

BUSINESS PLAN FOR A CHINESE FURNITURE COMPANY

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Abstract

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Abstract

As a popular consumable, marketing costs of furniture are directly related to the benefits of manufacturing enterprise. Nowadays, most furniture manufacturing enterprises still adopt the traditional marketing strategy, which is single-directional, indirect and hierarchical strategy. It is not only difficult to meet the various and individual customers needs but also expensive for enterprises to exploit the market. Meanwhile, it prevents enterprises from following the market needs.

In this paper, developing the present furniture-marketing strategy, a networked marketing model of furniture based on the Internet is introduced. Moreover, some key technologies for the development of the networked marketing system have been studied.

In the thesis, the characteristics of production sales of furniture manufacturing enterprise are analyzed. Aiming at the disadvantages of present marketing strategy, a 4C integrated strategy model is introduced, which is oriented to the customer. The corresponding relationship among four elements, including Customer, Cost, Convenience and Communication is discussed. Aiming at this point, the networked marketing models for furniture production are presented, including the function model, architecture model, working flow and application model of the networked marketing system for furniture.

At the end of the thesis, the system is applied on furniture manufacturing in Anhui as a case study successfully. The business plan which achieves the integration and unification of marketing, design, producing and delivery of furniture, is based on the production networked marketing model. Business plan in a furniture enterprise in Anhui validates the rationality and feasibility of the networked marketing system which is described in the thesis.

Keywords

Furniture, Manufacturer, Network, Sales model, Marketing

CONTENTS

1 INTRODUCTION	4
1.1 AIM	5
1.2 ALIBABA	5
1.3 COMPANY OF CHINA JIANGMUFU CO LTD	5
1.3.1 HISTORY	6
1.3.2 PRODUCT AND BUSINESS	6
2 BUSINESS TO BUSINESS AND BUSINESS TO CONSUMER MARKETING	7
3 ANALYZING COMPETITORS WITH SWOT TOOL	9
3.1 SWOT	9
3.1.1 STRENGTHS	10
3.1.2 WEAKNESSES	10
3.1.3 OPPORTUNITIES	12
3.1.4 THREATS	12
4 FURNITURE MARKET IN CHINA	13
4.1 BEHAVIOR	13
4.1.1 HOW DO PEOPLE BUY? WHERE?	14
4.1.2 HOW MUCH MONEY PEOPLE USE?	15
4.2 DEMAND OF THE MARKET	15
5 ALIBABA AND TAOBAO E-COMMERCE	17
6 SUGGESTIONS IN E-COMMERCE SALES FOR THE FURNITURE COMPANY	20
7 CONCLUSIONS AND RECOMMENDATIONS	22
8 SUMMARY	23
9 REFERENCES	24

1 INTRODUCTION

Manufacturing is the process which uses available energy resources which are converted to industrial use or exploitation goods or consumer goods industry. Which involves a large number of sectors of the national economy, such as machinery, construction, electronics, light industry, chemical industry, food, military, and aerospace. [1]

The manufacturing is not only the material basis of the national economy and social development but also an important manifestation of the comprehensive national strength, which shows the development of the level of economic development of the country and determines the basic standard of living.[2]

Furniture manufacturers are companies including complete furniture design, production, and sales, which is an important part of China's manufacturing. They are also typical discrete manufacturing companies. [3]

With the rise of construction industry, economic development and prosperity of the industry, furniture has already penetrated into people's study, work and various parts of lives.

At present, the development of China's furniture industry is very rapid and with great achievements. Today, development of Chinese furniture industry has become involved in design, production, distribution and consumption, large-scale and dynamic industry.

Currently, consumers care more about what kind of home decor they have than how the home is fitted out, the potential of the "soft decor" market is revealing. Soft home decor refers to the installation of easy-to-change and easy-to-move-around decorative and furniture items (e.g. curtains, sofas, lighting, decorations and home-ware) after basic refurbishment to create a spacious and harmonious domestic environment. This usually involves improvement and innovation regarding dimensions and looks. Soft decor is mainly targeted at high-end consumers and people pursuing refined lifestyles. Higher living standards have also bolstered the demand for home displays. There is a huge potential of home decor market.

Custom-made furniture is becoming popular in tandem with the growing demand for personalised home products. Furniture makers treat each customer as a unique market and tailor-make products according to individual needs. At present, some large bespoke furniture manufacturers are developing rapidly. Companies such as Shangpin Home Decoration, Shoufeiya Home Collection, and Oppein Home. They are now offering bespoke manufacturing of different types of furniture or even furniture for the whole house. Also, the trend towards elegant refurbishing is bringing opportunities to custom-made furniture.[4]

In the current socio-economic environment, most of the business is on the verge of bankruptcy. Resources are concentrated in some small number of enterprises. In China, Alibaba and Taobao win almost all of the B2C and B2B business. Customer relationship is difficult to establish. The new industry chain may be able to produce new effects.

1.1 AIM

The objective of the thesis was to expand the consumer groups, product diversification and to reduce raw material consumption and to develop traditional business with e-business and to make sure furniture manufacturers can use this business model.

1.2 ALIBABA

Alibaba Group Holding Limited (Chinese: 阿里巴巴集团控股有限公司) is a Chinese e-commerce company that provides consumer-to-consumer, business-to-consumer and business-to-business sales services via web portals. It also provides electronic payment services, a shopping search engine, and data-centric cloud computing services. The group began in 1999 when Jack Ma founded the website Alibaba.com, a business-to-business portal to connect Chinese manufacturers with overseas buyers. In 2012, two of Alibaba's portals handled 1.1 trillion yuan (\$170 billion) in sales. Suppliers from other countries are supported (with more stringent checks than for Chinese companies), but the company primarily operates in the People's Republic of China (PRC). At closing time on the date of its initial public offering (IPO), 19 September 2014, Alibaba's market value was US\$231 billion. However, the stock has traded down, and market cap was about \$212 billion at the end of December 2015. [5]

1.3 COMPANY OF CHINA JIANGMUFU CO LTD

This company was selected for the survey to analyze the perspectives of the thesis.

Company name is:

China Jiangmufu Co Ltd

Company address is:

UNIT 04,7/F, BRIGHT WAY TOWER, NO. 33

MONG KOK ROAD, KOWLOON, HK.

The company's main business:

Decoration sales and international trade, whole house furniture and kitchen appliances. [6]

1.3.1 HISTORY

The company has a long, robust history, which began when a group of explorers and merchants established the WanBang Company on Sept. 8, 2001. Since then, the company's name has changed more than once, but they have always retained their founders' spirit, grit, innovation, and perseverance.

The company changed its name as China Jiangmufu Company Limited on Jul. 29, 2016

1.3.2 PRODUCT AND BUSINESS

Manufacturing process and material selection are integral to the quality of the finished product. What company offers is superior quality furniture. They have set a very high standard of quality control from every detail in the process of product design, material, sewing, processing, design finalization, and packing to keep increasing customer experience because they believe this is the best way for them to run their business.

They own a professional R&D team with international designers in Germany working with design and aiming at updating their exclusive selections. Following the trend, they continue to learn the latest trends in Europe and the United States concerning the essence of style, designing the best out of the latest products to better serve their clients.

2 BUSINESS TO BUSINESS AND BUSINESS TO CONSUMER MARKETING

Business-to-business (B2B) refers to a situation where one business makes a commercial transaction with another. Here is knowledge about B2B and B2C.

B2B (Business to Business) is between enterprises and enterprises to exchange products, services, and information through the Internet

B2B is transaction, which means the business of e-commerce and form of e-commerce between enterprises and enterprises.

B2B Mainly to establish a bridge between businesses. For many enterprises, B2B e-commerce is an unprecedented marketing. It helps enterprises to achieve multi-angle promotion, many traditional industries withered in these platforms.

At present, B2B industry is a very rapid pace of development in China and it reflects small and medium enterprises as the main user groups.

B2B e-commerce has the following characteristics:

The trading object is relatively fixed. Unlike ordinary consumer transactions there occur more casual Business transactions are relatively fixed objects.

The transaction process is complex but standardized. Transactions between enterprises involve a large amount of money.

Wide range of trading partners. Business transactions are not ordinary items, the business can be of almost any kind of items

In the book which name Best Cases in B2B Sales Management, there is one case of selling to Royal caribbean cruise lines is predominantly about selling cruise ships and what it takes on relational, technical, and organization levels to achieve this end.^[7]

Business-to-Consumer (B2C) describes businesses selling products and/or services to end consumers. Business-to-consumer activity exists both online and offline, but the acronym B2C has

primarily been used to term transactions within e-commerce (online shops, online banking, travel services, online auctions etc.).

On the internet B2C is often handled with affiliate programs.[8]

The main object differences between B2B and B2C

B2B: business to business

B2C: business to customer

Trading pattern difference

B2B: compared with B2B trading, the traditional enterprise often takes a lot of resources and time, both in sales and distribution and purchasing the product cost.

Through B2B transaction the buyer and seller complete the entire online business process, from establishing the initial impression, to shopping around, and then to bargaining, signing the bill and delivering.

B2B business transactions reduce many transactional workflow and management costs, reducing the costs of enterprise management. Network convenience and extensibility make the enterprise-to expand the scope of activities, trans-regional transnational enterprise development is more convenient and cheaper.

B2C is the enterprise to the customer, it uses Internet in all the trade activities.

Today, B2C e-commerce completes the two-way information communication, flexibility of trading and fast logistics distribution, low-cost effective operation mode shows its great vitality.

3 ANALYZING COMPETITORS WITH SWOT TOOL

The SWOT is used to analyze our objects in this thesis and to make a business plan. A business plan is a formal statement of business goal and plans for reaching them. It may also contain background information about the organization or team attempting to reach those goals.[9]

Here only the impact of electronic commerce on our study object is discussed.

3.1 SWOT

SWOT is used to analyze how e-commerce will impact our traditional furniture manufacturing. SWOT is a kind of strategic analysis method. Comprehensive evaluation and analysis of the advantages, disadvantages, opportunities and threats of the analyzed objects.

SWOT stands for strengths, weaknesses, opportunities, threats. SWOT can clearly determine the advantages of the analyzed objects through the combination of internal resources and external environment. Adjusting methods, resources to ensure the implementation of the object which is analyzed to achieve the desired goal in strategic and tactical levels

SWOT analysis, also known as the situation analysis, also known as the Boston matrix is a reality method with more objective and accurate analysis.

Through comprehensive evaluation and analysis of strengths, weaknesses, opportunities and threats, the enterprise resources and corporate strategy are adjusted to achieve the goals of the enterprise.



Picture 1

3.1.1 STRENGTHS

Currently, there have been some furniture e-commerce sites, such as China Furniture (www.jiaju.net.cn), China Office Furniture (www.cn-office.com), Furniture Today (www.365f.com) and so on.

There also an ordinary e-commerce site, which belongs to the enterprise production reception system. The web pages provide industry information, company profiles, product display and other simple functions. They do not relate to furniture design, manufacturing and distribution and other internal business processes.

The furniture companies are not focused on the network sales model. Most of them are concentrated on the computer-aided design of furniture products, technological research. Part of them relates to the sales of the product, but not focus on the furniture products sales, design, production and distribution and other business process's organic unity.

3.1.2 WEAKNESSES

The new product standards will change the standards of technology in the factory and also the raw material. It means new standards will improve production budget. Some product standards and

related testing standards in China have recently been updated. These are summarised as two tables as follows.

The new testing standards

	Standard Code	Standard Title	Replaced	Implementation
1	GB/T 10357.1-2013 to GB/T 10357.4-2013, GB/T 10357.6-2013 and GB/T 10357.7-2013	Test of Mechanical Properties of Furniture (Part 1-7)	Standards GB/T 10357.1-1989 to GB/T 10357.4-1989, GB/T 10357.6-1992 and GB/T10357.7-1995	1 May 2014
2	GB/T 10357.8-2015	Test of Mechanical Properties of Furniture (Part 8)	\$755	1 January 2016
3	GB/T 4893.4-2013 to GB/T 4893.9-2013	The Testing of Physicochemical Performance of Surface Paint Films of Furniture	GB/T 4893.4-1985 to GB/T 4893.8-1985, GB/T 4893.9.1992	1 May 2014
4	GB/T 31106-2014	Determination of Volatile Organic Compounds in Furniture	358	1 August 2015
5	GB/T 31107-2014	General Technical Specifications for Climate Chambers Used in Detecting Volatile Organic Compounds in Furniture		1 August 2015
6	QB/T 4784-2015	Assessment of Adhesion Rate of Air Spraying for Wooden Furniture	©	1 October 2015

Table 1

The new product standards

	Standard Code	Standard Title	Replaced Standards	Implementation Date
1	QB/T 4668-2014	Ergonomic Requirements for Office Furniture	2	1 October 2014
2	QB 4764-2014	Safety Specification for Furniture Manufacturing – Operation Requirements of Automatic Edge Banders	5	1 November 2014
3	QB/T 4765-2014	Castors for Furniture	-	1 November 2014
4	QB/T 4766-2014	Technical Specification of Double-faced Hollow-core Panel for Furniture	ä	1 November 2014
5	QB/T 4767-2014	Steel Components for Furniture	×	1 November 2014
6	QB/T 1621-2015	Furniture Locks	QB/T 1621-1992	1 October 2015

3.1.3 OPPORTUNITIES

Focusing on the shortage of traditional marketing model, brings new mode which based on the internet for products. Concentrating on demand of customers, this model integrates potential innovation of customers through the advantages of the network efficiently.

Selected furniture exhibitions to be held in China in 2016-2017

Date	Exhibition	Venue
11-14 August 2016	International Famous Furniture Fair (Dongguan)	Guangdong Modern International Exhibition Centre
7-10 September 2016	China International Furniture Fair (Shanghai)	National Exhibition and Convention Center (Shanghai)
8-11 September 2016	China International Furniture Expo	Shanghai New International Expo Center
18-21 March 2017 (Phase 1); 28-31 March 2017 (Phase 2)	China International Furniture Fair (Guangzhou)	China Import and Export Fair Pazhou Complex, Guangzhou & PWTO Expo Guangzhou

[11]

Table 3

3.1.4 THREATS

In China, furniture industries are much less centralized than other area, and most of company are small. Because of the industry concentration is not high, there are not easy to have any brands with a big name in the furniture market. After many years of competition, some company with good brand have show up in the market. For example, the Quanyou, Qumeili and Red wood.

In now day, Furniture brands are no longer focus on the big area but are slowly move their attention to the furniture market in small cities. Rapid urbanisation has also drive the growth of furniture market in small cities. In another hands, big brands in furniture market is almost full in big cities.[12]

Furniture industry from abroad have now building their market in China. Before 2016, Swedish company IKEA had 18 stores in China and IKEA will take more than 30 stores in the china before 2020.[13]

In the children's furniture market, Chinese brands account for the biggest share. In recent years, some popular brands have appeared in the Chinese children's furniture market. In go in to the Chinese market, some of the furniture decided to occupy the local market.[14]

4 FURNITURE MARKET IN CHINA

In China, with the continual improvement living conditions, more people are eager to spend money on home decoration. The expanding purchasing power has driven the furniture market to a wide margin. The aggregate retail offers of furniture by units over a specific scale developed by 16.1% year-on-year to 244.50 billion RMB In 2015. According to the information from the National Bureau of Statistics, there were 5,290 furniture companies in China and 769.61 million pieces of furniture were produced in this year.

China's furnishings market has tremendous space for development. As indicated by figures, which are given in the Chinese Family Development Report 2014, that there were around 430 million families in all autonomous regions, provinces and municipalities in the Chinese mainland. On the assumption that individuals would replace their old home furniture with new every ten years averagely, around 43 million families would replace the old furniture each year. The furniture substitution market will be worth 43 billion RMB, when per family spends 1,000 RMB on it. The quantity of Chinese families is relied upon to hit 500 million by 2040. In addition, urbanization, as China's driving strategy of empowering local request in the years to come, will undoubtedly reinforce the advancement of the furnishings market. According to data from the National Bureau of Statistics of China, the urbanization rate in China achieved 56.1% in 2015, improving around 1% yearly. During the urbanization procedure, wage and pay workers and in addition laborer families who have settled in towns and urban areas, have ended up significant customer amasses in the furnishings market. Moreover, it is evaluated that by 2020, 37.6 million houses will have been redesigned under the nation's shanty town remaking venture, and these revamped houses will likewise create interest for furniture.[15]

4.1 BEHAVIOR

After over 20-year-development in its furniture industry, China has now turned into the world's biggest furniture producer and exporter. As per data discharged by the China National Furniture Association (CNFA), the Pearl River Delta has the most noteworthy centralization of the furniture business with the highest generation yield and strongest coordinated bolster ability. Next come Fujian, Zhejiang, Jiangsu, Shandong, and Shanghai, they all have an edge in item quality and operations administration. In the Yangtze River Delta area drove by Shanghai, the furniture business is growing quick with the most elevated normal development rate in the nation. The northern and northeastern locales with Beijing as the middle have a sound furniture industry base and rich wood assets. With respect to the focal and western locales, the furniture business is effectively profiting by the open doors emerging from the urbanization and Belt and Road Initiative.[16]

Furniture mechanical parks finished or with respect to the planning phase are primarily found in eight western and central provinces, including Shaanxi, Yunnan, Henan, Hebei, Hubei, Sichuan,

Anhui and Jiangsu. The advancement of these modern parks can unite and enhance the business chain, abbreviate the generation showcasing separation, lessen coordination's cost, change the work dissemination design, and advance mechanical rebuilding, particular division and mechanical participation between areas. In 2014, CNFA picked Anji in Zhejiang and Dayong in Guangdong as trial areas for driving achievements in the overhauling and change of China's furniture industry groups.

4.1.1 HOW DO PEOPLE BUY? WHERE?

Conventional furniture companies basically sell their items in three ways: 1. consignment through wholesalers in different places; 2. leasing an outlet in different places and offering the items themselves; 3. showing and offering items through substantial furniture shopping centers or furniture stores. In the interim, some particular stores and chain stores with monetary clout have risen. As per the purchaser overview directed by HKTDC, home centers are the significant channel through which customers get data on furniture items.

Recently, furniture hypermarkets have been growing quickly. A considerable lot of these hypermarkets create in different places crosswise over China as chain operation offering a solitary brand. There are likewise hypermarket groups, for example. a high centralization of various sorts of furniture hypermarkets inside a similar district, and additionally broad stock stores, which do offer furniture as well as other family supplies and even other building materials. Where item blend is concerned, numerous chain worked hypermarkets are likewise broad stock stores. Red Star Macalline is at present the main home shop administrator on China mainland.

The operation center of various deals channels fluctuates. For example, large furniture shops for the most part offer not only home furniture but also office furniture. Particular stores offer their own particular image, with the greater part of these stores being bigger household producers and popular foreign brands, for example, IKEA from Sweden, the most famous brand all over the world, which set up specific stores on the territory. Such deals organization is regularly embraced by remote furniture organizations.

As of late, to make furniture part of the daily life of buyers, some marked bazaar chains have been making shopping area impacts by such measures as acquiring celebrated foreign brands, setting up home experience stores, building business edifices or setting up furniture towns. Along these way, they have accomplished the beide advantages of raising brand mindfulness and expanding deals a few folds.[17]

4.1.2 HOW MUCH MONEY DO PEOPLE USE?

Star-graded hotels are a noteworthy wellspring of the interest for upmarket furniture. Insights from the China National Tourism Administration demonstrates that the quantity of five-star hotels in the mainland has duplicated from 492 in 2010 to 807 in 2015, averaging a normal yearly development rate of 10.4%. The quantity of four-star hotels has expanded from 1,817 in 2010 to 2,398 in 2015 or at a normal yearly development rate of 5.7%. Normal yearly interest for new furniture from these lodgings is worth about 3.6 billion RMB. In view of the recurrence of supplanting furniture in any event once at regular intervals in inns, it is assessed that request from furniture substitution in lodgings will reach practically 13 billion RMB in 2017.

China's imports of selected furniture products in 2015

HS Code	Description	2015 (US\$ million)	YOY change (%)
94016900	Other seats, with wooden frames	85.5	-29.7
94016190	Other upholstered seats, with wooden frames	72.4	-3.6
94036099	Other wooden furniture	339.2	1.9
94034000	Wooden furniture of a kind used in the kitchen	96.6	-8.8
94035099	Other wooden furniture of a kind used in the bedroom	154.2	11.6
94032000	Other metal furniture	59.9	7.1
94038990	Furniture of other wooden materials	40.1	-43.2

Source: Global Trade Atlas [18]

Table 4

4.2 DEMAND OF THE MARKET

Interest for kids' furniture is on the ascent. As living conditions enhance, guardians are willing to purchase reasonable furniture for their youngsters to make a decent situation for their improvement. With the full usage of the "two-kid approach" under the thirteenth Five-Year-Plan, intellectuals trust

that the market has promote space for development. The information from the National Bureau of Statistics shows the quantity of kids, which matured beneath 15 achieved 240 million in 2015, including 16.55 million infants, speaking to a development rate of 12%. Overviews demonstrate that in the kids' furnishings market, quaint little inns and seats take up the greatest shares. Right now, in this market, the proportion of plywood furniture to strong wood furniture is around 7:3, yet as individuals' pay level ascents and they turn out to be more wellbeing and naturally cognizant, the proportion of strong wood in kids' furniture may rise.

Outdoor furniture is progressively famous in the China mainland. Accessible in an expanding assortment, open air furniture primarily falls under the accompanying classifications: shoreline beds, rattan seats, relaxation seats, bamboo seats, and other outside furniture things. Among these, rattan seats and relaxation seats represent a greater share. Request in the outside furniture advertise has been reaching out from specific divisions, for example, star-grade hotels, eateries, restrictive clubs, relaxation scenes and private groups to the home area, including private greenery enclosures, housetops, and patios. Advancement in the home division is social event force.

Rosewood is a sort of value hardwood and furniture made of such material is for the most part viewed as wonderful pieces. As the rosewood furniture industry flourishes, notwithstanding conventional rosewood markets speaking to individually the Beijing, Jiangsu and Guangdong schools of craftsmanship. The rosewood furnishings companies in Pingxiang in Guangxi and Guangfeng in Jiangxi are additionally quickly developing.

5 ALIBABA AND TAOBAO E-COMMERCE

Alibaba's e-commerce site is a global well-known brand, it is the world's largest international trade, the most active online trading market and business community. Alibaba is a leading online B2B trading market with more than 360 countries and regions from more than 3.6 million registered users. Alibaba China in China has more than 21 million registered users.

Alibaba and Taobao's transactions in recent years were studied and made into graph. Those two graphs show the proportion of furniture consumption to total consumption in 2015.

2015 sales volume in e-commerce

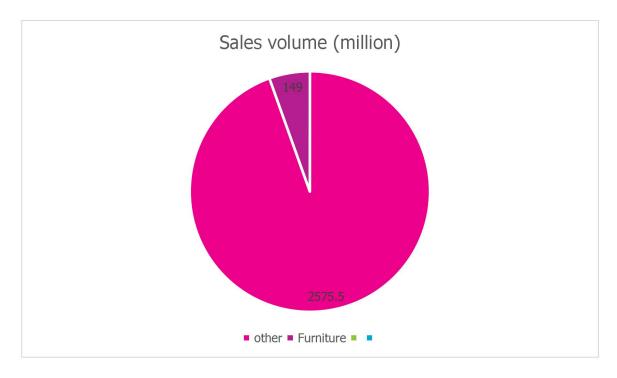


Figure 1

2015 Sales Amount (million) in e-commerce

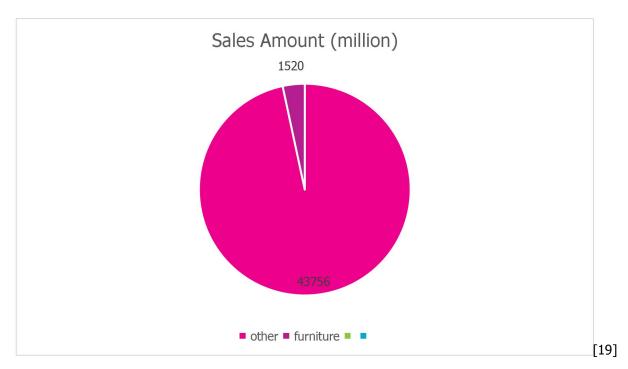


Figure 2

Comparative Analysis of Alibaba and Taobao

The similarities, differences of Alibaba and Taobao companies are listed below:

Similarities:

- They both belong to one company: Alibaba and Taobao are Alibaba's company.
- Alibaba comprise: Alibaba, Taobao, Taobao Mall, Ali, Alimama and other related e-commerce websites
- The same transaction: Alibaba and Taobao have a third-party transaction (Alipay)
- Both are focusing on Internet sales

Differences:

Different in nature: Alibaba is mainly business-to-business trading platform. Taobao is mainly person-to-person trading platform.

Different degree of integrity: If you have money, you can show signs of good faith immediately on Alibaba. Credibility on Taobao takes a long time to accumulate.

Different consumer groups: Taobao focuses on the public, Alibaba focuses on the business.

Different sites: Alibaba has contrasting function, a more comprehensive search engine

Different benefits: Taobao is designed to allow customers to obtain profits of products sold. Alibaba can not only get the benefit but also can promote their companies and brands.[20]

6 SUGGESTIONS IN E-COMMERCE SALES FOR THE FURNITURE COMPANY

There are some suggestions as below.

- Establishing a good brand image, increasing the attractiveness of the product.
- Strict control of product quality, creating a perfect product
- $-\,$ Using of electronic technology to display products, and software through the usual social outreach.
- Using WeChat wide audience and convenience features to promote the products. The WeChat ID is JMF13956913708.

WECHAT MAIN PAGE



Figure 3

WECHAT USER VIEW



Figure 4

7 CONCLUSIONS AND RECOMMENDATIONS

In this paper, I studied the old sales model in marketing theory and the developed sales model system. Main conclusions of the paper are as follows:

- 1. Through the analysis of the characteristics and needs of existing furniture sales model, establishing a customer-oriented combination of strategies integration model. It integrates customer, cost, convenience, communication.
- 2. In this paper, based on Taobao's and Alibaba's business philosophy, I use Wechat network marketing as the main tool.
- 3. By the buyer's separate sense of need, consumer customization concept to increase product sales.
- 4. By the company's application to verify the rationality and feasibility of furniture network sales model in this paper proposes.

8 SUMMARY

This thesis discusses the importance of e-commerce and the importance of consumer customization concept in the Chinese furniture market.

Furniture is a set of artistic and practicality in one product as a diversified industrial product, it is closely related to people's lives, study, work, and leisure. Network sale of furniture products is a sales model which builds by the Internet to achieve sales.

Through this thesis, I have a deep understanding of the Chinese furniture market.

- 1. By analyzing data from 2015, the Chinese furniture market is in a good stage of development. In particular, children's furniture market has good prospects for development.
- 2. By analyzing from 2015 data from Alibaba and Taobao, I learned furniture network marketing compared with other products in E-commerce has a greatly improved development space.
- 3. Co-work with Jiangmufu Ltd in furniture products, through the WeChat social platform to develop product marketing in E-commerce.

Results suggest that it is necessary to use E-commerce in furniture marketing in the right way, such as using popular public communication APP-Wechat.

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