poland	Lubelski	x	x	didn´t answer
Kone	Check Republic	Prague	x	-	didn´t reach the PM
	Italy	Pero & Cadrezzate	x	-	
Konecranes	Germany	Lagenhagen	x	x	didn´t reach the PM
	Sweden	Markaryd	x	x	only assembling
	Ukraine	Odessa	x	x	
	UK	Glasgow	x	x	
Metso - automation	Denmark	Kongens Lyngby	x	x	
		Horgau	x	x	
	France	LeHaillan Cedex	x	-	have to know the name of PM
		Wittenheim	x	-	
Metso - Pulp&Paper	Italy	Corizia	x	x	small unit, no need
	Sweden	Karlstad	x	-	wrong kind of facility
Metso - Mining and Constructi-on	Belgium	Evergem	x	x	
	Check Republic	Prerov	x	-	wrong kind of facility
	France	Mâcon	x	-	does´t have manufacturing in Germany and Norway anymore
		Orleans Cedex	x	-	
	Germany	Mannheim	x	-	
	Norway	Kongsvinger	x	-	
	Sweden	Ersmark	x	x	
		Sala	x	x	
		Trelleborg	x	x	
	UK	Cappagh	-	-	
		Somerset	-	-	
Moventas	Germany	Wuppertal	x	x	
(Konesko)	Estonia		-	-	only in Estonia, already customer

APPENDIX 6 (2/2) LIST OF CALLED COMPANIES - EUROPE - ANNI

Rolls Royce - marine equipment	Denmark	Aalborg	x	x	PM said: Manufacturing and re-conditioning only in Scandinavia & Scotland maybe
	France	Rungis	x	-	
	Norway	Ålesund	x	-	
	Sweden	Kristinehamn	x	-	
	UK	Bristol	x	x	
RR - Civil Aerospace			-	-	no phone numbers
RR - Defence Aerospace			-	-	no phone numbers
			-	-	
RR - Energy Business			-		no phone numbers
Ruukki	Germany	Duisburg	x	-	PM is Finnish, no need
	Hungary	Budabest	x	-	never answered
	Lithuania	Vilnius	x	-	only sells
	Poland	Zyrardow	x	x	PM does´t speak English
	Romania	Bucharest	x	x	
	Slovakia	Bratislava	x	x	
	Sweden	Halmstad	x	x	no need at the moment
	Ukraine	Kyiv	x	x	
Sandvik - mining and construction	Sweden	Sandviken	x	x	
	Norway	Skjetten	x	-	not any kind of metal production in Norway
	Poland	Tychy	-	-	no need in Poland
(Schroers Werkzeuge)	Germany		-	-	Already retailer, didn´t contact
Wärtsila	Netherlands	Zwolle	x	x	small unit, no need
	France	Mulhouse	x	x	
	(Italy)	Trieste	-	-	already customer, didn't contact
	Norway	Rubbenstadneset	x	x	
	Spain	Bermeo, Maliano	x	x	
	UK	Havant	x	x	
Total / Anni					
Companies 9/11	16 different countries	46 cities	44 phone calls to different places and 126 phone calls total		Brochures: Discussing with the PM and sending 16 brochures, sending without calling 9 brochures, total 25

APPENDIX 8 MEMO C

MEMO C

Participants:	Tomi Holappa; Anas Al Natsheh; Annika Thieme; Lin Qing
DATE & TIME:	06.04.2010 11.00 – 14.00
PLACE:	Mehi Oy
RECORD BY:	Lin Qing
SUBJECT:	Kick-off meeting for Thesis

Anas

- Developing German market for Mehi
- Germany might be the second interesting market after China
- Concentrating on Germany in European countries
- Learning German market features and understand better
- Seeking potential possibility
- Continuing to contact future customers

Tomi

- Challenges may exist in Germany since it is the manufacturing center
- Competitors may even bigger than us
- Special/ customized tools can be concentrated for German market
- Standard tools may loss the possibility to compare with German local companies

Annika

- Exchange student from Heilbronn, Germany
- Experience of studying in France for one semester previously also as exchange student
- Internship experience for Bosch in Stuttgart, Germany
- Tasks for Mehi project includes analyzing German market; possible solution to enter into the market; exploring potential customers and indentifying competitors

Target customer industries:

Manufacturing industry, key word for seeking potential companies might be machining tools, engine, manufacturing equipments, gears, valves, etc.

APPENDIX 9 BUSINESS TRIP SCHEDULE IN NOVEMBER 2010

Meeting Timetable

November 2010

Date	Place	Time	Meetings
9	Beijing	13:00-14:30	Beijing Wisdom Technology Development Co., Ltd. Broad Media – Li Zengshan (Journalist)
		15:00-16:30	Beijing Promise Industrial Equipment Co., Ltd. Broad Media – Li Zengshan (Journalist)
10	Shenyang	13.00-17.00	A big aircraft company (national confidential organization) URI GROUP – Dean Gang (reseller)
11	Anshan	09.00-11.00	A steel company (also introduced by Dean Gang)
12	Tianjin	10.00-13.00	SEW Eurodrive
15	Shanghai	9.30-11.30	Wärtsilä China Ltd.
		13:30-15:30	Shanghai Sunnet Machinery Co., Ltd. Finpro – Tan Liwei (assisting negotiation)
16	Shanghai	9.30-10.30	Shanghai Herly International Trading Co., Ltd.
		11.30-16.00	Metso Paper Technology (Shanghai) Co.,Ltd.
17	Shanghai	10.00-11.30	XS-EurTrade
		13:30-15:30	Metso Automation (Shanghai) Co., Ltd.

APPENDIX 10 BUSINESS TRIP SCHEDULE IN MARCH 2011

Trip schedule in March to China

March 2011

Date	Position	Activities
7	Beijing	Arrival in the morning.
		Meet Dean Gang and visit his new company.
8	SEW, Tianjin Start at 8.30	Make Special element for testing the tool performance in order to solve the previous problem.
9	Tianjin	The 10th China International Machine Tool & Metalworking Exhibition. Opening hours 9.00-16.30
10	Metso, Shanghai	Research what solution of special tools we can provide for their future needs, and discuss training time and other information that they required.
11	Shanghai	Meet XS EurTrade and Prime TEC (Su Zhang).

APPENDIX 11 ORIGINAL E-MAIL LETTER FROM METSO PAPER TECHNOLOGY (SHANGHAI) CO., LTD

Original E-mail letter from Metso

About some tools
ruoyu.wang@metso.com [ruoyu.wang@metso.com]
You replied on 27/05/2010 09:32.
Sent: 27 May 2010 06:16
To: Qing Lin

Hello Lin,
I am tooling engineer in Metso Jiading, Shanghai, china. My manager supply your contact message.

I know Mehi produce good boring tooling, and we need the rough boring tooling rang: 150mm--600mm, work piece material: Stainless steel 316 & HT300, so if you have some idea, please tell me, I suppose your company have agreement with Metso.

I don't know if you can give me some suggestion for my need, and if you have,please send me exact type and quotation, and deliver time....

Maybe you can reply me in Chinese....
Thank you very much!

APPENDIX 12 E-MAIL LETTER TO WÄRTSILÄ CHINA LTD

-----Original Message-----
From: Qing Lin [mailto:qing.lin@mehi.fi]
Sent: 19 March 2010 14:34
To: Palonheimo, Antti
Subject: Mehi Tools

Dear Mr. Palonheimo,

I am Lin Qing, Chinese marketing representative from Mehi Oy in Finland. Our company produces and designs machining special tools, boring and drilling standard tools used in engineering shops.

We have already established long-term cooperative relationship with Wärtsilä Finland Division, as well as Italian Division. Therefore, we thought our products can be trusted and needed by your company.

I also spoke with your assistant; she said that you purchase most components for your final products. I would like to know if there is any possible I can learn some suppliers of your company, or could you please recommend us for your suppliers?

We are going to take an exhibition named Metal + Metallurgy & Casting & Refractories China 2010 in Beijing on May. We will be appreciated if you have time to visit there, meanwhile our expert will answer all professional questions for each visitors.

Please find attached document of our company's brochure in Finnish version, I suppose it is more understandable for you. If you are interest in, I can offer you English version later.

Any questions, do not hesitate to contact me, or our factory director Tomi Holaapa.

I am looking forward to hearing from you soon.

APPENDIX 13 E-MAIL REPLY FROM WÄRTSILÄ CHINA LTD

Original E-mail letter from Wärtsilä (a)

From: jiexiang.su@wartsila.com [jiexiang.su@wartsila.com]
Sent: 30 March 2010 11:36
To: Qing Lin
Subject: FW: Mehi Tools - brochure

Dear Lin Qing,
I understood from our colleagues in Finland of the co-operation with you.
And I am interested what you could supply in China.

Thanks

Original E-mail letter from Wärtsilä (b)

RE: Mehi Tools
jiexiang.su@wartsila.com [jiexiang.su@wartsila.com]
You forwarded this message on 01/04/2010 08:35.
Sent: 01 April 2010 04:13
To: Qing Lin

Dear Lin,
Thanks for your reply , & invitation to the exhibition although I do not have a plan to attend.

As far as co-operation in China, I think our door is always open to you, as an existing partner in Europe, however talk about tools, it means engineer to engineer talk, site audit & testing of tools, availability etc.
Without local presence, I must see its really challenge.

Thanks for your understanding.

APPENDIX 14 NEW CUSTOMER LIST

New customer list (with response)	
Action Shanghai Co., Ltd	Baoding Jinlong Machine Manufacture Co., Ltd
Anhui Chizhou Household Machinery	Qingdao Sanheshan Casting Group Co., Ltd
Anhui Yuancheng Machine Co., Ltd	Zollern Speed Reducer
Anhui Zhongde Machine Tool Co., Ltd	

New customer list	
ANCA Machine Tool (Shanghai) Co., Ltd	Beijing Aoyukesin Surface Engineering Technology Co., Ltd
Absolent AB	Beijing Arc Star Trading Co., Ltd
AC Manufacturing Technologies	Beijing Baihui Hongda
Allit Plastic-Metal Technology (Qingdao) Co., Ltd.	Beijing Changli Precision Machinery Co. Ltd. Tianjin Zerpo Machinery and Elactric Equipment Co., Ltd
Allmac Industries Co., Ltd.	Beijing Csca Technology Co., Ltd
Anderson Industrial Corp.	Beijing Demina Precision Machinery Co., Ltd.
Anyang Hua-an general spindle technology Co., Ltd	Beijing Digcher Cleaning Equipment Co., Ltd
Automated Precision Inc.	Beijing Dm-Cut Machine Tool Ltd
Awea Mechantronic Co., Ltd	Beijing Eternal Edm Technology Research Institute
Balluff (Shanghai) Trading Co., Ltd	Beijing Good Mechano – Electrical Technology of High Co., Ltd
Baoding Winway Machine Tool Co.Ltd	Beijing Govern Regal Co., Ltd
Baoding Xiangyang Aviation Precision Machinery Co., Ltd	Beijing Guowei Machanical Manufacture Co., Ltd
Baoding Ygla Industry & Trade Co., Ltd	Beijing Haihui Jiahua Technology Co., Ltd
Beijing Aerospace Numerical Control System Co., Ltd	Beijing ISLIVE Machinery & Electrical
Beijing Agie Charmilles Technology & Service Ltd	

APPENDIX 15 EXHIBITION TIMETABLE

Exhibition - Timetable of On Site Operations

Build Up Period	Date	Time
Exhibitor Registration (for Raw Space)	May 8-10, 2010	08:30 – 17:30
Exhibitor Registration (for Standard Booth)	May 9-10, 2010	08:30 – 17:30
Construction & Exhibits move in (for Raw Space)	May 8-9, 2010	08:30 – 17:30
Construction & Exhibits move in (for Standard Booth)	May 9, 2010	13:30 – 17:30
Construction & Exhibits move in (All Booths)	May 10, 2010	08:30 – 21:00
Exhibition Period	Date	Time
Opening Ceremony	May 11, 2010	09:30
Opening Hours	May 11, 2010 May 12-13, 2010 May 14, 2010	10:00 – 17:00 09:00 – 17:00 09:00 – 13:00
Tear Down Period	Date	Time
Removal of All Exhibits	May 14, 2010	13:30 – 21:00

APPENDIX 16 EXHIBITION REPORT OF METAL &METALLURGY CHINA 2010

SHOW REPORT

Sponsors/Organizers:	China Iron and Steel Association China Foundry Association Metallurgical Council of CCPIT Industrial Furnace Institution of CMES The Association of China Refractory Industry The Chinese Society for Metals CIEC Exhibition Co., Ltd., CIEC Group Hannover-Messe International GmbH
Dates:	May 11-14, 2010
Venue:	China International Exhibition Center (New Venue) Beijing
Exhibition halls:	E1, E2, E3, E4, W1, W2, W3, W4
Total Space:	106,000 sq.m.
No. of Exhibitors:	1326 (256 overseas exhibitors, 1070 Chinese companies)
No. of Visitors:	May 11 17,175 May 12 15,797 May 13 11,053 May 14 3,668 **Total 47,693**

Participating Countries and Regions:
Austria, Australia, Belgium, Bulgaria, Canada, China, Czech, Denmark, Finland, France, Germany, Greece, Hong Kong SAR, Italy, India, Japan, Korea, Luxemburg, the Netherlands, Norway, Russia, Singapore, Spain, Sweden, Switzerland, Taiwan Region, Turkey, UK and USA

National Pavilions: Belgium, Germany, Italy, Spain and USA
Regional Pavilion: Taiwan Region

Concurrent Congresses:
The 9th China Foundry Association Congress No. of attendees: 1100
The 6th China International Steel Congress No. of attendees: 979

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Http: www.mm-china.com

APPENDIX 17 E-MAIL REPLY FROM CHINA FOUNDRY ASSOCIATION

Original Email from China foundry association

答复: Fw:Mehi Tools
高巍 [gaowei@foundry.com.cn]
This message was sent with Low importance.
You replied on 01/04/2010 11:35.
Sent: 01 April 2010 11:12
To: Qing Lin

林晴您好，

非常感谢您对中国铸造协会的信任，我们会在展会期间帮你留意代理商的事。
你们公司主要生产加工设备的刀具等，是铸件毛坯件加工为成品的必用工具。

谢谢你的回复

Translation

Hello Lin Qing,

Thank you for your trust in China Foundry Association, we will pay attention to distributor agents for you during the exhibition.

Metal cutting tools, such as your company's products are the tools must be used for manufacturing rough pieces to the finished product of castings.

Thanks for your reply.

APPENDIX 18 EXHIBITOR INVITATION LIST (a)

Exhibitor invitation list (with response)	
Convitec GmbH	Heinrich Georg GmbH
Eisenbeiss GmbH	ProMetal RCT

Exhibitor invitation list	
ABB Engineering (Shanghai) Ltd.	Keller HCW GmbH
ABP Induction Systems GnbH	Koins (Suzhou) Foundry Technology Co., Ltd
Actuant (china) Industries Co., Ltd	Koyo.Ltd
Ajax Tocco	Kunkel-Wagner Prozesstechnologie GmbH
Allied Mineral Products (Tianjin) Co., Ltd.	Laempe & Mössner GmbH
Ansaldo Sistemi Industriali S.p.A.	LDV-Systeme GmbH
Balluff (shanghai)	Lechler GmbH
Calderys Refractories	Leine Linde
Carrier Vibrating Equipment, Inc	LORAMENDI S. COOP
CCL Enterprise Inc.	MAGMA Engineering (Suzhou) co, Ltd
Dantherm Filtration (Suzhou) Co., Ltd.	Maschinenfabrik Gustav Eirich
DISA Trading (Shanghai) Ltd. Beijing Branch	Maxcess
Eisenbeiss GmbH	Megatherm Electronics pvt.ltd.
Elster GmbH	Mesacon Messelektronik GmbH Dresden
Elster Hauck	Minelco (Tianjin) Minerals Co. Ltd
EMG Automation GmbH	Morgan Thermal Ceramics
Fundigex, casting exporter's association of Spain	MTS Sensors China
GE Energy – Environmental Service	NEOTECHNIK GmbH
General Kinematics	Otto Junker GmbH
GLUAL	Parker Hannifin Motion & Control (Shanghai) Co. Ltd
Grenzebach	Paul Wurth Metal Technology (Beijing) Co. Ltd
Heahne GmbH	Saint-Gobain Ceramic Meterials
Heinrich Wagner Sinto Maschinenfabrik	SAMRI COMPANY LTD
Hunter Automated Machinery (shanghai) Ltd.	SIDERVAL.S.P.A
Heinrich Georg GmbH	Simpson Technologies (Changzhou) Co. Ltd
Inductotherm Group China	Sintokogio, Ltd
INDUGA	SKF GmbH
Itipack	SMS Group
ITOCHU CERATECH CORPORATION	Spectro Analytical Instruments GmbH

APPENDIX 18 EXHIBITOR INVITATION LIST (b)

Exhibitor invitation list	
Superior Graphite Europe Ltd. Shanghai Rep. Office	VIPA GnbH Beijing Representative office
Tenova	VJ Technologies, Inc.
TMEIC	Voith Turbo GmbH & Co. KG
TOTAL LUBRICANTS CHINA CO., LTD	Volclay China
Tycon Alloy Industries (H.k) Co. Ltd	Z & J High Temperature Equipment (Shanghai) Co., Ltd.
UNI-GERÄTE E. Mangelmann Elektronische Fabrik GnbH	

APPENDIX 19 E-MAIL REPLY FROM EISENBEISS BMBH

Example of one exhibitor's response from Eisenbeiss BmbH

WG: Mehi Tools
Shen.Guihua [Guihua.Shen@Eisenbeiss.at]
You replied on 24/03/2010 13:50.
Sent: 24 March 2010 10:45
To: Qing Lin

Dear Mr./Mrs. Lin,

Thank you for your information. Yes, we'll be at the exhibition and our booth is K31. Your are welcome to our booth and if we have the requirement in your products we'll forward your information to whom it may concern.

Kind regards,

Guihua Shen
Sales/Verkauf

APPENDIX 20 EXHIBITION VISITOR LIST(a)

	Company – English name	Company – Chinese name
No response	ADI Mechanical Casting Co.	奥帝爱机械铸造有限公司
	Carrier Vibrating Equipment, Inc.	
	C.P.C.-BG counter - pressure casting machines	
		泰州市金钢冶金机械制造厂
		洛阳锐腾机械设备有限公司
		沈阳安重信传动设备有限公司
Total	6	

	Company – English name	Company – Chinese name
Response – Open opportu-nity	Eagle Foundry & Work Shop	
	Star Pipe International	天津港保税区四达国际贸易有限公司
	Industry Mark	西苑机电科技公司
	Antec Corporation	安达特工贸
	Ben Yue	本粤
	Danieli Metallurgical Equipment	达涅利冶金设备（北京）有限公司
	XS EurTrade	上海祥树欧茂机电设备有限公司
	Roundtop Machinery Industries Co., Ltd.	乔福机械工业股份有限公司
	Beijing Expansion Sources of Trade & Technology Co	北京德华宇科贸有限公司
	Changzhou Aotie M & E Technology Co., Ltd.	常州奥铁机电科技有限公司
	APB - Austria Precision Bearing	
	SUN - Glare Ltd. China	神钢联
	Mishra Ispat Private Limited	密斯拉伊斯帕特(私人)有限公司
	SERT Metal	
		石家庄市新华工业炉有限公司
	Hebei Guangde Precision Casting Co., Ltd	河北光德精密铸造有限公司
	Total Lubricants China Co., Ltd	道达尔润滑油(中国)有限公司
	Eisenbeiss GmbH	埃森柏斯有限公司
	Hidea Foundrymatic Engineering	好迪铸造自动化工程
		山东四方钢管设备制造有限公司
	Qingdao GBS Machinery Manufactur-ing Co., Ltd.	青岛精典机械制造有限公司
Total	21	

APPENDIX 20 EXHIBITION VISITOR LIST(b)

	Company – English name	Company – Chinese name
Response – Refusal	King Lai Hygienic Materials Co., Ltd	新莱洁净应用材料股份有限公司
	Parker Hannifin Motion & Control (Shanghai) Co., Ltd.	派克汉尼汾流体传动产品（上海）有限公司
	Spraying Systems Co.	斯普瑞喷雾系统（上海）有限公司
	Hengshui Green Multi-Metal Casting Technology Co., Ltd.	衡水格林铸鑫科技有限责任公司
		河南省万隆精密铸造有限公司
	Zibo New Yoek International Trading Co., Ltd	淄博纽约客国际贸易有限公司
	Hebei Huaan Foundry Co.,Ltd	河北华安铸造有限责任公司
	Eclipse Innovative Thermal Solutions	
	Liyang City Huapeng Motor Spare Part Co., Ltd	溧阳市华鹏电机配件有限公司
	Kiswok Industries Pvt Ltd	
	Taiyuan Heavy Industry Casting & Forging Subco.	太原重工股份有限公司铸锻分公司
	Changzhou Baoyi Mech.&Elec. Instrument Co., Ltd	常州宝仪机电设备有限公司
	Chongqing Jie Li Wheel manufacturing Co., Ltd	重庆捷力轮毂制造有限公司
	General Kinematics Corporation Shanghai Representative office	美国通用振动设备公司上海代表处
	Loramendi Beijing Representative office	西班牙洛拉门迪有限公司北京代表处
	Elster GmbH	德国霍科德有限公司北京代表处
	Wafangdian Jinfeng Bearing Manufacturing Co., Ltd.	瓦房店金峰轴承制造有限公司
	voith Turbo GmbH & Co. KG Guangzhou Representative office	德国福伊特驱动技术有限公司
	United Technology & Trade (Beijing) Co., Ltd	汇泓科联贸易(北京)有限公司
	Anhui Taier Heavy Industry Co., Ltd	安徽泰尔重工股份有限公司
	Chaobai Rier Development Area	大厂潮白河工业区
	Changshu Meili machinery manufacture co. Ltd	常熟市梅李机械制造有限公司
	Kunshan Wingstar power transmission Co. ltd	昆山荣星动力传动有限公司

APPENDIX 20 EXHIBITION VISITOR LIST(c)

	Company – English name	Company – Chinese name
Response - Refusal	Qili Drive	启丽传动
		泰州市华详冶金设备厂
		中钢集团邢台机械轧辊有限公司
	Shanghai Maud Group	上海茂德企业集团
	Guangdong Hongtu Technology (holdings) Co., Ltd.	广东鸿图科技股份有限公司
Total	28	

APPENDIX 21 E-MAIL REPLY FROM STAR PIPE INTERNATIONAL CO., LTD

Original E-mail letter from Star Pipe

RE: Mehi Tools
Manish Chopra [manishc@starpipeasia.com]
You forwarded this message on 17/06/2010 13:56.
Sent: 18 June 2010 04:28
To: Qing Lin

Attachments: dIMENSION.bmp (4 MB)

Hello Ms Qing,
Please find the drawing of the product it also has dimensions.
We want to machine the area marked in red with a combination tool
Our Machine is VTL
Sorry If you missed my reply before
Regards
Manish

APPENDIX 22 E-MAIL REPLY FROM APB-AUSTRIA PRECISION BEARINGS GMBH

Original E-mail letter from APB

Re: Mehi 刀具
Rongbin Xu [xur@ubc-bearing.com]
You replied on 22/06/2010 08:47.
Sent: 19 June 2010 17:06
To: Qing Lin

Lin Qing 您好！

谢谢您的信息，APB 轴承采用硬车技术，所以刀具和夹具对我们的产品保证质量非常关键，我们在常熟的工厂会在明年 7 月份试生产，我还不知道 APB 奥地利工厂是否采用了贵司的刀具，因为将来中国的工厂会完全采用 APB 成熟的刀具供应商。

我会把贵司的信息转发给奥地利同事，以确定下一步的合作事宜。

谢谢

许荣滨

Translation

Hello Lin Qing,

Thank you for your information. APB bearings apply hard turning technology, therefore cutting tools and chucks are the key to ensure our product's quality. Our Changshu's factory will take trial production in July next year. I do not know whether APB Austrian factory has used your tools, because Chinese factory will be used APB's fully mature suppliers.
I will forward you message to my colleagues in Austria, therefore we can determine next step of cooperation possibilities.

Thanks.

APPENDIX 23 QUESTIONNAIRE

Good day, Sir/Madam. This is Lin Qing from Mehi Oy. I am calling from Finland. Our company manufactures metal cutting tools for boring and drilling purpose. We have almost 40 years experiences for serving our customers. Nowadays we intend to enter into Chinese market and develop our business. May I ask you a few questions about the possibility of doing business with your company? It may take you 5 to 10 minutes. Do you have time at moment?

1. What is the operation mode in your company?
   - Manufacturing - Assembling - Sales & Services - All
2. a) Assembling:
   Is it possible that I can communicate with your suppliers if there only is assembling operation in your company?
   b) Manufacturing:
   Does your company need metal cutting tools in manufacturing process, especially boring and drilling tools for making a hole for the work pieces?
3. Would you like to consider import manufacturing tools from foreign countries?
4. Does the equipment in your company require customized cutting tools with multi-purpose function?
5. What is the using proportion between standard tools and customized tools in your company?
6. Can you evaluate whether the customized tool will become the majority of production demands in your company in the future?
7. Do you have interests to collect our product information? (I can send you our company's brochure later by E-Mail)

Thank you very much for your time, and have a nice day. Bye.

Note: this questionnaire is made for all potential customers, including Chinese branch of existing customers, new customers and exhibition visitors (opening words and questions may only have a little change for each target groups).