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COMPANY X BRAND LAUNCH TO THE CHINESE MARKET

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The purpose of this thesis was to conduct a brand study for Company X, which produces small and medium childcare products. The final objective was to have a better knowledge of the Chinese market to adapt as well as possible the Company X brand strategy comparing with competitors are doing in terms of brand strategy and entry mode solution.

The introduction shows the purpose and the objectives of the thesis and the conceptual framework including all the theoretical concepts developed. The theory is encapsulating the macro-environment allowing to define what a market is and the entry mode to explain what the differences, advantages and disadvantages are. Thanks to Thomas Gad's 4D model, branding is defined regarding different aspects: brand as a concept meaning how the brand is seen by customers, and also the 4D brand model giving elements to create the killer brand.

The empirical part is analysing the Chinese market and especially the macro environment meaning demography, geography, political and legal, economical and cultural environment but also the demand and the competition. It is also including the Company X brand analysis to have a better understanding of what the current strategy is and to give the best recommendations. Theory is applied in this part in order to have a large view of what Company X should do to be successful in the Chinese market.

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1 INTRODUCTION

1.1 Purpose and objectives

Purpose

To do a brand study can be considered as an analysis of the present situation to be efficient in the future. The company needs to learn about its potential and what has to be improved to take right decisions. Company X is currently known in Europe thanks to its eponymous brand. One of the most important objectives is to launch the Company X brand on the Chinese market. The top management sees this challenge as an event that each employee has to be concerned about. It is also appropriate to think about the adaptation of Company X brand for the target market: it is the aim of this brand study. To understand the elements of Company X brand is the first step to find out what are the data that the company needs to be focused on in the future. Then the top management has to understand the present situation to adapt the brand management to the future and particularly to the future in the Chinese market. The purpose of this thesis is to help the top management to take decisions giving recommendations.

A previous study was conducted during winter 2010 and spring 2011 by four trainees and the Export Manager. The aim of this market research consisted to collect qualitative and quantitative data about the Chinese market. To adapt the product was the final objective of this study. To continue the adaptation of the Company X's concept by the brand study is an important step for the company to succeed in the target market entry. Writing on this topic asks a lot of knowledge about the Chinese market and it should not be possible to reach the objectives without worked on the first market research.

Objectives

This research is lead around several objectives. The first one is to understand what a brand study is to apply theoretical concepts to the company's policy. To analyze the situation and the company's history is needed to go in the right direction, to see clearly the future and to adapt as well as it should be the company's strategy to the

Chinese market. Then, the final objective is to have a better vision of what the brand is and should be and to give precise recommendations to take the best decisions regarding the target market.

The first part of this thesis consists of understanding what a brand is and how a company builds the brand. The theoretical part defines brand as a concept thanks to the 4D Brand model. The business environment of the company is also studied in this part using the Macro environment analysis and recommendations take into account the Chinese market specificities. Then, a part about the company introduces the company's profile it means what the company represents. Finally, recommendations are given regarding the Chinese market specificities.

The questions that are to be answered are:

- How can a brand to be created?
- What is the current situation in the child care product industry in the limited Chinese market?
- What is the potential of the Chinese Market?
- What brand policy should the company adopt?

1.2 The conceptual framework.

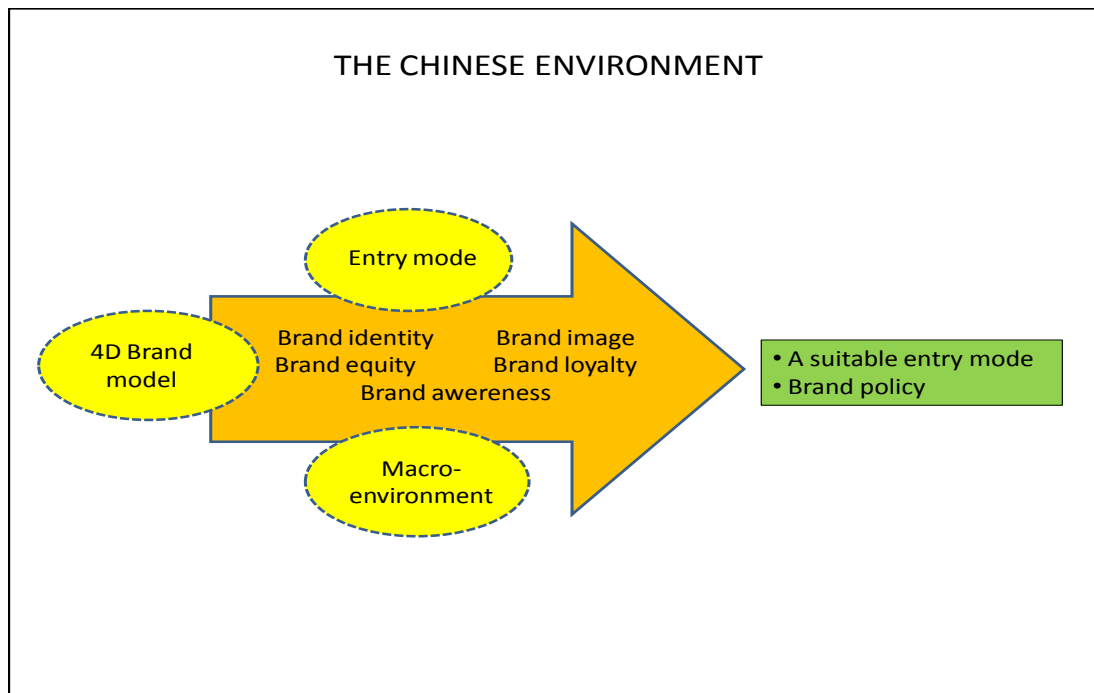


Figure 1: Conceptual framework of the Company X brand study.

The most important part of this conceptual framework is the Chinese environment which is the business environment of the company. This environment includes the customers and the competitors: it is the market place. Regarding the final objective of this thesis which is to give recommendations, the analyze of the theoretical concepts to a brand (in the orange part) conducts to the 4D brand model to understand what the brand is; to the entry mode analysis to have a better vision of how the company can introduce itself to the market and to macro-environment study seen as an help to adapt the decisions to the market.

2 MACRO-ANALYSIS OF THE MARKET

Macro-environment is a part of the marketing environment including five general factors that affect the micro-environment and PESTL analysis permits to study demography, economy, technology, political and legal and culture as factors that have an important impact on the global marketing environment. (Jobber 2010, 73) This

macro-environment defines the opportunities and the threats that the company has to fight. (Kotler 2010, 111)

Demography

Demography is defined by the study of human population in terms of size, density of population, geographic situation, age, gender, ethnic group, occupation, etc and population is considered as a reservoir of markets. It means that modifications of the demographic environment should affect significantly the business world creating new consumer needs to satisfy so new market opportunities. (Kotler 2010, 112)

Economy

Economical environment is encapsulating all factors that influence the purchasing power and the household expenses: expenses include revenues, savings and credit access. (Kotler 2010; 116) Economy has a critical impact on the business environment especially on the success of companies because it has an important influence on supply and demand. The international strategy has to be based on those economic influences. (Jobber 2010, 76) Indeed, economical situation plays an important role in the consumer's life and mind. When the situation is mediocre, the consumer purchasing power is going down and they do not feel confident regarding the future: they will prefer buying only necessary staff in a short term point of view and putting back purchases considering as superfluous or investment. (Kotler 2010, 117)

Technology

The definition of the technological environment includes all the forces that creates new technologies, new products and new marketing opportunities. (Kotler 2010, 124-125) Technological environment is one of the factors which has the most important influence on the commercial offer. New technologies give the opportunity to enter new markets even if they are replacing previous one. (Kotler 2010, 125) Marketing managers have to watch every time the technological environment to avoid any late in research and development. The key to succeed is only the market understanding and not the technological performance by itself: to achieve this goal marketing and research and development must work together. (Jobber 2010, 90-91)

Political and Legal

The definition of the political environment includes the policy framework, legislation, regulation and administration influencing and limiting the company activity and the individual work in a given country. (Kotler 2010, 125) This environment influences a lot commercial decisions and also company's business strategy. Marketing has to change with the political and the legal situation to be in the right way and to be well protected. This environment permits to limit unfair competition but also allows to ensure a good consumer defense avoiding some practices. (Jobber 2010, 73)

Culture

Culture is defined as the 'combination of tradition, taboos, values and attitudes of the society in which an individual lives.' (Jobber 2010, 86) Any changes in the cultural environment can have an important impact on company's marketing strategy. For example, a recent study shows that the trust in institutions is going down: the nature and the religion have more and more importance in consumer's mind. This evolution of consumer's mind will have a strong impact on product offering and services offered by companies. Also, communication and marketing campaign will be affected and this is all the company's strategy that will change if the company wants to succeed well. (Kotler 2010, 132)

3 ENTRY MODE

After selecting a foreign market, companies have to answer different questions to be sure to succeed abroad and to have the most appropriate strategy. The following questions need absolutely to be answered in order to have a clear idea of what the company's objectives are: 'Which market to enter?', 'when to enter those markets?', 'on what scale to enter?' and 'which entry mode seems to be the most adapted?' (Hill 2009, 189) As it is existing at least eight entry modes (exporting, turnkey project, licensing, franchising, joint venture, wholly owned subsidiary, contract manufacturing, management contract), companies have to know the specificities of each one before taking decisions.

Exporting

It is possible to find two different definitions of exporting into books: the first one ‘selling goods and/or services to entities in another country’ and the second one ‘a product is produced in one country and it is sold in another country’ meaning that the company is able to export by itself its production to another country without intermediaries. (Hollensen et Pustay 2011, 365) This entry mode avoids too much risks in enter a market by reducing financial risks (and restrictions on foreign investments) and allows a slow market entry which is done step by step. It is also a good way to collect easily information and knowledge about the country and the local market. (Hill 2009, 192) But some disadvantages can appear: logistic can be complex to manage and tariffs and barriers can be important. Also potential conflicts with distributors can eventually damage relationship and the presence on the market. (Keegan 2000, 309)

Three different forms of exporting exist:

- Indirect exporting when there is one intermediary between the exporting company and the local market. Three possibilities can be applied: the company sells its products to a domestic customer, which in turn exports the product in its original form or modified form; company may sell the product to a domestic wholesaler, which then sells the product to a foreign company; company may sell the product to a foreign company’s local subsidiary, which then transports the product to the foreign country.
- Direct exporting when products are sold directly to the foreign customers, either to distributor or to end-customer.
- Intra-corporate transfers mean the sale of products by a company in one country to an affiliated company in another country. (Hill 2009, 194)

Exporting is a famous entry mode very used by companies because it is easy to apply this concept with lowest risk, it allows to test the market and collect experience and service providers is a lot available. (Hollensen 2011, 320)

Turnkey project

Marketing authors agree to define turnkey project as ‘a project in which a firm agrees to set up an operating plant for a foreign client and hand over the ‘key’ when the plant is fully operational’ meaning that the company builds a plant abroad to give all

the keys of business to the client for selling the company's product. (Hollensen 2011, 325) This entry mode is a good one to avoid all long terms operational risks and to be focused on the company's resources on its area of expertise. Otherwise, financial risks and construction risks (delays, problems with the suppliers, etc) are really important. (Hill 2009, 196)

Licensing

Definition of licensing is the 'arrangement in which a licensor grants the rights to intangible property to the licensee for a specified period and receives a royalty fee in return'. In other words, a company gives the rights to a person to work in the same business and the objective is to sell to have a better commission. (Griffin 2010, 351) As financial risks are very low, licensing provides that the licensor does proper research on the market opportunities and the licensee have the opportunity to make and sell products under a successful brand name. Otherwise, the agreement limits the market opportunities for both parties and parties depend on each other to maintaining product quality and to promote the brand image. Finally, sharing the technology may well create a competitor who knows the manufacturing secrets. (Hill 2009, 200)

Franchising

Franchising is considered as 'a specialized form of licensing in which the franchiser not only sells intangible property to franchise, but it also insists that the franchisee agree to sustain by strict rules as to how it does business' so the company gives all the company's concept and the key of success to the franchisee in order to sell and promote the brand. (Czinkota 1993, 421) Franchising can be really interesting for both parties because the franchisee can enter a business that has an established and proven product and operating system, also the franchisor can expand internationally with relatively low risk and cost and collect critical market information from the host country. The most important disadvantages are that the parties must share the revenues and control is often complicated in international franchising. (Keegan 2000, 309)

Joint venture

'To establish a firm that is jointly owned by two or more otherwise independent firms' is the definition of joint venture meaning that companies create a kind of new

company in order to fight as best as possible the competition. (Hollensen 2011, 340) With joint venture companies benefit from a local partner's knowledge of the host country's competitive situation and macro information and sometimes, in some countries, political considerations make joint ventures the only possible entry mode. On the other hand, companies that enter into a joint venture risk giving control of its technology to its partners and the shared ownership arrangement can lead to conflicts and battles for control between the investing companies. (Hill 2009, 210)

Subsidiary

A subsidiary is a kind of company inside the company 'in which the firm owns 100% of the stock' meaning that subsidiary is a part of the company abroad. (Hill 2009, 215) It is possible to count some advantages as subsidiaries is giving to the company tight control over operations in different countries and gives 100% share in the profits generated in the foreign market. Also, when companies are having high-technological competence, subsidiary will reduce the risk of losing control other than competence. On the contrary, it is the most costly method of serving the foreign market from a capital investment point of view and sometimes problems can come from cultural differences. (Griffin 2010, 379)

Contract manufacturing

Considering the definition of the entry mode, 'the brand owner outsources most or all of its manufacturing needs to other companies', contract manufacturing means that the company engages a business relation with subcontractors in order to answer its needs. (Griffin 2010, 380) Two important advantages are given by this entry mode: financial risks are low that minimize resources devoted to manufacturing and the company is focused on its resources on other functions in the value chain. But on the other hand, contract manufacturing reduces control which may cause problems with quality or schedules and reduces learning potential. (Hill 2009, 219)

Management contract

Management contract is considered as 'an agreement where one firm provides managerial assistance, technical expertise or specialized services to a second firm for some agreed-upon time, in return for monetary compensation' which means that the company needs the help to another company returning money to answer its needs.

(Hollensen 2011, 401) This entry mode allows the company to be focused on its resources on its area of expertise and financial risks are at the minimum level. But potential returns are limited by the contract and may unintentionally transfer proprietary knowledge and techniques to the contractee. (Hill 2009, 222)

4 BRANDING

4.1 Brand as a concept

4.1.1 Brand identity

The image that the management and generally the employees want to give to their company all around the world is considered as brand identity. Every action and every message done or sent by someone inside the company can have a positive or a negative aspect on the image and can be prejudicial for the company. (Keller et Al 2008, 419-421) Brand identity must be coherent, sustainable and clear to be well defined and the company must communicate every time about it to reinforce the brand identity. (Robinette et Al 2000, 44-45) It is thanks to brand identity that consumer builds his own opinion of the brand and brand identity is seen as the brand. (Moon et Al 2000, 57)

4.1.2 Brand image

How the brand is seen by consumers is the best question to define what brand image is. The consumer needs to answer this question to compare the brand to other competitors. Brand message created by the company transmits values representing the brand. These values communicate a kind of brand personality to the consumer so he can identify himself to this brand. (Duncan 2005, 82)

4.1.3 Brand equity

The strengths of the brand constitute the brand equity even if sometimes it is considered as the financial values of the brand. The purpose is to 'indicate the underlying strength of consumer desire for the brand'. (Ford 2005, 55) For the company, it is possible to measure brand equity by evaluating customers' willingness to pay a higher price for a specific brand than another one. (Armstrong et Al 2009, 244) Brand equity is actually the result of brand equity versus brand image and if the equation does not satisfy the customer, consumer will have a bad opinion of the brand and the most important danger is the lack of trust from the customers' side. (Robinette et Al 2000, 44)

4.1.4 Brand loyalty

The customer loyalty is very often considered as a kind of friendship between the company and the customer meaning that the consumer has to recognize its own values through the brand and feels that he or she is considered as a friend. To create this friend atmosphere, each part of the company as to be concerned so all the supply chain must be like a kind of friends group. (Gad 2001, 106) Brand loyalty is also established to measure the customer willingness to repurchase a specific brand than another one and the customer ability to recommend the brand to other consumers: customers have to be satisfied because non satisfied customers will influence against the brand. (Stone et Al 2004, 175-176)

4.1.5 Brand awareness

Brand recognition and brand recall performance are the two elements included in brand awareness. Brand recognition is about the customers' ability to recognize the brand seeing a logo or listening music. Brand recall is about the customer systematic recall of the brand for any occasions meaning think and buy only a specific brand for the everyday life or for a special event. (Keller et Al 2008, 49) Otherwise, companies need to consider brand awareness carefully because it is actually measuring something intangible. Brand awareness does not mean good sales and good market-

ing effects but on the contrary the customer ability to recognize a brand. For example, if a company is very well known all around the world, it will not automatically mean that this company has good sales but that the brand recognition thanks to logo or slogan is very high. (Danziger 2005, 196)

4.2 4D Brand model

Thomas Gad's 4D brand model was developed to create future brands. This is a tool for creating new brand codes supporting different business activities inside the company. Considered as a kind of 'DNA' for the business, the brand code gives the opportunity to the company to give a unique personality to the brand comparing to the competitors. (Gad 2001, 21-24) It is also considered as a statement of the organization stands for and it includes the future positioning of the brand answering the question 'what should the company really be about?' (Gad 2001, 101)

4.2.1 Brand dimension

Considering Gad's 4D brand model, which is considered as reference in branding activity, it includes four precise dimensions: functional, mental, spiritual and social. These dimensions allow the company to create the ideal brand in the customers' mind. (Gad 2001, 131-132)

Functional dimension

Aspects linked with physical quality, taste, design and performance are included in the functional dimension. Functional attributes are really important because they give credibility with to consumer and justify the brand meaning its role and its physical benefits. As it should be very dangerous to be dependable from functional dimension, uniqueness is the most important element in the product creation and always search new ideas reinforce the uniqueness of the brand. (Gad 2001, 132-134) Finally, this dimension encapsulates the customers' image of the product, it means the benefits the consumer linked to the product. (Gad 2001, 130)

Mental dimension

Mental dimension answers the question how the consumer sees himself and it gets into deep the customers' personality. It is the recognition on the consumer himself into the brand and how it plans to change meaning his personal transformation until obtaining new opinion about himself. In this dimension, brand is like a model to help the consumer to build his own opinion about himself giving personal pleasure. (Gad 2001, 135-139)

Spiritual Dimension

Spiritual dimension is mainly based on ethics and deals with the brand, the product and the system which all consumers belong to. Companies give a message relating their principles even if they expose themselves to criticism. Everyday business decisions are based on this message and it can be widen later on other issues, environment for example and consumers can identify themselves to the company's values. (Gad 2001, 139-140)

Social dimension

Social dimension means that the consumer will buy a brand if the brand reflects and supports his social identity. The brand builds a kind of cult around itself becoming a social mark in consumer's lifestyle: brand is an ideal and every action or image is considered as a symbol. Social dimension creates also a special atmosphere based on 'cult' respect of each other. Each fan can be easily recognized by the others: consumers of a same brand are like friends. This 'cult' is also based on the correlation between companies and consumers values. (Gad 2001, 134-135)

Summary

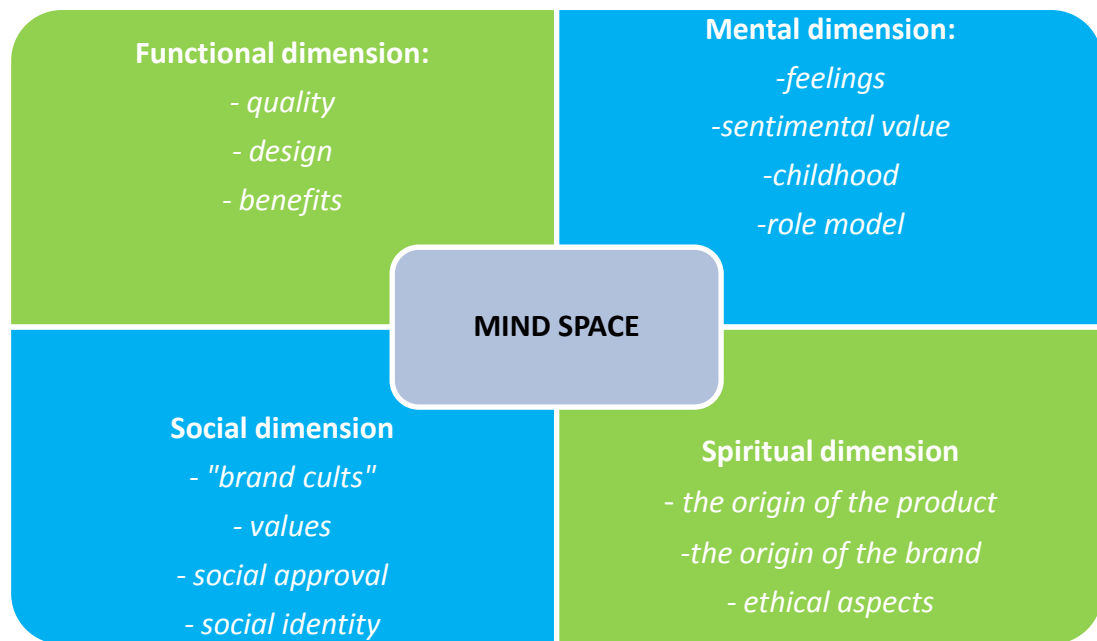


Figure 2: 4D Brand Model: the mind space of the customer adapted from Gad (Suikkanen 2011, 24)

As the objective is to create a new brand, the top management has to take into account the specificities of the market and does not forget any one of these four dimensions as it is crucial when it takes strategic decisions inside the company. It is also quite important to well understand the current situation and what the strengths and the weaknesses are. Also, it will help the top management to understand how the brand and the brand code work. The company must invent a ‘fashionable’ brand code but this one has to be adjustable in order to evaluate the global environment of the company. Brand code is the best picture of the company the consumer has. (Gad 2001, 141-144)

4.2.2 Brand code

Brand code is considered as the ‘DNA code’ of the product and each action or decision are controlled by this code. It is the guideline of the company regarding business decisions and brand code takes an important place in the decision making process. It also answers the question what the company really wants to represent and how and very often it is redacted with small sentences or key words consisting in product,

values, vision, positioning, style and mission. These six elements can be divided in two groups: the current market situation (product positioning and style) and the future situation (mission, vision, values). (Gad 2001, 144-146)

Product

Companies have to list benefits or advantages that each customer will gain by using the company's products. It is a kind of deal that the company offers to the customer taking into account his requirements and expectations. (Gad 2001, 147)

Positioning

Positioning represents the differences between a company and its competitors and allows the company to know why it is better than the competitors meaning what the competitive advantage is. 'For example distinctive designs, innovative service process or products determine the positioning of specific brands in the market'. (Gad 2001, 147) It is possible to classify the brand position according to three levels:

- The lowest level, brand is positioned as attribute meaning innovativeness and performance. It is not really applied by companies because competitors can easily copy the products.
- A more desired level, product benefits meaning the direct benefits for the customer.
- The strongest level is based on belief and values engaging the customers on the emotional side.

The aim of positioning and this classification is to create an innovative and exciting brand. (Armstrong et Al 2009, 245)

Style

Style defines the personality of the company describing brand characteristics (features, image, attitudes and behavior) and how the company wants to be seen by consumers and competitors. (Gad 2001, 147) In this part, it is possible to give details about what is going to define the brand and make it recognizable, design, packaging, logos, pictures and colors or everything that represent the company outside.

Mission

Companies have to define the mission of their business to succeed in their business environment. Mission clarifies why the company exists, the purpose of the business but also the objectives and companies have to create this mission by themselves to learn about the market and to promote it. The business is not essentially based on the principle of making money, more and more. The main objective is to build a good brand reputation in order to seduce consumers whom are going to be advocates for the brand. (Duncan 2005, 559-560) Otherwise companies also must limited their mission very clearly to keep control on their salaries meaning that each one of us has to be concerned and think about each action they do to avoid negative return. (Gad 2001, 148)

Vision

Vision matches to the company's plan for future business including the future positioning, the segmentation and the choice of new markets. Clear vision is encapsulating details of the future offer meaning which consumers and when. It is right to say that vision is the most important part of the brand code. (Gad 2001, 149) Again, vision is a kind of guideline for decision making for the top management and each employee has to be concerned and has to integrate what the vision is to contribute to the company's success. Vision allows also to see market opportunities and obstacles and each one of the employees can see clearly in which direction company must go. (Taylor 2004, 29-30)

Values

Values are determined as precise keywords and give personality to the brand. These keywords have to be chosen very carefully to allow the consumer to identify himself to the brand but also to give a strong image of the company. To find these keywords can be a good way to communicate with the employees doing a brainstorming and in this case, employees will join naturally the business idea, supporting and promoting the project. (Gad 2001, 151) To communicate about these values is important for the company but it must take into account social and economical issues like environmental issues in order to build a strong brand reputation. (Keller et Al 2008, 533)

Summary

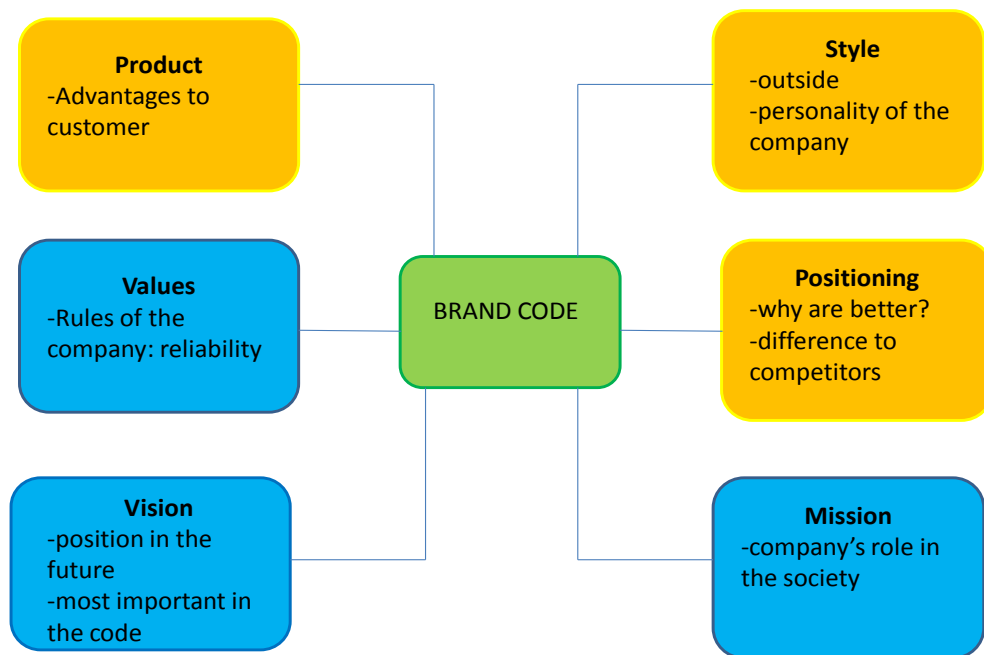


Figure 3: 4D Brand Model: the brand code adapted from Gad (Suikkanen 2011, 29)

When the brand code is created, companies have to write few words to describe the main differences with competitors. Then it allows testing different alternatives to find the most appropriate solution which will conduct to success (including future perspectives). (Gad 2001, 150-152)

5 THE RESEARCH PARADIGM

5.1 Data collection and analysis

To conduct this study requires to gather various and important data about Company X's brand code and the Chinese market situation for childcare products. A semi-structured interview with Mister R, one of the Company X top managers, allows to collect qualitative data concerning the company's philosophy, the brand code for the domestic market and also the current international strategy to enter a market. As the semi-structured interview is not 'standardized', the structure of the questionnaire can change regarding the respondent's answers and different topics can be tackled (cur-

rent situation, future plans, international strategy...). Concerning the evaluation of the Chinese market, desk researches are conducted consulting French/Chinese and international organization websites but also thanks to the study of Company X literature. Indeed, a previous study was conducted and it is possible to find in the document a relevant summary about distribution. It can be considered as a lead, a group of indication about the global Chinese market structure. A plenty of information are given in it but the most interesting data (meaning information about the childcare market) are found due to the analysis of local and international organization websites. It gives the opportunity to understand well how the Chinese market is organized and to have a precise idea of what competitors do in the target market.

5.2 Quality assessment of the study

The objective is to obtain recent and relevant information that the company can use to create its international strategy for the Chinese market. Concrete and objective information are the base of this thesis because being objective in the analysis is actually essential to interpret as well as possible the data and give the right state of the market. A lot of information comes from Company X which can be considered as subjective data. The company gives information so it could be seen as the vision of the top management about the company, a kind of advertisement to dictate to the visitor what he has to think about the company. After spending one year internship inside the company realizing a market research, it is easier to have its own opinion about what the company is and is able to do: it is possible to develop a precise review by itself to be more objective and to use these elements to build a good analysis. The Chinese childcare information comes from international organization official websites. Even if a critical spirit is needed, information is generally objective, based on relevant data from the market and made by experts. For these reasons, it is better to use official organization data than sources like newspapers or reports from companies because the information must be objective.

6 RESEARCH FINDINGS

6.1 The case company

6.1.1 General Presentation

Based in Clermont-Ferrand (France), Company X is a limited company currently employing 60 persons and the turnover in 2010 reached 30 millions of euro. This company is specialized in the conception, the design and the commercialization of small and medium child care products. (Interview with Mr R., Company X Manager)

In addition to its slogan, “your babies move our ideas too”, which shows its commitment and its dynamism, the objectives of this company are to facilitate the life of the mothers and to satisfy the babies’ needs. (Website of Company X)

History

The creation of Company X is due to the association of three students studying at Superior school of Commerce located in Clermont-Ferrand where they decided to set up their company. (Website of Company X)

In 1997, they created the XY Group and one year after Company X born carrying three precise values: proximity, innovation, quality. (Website of Company X)

In few years, Company X became quickly a reference in term of innovation, simple use and performance and the company belongs nowadays to innovative companies thanks two different brands:

- BRAND 1, intended for the specialized hypermarket and for the export (and this thesis is actually focused on this brand);
- BRAND 2, dedicated to small and medium shops and only in the French market. (Interview with Mr R., Company X manager)

Finally, thanks to the high quality and the reliability of its products, Company X is regularly rewarded and recommended by specialists such as physiotherapist and midwife. (Website of Company X)

The Company X strengths

Chosen by the management, the business policy develops a large number of characteristics that are the strengths of the company:

- Young and dynamic company.
- Proximity. The company organizes every two months meetings named ‘Club Baby Trends’ in order to take into account the parents’ ideas and their expectations. These meetings create proximity with the consumer allowing the company to be reactive with the evolutions of the market.
- Innovation. Company X constantly looks for new products to facilitate parents’ and babies’ life and this is for this reason that information is regularly published on its Website to inform the consumer. Products often award a prize and are voted for parents by plebiscite. Furthermore, the company belongs to the Club of Innovative Companies, giving access to subsidies given by the Government to invest in Research and Development.
- Performance. The Group became for only 13 years the specialist in new ideas for the child care market, displaying a growth which attracted attention in France and abroad (+20% a year).
- Conception and Design. A creative team takes into consideration the customers’ needs.
- Quality. The team respects strictly the standards for each products and their guarantee. (Interview with Mr R)

Company X products

Company X offers a large range of products, positioned in middle and top of the range and classified into seven themes:

- | | |
|------------------|--------------|
| • I go out | • I am clean |
| • I am protected | • I sleep |
| • I awaken | • I eat |

In these different categories, the consumer can find the flagships of the company such as the Product 1 and the Product 2. (Website of Company X)

In order to know if a product will be a success with the consumers, Company X establishes regularly meetings with ‘fashionable mothers’ and this concept consists in

inviting mothers with their children and giving them the chance to test the products to know their opinion about it. This type of meeting allows the company to do market studies and to have an instant return concerning the potential sales of a Company X creation. (Interview with Mr R., Company X manager)

Company X toward international

Company X went to international in 2002 and today, the company distributes its brand in more than 50 countries all around the world. The export percentage in the global turnover is increasing since 2003 and the export turnover reached 25% in 2010 against 2.5% in 2003. (Interview with Mr R, Company X manager)

To access a foreign market, the sales management has different objectives:

- Find an import-distributor with experience interested in extend its current range (complementary but not in competition).
- The distributor will have to be in possession of technical and marketing skills to develop the ranges of products thanks to networks of customers specialized in small and medium child care market.
- The distributor will have to have a network of sales staff.
- It will use to import and face the trade barriers: request of homologation, customs, stocking, management of turn-over of orders.
- The key factor of success will be to develop a narrow partnership with the clientele in a long term. (Interview with Mr R, Company X manager)

6.1.2 Company X's Brand Code

As Gad wrote it, Brand code is the 'DNA' of the company summing up what is the philosophy and the strategy of the company are. Below, the figure represents the brand code of Company X.

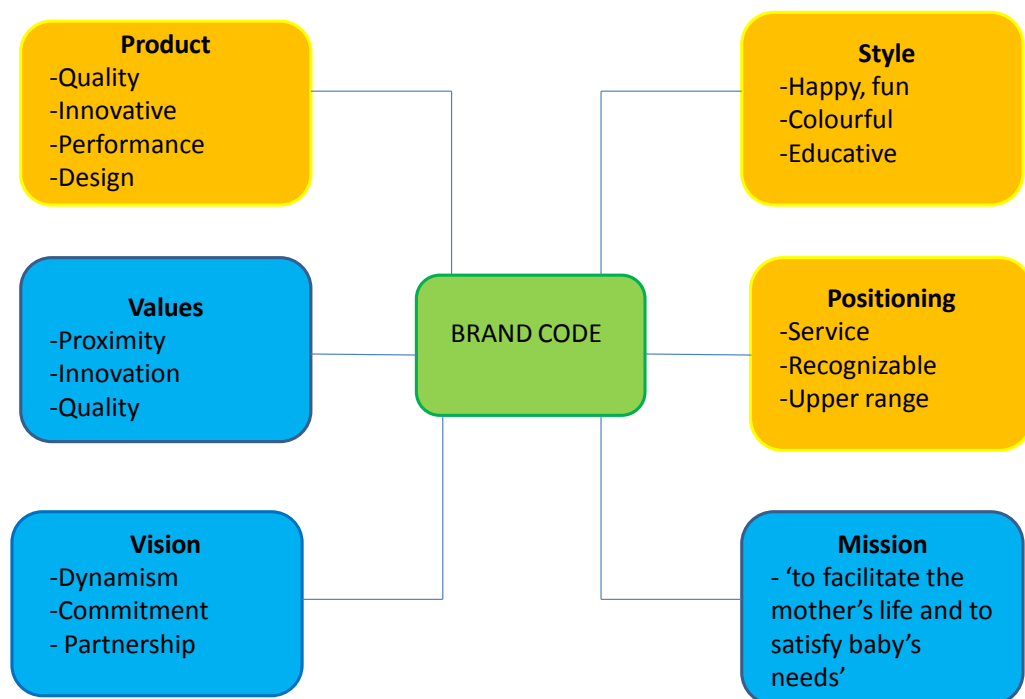


Figure 4: Company X's Brand Code adapted from Gad

Company X has a precise strategy in its domestic market and the objective is to be the complete opposite to competitors in order to reach a maximum of potential consumers being original. Quality, innovation and proximity are the keys of Company X success meaning that the brand is oriented around these three key words. Another point is that Company X wants to be different in each part of the brand code so it is going to offer different services (product life guarantee) or different relationship with partners (very strong commitment). Stay dynamic, committed and young is the philosophy of Company X. (Interview with Mr R)

6.2 The Chinese Market

As it was written in the introduction of the thesis, the Company X main objective is now to introduce itself in the Chinese market and before giving recommendations, it should be important for the case company to have a general overview of what the current child care market is and represents in China.

6.2.1 General information

China is the first country in Asia both in terms of population and area. Indeed, over an area of 9.592.961 km², which is the fourth one in the world, the country is home to over 1.350 million of Chinese or over a fifth of the world population. Thus, if the company takes into account the market size, The Middle Kingdom represents a market with huge potential for any company which wants to export.

Demographic data

Result of the anti-birth policy conducted by the Chinese government, the birth rate reached only 14 births per 1000 inhabitants and the fertility rate 1.54 children per women and in consequence, these figures suggest that the Chinese market is not really attractive for Company X. Yet, after a complete analysis of the structure of age in China, it is possible to point out that the share of 15-64 years represents 72.1% of the total population. It is particularly this age which is supposed to have children and therefore to buy baby products. This figure allows the company to notice again the strong potential of the Chinese market. Moreover, the proportion of 0-14 years reached 19.8% of the total population which suggests market changes rapidly and extensively. (Website of INTEREX)

Currently, there are more than 56 million babies in the Chinese territory which means a large market to be covered and an important development opportunity for Company X and the Chinese government plans a baby boom soon given rapid changes in the country. (Website of French Chamber of Commerce in Shanghai)

Geographic data

The Chinese geography is very various and it actually consists of mountains, high plateaus and deserts to the west, and plains, deltas and hills in the east. China has also 22.117 kilometers of borders with 14 countries: Afghanistan, Burma, Bhutan, India, Kazakhstan, Laos, North Korea, Kyrgyzstan, Mongolia, Nepal, Russia, Tajikistan and Vietnam and the country counts 14.500 kilometers coastline too.

The climate is also very various as in the North it is a continental climate while in the South it is a tropical climate. Natural disasters and extreme weather are commons: typhoons, floods, tsunamis and droughts are frequents.

From an administrative point of view, China is divided into 22 provinces, 5 autonomous regions, 4 municipalities and two special administrative regions (Hong Kong and Macao). Beijing is the political capital while Shanghai is the economic capital. Today, the Chinese population lives mainly in cities, the east coast of the country, especially since the urbanization rate reached 43% and still increase by 2.7% each year. China is a country particularly well equipped with transport infrastructure which has effect of facilitating trade. Below, it is a chart with the major ports and airports in the country. (Website of INTEREX)

<i>HARBOUR</i>	<i>AIRPORTS</i>
Shanghai	Beijing
Dalian	Shanghai
Tianjin	Dalian
Qingdao	Ghengdu
Guangzhou	Guangzhou
Xiamen	Shenzhen

Economical Data

From an economic standpoint, Chinese economy is quite strong and this is a list of strengths:

- Competitive and diversified economy (growth per year is exceeding 10%).
- Gradual move up market.
- Infrastructure development encouraged by a recovery plan.
- Saving rates and high business financing most of the investment.
- Rise of China on the international scene.

However, it is possible to find negative aspects:

- Social tensions associated with rising inequality.
- Overcapacity in the industry and commerce.
- Chinese banks are frail, given the dynamic nature of credit and uncertainty about the level of non-performing loans.

- Environmental problems.
- Uncertainty regarding the Taiwan issue.

The opportunity to enter the Chinese market for a foreign company is very interesting given the economic performance of the country. Wealth is more and more important and openness of the economy increases. In addition there is a clear increase purchasing power of middle class in small and medium sized cities (70% of the population). Over 80% of mothers manifest the desire to provide quality products to their children. Otherwise, the main problem is that this class of the population has unaware of the differences between the products and finds himself strongly influenced by the media. Finally, there is a difference in behavior between Chinese regions. The South east population has a preference for international products than the center population is focused on national products. (Website of French Ministère des Affaires Etrangères)

Considering the perspective of the COFACE, the Chinese grade is A3 meaning that the risk of nonpayment still existing. Regarding the business environment, the French organization allocated a B because the country, from a political level, is not able to reduce inequality between rural and urban areas. Despite recent advances in regulation, major gaps persist even if on a financial point of view, the situation remains robust. Foreign exchange reserves remain extremely high but the credit risk increases. After successive reductions in interest rates and lifting of quotas on loans, credit growth has accelerated significantly in 2009. In a context of lax risk management, asset quality has deteriorated (increase of volume doubtful). However, because of state support to recapitalize in case of problems, the systemic risk still contained. (Market study from Company X)

Legislation and regulation

While the Chinese market is now very open, it remains very difficult to obtain information on customs and taxes. This is one of the downside of all exports in China. Another black point is counterfeiting and it stills the biggest problem of all exporting company. In consequence, it seems essential to protect properly its brand by registering it with local authorities and to protect also its knowhow by buying patents in the country. (Market Research 2011, 26)

Cultural information

As it is an eastern country, culture and vision of the business can be really different on certain point. First of all, Chinese people are very proud of their culture and make an effort to create literature in Chinese represents a key of success in business. Trade documentation and business card in Chinese will ensure a positive relation between the two parts of the negotiation.

Another element to take into consideration is the colors significations because the interpretation is not the same than the western countries one. For example, green is a colors which is forbidden by old generation because it suggests the death. For this reason, it is not really recommended to use green in logo or products because the product or the brand will be seen as bad luck. Otherwise, young generation seems to be more open-minded even if parent's opinion stays important. (Market Research 2011, 12)

6.2.2 Demand

As it is considered as an emergent country, Chinese's expectations are more and more exigent and developed and it is quite easy to notice that China is nowadays able to compete against European and Americans companies and brands. For this reason the demand regarding electronic products is not really high because it is cheapest and also patriot to buy products issued from domestic production and in consequence, European or American products do not have success in this market. (Website of ICC)

The Chinese consumers have special requirements regarding the western brands as they are looking for design, quality and aesthetic products. It means that they want to buy western brands only if companies are able to offer innovative products and image and if it is upper range products. (Website of the French Chamber of Commerce in Shanghai)

6.2.3 Competition

Due to the fast Chinese development, many foreign companies have decided to settle in the country and competition is now very strong and affects all sectors which are sometimes saturated.

Regarding the market for childcare, competition is relatively developed, with many local and foreign brands. It is possible to list different origins as American, Spanish, English, German, Canadian, Italian, Swedish, but also Japanese, Dutch and French who share the market with Chinese companies already existing. The main difference is that western brands are generally reflecting better image and better vision of what the childcare market should be.

Most of the foreign brands in China are mainly present in Hong Kong through subsidiaries or distributors and many of these brands are also present via the e-commerce. In addition, many companies have chosen to directly operate in China by setting up a plant in manufacturing zone near Schenzen and Honk Kong, or just directly on the Chinese market. Most of the companies are located in the following provinces: GuangDong, Beijing, Shanghai and Shandong.

However, some companies have chosen to enter the Chinese market by establishing a presence on the island of Taiwan or entering on the market through the provinces located farther inland as Sichuan, Shanxi and Henan. (Interview with Mr R)

6.2.4 Distribution

To enter the Chinese market, it is necessary to obtain information on distribution channels commonly used in China. It is indeed possible to realize, through the study of the country, that the habits are really different in particular in terms of communication and consumption.

There are three mainly major distribution channels:

- Direct selling: supermarkets / specialized shops / chain stores.
- Distance selling: Internet / mail order.
- Agent: supermarkets / specialized shops / bulk selling.

(Market Research 2011, 35)

Direct selling

The distribution market in China is relatively recent and in just 20 years, the country has seen changes its urban landscape. The shops and street markets are places for department stores and concept stores advanced and in consequence, direct selling is structured in three markets: department stores, chain stores and shopping malls.

Department stores are a must, both by the non-customer segmentation and the diversity supply and they can receive up to 150.000 visitors per day. They are also very solicited by foreign brands and the rental price or the revenues percentage to repay to the stores tends to rise dangerously. Regarding turnovers, the main department stores are WalMart, Carrefour, Tesco, Shop and New Parkn' Mart.

At the same time, other distribution concepts such as chain stores and shopping malls emerge, often located at the outskirts of large cities. However, some malls are deserted, as the Super Brand Mall of Shanghai, which require a global repositioning and in consequence, this channel is not guaranteed and can be relatively dangerous for the company.

Specialized shops are also in full expansion. Often located in neighborhoods, residential and pedestrian streets, they encounter an important success. These stores are even considered a little bit more upscale than department stores and the Chinese consumer believes that the products offered are superior in terms of quality.

Appliance stores are also interesting for the childcare market because they generally have an area dedicated to children's electronic products such as baby phones. In this market, the main stores are Suning, Guomei and Yongle.

Suning is a chain of over 600 stores in 28 provinces across China as they are found particularly in Beijing, Shanghai, Shenzhen and Hong Kong. In 2010, the chain recorded a turnover of 150 billion euros and Suning is one of the 50 Asian largest companies.

Guomai is the largest electronic distributor in China and the 22nd in the world as the chain has more than 1.200 stores in China, in over 160 cities (Beijing, Shanghai, Schenzen, Hong Kong, ect). In 2008, Guomei recorded a turnover of 125 billion euros even if the store selling juvenile products has not have special spaces reserved for them, so they are scattered throughout the store according to product categories.

Yong Le, the third resellers of electronic products in China, does not have any child-care products in their stores. (Website of French Chamber of Commerce in Shanghai)

Distance selling

Internet sales is certainly not negligible because the online sales average increased over 100% in 2010 and represents 10 – 15% of sales, all sectors confused. In China, the e-commerce is growing five times faster than in United States of America which is the largest market in number of Internet users.

In China, many Internet users use the TaoBao website (the same as Amazon in France) for their online purchases. This website offers a list of many products which very various but the main problem still that many of foreign competitors are already registered on this website like Nuk, Playgro, Lindam, etc.

Distributors such as Bump to Babes or Little Bare Feet also offer to buy directly online through their merchant website including all products offered in stores. Some foreign companies are not physically present in China and have therefore chose to enter the market through website offering by Chinese dealers. Selling online allows these companies to enter the Chinese market at lower costs.

Catalog sales is becoming more and more important in China especially in the child-care market, due to a communication campaign about bad vibes on child growth. Many mothers have chosen distance to protect their children so they buy a very little quantity on the web and it allows the opening of little shops offering different catalog from different brands. The principle is quite easy to understand because once the product is chosen, the store places an order for the client without touching the phone or the computer. (Interview with Mr P)

Agent

In China, going through an agent for distribution is very popular and it is actually easy to find specialized forwarders by geographical areas around Shanhai, Beijing, Shenzhen, etc. Many companies chose to use this method to enter the Chinese child-care market because the commissioners are concerned with finding distributors and even animate their own network of sales force. This method allows the company to deal with a specialist of the market who knows very well what is the best methods

regarding the product offering and it is a very good way to enter the market as effectively as possible. (Website of Chinese Embassy in France)

7 CONCLUSIONS AND RECOMMENDATIONS

Regarding the market research and the brand analysis results, to enter the Chinese market seems to be really challenging due to the strong competition and the cultural differences. Otherwise, it still a market with an important potential for Company X:

- A lot of birth each year: approximately 56 000 000 of babies and a baby boom is planned by the government in a very near future;
- The increase of the standard of living and the purchasing power;
- An important competition (local and international) but not for the upper range market.

For all of these reasons, Company X should enter the Chinese market but selecting the right entry mode and adapting the brand to the target market.

A suitable entry mode for Company X

To succeed in the Chinese market, Company X has to develop an adapted implementation strategy and the best solution seems to be the exporting entry mode (indirect and direct).

Thanks to an agent help, Company X might win less than another implementation strategy as it is expensive, but it should be easier because this agent (named commissioner in the Chinese market) is responsible for finding the best way to sell the products and the brands. Moreover the agent knows particularly well the market so the different distribution channels and the most common practices. Regarding the important increase of the online purchases, Company X must create a specific commercial page on its website (writing in Chinese) where customers could buy the products. To be referenced by TaoBao, the most important commercial website in China, is also a good way to sell products online. It is a good way too to protect the brand against counterfeiting.

To be more popular and to discover well the market, participation in a trade fair could also be beneficial (in particular the Beijing Show) since the company would know the offer and the demand in the Chinese market and meet consumers and competitors without taking too many risks in a first time. To attempt a trade show can also have an international reach because a lot of participants come from overseas: Asia, Europe and America.

To choose the good places to sell the products and to carry the Company X values as best as possible is the second key of the Company X success. After analyzing competitors' strategy, it is possible to conclude that Hong Kong should be the first city to be entered and then Company X should choose another region of China, as the area of Shanghai or Shenzhen. Indeed, Hong Kong is the area where the distribution is the most developed and where the distribution channels are closest to what is done in France and generally in Europe. Finally, all Company X competitors are present in Hong Kong even before China.

Adapting the Company X brand to the Chinese market

The Chinese market is completely different from what Company X can do in other international markets and the brand code needs to be adapted to the market specificities as product, values, vision, positioning, style and mission have to meet the expectations and the requirement of the Chinese consumer. Below, the figure shows the adapted brand code for the target market.

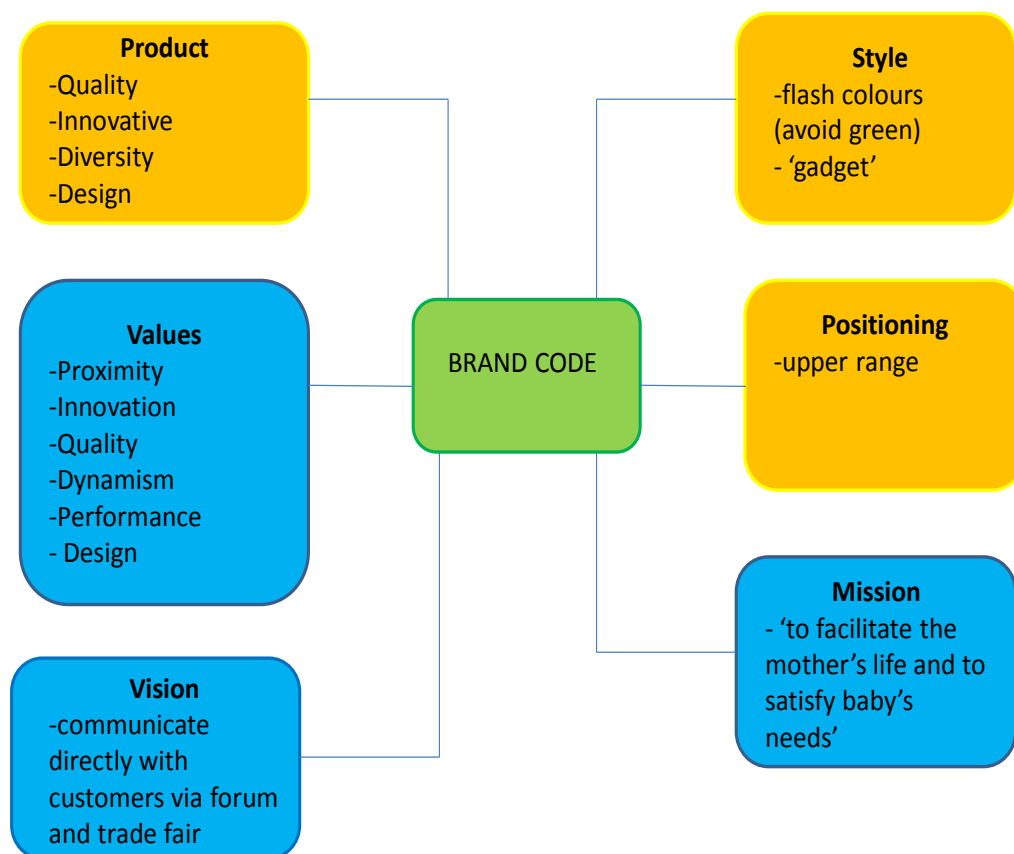


Figure 5: The Company X's Chinese Brand Code (adapted from Gad)

Products and Style

Regarding the products, Company X has the opportunity to select four different product ranges to the Chinese market: I go out, I am protected, I sleep, I eat. They are reflected the upper range image of the company and match the vision which is to enter the Chinese upper market. Additionally, these products meet the expectations and the requirements of the Chinese consumer in terms of quality, design and innovation but to be completely successful and to take into account the Chinese cultural specificities, Company X should work on new colors avoiding forbidden ones but keeping flash colors.

Values

Knowing for its dynamism, proximity, innovation, performance, design and quality, Company X must communicate on these values because it will give a strong image of the brand and inspire the trust of the Chinese consumer. Each employee, from the

production to the management, has to be concerned by the company philosophy to ensure the success of Company X concept in the Chinese market.

Positioning

Corresponding to its objectives and to the competitors' offer, Company X has to enter the upper range market to reach the right clientele and to ensure the success of the brand.

Vision

To preserve its differences, innovation and design, from its competitors, Company X has to attempt trade fair in China in order to communicate directly with consumers and competitors which is a good way to obtain information on what Chinese parents want. To do marketing and competitors watch is also a good way to keep this competitive advantage and to improve every time the product policy and the global international strategy.

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Interview

Interview with Mr R. 4.01.2012

APPENDIX 1

Interview of the Company X top management

What is the mission of the company: what are you doing, to whom you are doing and why? What is the purpose behind the brand?

What values the company is supporting?

What separates Company X's products from competitor's products?

Why the brand Company X should be better than competitor's brand?

What are the characteristics of the brand Company X? What adjectives can be used to describe the brand (style and image)?

How do you see the strengths, weaknesses, possibilities and threats of the brand Company X?

How do you see the company's final consumer on the Chinese market?

How do you think Company X's consumers are seeing the brand or would like to think?

How do you see the child care product industry in the Chinese market?

What kind of information do you have about the competitors?

What is your future plan (style, image, distribution...)?

How do you think Company X will gain that vision (future plan)?

Where the company can find information regarding the Chinese market?

Is Company X have an idea of the positioning in the target market?

What kind of products the company wants to export? Could it be possible regarding the target market?

What are the project in terms of marketing and communication?

What should be the export plan for the Chinese market?