



SAVONIA

MARKETING SUGGESTIONS FOR LU'AN HOBO TRADE CO., LTD.

Jie Pan

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Author(s) Jie Pan			
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<p>Abstract</p> <p>Lu'an Hongbo Trade Co., Ltd. is a household appliance company with strong competition on its market in Lu'an City, Anhui Province, China. Although Lu'an Hongbo Trade Co., Ltd. is a successful company, they are still facing some marketing problems because of today's intense business environment and company's weaknesses. Therefore, it is time to make some adjustments to the marketing management strategy, and finally improve the company's marketing performance and competitiveness.</p> <p>Both quantitative and qualitative research methods were jointly used in this thesis process, which contributes to understanding the current market situation and the market statement. Based on the research results, marketing suggestions are given to the Lu'an Hongbo Trade Co., Ltd.</p> <p>In conclusion, the SWOT analysis of the company is introduced. The marketing suggestions as the result of the thesis include managing marketing environment and information, marketing segmentation and targeting, managing marketing channels and managing the competitors. And two promotion plans are described. The fifth chapter of the thesis aims at conclusion the whole thesis process, it includes assessment of the thesis topic and research and assessment of company own work.</p>			
<p>Keywords</p> <p>Lu'an Hongbo Trade Co., Ltd., Midea , Household appliances, Marketing management, Analyzing marketing environment and information, Market segmentation, Marketing channel management, Managing competition</p>			

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1 INTRODUCTION

The name of the thesis is Marketing Suggestions of Lu'an Hongbo Trade Co., Ltd., and the aim of the thesis is for giving marketing suggestions for the case company.

Lu'an Hongbo Trade Co., Ltd. is a small-sized household appliances retailer company in Lu'an City of Anhui Province, China. The company is now facing a changeable time under the stagnation of whole Chinese household appliances market, because of both external stimulants and internal deficiencies. For example, in Chinese household appliances business is growing slowly, the impact of online shopping is considerable, and the company's competition is fierce. These external reasons also stimulate individual retailers as Hongbo Company, which on the other hand, Hongbo Trade Co., Ltd. as a small-sized company has some inadequateness in business operation. So, it is a high time to adjust the existing marketing management to seek for more beneficial profits.

1.1 Definition of Research Problem

Based on the introduction, this thesis stresses one main task, which is developing better marketing strategy for the Lu'an Hobo Trade Co., Ltd., so correspondingly, some introductions and descriptions based on the case company marketing status quo will be mentioned, and situation of the whole industry's marketing environment as background information will also be presented. In the theoretical part, concerning marketing theories needed by the company will be written, as a firm foundation to the thesis. Moreover, the case company's marketing research as a core part is processed via quantitative way and qualitative way. Ultimately, based on the information, and under theoretical guidance, some relevant strategic marketing developments will be presented.

1.2 Thesis Structure

The thesis is divided into five chapters, including the first introduction chapter, which gives a clear definition of the thesis research problem, and also with an outline of the whole thesis structure. The second chapter as the theoretical part of the thesis plays a core role. The chapter starts from the theoretical knowledge concerning analyzing the marketing environment, then how to segment and target the market. Then how to

manage the marketing channel will be fully described. Moreover, managing the competition as the last theoretical part will be introduced.

The third chapter describes the implementation and results of the research. In this chapter, research objective is interpreted, as well as are described the methods applied through the data collection and the analysis. Both the quantitative and qualitative research methods are jointly used, which contributes to the diversity of research outcome. Based on the chapter's research results, research conclusion summaries are described in the fourth chapter, and then the fifth chapter gives marketing development strategies and recommendations for Lu'an Hongbo Trade Co., Ltd.

And also the last presents the general conclusion about the thesis process of each chapter. All these chapters draw a comprehensive review of the main core research findings and processes. Furthermore, assessment of both the thesis and writer's work are showed at the ending of the thesis.

1.3 Introduction of Lu'an Hongbo Trade Co., Ltd.

Lu'an Hongbo Trade Co., Ltd. was established in 2003 in Lu'an city, and it has been progressively growing to become the second level retailer of one of most famous Chinese home appliances brand, that is the Midea Household Appliance Group. Midea Household Appliance Group is a large-scale and comprehensive household appliance manufacturing enterprise group, and it was listed in the Shenzhen Stock Exchange on September 18, 2013. Midea Group owns Little Swan and Welling Holding, two sub-listed companies. In 2012, Midea group achieved sales revenue of 102.7 billion RMB, of which exporting revenue reached 7.2 billion RMB. And in 2013 "China's most valuable brand" evaluation, Midea brand value reached 65.336 billion RMB, ranking the country's most valuable brand at the fifth (Midea Group Official Website 2013).

The company mainly sells Midea products, there is air conditioning for household and commercial use, central hot water machines, as well as small household electrical appliances and kitchen appliances product group, such as vacuum cleaners, hair dryers, electric kettles, refrigerators, washing machines, microwave ovens, dishwashers, etc. When it comes to the market distribution, Lu'an Hongbo Trade Co., Ltd. firstly purchases all Midea products from the upper level wholesaler company,

Hefei Heating Ventilating Co., Ltd., which is the only authorized supplier in Anhui Province. Then, the company has three ways to sell their products; one way is to sell products directly to customers, or suppliers to many local stores, such as Wal-Mart, Suning and Gome. Besides, the company also develops its market chain into countries and towns. Especially, Lu'an Hongbo Trade Co., Ltd is the special distribution of central air conditions and central hot water machines in Lu'an City, which means other same level retailers in Lu'an City can only purchase these two commodities from Lu'an Hongbo Trade Co., Ltd., thence, the company has the pricing right of central air conditions and central hot water machines at Lu'an city market.

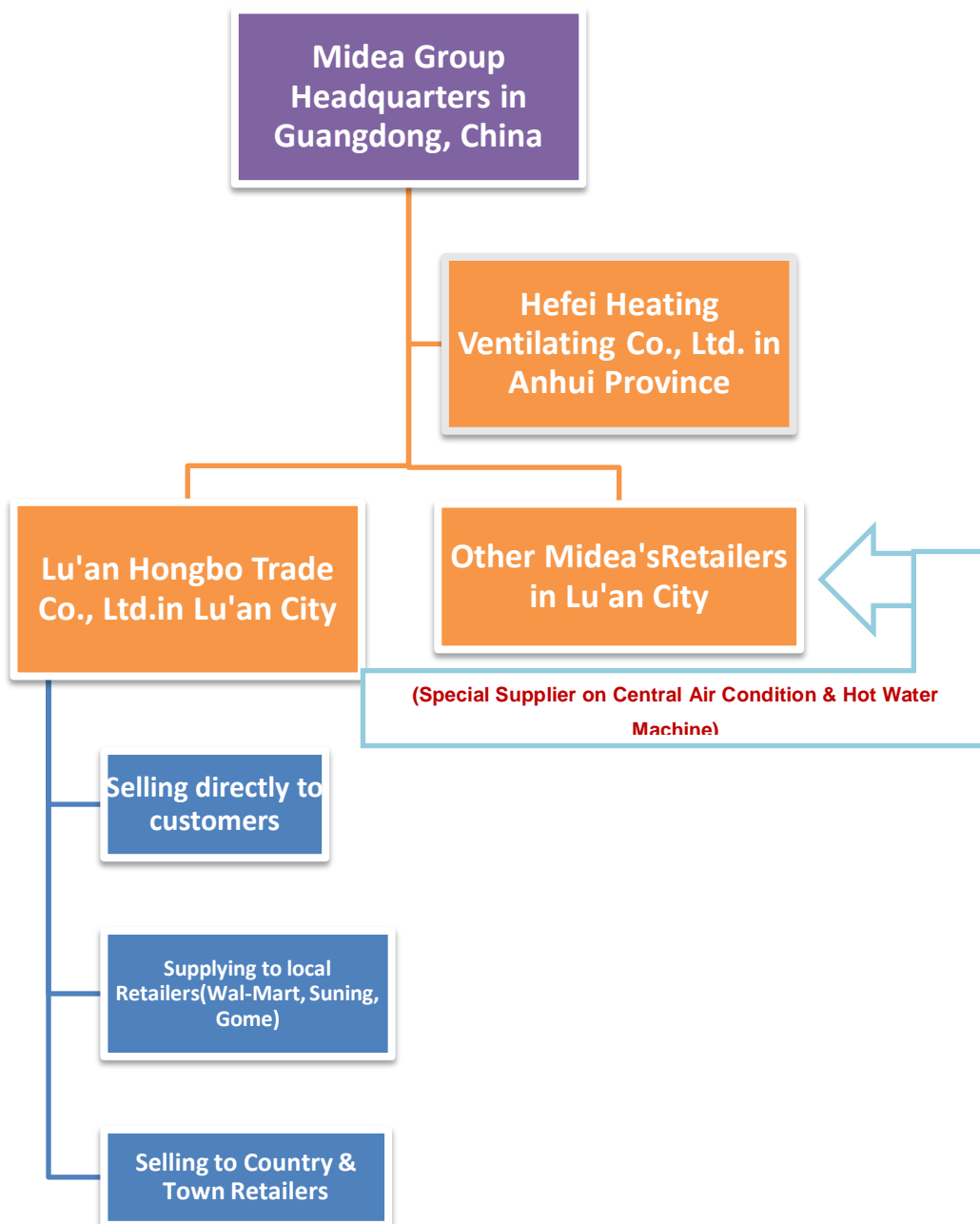


FIGURE1. Lu'an Hongbo Trade Co., Ltd. market distribution

China's Current Household Appliances Market

- Local household appliances retail giants have also ushered in the most difficult period

According to Ministry of Commerce of China Statistics, household appliances retail sales volume in 2012 year-on-year declined by 1.1%, the market experienced a downturn (MCCS 2012). Foreign retailers got rid of the Chinese market, the day of the domestic household appliance retailers also not good. According to the China Market Monitor's data in 2012, the sales volume of the household appliances industry firstly has had negative growth since 2007, the annual total retail sales of 1.1285 trillion RMB down by 6.6% compared with 2011(CMM 2013). This shows that the downturn trend of household appliances retailer industry. One of China's household appliances retail giants is Gome, according to its 2012 first three quarter results, its revenues reached 36.057 billion RMB, a decrease of 18% compared with the same period in 2011, 43.983 billion RMB; loss of 687 million RMB, profit of 1.791 billion RMB for the same period in 2011. Gome has announced the results of perdition in 2012, and it is facing the worst time ever (Gome 2013). In addition to the Gome's loss, another local appliance retail giant Suning Appliance achieved total revenue of 98.3 billion RMB in 2012, an increase of 4.8%; attributable to shareholders of listed companies net profit of 2.68 billion RMB, which went down by 44%. In summary, 2012 household appliances retail giant results show different degrees of decline, the downtown can be seen in China's household appliances retail market. (Zhang 2013)

- Foreign household appliances retail giants faced a plunge in China

Unable to withstand the competitive environment of the Chinese market, closed following the U.S. appliance giant retail chain Best Buy two years ago in China, all self-built stores, the European household appliances retail giant Wonder City also recently made off store decision. Foreign household appliances retail giant, China is one of the most attractive markets, but competition in the Chinese market is too intense, if you want to achieve the size and volume of business to be profitable in China, the follow-up requires a huge investment, which foreign household appliances retail giants have chosen to close the shop to evacuate. (Zhang 2013)

- Online shopping accelerates the impact on traditional physical stores

The Jingdong electricity supplier in 2012 waged a price war, the behavior of the logic behind the price war continues to expand market share, so as to enhance the bargaining power of suppliers and profitability, while at the same time better internal management control cost, good service and user experience, in order to achieve profitability as soon as possible. (Zhang 2013)

In 2012, online shopping's sales and profitability impact on traditional offline retails has become increasingly evident. With the increased proportion of sales of electricity supplier and the "Customer to Business" model of mature, Gome, Suning, household appliances retail giant is bound to face a huge impact due to which the results have fallen sharply. (Zhang 2013)

To sum up, based on the information, an outline is drawn concerning Chinese household appliances retail industry in recent years; it is easy to conclude that Chinese household appliances retail industry experienced a tough year in 2012. So, under the whole industry stagnation, the case company, Lu'an Hongbo Trade Co., Ltd., really need to adjust their marketing management and strategy. (Zhang 2013)

Some Challenges about Lu'an Hongbo Trade Co., Ltd. is facing

Based on the author 's observing during two times internship, totally near four months, it seems that the company pay less much attention on marketing, the company uses general marketing method for all market segments. So, there are some marketing weaknesses on marketing management. Although the company is the first one selling the central air condition and central hot water machine in Lu'an City, however, recently more and more other companies are joining into the burgeoning markets, so the case company has not much unique advantages, how to deal with competitors and win among of them, that also is another urgent problem to be solved. Moreover, the increasingly online shopping has threatened the company more or less under the Marco environment. So, during the next theoretical part, analyzing market environment and information will be firstly written, then market channel and market segmentation are presented in order, and managing competition also will be an important part to support the whole theory.

2 ANALYSIS BASED ON THEORETICAL ISSUES OF MARKETING

During the modern market economy, the company must attach great importance to marketing. Markets are battlefield, companies which better grasp the marketing initiative in the war at first, will be able to finally win in this war. Today, we are experiencing the era of marketing, intrinsically speaking, and it is ever-present during the marketing. Someone says marketing is a product, someone says marketing is service; someone says marketing is a kind of thinking, and someone believes marketing is strategy. No matter which way you think about marketing, at least you have to understand marketing firstly. Moreover, more and more companies have realized that marketing must be placed in an important position through whole business operations. Correspondingly, how to manage marketing strategies successful is compulsory subject to every company.

In this chapter, theory on the main issues of marketing is presented, which choose based on the situation of the case company, and it is aimed of drawing an outline of marketing management for the case company's needs. Of course, the aim of this report is to remind every company including the case company of proper marketing direction.

2.1 Analyzing the Marketing Environment & Information

Marketing, as any other department of a business, is always in an intricately changing environment, and every slight change of the environment is able to affect the whole marketing, no matter microenvironment or macro environment. On the other side, in order to marketing promptly and accurately, business information also must be kept at a high position besides the environment. Especially, nowadays in the 21st century, society is changing rapidly more and more, marketers should adapt to changing rhythm and grasp opportunities rather than only keep so-called marketing strategy same for many years. In addition, during these customer oriented marketing times, marketers should more keep eyes on customers' real needs, besides companies always must understand the whole market's changes including their competitors. All this is based on understanding the market's environment and information initially, only in this way, a company can survive and become successful and profitable.

In this sub chapter, marketing environment will be introduced in brief, and then the marketing information system will be presented.

2.1.1 Micro-environment & Macro-environment

The company's marketing environment refers to marketing activities and can affect the marketing department to establish and maintain good relations with the ability to target customers of the various factors and forces. And marketing environment includes the microenvironment and macro environment (Armstrong & Kotler 2012, 91).

Micro-environment

Micro-environment means those close actors, which can affect the company's abilities of serving customers, for instance, company itself, intermediaries, suppliers, competitive opponents and the public as figure 2 showing. (Armstrong & Kotler 2012, 90-91) Moreover, marketing's success depends on the relationship between company and the other actors; they all together form a company's value delivery system.



FIGURE 2. Major forces in the company's micro-environment (Armstrong & Kotler 2013, 95)

Macro-environment

Company and all actors are in a larger macro-environment; macro-environmental factors not only bring opportunities to the company, but also pose threats to the company (Armstrong & Kotler 2012, 94). The Macro environment includes the large societal actors that can easily have effect on the microenvironment, such as demographic, economic, natural, technological, political, and cultural forces in the Figure 3.

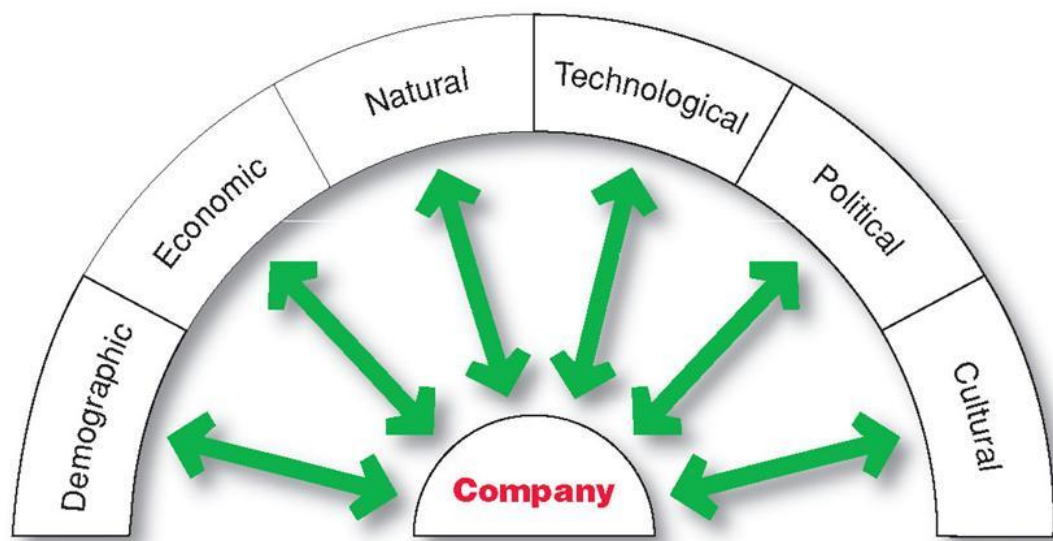


FIGURE 3. Actors in the microenvironment (Armstrong & Kotler, 98)

Company's Reaction to Marketing Environment

Now, it is understood that company cannot be in vacuum but in changeable complex marketing environment, so how to respond correctly to the environment the company's marketing level is examined. Armstrong & Kotler (2013) point out that there are three species of company models, the first kind company which makes things happen, the second kind company who watches things happen, and the last kind company which wonders what's happen.

Armstrong & Kotler (2013) point out many companies believe that marketing environment cannot be controlled, and companies have to adapt to it. The marketing environment is adapted by them passively, rather than trying to make changes. Other companies have a positive attitude to the marketing environment. Furthermore, these companies not only simply observe and react to the environment, but take positive

measures to influence the public and other factors of the marketing environment. For examples, nowadays in China, more and more companies are using Internet media to influence public opinion on advertising. According the view of Armstrong & Kotler (2012, 113), Company can see marketing environment as uncontrollable factors, passively accept and adapt as the environment changes, by taking response measures to avoid the threats or the use of opportunities. But, on the counter way, companies can also take an active stance, trying to change the environment rather than just respond. Whenever possible, the company should take the latter measure. Although marketing management is not always able to influence environmental factors, but as long as possible, a clever marketing manager will adapt a positive approach to the environment, rather than just take a passive measure.

2.1.2 Marketing Information Management

Every market aims to create values of customers and establish long-time relationship with them, because of that the mission of this career, the first thing of those marketers are to attract customers' insights, including the customers first idea to what are their real needs. When companies hold these customers' insights, they can create more competitive factors and values than others. Hence, it is clearly known the impotence of getting marketing information (Jobber 1998). And, in this part, the marketing information system will be described in detail.

Marketing Information System

Under the Information explosion time, there are many approaches to collect marketing information, but large quantity does not mean high quality, actually, marketers often complain they need more useful information rather than much information, and they also need to pick and analyze which is useful from the information storm. Therefore, a really right marketing information system is needed by every company, and delivering it in an appropriate form and in accurate time, and then using this information to get customers' insights and establish strong relationships. Marketing information system refers to the ability of marketing decisions promptly and accurately to collect, collate, analyze and assess, and distributing the information needed to marketing personals, equipment and procedures. (Armstrong & Kotler 2012, 123)

Figure 4 below shows a marketing information system, its start and end points are marketing decision-makers - marketing managers, internal and external collaborators, and others persons. Firstly, the users of this systems and information together assess the information needs. Secondly, the data recording system through the company, gathering marketing intelligence and marketing research is needed to develop the required information. Then, the information will be analyzed, through a suitable form for the development and management. Finally, the marketing information system makes conclusions, to help managers make marketing decisions.

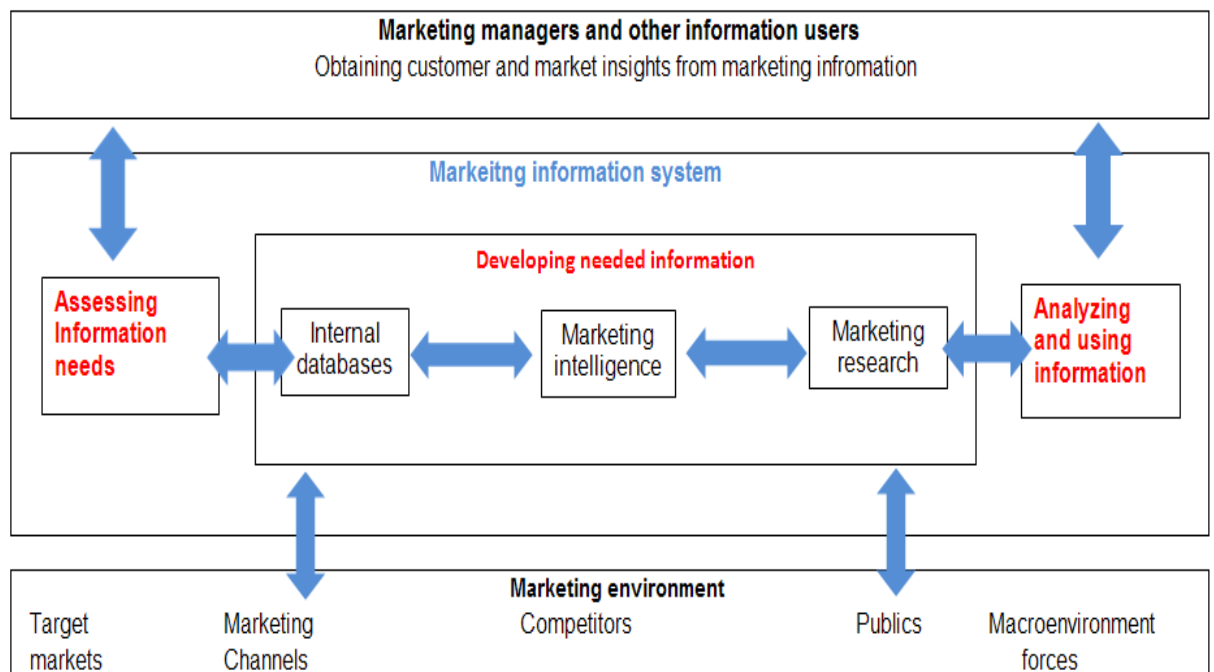


FIGURE 4. Marketing information system (Armstrong & Kotler 2012, 123)

Assessing Information Needs

From the Figure 4 we can know, assessing the information needs is the first part of whole marketing information system, and it also begins from the gathering of information. When companies are assessing the information needs, two factors should be noticed. Firstly, during designing a marketing information system process, companies should consider all users' needs because marketing information system not only serves one company's immanence, but also presents information to outside partners, for instance, suppliers, brokers or agencies. Then, an advanced marketing information system can achieve an equilibrium point between what they want and what they need and get. (Armstrong & Kotler 2012, 124)

Developing Need Information

Internal database and marketing intelligence are the first two parts of developing need information process. Many companies establish internal database, namely in electronic form collecting the company's internal data sources and information. Marketing managers can obtain information from the database at any time, and thus identify market opportunities and issues, and then they design marketing plan and evaluate marketing performance. (Jobber 1998, 144) Comparing with other sources of information, internal data can often be readily available and less expensive, but there are still some problems. Because internal information is collected for other purposes, so marketing decisions may not be complete and have some errors. Such as sales and cost data, they are used to prepare the financial statements by accounting department, if they are used to evaluate customer market segments, sales personnel and channel situation, they must be adjusted the inaccurate sources of information. Also, because of data ages fast, so keeping the database updated will take much money and time. (Armstrong & Kotler 2013, 126)

Marketing Intelligence is a way of collecting and analyzing the publicly available information about companies' competitors and marketing environmental development. The goal is to make better strategic decisions, evaluate and control the actions of competitors, then to provide early warning of opportunities and threats. (Jobber & Fahy 2002, 93) More and more companies want to know what competitors are doing, so the competitor intelligence is developing rapidly. Marketing intelligence has wide range of means, such as from the surveying company's own employees; searching rival products from internet, and visiting industry trade shows or even checking the opponent's trash. Most information is available from the company's own employees (managers, engineers and scientists, buyers and sales personnel). The company can also get important intelligence about their competitors from vendors, brokers and customers. Moreover, companies can obtain information by observing the competitor. (Armstrong & Kotler 2012, 125)

Marketing Research

Marketing research is defined as the systematic design, collection, and analysis and reporting of an organization with specific marketing problems. Marketing research is used by companies in multiple circumstances, for instance, from researching potential markets and market share, to assessing customer satisfaction and purchasing behavior. Furthermore, marketing research is also used for marketing mixes, which are price, place promotion and product. (Armstrong & Kotler 2012, 127)

When it comes to the importance of marketing research, Jobber (1998) described four points. First, it is conducive for business decision-making and can provide an objective basis adjustment strategy. Second, marketing research helps businesses to find market opportunities and develop new markets. Third, it can accurate market position, and better meet customer needs, enhance company own competitiveness. Fourth, marketing research also helps company to establish and improve the marketing information management. (Jobber 1998, 146)

Marketing research process consists of four steps as Figure 5 is showing; identifying problems and research objectives, developing research plan, performing research plan, interpreting and reporting findings (Armstrong & Kotler 2012, 127).

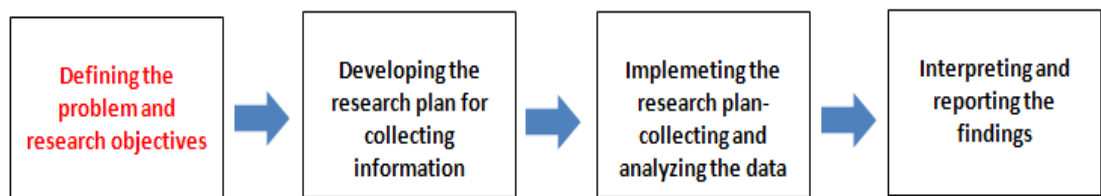


FIGURE 5. Marketing research process (Armstrong & Kotler 2012, 127)

Analyzing & Using Marketing Information

Analyzing and using marketing information is the last step and the final aim of marketing information system. Information gathering from the internal database, marketing intelligence and marketing research are usually required for further analysis. Managers may need some helps about how to use the information correctly in the marketing and decision-making. For example, statistical analysis is helpful to find more relationship among the data and the data's reliability. This analysis enable managers are not limited to be the mean and standard deviation of the data, but it

can make them answer questions about marketing, marketing activities and results of the problems. (Armstrong & Kotler 2012, 143)

Information analysis also establishes some data analysis models; they can make managers to perfect their decisions. Moreover, these models help managers to understand other hypothetical situations, and then they can choose the best decision. Meanwhile, marketing experts establish numerous models to help marketing managers to make better marketing decisions, design scope of sales and plan, select retail store locations, establish the best way to advertise, and forecast new product sales. (Armstrong & Kotler 2012, 143)

Many companies do not know how to control the flooding customer's information. Actually, smart companies can collect customer information from every touch times. These contact time includes customer purchase, contact sales, service and support calls, web browsing, satisfaction surveys, credit and payment, market research - anywhere between the customer and the company every contact. However, information is often widely dispersed within the company, and buried in different departments of the company database and records. To solve these problems, many companies now pay more attention to customer relationship management, dealing with every customer's information, caring management of customer touch points, finally they aim maximizing customer loyalty. (Kotler & Keller 2009, 142)

It is worthless if the marketing information is not used for making better marketing decisions. Therefore, the marketing information system must be useful, and it should guide managers marketing decisions. In some cases, the information refers to the official reports intelligence updating or reports on findings. However, managers may need some unconventional information, for special circumstances or temporary decisions; for example, when a sales manager's dealing with the difficulties of a big customer, he would need a copy of the customer's past sales and interests summary, or a retail store manager would like to know the inventory level of a certain product in other chain stores, when the product is sold out. Therefore, the distribution of information is to input the obtained information into database and the information can be easily and timely used. (Kotler & Keller 2009, 142)

2.2 Market Segmentation

The company knows that they cannot serve all consumers in the market, at least not in the same way for all purchasers. Buyers are countless and widely distributed, their needs and purchasing behavior are quite different. Furthermore, the company's serving ability also is distinct for different segmentation markets. On the contrary, companies need to be able to provide effective services and to get the target profit in a certain market. It needs to develop strategies to establish the appropriate customer relationships. Therefore, most companies are changing from mass marketing into market segments and target marketing, namely to determine market segments, and select one or more of them, corresponding design the product development and marketing programs. The company is to concentrate on customers with most interests, rather than sporadically using marketing power. (Kotler & Keller 2009, 248)

2.2.1 Segmenting the Market

The concept of market segmentation is put forward by the U.S. market scientist Wendell Smith in the mid-1950s. Market segmentation is a process, that the marketer through market research based on the difference among consumer needs and buying behavior, and then marketers divide the whole market into several consumer markets. Each consumer group is a market segment; each segment is a tendency of consumer with similar needs group. (Wang 2005, 176)

The importance of marketing segmentation

- Conducive to selecting target markets and developing marketing strategies

Sub-markets obtained by market segmentation are more specific and it is easier to understand the needs of consumers, so company can base on their own ideas, principles, production technology and marketing power to determine their own target markets. Meanwhile, in the segmentation markets, the information is easy to understand and have feedback, once consumer's demand changed, companies can quickly change their marketing strategies, develop appropriate measures to adapt to changes in market demand, and improve the resilience and competitiveness. (Qu & Zhang 2010, 233)

- Conducive to exploring market opportunities and developing new markets

Through market segmentation, companies can compare every market segment's potential buying power, market saturation's level and other analysis. Thence, to enable companies can make opportunities and adapt better to the market's needs. (Qu & Zhang 2010, 233)

- Conducive to concentrating human resources and material resources into the target market

Business resources, human resources, material and funds are limited in any company. Through segmentation, companies can choose suitable target markets; and then concentrate human resources, financial, material and resources to fight for the local market advantages; finally companies can occupy their target market. (Qu & Zhang 2010, 233)

- Help companies to improve the profitability

In addition, companies through market segmentation can produce marketable products, meet the market needs and finally increase their incomes. Marketable products can accelerate the flow of goods, increase the production volume, and reduce production and marketing costs. Ultimately, companies can increase productivity and product quality, and improve profitability. (Qu & Zhang 2010, 233)

Market Segmentation Process

Market segmentation as a process through comparison, classification, and make choices, it should be in accordance with certain procedures, such steps usually are (Qu & Zhang 2010, 237):

- Selecting the correct scope of the market

Companies should according to their ability determine the operating conditions and operating range of the market, such as what industry, what products, what services are provided.

- Defining all potential customers within the market demand

According to the segmentation standard, the company should list the potential customers' basic needs for future in-depth study.

- Analyzing the different needs of potential customers, initially segmenting the market

The company should collect information about markets and customers background information based on listed varied needs, through the sample survey method, next they should initially segment some large diversity markets.

- Filtering

According to the conditions of effective market segmentation, the company should exclude those undesirable and unwanted segments.

- Naming the market segments

For ease of operation, combining with various market segments and customer characteristics, the company can name the segmented market with visualization and intuition, such as a tourist market divides their markets into fixed businessman, comfort type, curious type, and adventure and enjoyment type.

- Reviewing the selected segments

The company should deeply research segmented markets to fully understand the characteristics of each market segment, especially the company should concentrate on the development scale and the potential demand of the segmented market.

- Deciding segment size, selecting the target market

The company should choose suitable segmented market according to their advantages as the target market. Without this step, they cannot reach the purpose of market segments.

Then companies will complete the work of market segmentation; they must determine the appropriate target market strategy concerning their actual situation. (Qu & Zhang 2010, 237-238):

The Basis of the Consumer Market Segmentation

TABLE 1. Consumer Market Segmentation Criteria and Variable List (Qu & Zhang 2010, 239)

Consumer market segmentation criteria and variables list	
Segmentation criteria	Segmentation variables
Geography location	town size , topography, climate , traffic conditions, population density , etc.
Demographic factors	age, sex, occupation , income , ethnicity, religion , education, family size, family life cycle , etc.
Psychological factors	lifestyle , personality, buying motives , attitudes , etc.
Behavioral factors	time of purchase, purchase quantity , frequency of purchase , buying habits (loyalty) , sensitive for service, price , channels, advertising

- Segmentation according to geographical factors

Segmentation according to geographical factors means segmenting market by the consumer's location and geographical environment. Because of different geographical consumer, often have different needs and preferences. For example, the purchase of the bicycle, city dwellers like the new style of light vehicles, while rural residents increased emphasis on rugged vehicles. Therefore, the consumer's geographical factors are very necessary for market segmentation. (Wang 2005, 83)

- Segmentation according to demographic factors

Demographic factors include such as age, sex, occupation, income, family size, family life cycle, ethnicity, religion, nationality, etc. Depending on these variables, market can be divided into different groups. Since demographic variables are easier to measure than other variables, and can be applied widely, thence, demographic variables always are an important basis for consumer market segments. (Wang 2005, 83)

- Segmentation by psychological factors

Segmentation by psychological factors refers to segmenting the consumer subdivided into different groups based on their lifestyle, personality, buying motives, attitudes and other variables. (Wang 2005, 83)

- Segmentation by behavioral factors

Segmentation by behavioral factors means segmenting the market based on the consumers' buying times, purchase quantity, purchase frequency, brand loyalty and other variables. (Wang 2005, 83)

The Basis of the Business Market Segmentation

Some consumer segmentation criteria introduced before are same as the basis of the business market segmentation. Such as the geographical environment, climatic conditions, transportation, brand loyalty and so on. However, due to business market's own characteristics, the company should adopt some other criteria and variables to the segment market, as presented in the following (Fan 2012, 108):

- By the user's needs

Product user's needs are a common standard for business market segmentation. Different users have different needs on the same product, such as transistor factory segments their market into the military market, the industrial market and the commercial market. The military market especially stresses product quality; industrial users require high quality products and services; and the commercial market mainly for reselling, besides requiring the product quality, they also require reasonable prices and timely delivery. Therefore, the company should focus on the needs of different users, providing different products with different marketing strategies to meet the different needs of users. (Fan 2012, 48)

- By the user's operating scale

The user's operating scale is another main standard of business market segmentation; because the user's operating scale decides how much purchasing power they have. Basing on the user's operating scale; the business market is divided into large users, medium users, and small users. Although the number of large users is not too big, but they have large scale of production, purchase quantities, and they focus on quality and delivery time, etc.; Even though small users are large amount and widely placed, their purchase quantity is limited. So generally, one

transaction volume with large users equals the sum of many small customers transaction volume, moreover, if a company loses a large user, it can bring the company many serious consequences. Therefore, the company should establish a different appropriate business relationship and system with different users. (Fan 2012, 48)

- By the user's geographic location

Most industrial areas are affected by natural resources, climate conditions and historical traditions and other factors in some extent. Such as Jiangsu and Zhejiang provinces are silk industrial area, the coal industry center is located in Shanxi provinces, and the processing industrial center is in the southeast coast of China. Thence, this factor determines the business market more often concentrated in the area than the consumer market, the location of business market becomes an important factor to segmenting. Segmentation based on user's location helps the company saving time between different customers, effectively planning of transport routes, saving auxiliary transport costs, and reducing marketing costs. (Fang 2012, 48)

2.2.2 Targeting the Market

Market segmentation reveals the company's market segment opportunities. Now, the company needs to evaluate these various market segments, and determine which ones are worth to be the target market. We take a look at how companies evaluate and select target markets. (Wang 2005, 87)

Selecting the target market strategy

Selecting the target marketing strategy is an important strategy in companies' marketing process. Why should the company choose the target market? Because not all sub-market are useful to the company, and on the other side, there are no company have enough human and financial resources to meet the entire market, only selecting the right target market for the company own situations, they can avoid to waste limited resources. Selecting the target market generally uses the following three strategies (Wang 2005, 87):

Undifferentiated marketing strategy

Undifferentiated marketing strategy means that the company considers the entire market as their target market, and the company only considers the common market demand, regardless of their differences. Using of one product, same price, one marketing strategy to attract consumers. The advantage of this strategy is easy to guarantee product quality and mass production, and it also can reduce production and marketing costs. But if other companies also adopted this strategy, there are bound to form a highly competitive (Wang 2005, 87)

Differentiated marketing strategy

Differentiated segmented marketing is that the company segments the entire into several sub-markets, and design different products for different sub-markets with different marketing strategies to meet different consumer needs. The advantage of this strategy is able to meet the different requirements of different consumers, and this strategy also can expand sales and dominate the market, improve corporate reputation. The disadvantage of differential marketing strategy will increase the difficulty of marketing management; improve the production and marketing costs due to product differentiation and differentiated marketing approach. Thence, currently only large companies adopt this strategy. (Wang 2005, 87)

Concentrated of marketing strategy

After the marketing segmentation; the company chooses two or a few market segments as a target market, and the company will apply the specialized production and sales. Using concentrated marketing strategy, the company can concentrate on superior, and this strategy conducive to marketable products, reduce costs, improve corporate and product visibility. But there are big business risks, because its target market is small and single species. If in the target market, when consumer demand and preferences change, companies may stuck in trouble due to not timely. Meanwhile, when a strong contender to enter the target market, the firm will be seriously affected. Therefore, many SMEs in order to spread the risk should choose a certain number of market segments for their target market. (Wang 2005, 87)

These three target marketing strategies have their own advantages and disadvantages. When companies are selecting the target market, marketing managers must consider the company's factors and conditions in detail, such as company size, supplying amount of raw materials, product similarity, similar markets, product life cycle and competitive target markets. Selecting the target market for the company is a complex task. Because, the company's internal conditions and external environment are constantly changing, marketing managers must constantly research and forecast the marketing situation, they also need to understand and analyze the market trends and competitor conditions, to adopt a flexible strategy to adapt to the market situation for more large benefits (Wang 2005, 87).

2.3 Marketing Channel Management

Now, let us look at the marketing channel. During creating customer value and building profitable customer relationships process, the company rarely sells products to their customers alone. Instead, most companies are just in one node inside of the whole extensive supply chain and distribution channels. Therefore, a company's success depends not only on its own operations, but also depends on its distribution channel operations. In order to do well on customer relationship management, the company must manage their marketing channel also well. The first part of this chapter reveals the characteristics of marketing channels and marketing personnel channel design and management decisions, the next subchapter will explore more deeply to the two main channel intermediaries - retailers and wholesalers.

2.3.1 Marketing Channel

Producers provide products and services, and deliver them to the consumers. They not only need to build relationships with customers, but also they need to build relationships to key suppliers and distributors of the supply chain. The supply chain includes "upstream" and "downstream" two parts. The upstream are those companies that supply products and services requiring the production of raw materials. However, marketers tend to be more concerned about the downstream part of the supply chain - customer-oriented marketing channels. The downstream of the marketing channel such as wholesalers and retailers, they tie the important link between the company and its customers. (Armstrong & Kotler 2012, 365)

According to the Armstrong & Kotler (2012), marketing channels refers to set of necessary activities to transfer the ownership of the goods and the goods from the manufactories to consumption, including the marketing process. Marketing channels management connects every individual to firm's success. (Armstrong & Kotler 2012, 364)

The importance of marketing channels

As we all know, in practices, there are only few producers selling goods directly to final customers, on the contrary, most of the producers cooperate with intermediaries to deliver their goods to market. So, the channels decisions directly affect any other marketing decisions. The pricing depends on whether or not to use large distributors and high-quality specialty stores. The company's sales force and advertising decisions depend on the dealers need to convince the extent, training, motivation and support. Company need to develop or purchase of new products, and to examine whether these products are suitable for the sales capacity of the channel members. (Armstrong & Kotler 2012, 365)

However, companies often do not pay much attention to the marketing channels; and this attitude sometimes affects devastating consequences. Of course, many successful companies do use the marketing channel in order to obtain competitive advantages. Moreover, marketing channel decisions often involve long-term commitments to other enterprises. Therefore, managers must carefully design the company's channel. (Armstrong & Kotler 2011, 365)

The marketing channel member

The reason why companies are using marketing intermediary is mainly because the intermediaries are able to provide the specific market products with higher efficiency than the company's own. Through the intermediary's relationship, experience, expertise and scale of operations, the marketing intermediary usually does what the company is not able to do. (Lee & Li 2011, 118)

Figure 6 shows what the marketing channel member situation is and how adding the channel member creates the value. From the Figure 6A, there are three manufacturers, and they are directly reaching the three customer groups, this system

requires nine different channels transaction. And besides figure 6B, three manufacturers contact with a marketing agency, this agency then contacts the three consumer groups, thus this system requires six channels. By this method, the marketing intermediary reduces the large number of marketing contact work what manufacturers had to do before. (Lee & Li 2011, 118)

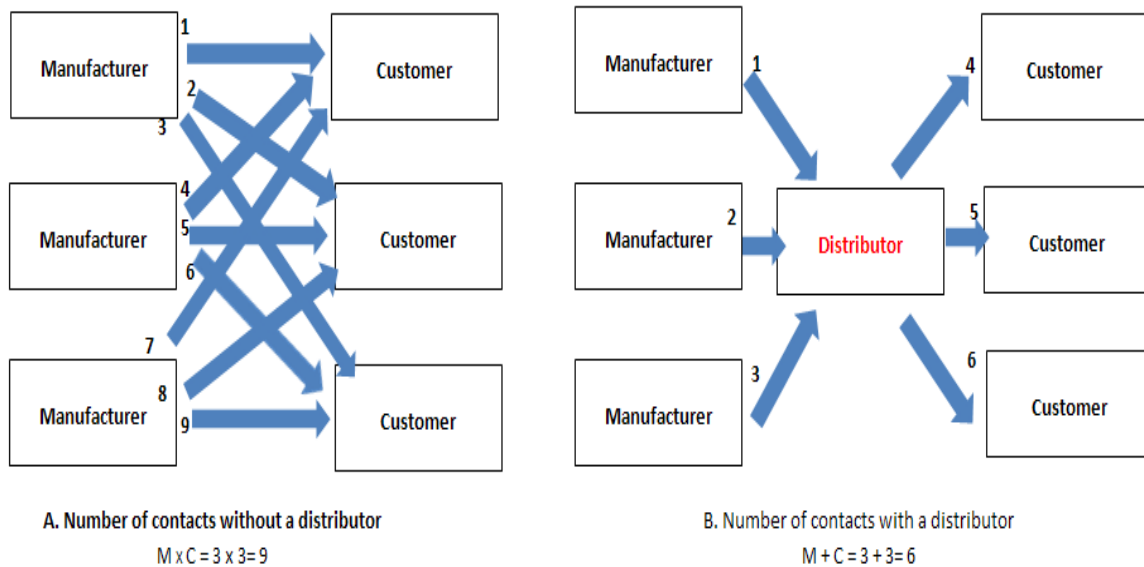


FIGURE 6. Adding a distributor to reduce the number of channel transactions (Armstrong & Kotler 2011, 366)

The channel levels

In order to make products and services easier for customers to obtain, the company can design different forms of distribution channels. During the process delivering the final product and product ownership to customers, each marketing channel also represents a level, because of both producers and final consumers have played the role of the whole process, so they are section of every marketing channel. (Armstrong & Kotler 2011, 366)

The number of intermediary levels is the channel's length. Figure 7 shows the distribution channels in several different lengths. Channel 1 is the **direct marketing channel**, because the channel does not have the marketing agency level, the company sells directly to their customers. The rest of the distribution channels in the Figure 7 are the **indirect marketing channel**, apparently they all contain more than one intermediary. (Wang 2005, 100)

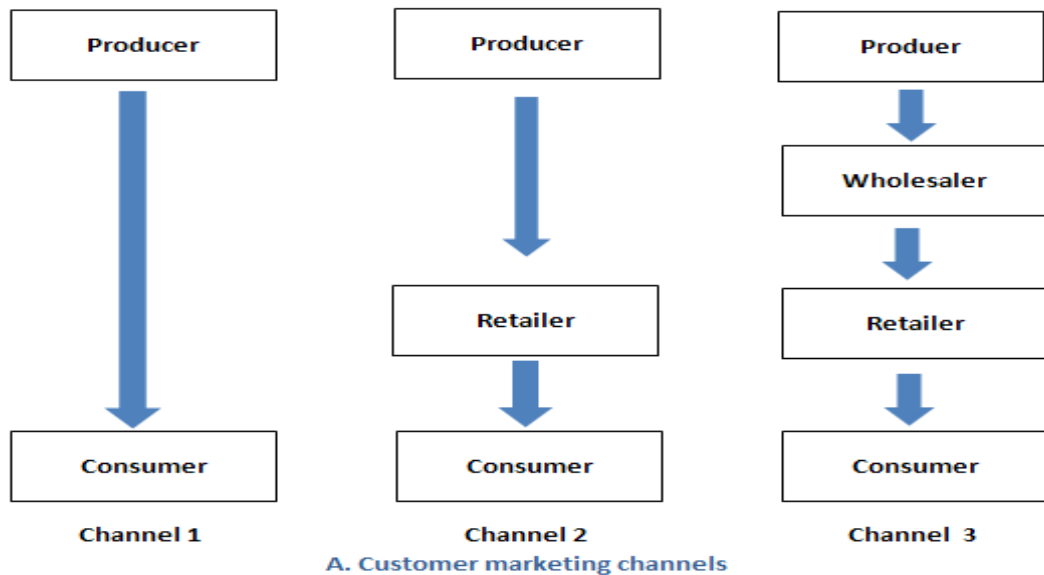


FIGURE 7. Consumer marketing channels (Armstrong & Kotler 2011, 367)

Figure 8 shows the business marketing channel. There are two ways the business marketers can sell their products to their customers. Firstly, they can directly sell the business consumers products, or they can use the second way, that is, they sell products to those intermediaries in the marketing channel, and through the intermediaries delivering to the business consumer. Of course, it is possible exiting more the channel's level, however, the more channel's level means marketers have less control power and more complex distribution. (Wang 2005, 100)

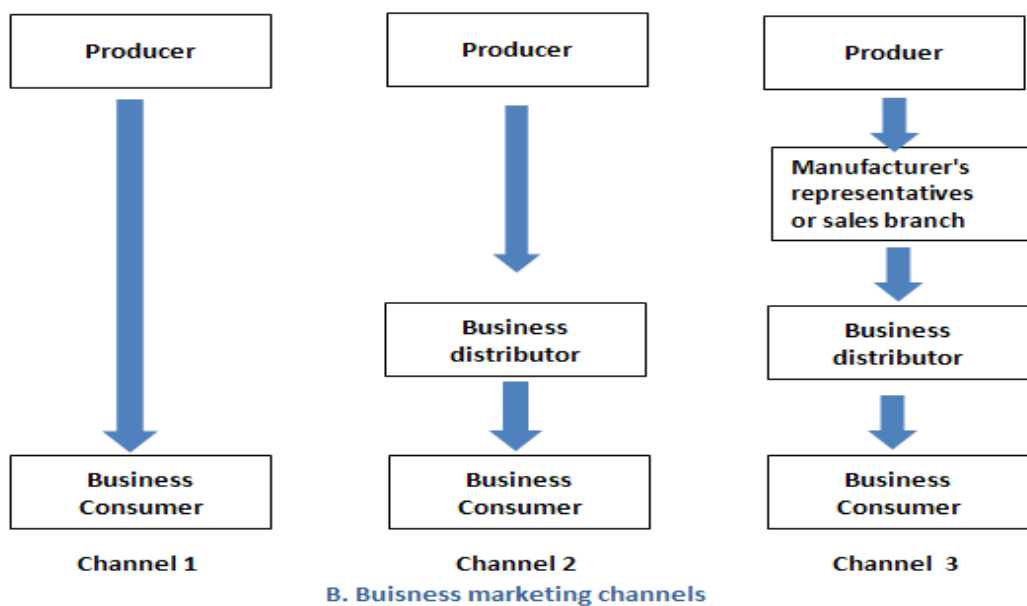


FIGURE 8. Business marketing channels (Armstrong & Kotler 2011, 367)

The marketing channel system

The normal distribution channel or also called conventional distribution channel and it has one or more independent manufacturers, and intermediaries. So, basically each of them is an independent enterprise, and they only concentrate on their interests. Moreover, there are not only one member can have power to control the others of the entire system, there are also without clearly functional separations and effective solvents for conflicts. (Wang 2005, 102)

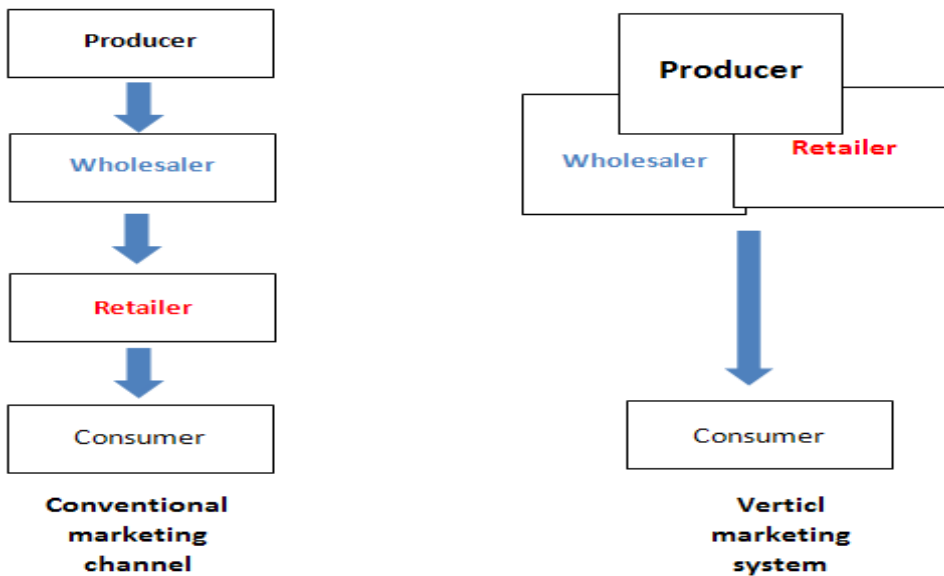


FIGURE 9. Comparison of conventional marketing channel with vertical marketing system (Armstrong & Kotler 2011, 370)

Vertical marketing channel system

Vertical marketing channel system is an entire system including manufacturers, wholesalers and retailers. There is a hierarchy in the system, so according contractual relationship, the member who owns big power can charge the others. And there are three majors system inside of the vertical marketing system, let us look at them in order.

The first one, corporate vertical marketing channel system consists of a series of unify steps from production to distribution, and attributed them under the same ownership, coordination and conflict management are managed through a regular channel organization. Secondly, contractual vertical marketing channel system includes different levels of channel members from production and distribution, through their closely union, they can all achieve better profits than the any single

one's economic results. Franchise organization is one of the most frequent forms of contractual relationship; franchisor can unify many marketing channels from production to distribution. The last one administered vertical marketing system coordinate a continuous process between production and distribution, but it not depends on common ownership or contract, but on the size and strength of a member in this system. In the management side, one or more channel members hold leadership. (Chang 2009, 113)

Horizontal marketing channel system

Beside the vertical marketing system, there is another direction of marketing system, called horizontal marketing system. The horizontal marketing channel system refers to two or more companies have cooperation on marketing channel. In this system, companies even can cooperate with their competitors, of course companies can also cooperate with non-competitors; they can choose short-term cooperation or long-term cooperation, and if companies want, they also possible to create a new company. (Chang 2009, 113)

Multi-channel systems

Because of nowadays complex consumer market segments and the potential for a variety of distribution channel, more and more companies are applying the multi-channel system, often referred to as hybrid marketing channel system. Multi-channel system means one company applies two or more different marketing channel systems at the same time, to produce multi-channel marketing. Multi-channel system offers a number of benefits to the company owning large and complex market. Companies through those new channels can expand sales and market coverage, and they can win the opportunity to adjust products and services to meet the needs of various consumer segments. But multi-channel system is difficult to control channels, as more and more customers and sales channels competing with each other, there will be a channel system conflicts. (Chang 2009, 113)

2.3.2 Designing the Marketing Channel

In this part, how to design a marketing channel is to be described. In order to achieve the best business result, the producers always need to choose the ideal marketing channel decision among many options. And before they are choosing, it should be known firstly how to design the marketing channel, according to the American famous marketing professional Stern (2010) and other scholars, the channel designing process is divided into five stages, in sum of 14 steps, shown in Figure 10,. (Zheng 2012, 83)

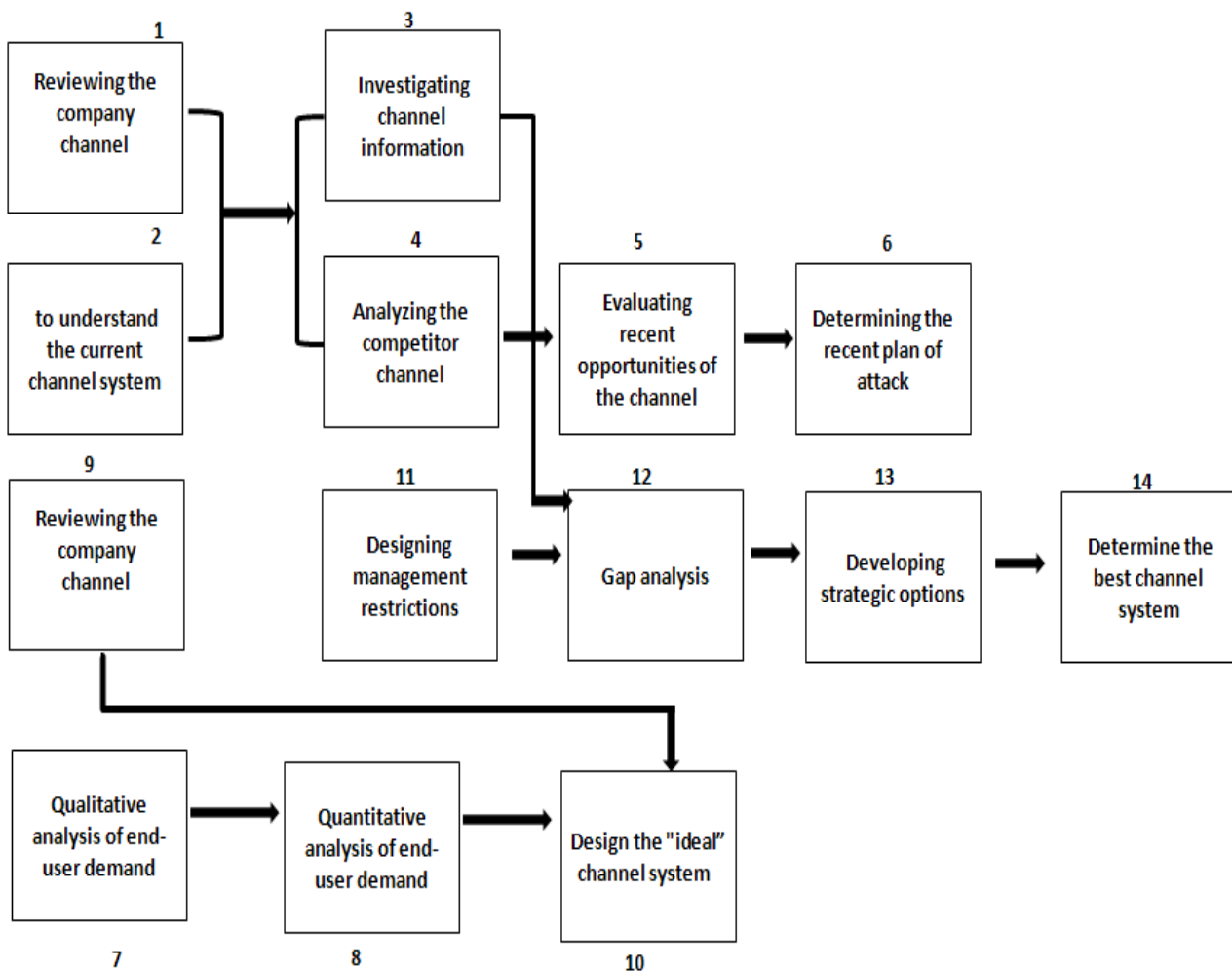


FIGURE 10. Designing the marketing channel process (Zheng 2012, 83)

Analysis of the current environment and the challenge (Step 1 - 4)

In this stage, main aims are clearly to understand the company's current status of distribution channels, the company's marketing performance, and the marketing challenge.

Step 1: Reviewing the company channel. Through the company's past and present marketing channel analysis, we can understand the company's previous decisions, and the logical connections between every decision.

Step 2 : To understand the current channel system, namely to understand the external environment's impacts on the company's decision-making channels, such as macro-economic, technological environment and consumer behavior and other environmental factors on the structure of distribution channels.

Step 3: Investigating channel information. Investigating and analyzing the company and their competitors' information, to obtain the information about operation of the existing channel's problems and improvements.

Step 4: Analyzing the competitor channel. Analyzing of major competitors about how to maintain their status, how competitors use marketing strategies to stimulate demand, and how to use marketing tools to support channel members. (Zheng 2012, 83)

Determining the current marketing channel decision (step 5 - 6)

At this stage, the marketer should base on results of previous research and analysis, do some adjustments on the marketing strategy, so this stage is called by "rapid response".

Step 5: Evaluating recent opportunities of the channel. The company can create opportunities by analyzing of competitor's channel.

Step 6: Determining the recent plan of attack. This is a short-term strategy to focus on the plan, that "rapid response" program. Such plans are usually the original channel strategy in a timely manner, local adjustments. (Zheng 2012, 83)

Designing "ideal" channel system (step 7 – 10)

This stage requires the marketer to "forget" previous existing marketing channels, everything from scratch for the new channel design.

Step 7: Qualitative analysis of end-user demand. This step is usually to examine four factors, namely the purchase quantity, distribution network, transport and waiting times, and product diversification or specialization.

Step 8: Quantitative analysis of end-user demand. Basing on the understanding of the consumer, what is required on the basis of the output of this step will further understanding of these services output (such as location convenience, low prices, product diversity , expert guidance , etc.) and comparative analysis of these specific requirements of the importance of different market segments.

Step 9: Analysis of the whole market. This step is required to broaden the idea, to adapt to markets innovative "nutrition."

Step 10: Design the "ideal" channel system. The goal is to establish the "ideal" channel system to meet the needs of end-users. The key of this step is to solve the channel functions as well as marketing process design. Another key about "Ideal" channel system is to clarify which means can meet the various needs of the end-user market segments. (Zheng 2012, 84)

Constraints and gaps analysis (Step 11 - 12)

This stage requires the research and analysis of the "ideal" channel reality restrictions, and comparative analysis of the "ideal" channel system with realistic channel system differences, for providing the basis of the final selection of channels.

Step 11: Designing management restrictions. These restrictions include the detailed analysis of manager's prejudice, management objectives, and internal and external threats. This step through the implementation of programs and channels to conduct in-depth interviews with staff , to understand the future program can be recognized and enforced , and also to understand the power of traditional concepts and practices of how strong channel systems analysis and to understand the. Finally, all reasonable or unreasonable goals and constraints explicitly listed, thus changing the distribution channel to see the various difficulties.

Step 12: Gap analysis. This step compares to three different distribution systems, and to analyze the difference. These three systems are: the "ideal" (user-generated) systems, existing systems and management "limit" the system. (Zheng 2012, 84)

Selecting the marketing channel strategy (step 13 - 14)

This stage according to the results of previous researches and analysis to select the marketing channel strategy, and then the best channel system is built.

Step 13: Developing strategic options. First marketers should test the effectiveness of the selected marketing channels, and then list the macroeconomic environment and the constraints of competitive opportunities. Finally, the above information and advices, marketers decide to achieve the ideal system principles.

Step 14: Determining the best channel system. The final step is to make the "ideal" distribution system to bypass the management reserves or endorse the objectives and constraints, the formation of the whole process to fully absorb the reasonable demands of the best distribution channel system solutions. (Zheng 2012, 84)

2.4 Managing Competition

Marketing Competition means under the condition of the commodity economy, each corporate or economic interest competes with each other in order to obtain the dominant position and favorable conditions of the whole economic activity. Through competition, enterprise survival of the fittest, and thus achieve the optimal allocation of production factors. Meanwhile, nowadays enterprises are facing unprecedented brutal competition than ever. In order to win in nowadays competitive market environment, companies should pay more attention not only on the product management but also on customer relationship management, which means companies should deliver more value than their competitors to the customer and build the competitive advantages. In this chapter, we will discuss firstly about how analyzing competitors and then the competitive strategy will be given. (Kotler & Keller 2009, 336)

2.4.1 Analyzing Competitors

For the enterprise, the competitors are from many aspects. Generally speaking, competitors are those companies with the products or services provided are similar to the target customer and the service is also similar to other companies. In order to develop an effective marketing competition strategy, companies need to understand the situation as much as possible about their competitors. Moreover companies must often compare their own marketing strategy, product, price, place and promotion with their competitors. Thence, companies can find themselves with potential areas of competitive advantage and a disadvantage. (Kotler & Keller 2009, 336)

The process of analyzing competitors

In order to develop an effective marketing strategy to compete, companies need to understand the situation as much as possible about the competitors. Companies must often compare their own marketing strategy with competitors. In this way, companies can find themselves with potential areas of competitive advantage and a disadvantage. As shown in figure 11, the analysis carried out by competition, we must first identify and assess competitors, and then choose which competitors can attack, which need to avoid. (Huang 2013, 34)

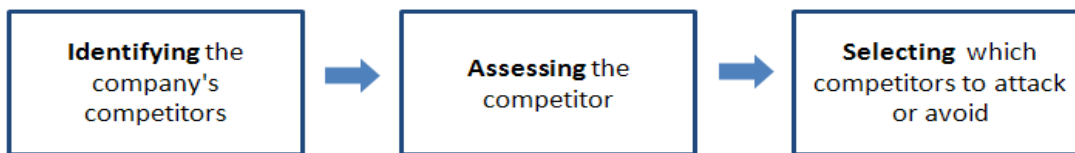


FIGURE 11. The process of analyzing competitors (Armstrong & Kotler 2012, 553)

Typically, companies take identifying the competitor as an easy work. Generally speaking, companies can recognize those companies who provide similar products to similar customers. But, in practices, companies are facing wider competitors than they knowing, companies may define their competitors from the whole industry firms. Moreover, companies must avoid only see at the moment, because, a company more likely is attacked by a potential competitor rather than the existing one.

After identifying the main competitors, the company should assess totally their competitors from following four steps:

Step 1: assessing competitors' objectives. Each competitor has its objectives, understanding the objective of competitors can forecast their behaviors and reactions. Thence, the company must also pay attention to their competitors every market including the segment market. If companies find that a competitor opened up a new market segment, this may also an opportunity to the company itself. If the company found their competitors planning to enter its own market, then the company should prepare to defense.

Step 2: assessing competitors' strategies. If the strategy between two companies is highly similar, they ate more likely to compete. So, companies need to understand every strategy of their competitors, such as from products and product mix, customer service, and marketing mix. Meanwhile companies also need to understand various

strategies of development, finance and other details of the competitor. (Huang 2013, 36)

Step 3: assessing the strengths and weaknesses of competitors. Marketers need to carefully evaluate each competitor's strengths and weaknesses. The first step should collect data of competitors 'strategic objectives and marketing performances in the past few years. However, this information is often difficultly to collect, so companies generally can use the secondary source, such as personal experience and hearsay to understand their competitors.

Step 4: assessing competitors' reactions. Next, companies should know what competitors are going to do, because each competitor's reaction is not the same. Some companies don not respond strongly and rapidly to competition, this may be because they think that their customers are loyal, also probably because they lack the funds to respond. Some competitors only react to certain types of actions, not the case for other activities. Other companies quickly react to any action .Finally, the company can focus attacking one of many competitors; most companies choose the weakest one to attack, because this can effectively save resources and time. However, some people think that companies should compete with those strong competitors, to obtain the completion experience. (Huang 2013, 37)

2.4.2 Making Competitive Strategy

After assessing the competitors' process, companies can now develop a wide range of competitive marketing strategy, by delivering superior customer value to gain competitive advantage. Next, the basic marketing completion strategy is described firstly, and then for different companies, different strategies choice by how selecting is introduced in detail.

The Basic Market Competition Strategy

- High quality strategy & low-cost strategy

High quality competitive strategy is an enterprise with high-quality means of competition, it is committed to establish a high-quality corporate image. As a competitive strategy, high quality strategy has advantage obviously, it is the premise and foundation of all means of competition, but also establishes a foundation of good

corporate image. Low-cost competitive strategy is the company using the low cost as the primary means of competition, in an attempt to make their own cost less than other enterprise in order to get competitive dominant position. Low-cost strategy can increase market share and obtain higher profits. (Tan 2010, 49)

- Differentiation strategy

Differentiation strategy applies when all companies product the same products. To solve this problem, companies should transform their limited resource from manufacturing into products' promotion to create competitive advantages. In the industry, customers cannot compare the product's price because of differentiation, which can sell products at higher price than competitors' for more profit. (Tan 2010, 49)

- Concentrated strategy

Concentrated strategy requires companies committed to one or few consumer groups to provide services, and strive to achieve a competitive advantage in the segmented market. Concentrate on the segmented market is a good choice of medium-sized companies, especially small businesses; they can survive and develop in a fierce competition with few resources. Meanwhile this strategy can meet the special needs of certain groups of consumers in order to lower operating costs. But it also has some risks: When facing changes of the segmented market supplying and demanding, and other factors, companies may loss much. (Tan 2010, 49)

Competitive strategy choices

In this part, it describe how choosing competitive strategy according to the company own situation. Now we assume the existence of companies in each industry as shown in Figure 12. Among them, market leader have 40% of the market share, there are 30% of the market share of challenger market, and 20% market share of market followers, the last 10% of the market share in those niches in market. (Armstrong & Kotler 2012, 562)



FIGURE 12. Competitive market roles (Armstrong & Kotler 2012, 562)

- Market leader

Market leader, in general, holds the most market share in the market. The leader is in a dominant position of the price adjustment, new product development, distribution and promotion. The market leader also leads the direction of market competition; meanwhile, it is the competition target of market challengers. Market leader applies their competitive strategies from general three factors:

1. Expanding the market demand

Firstly, market leader can discover new users. By finding new users to expand market demand, it needs the product with high attractive level to customers; thence the leader can increase the number of competitive potential buyers. Secondly, the leader innovate new uses of the existed product. By innovating new uses for the existed product to expand market demand, the leader has the most abilities to do that. Thirdly, it is an effective ways to expand market demand that the leader increase customers' usages. The most common ways is encouraging customers' to use more products as much time as they can. (Zhang 2013, 53)

2. Maintaining the existed market share

Market leaders must guard against attack and challenge rivals to protect their existing market positions. The best solution is innovative strategies to grow their own strength, meanwhile market leaders should actively attack into competitors' weaknesses. (Zhang 2013, 53)

There are several attack strategies as follow:

Position defending: Market leader construct some strong defensive fortifications around its existing markets. And they can use various effective strategies to prevent competitors invading their market positions. Flank defending: Market leader establishes some auxiliary base to defend their weak flank, and it can prevent competitors will take advantage from leaders' weaknesses. Pre-emptive defense: The leader attack before competitors, and defeat competitors to hold the driving position of the competition. (Zhang 2013, 53)

3. Increasing the market share

Market leader implementing this strategy tries to increase their market share through increased income to maintain their growth and market dominance. There are three main factors should be considered when the market leader applying the strategy:(1) will it lead an antitrust behavior ;(2) will it increase operating costs;(3) will it accurately take the marketing strategy. (Zhang 2013, 54)

- Market challenger

Most market challengers aim to increase market share, thus achieving the goal of improving return on investment and profitability. The first thing of challengers should do is to determine who are the main competitors. In general, the challenger can select the market leader. This selection has both risks and potential values. If challengers attack successfully, the company's market position of challenger will change fundamentally, but on the other side, challengers should bear the fierce attacks from the market leader. Or, challengers can choose similar size companies or smaller size companies as competitors. Challenger can through mergers, acquisitions, etc. to capture market share. And there are some attack strategies from challengers:

Frontal attacking: Market challenger concentrate forces to frontally attack competitors, which attack competitors' strengths rather than its weaknesses. To ensure the success of frontal attacking, the attacker needs to have the enough strength advantage. Flank attacking: Market challengers concentrate forces to attack competitors' weaknesses. This strategy attacker can pretend frontal attacking but actually attacking in flank sides. Containment attacking: Market challengers launch comprehensive and large-scale offensive strategy. Market challenger must have superior competitor resources, they can provide better quality and fewer prices of products than competitors to the market, and they are able to complete the containment plan successfully. Guerrilla attacking: Attacking with small and intermittent actions makes competitors despondently and less power. (Armstrong & Kotler 2012, 565)

- Market follower

Market followers generally mean companies at second place, and they are not keen on the challenging. In most cases, followers are more willing to adopt market flowering strategies. Followers imitate the leader as much as they can, including market segmenting and marketing mix. Some followers even are said to as parasites, they hardly stimulate the market in little actions, and they just want to rely on the market leader to survive. On the other side, Followers should keep some distances with the market leader, but they should till follow the leader in key factors as main market, product innovation and marketing distribution. The market leader welcomes such followers in its market, because followers rarely intervene the leader's marketing plan, and the leader is willing to share some markets to followers in order to protect themselves from accusations of monopolizing the market. (Zhang 2013, 55)

- Market niches

Niches means those companies occupied in small segmented markets neglecting by the market leader, challengers and followers. The so-called niche strategy, it means that small businesses through specialization to operate these markets, thence they can gain the profit in maximum. Why nichers can achieve profitability? The main reason is that nichers are so flexible to understand the target customer comparing with other big companies, thence, nichers can meet the target customer's needs than others. As a result, nichers can set the price higher than actual costs. Mass marketers get the high sales volume, but nichers get the high profit margin. (Zhang 2013, 55)

3 RESEARCH IMPLEMENTATION AND RESULT ANALYSIS

Marketing research is an effective and scientific method to understand the marketing situation. And marketing research uses a scientific method to collect, record, collate and analyze information concerning market data, and it aims of understanding market's developments and changes for better business marketing decision-making. (Baidu Zhidao 2013)

In Chapter 3, the marketing research for Lu'an Hongbo Trade Co., Ltd. is going to be presented fully, after the implementation of research; the research result analysis also will be introduced in depth. It aims for achieving the authentic and credible marketing research of Lu'an Hongbo Trade Co., Ltd.; author applied both quantitative and qualitative research methods, which the quantitative research as questionnaires for understanding the customers better, and the qualitative research, as face to face interviews by the company's main managers, to check the company marketing situation from the inside view.

The whole research including both in quantitative and qualitative ways was mostly applied by the author from January to February of 2014 in Lu'an City, China. The conduction of questionnaires started from 30th, January to 21st, February of 2014, meanwhile face to face interviews also processed at the same research duration, which lasted nearly three weeks. Next, the subchapter about questionnaires will be introduced firstly and then the author will present the interview results.

3.1 Questionnaire Survey to Understand Marketing Situation

3.1.1 Implementation of the Survey

Time: from 30th January, 2014 to 21st February, 2014

Place: Questionnaires were mostly conducted in stores and retailers' stores of Lu'an Hongbo Trade Co., Ltd., because the company has business both in B to B and B to C, and during the process, the author chose two of the company's own stores and three retailers' stores in Lu'an City; moreover, because the author aims for authentic and credible data from customers, she also chose other three village retailers' stores of Lu'an City to conduct questionnaire research. In addition, the questionnaire was

also delivered to people from three main public places of Lu'an City, as Wal-Mart, Baida CBD and Baiyun Shopping Center.

Arrangement of the questionnaire:

The questionnaire included eleven closed questions and one open question. The first four questions inquired the background information about respondents, such as gender, age group, occupation, and family monthly income level. From the fourth questions, the questionnaire preferred to investigate customers' awareness of Midea household appliances at first, and the market share and main competitors of Midea household appliances. Next, customers' buying behavior and preference on household appliances, the brand image and the customer's loyalty were also asked.

3.1.2 Analysis of the Survey Results

With the strong support of Lu'an Hongbo Trade Co., Ltd., there were 500 questionnaires as final research sample for the thesis. And the author divides the chapter into two parts to present the questionnaire's result, firstly from background information of respondents, and secondly about respondents' attitude about Midea household appliances and further information. And all respondents fulfilled first eleven questions, however, there are only a few answers from the last open question; the limited time is the main reason to that.

1. Background information about the respondents

Among 500 respondents of the questionnaire research, there were 270 females and 230 males, 54% and 46%, so respondents' gender distribution was evenly matched. About the age group of the respondent, considering about people who have income and buy household appliances especially for home using, so the starting age was 25, every 10 years is a group, and totally there were 6 age groups. This question tried to collect entire age group's people. Figure 13 will present detailed information.

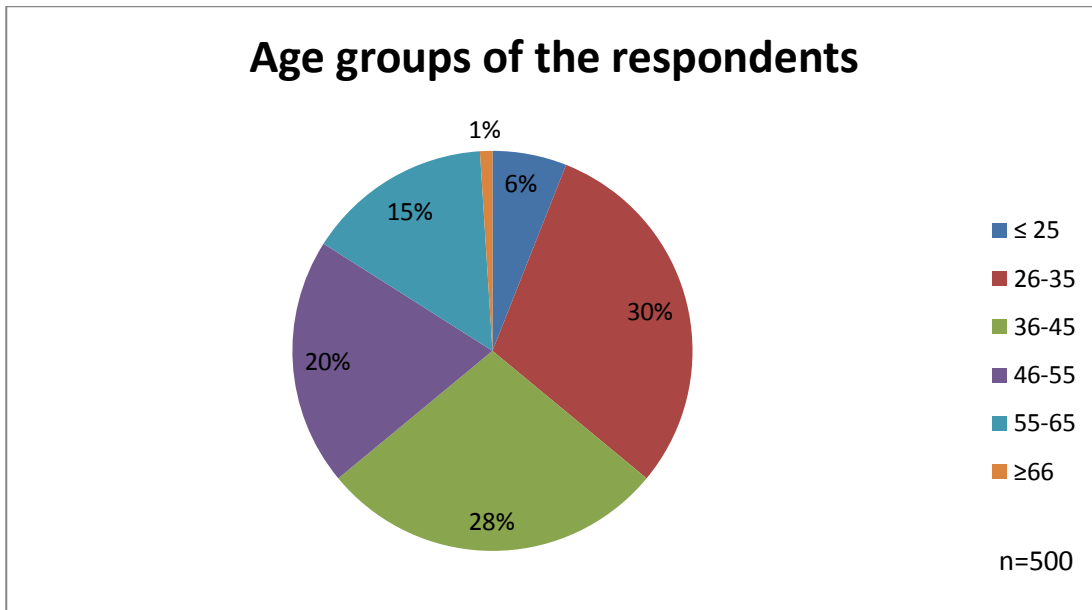


FIGURE 13. Age groups of the respondents

We can know from the above figure 13, there were three main age groups highlighted in the questionnaire research, the biggest age group is from age 26 to 35, which occupied 30% with 150 respondents, then the 36 to 45 age group took 28% with 140 respondents, the third largest age group is from 46 to 55 with 100 respondents (20%). Also the age group from 55 to 65 also took 15% with 75 persons. And there are 1% respondents over 66 age and 30 persons occupied 6% under age 25.

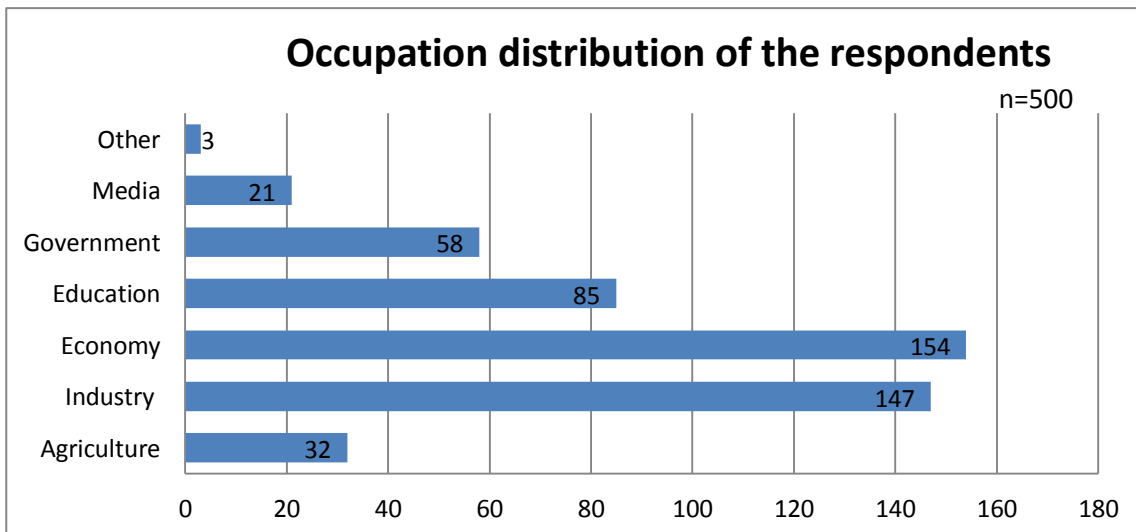


FIGURE 14. Occupation distribution of the respondents

Respondents who work in industry and economy were the most popular jobs of the questionnaire research, 154 (30.8%) persons work at economy and 147 (29.4%) persons work at industry. Respondents who work at agriculture, education and government, separately are 32 (6.4%) persons, 85 (17%) persons and 58 (11.6%) persons. 3 respondents work at other jobs without mentation.

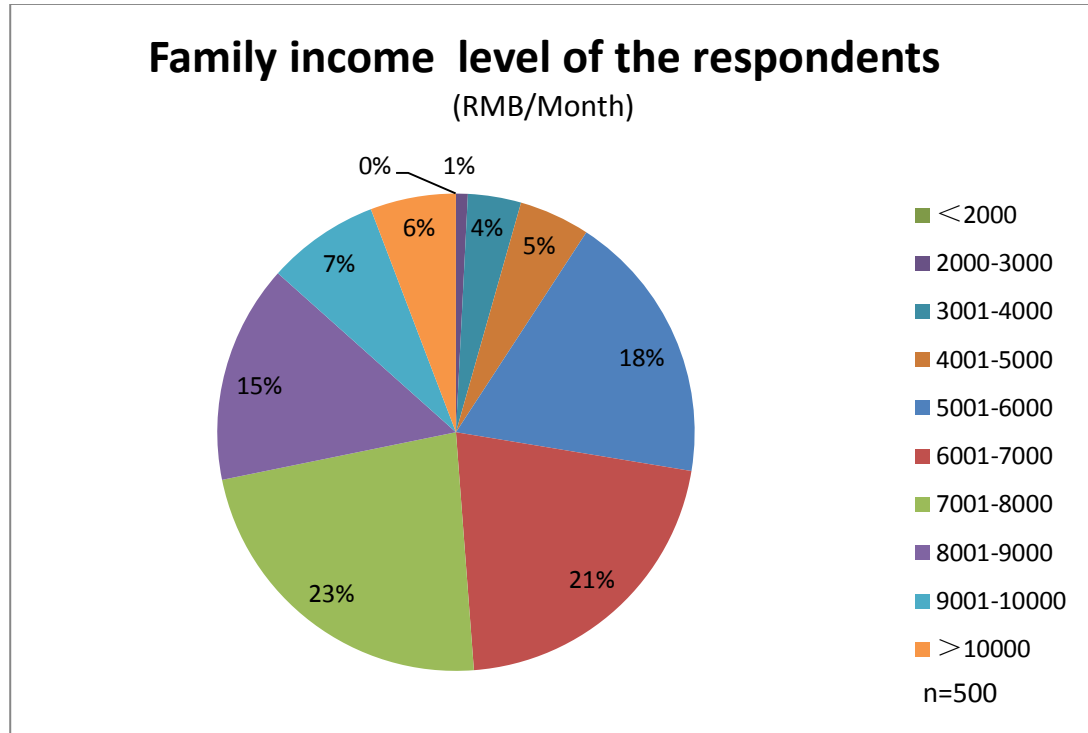
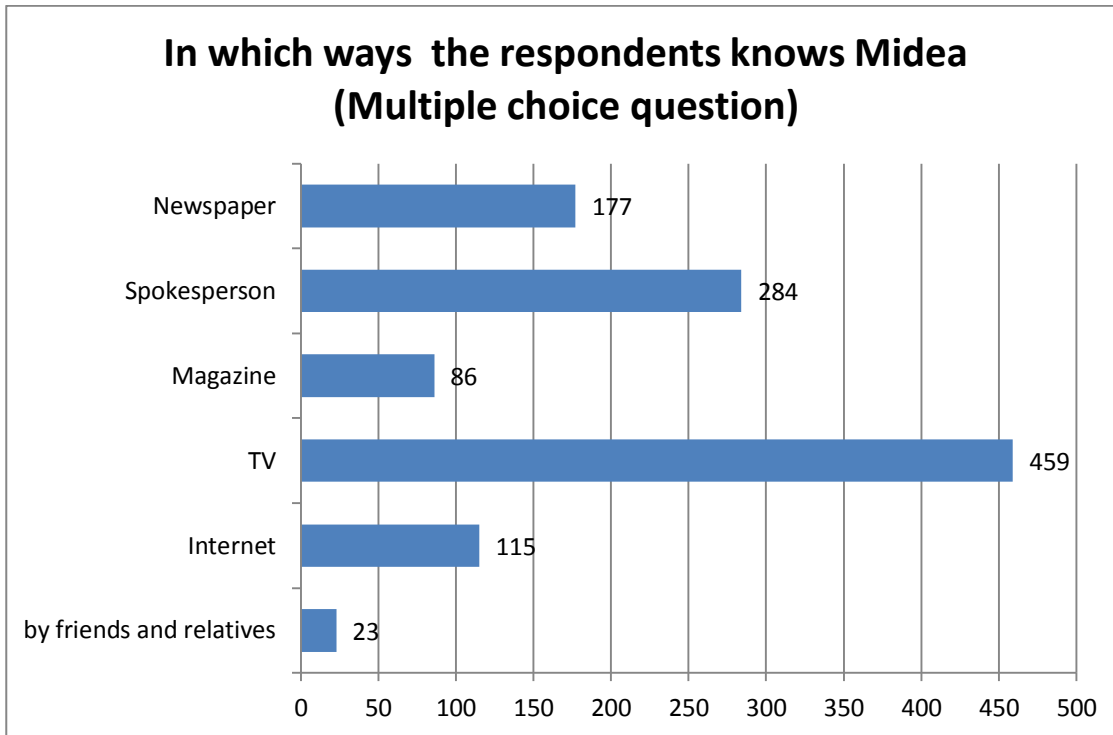


FIGURE 15. Family income level of the respondents (RMB/Month)

The family income level of the respondent is an important factor influencing their buying behaviour, and in this question the research object is family income level, concerning Chinese typical family models, two parents are main family's income sources, and based on the per capita monthly income of Lu'an is 3048 during the year 2013, so correspondingly the main family income level focused on four groups. The largest group which occupied 23% with 115 persons from the 7001-8000, and 21% person chose the 6001-7000 as their family income lever with 106 persons. 18%r respondents and 15% respondents came from 5001-6000 with 92 persons and 8001-9000 with 74 persons. And there is none from under 2000 RMB per month, few respondents occupied 4% with 18 persons, 24 persons came from the 4001-5000 with 5%, and 5.8% respondents over 10000 RMB monthly with 29 persons, in addition, around 1% respondents chose 2001-3000 as their family monthly income with only 4 persons.

2. Customers' views about Midea household appliances of Lu'an Hongbo Trade Co., Ltd.

At the fifth question, all of the respondents showed they already knew the Midea household appliances, so based on those 500 samples, it can be said that Midea is a well-known household appliance brand. Meanwhile, the question surveyed in which way respondents know Midea, and because it is a multiple choice question, respondents can choose many options as their answers at same time.



Number of respondents n=500

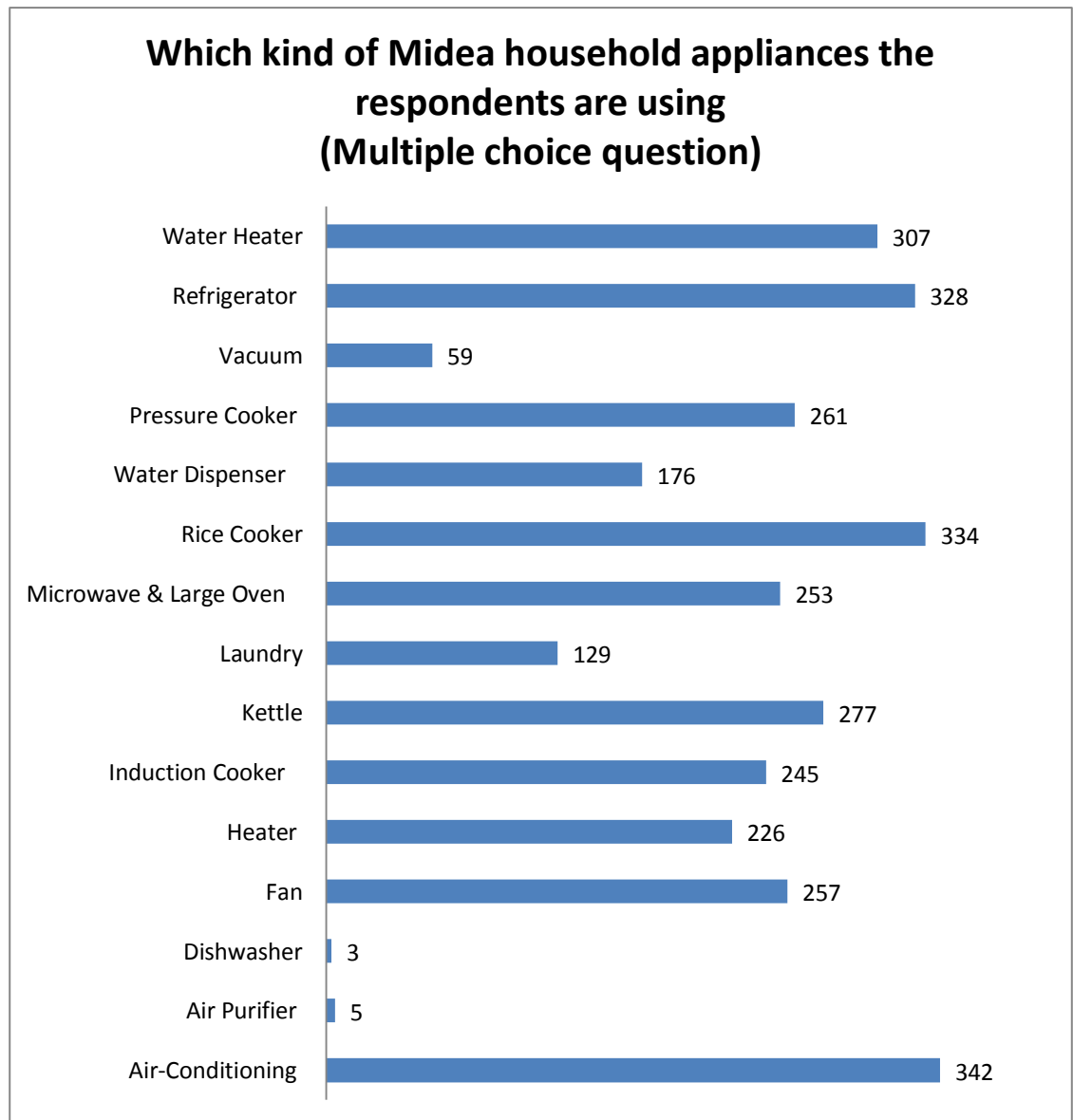
Number of responses n=1144

FIGURE 16. In which ways the respondent knows Midea

According to the figure 16, nearly 459 (40%) respondents chose TV as the main way to know Midea, and spokesperson as an option took 25% with 284 votes. Respondents chose 177 (15%) votes for newspaper and 115 (10%) votes for internet. Magazine also took 86 (8%) votes to know Midea and 23 (2%) respondents know Midea by their friends and relatives.

After collecting customers' awareness of brand Midea, the sixth question asked respondents, if they use Midea household appliances at their daily lives. If the respondent answered yes, then they should choose what kinds of Midea household appliances they use. If the respondent answered no, then they should mark which

kind of household appliance brand they use. And the research result is shown in Figure 17.



Number of the respondents n=500

Number of responses n=3202

FIGURE 17. Which kind of Midea household appliances the respondents are using

105 respondents said that they are only use Midea household appliances during their daily lives, and other 395 (79%) respondents showed they are using household appliances form Midea and also other brands' products at the same time. Then, from the figure 17, it can be seen that Midea household appliances occupied a very high market share of the most of household appliances. Especially in air-conditioning with 342 (68.4%) votes, 334 (66.8%) respondents voted for rice cooker, 328 (65.6%)

persons showed they are using Midea refrigerator and water heater also get 307 votes from respondents.

277 (55.4%) persons used Midea kettle, 261 (52.8%) persons used Midea pressure cooker, and 257 (51.4%) votes form fan and 253 (50.6%) votes from microwave & large oven. Induction cooker took 245 (49%) votes from respondents; heater took 226 (45.2%) votes. Water dispenser is chosen by 176 (35.2%) respondents and laundry is chosen by 129 (25.8%) votes.

On the other hand, respondents also marked the other brands household appliances than Midea they used.

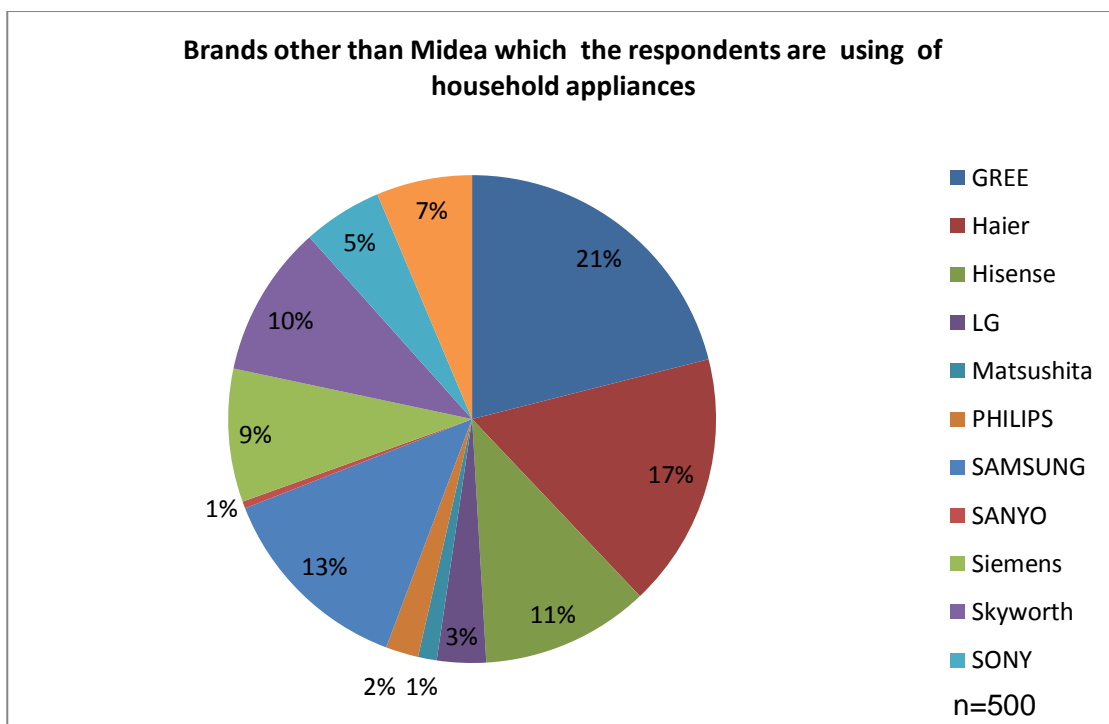


FIGURE 18. Brands other than Midea which the respondents are using in household appliances

As Figure 18 shows, the biggest competitive brand when respondents are choosing household appliances is GREE around 21%, which is another strong household appliances brand in Chinese market. And Haier occupied 17% votes and 13% votes came from SAMSUNG. Siemens also took 11% choices from respondents and LG took 10% choices from respondents. 7% respondents chose PHILIPS as their household appliances brand, and 5% votes came from Matsushita.

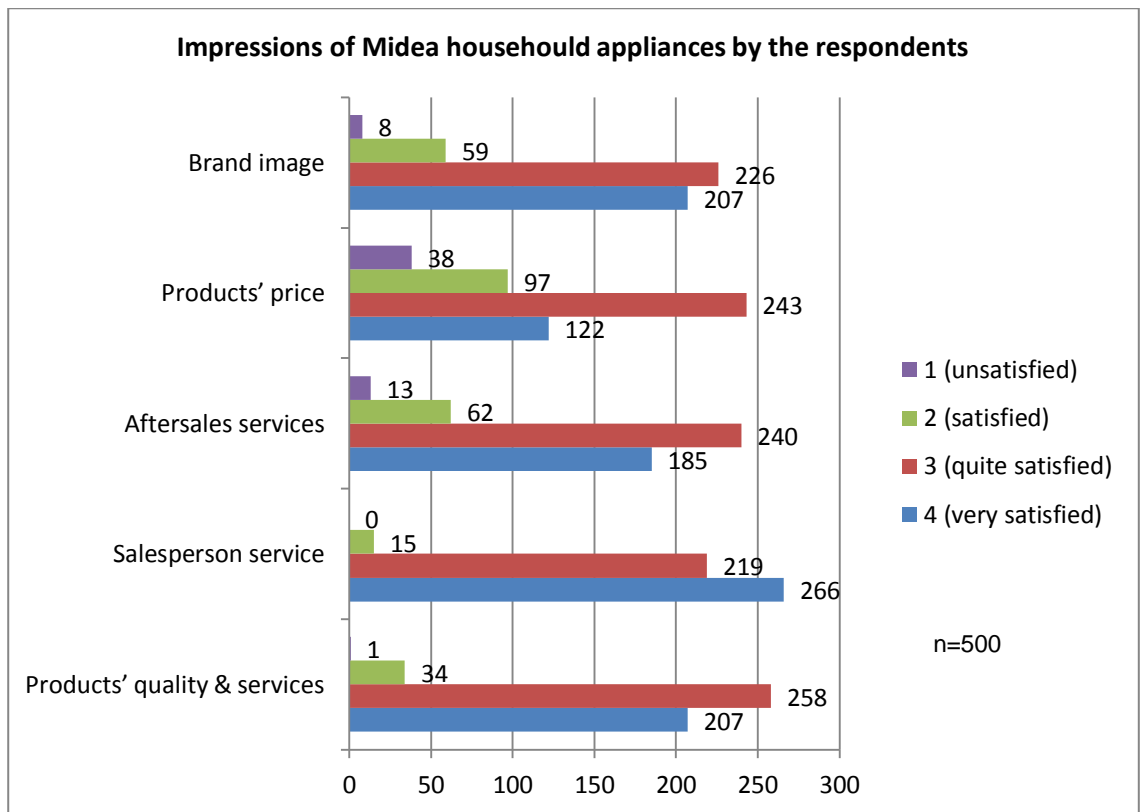


FIGURE 19. Impressions of Midea household appliances by the respondents

Next, the questionnaire looked further into Midea's impression by respondents. From figure 19, and the research metrics included Midea brand image, product price, aftersales service, salesperson service and product's quality service, and the grading scale has four classes, which are 1 (unsatisfied), 2 (satisfied), 3 (quite satisfied) and 4 (very satisfied). The reason why the author used four-point scale rather than five-point scale was to avoid respondents' views trend too average to unreal.

226 respondents chose quite satisfied and 207 respondents chose very satisfied of the brand image of the Midea household appliance, which separately occupied 45% and 41% of the whole votes. And 12% votes by 59 respondents showed just satisfied about the Midea's brand image, only 8 persons chose the unsatisfied option. About the price of the Midea product, 243 respondents nearly 49% thought quite satisfied and 122 (24.4%) votes from the very satisfied option. However, 97 (19.4%) respondents chose the satisfied option and 38 persons were unsatisfied with the Midea's price.

Concerning the Midea's aftersales service, 240 respondents (48%) thought quite satisfied, 185 respondents (37%) thought very satisfied, and 62 (12.4%) persons chose the satisfied option and 13 persons chose the unsatisfied option. There was none thought the Midea's salesperson service unsatisfied, 13 persons chose satisfied

about the question. And 219 (43.8%) respondents thought the Midea's salesperson service quite satisfied and over 53% with 240 respondents chose very satisfied. Also there was anyone chose unsatisfied about the product's quality & service of Midea, over 52% with 258 respondents chose the quite satisfied option, 207 respondents (41%) thought the quality of Midea very satisfied, and only 34 (6.8%) persons chose the satisfied option.

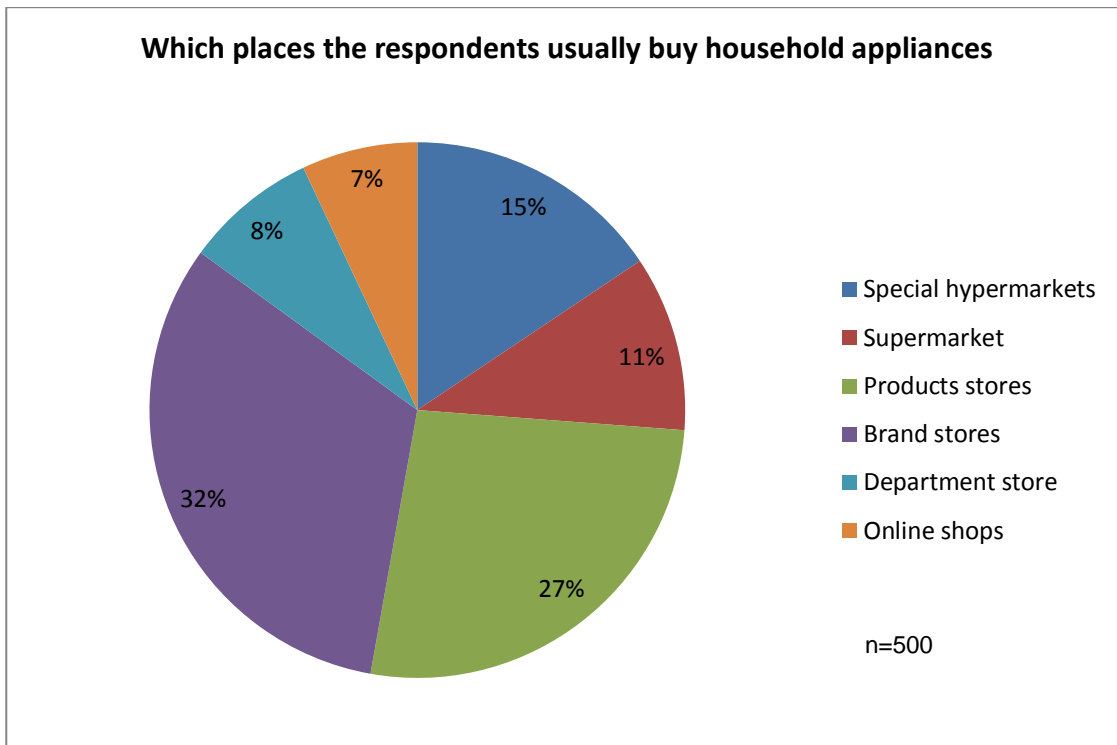


FIGURE 20. Which places the respondents usually buy household appliances

From the Figure 20, we can know respondents usually buy at brand stores and product stores when choosing household appliances, which 161 answers occupied 32% and 133 respondents occupied 27% correspondingly. 15% respondents (78) bought household appliances from special hypermarkets, 11% respondents (53) bought household appliances from supermarket. In addition, 8% answers (40) from the department store option and 7% answers (35) from the online shop option.

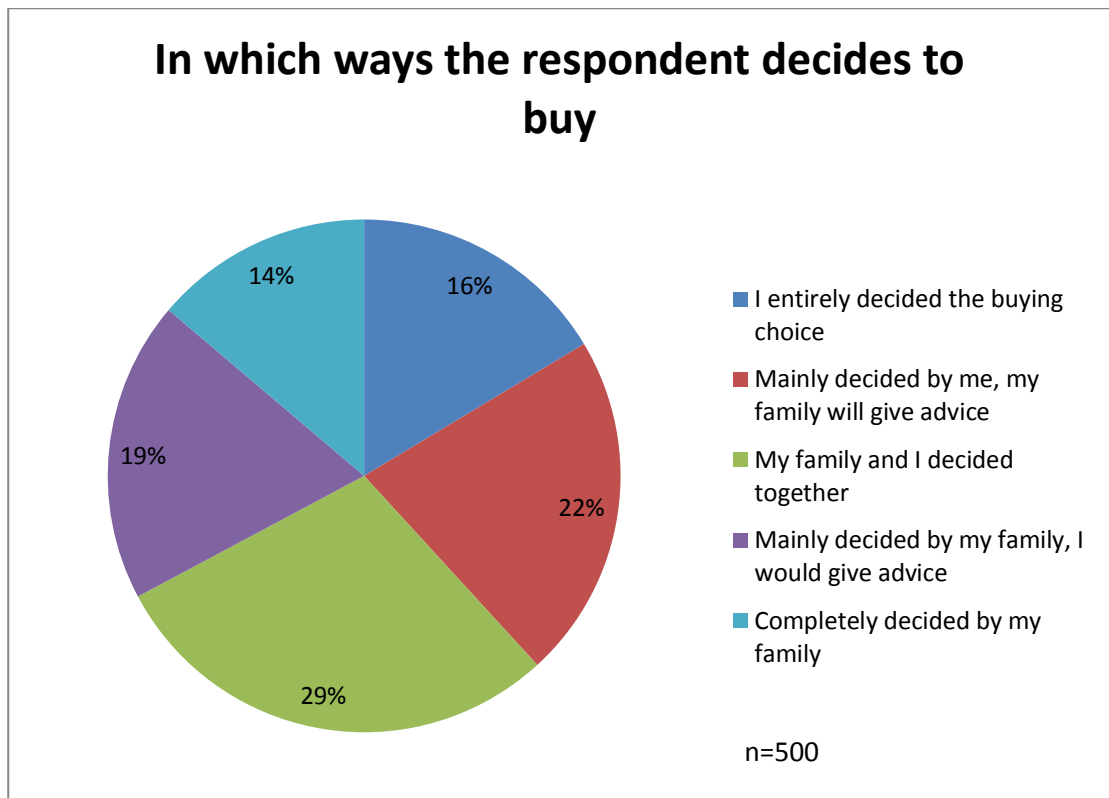


FIGURE 21. In which ways the respondent decides to buy

According to the Figure 21, it showed that most of 29% respondents (145) decided with their family together. 22% answers (109) decided to buy mainly by themselves and with their families' advices, on the country, 19% answers decided to buy mainly by their families and with their advices. In addition, 16% respondents (82) chose the completely decided by their family option and 14% respondents (69) bought household appliances entirely decided by them.

TABLE 2. How do the respondents emphasize the following factors when they buy household appliances

How do the respondents emphasize on the following factors when they buy household appliances n=500				
	4 (very important)	3 (quite important)	2 (important)	1 (unimportant)
Product & brand awareness, reputation and image	235	211	54	0
Product quality and efficacy	347	107	46	0
Salesperson service	186	165	113	37
Aftersales service	418	76	6	0
Price of the product	120	114	239	27
The intensity of products' promotion activities	106	207	151	36
Recommendations from family and friends	98	107	243	52
Other users of the product evaluation	86	157	231	26

Based on the Table 2, we can see how the respondents emphasize those main factors when they decide to buy household appliances. From the first product & brand image question, 235 (47%) respondents thought it is very important and 211 (42.2%) respondents thought it is quite important. And none answered the unimportant option and 54 persons just thought it is important. When it comes to the product quality and efficacy, most respondents 347 (69.4%) believed it is very important when they choose household appliances, and 107 (21.4%) answers respondents chose quite important. Also there was no answer from the unimportant option, and 46 respondents chose just important.

Concerning the service of sales persons, 186 (37.2%) respondents considered it is very important when they buy household appliances, and 165 (33%) answers came from the quite important option. And 113 (22.4%) persons thought it is important and around 7.4% (37) respondents considered it is unimportant. And there were none answers from unimportant about the aftersales service, most 418 (83.6%) respondents thought it is very important when they choose household appliance brands, 76 (15.2%) respondents thought it is quite important and 6 persons thought it is just important. And the fifth factor about the product's price, most 239 (47.8%) respondents thought it is just important, 120 (24%) respondents and 114 (22.8%) respondents separately chose the very important option and the quite important option. Only 27 persons thought the product price is not important when buying household appliances.

The sixth factor about the intensity of products' promotion activity, 41.4% (207) respondents chose the quite important option and 151 (30.2%) respondents chose the important option when they choose household appliances. 106 (21.2%) respondents thought it is very important, however, 36 persons did not think it is important. And about the recommendations from family and friends, around 243 (48.6%) respondents thought it is important when they choosing household appliances, 107 (21.4%) answers came from the quite important option and 98 (19.6%) answers came from the very important option, and 10.4% (52) respondents thought it is unimportant.

About the last factor about other users of the product evaluation, most 231 (46.2%) respondents thought it is important when they buying and 157 (31.4%) respondents thought it is quite important and 86 (17.2%) respondents thought it is very important. Only 26 respondents considered it is unimportant when they choose household appliances.

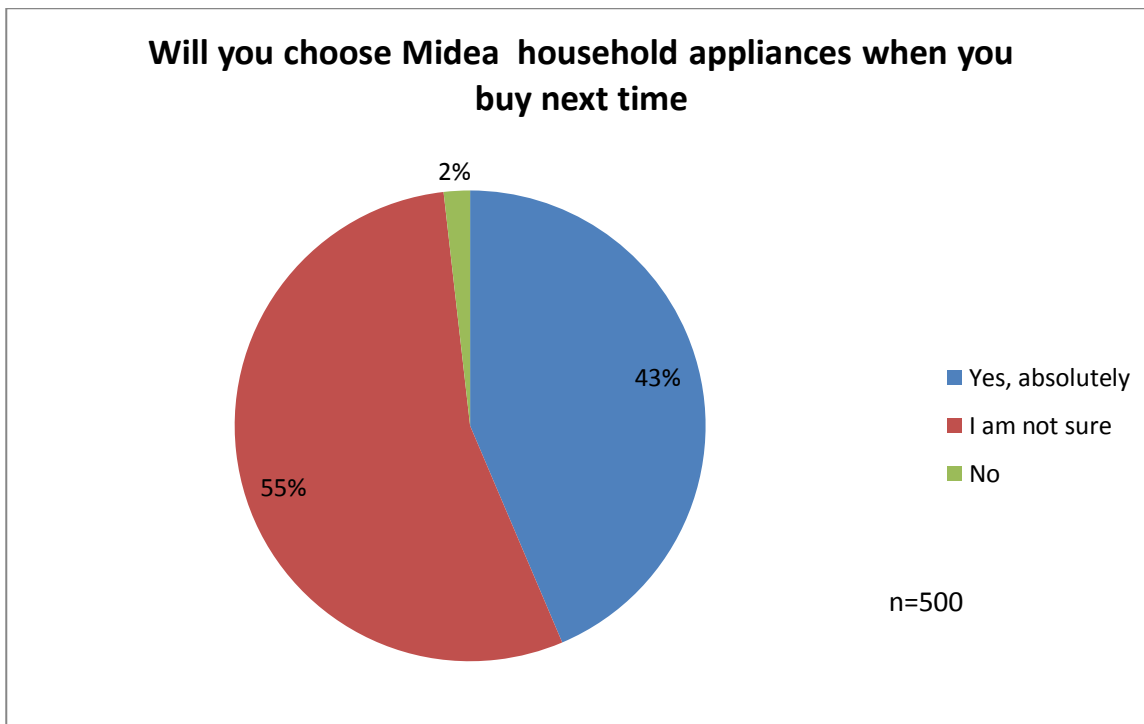


FIGURE 22. Will you choose Midea household appliances when you buy next time

At this question, around 43% of the respondents (218) said they will absolutely buy Midea's household appliances next time, and 55% respondents (273) were not sure which household appliances' brand they will choose next time. And only 9 answers occupied 2% showed they would not choose Midea's products next time.

About the last open question, only a few respondents gave their suggestions for Lu'an Hongbo Trade Co., Ltd. The author guessed there are two reasons to this result. On the one hand, respondents did not want spend much time to write answers, on the other hand, because of Lu'an Hongbo Trade Co., Ltd. is a retailer store of Midea Household Appliance Group, people see Lu'an Hongbo Trade Co., Ltd. is same with Midea Household Appliance Group, in other words, Lu'an Hongbo Trade Co., Ltd. does not differentiate among other retailers of Midea household appliance stores by the most respondents' views. And suggestions can be summarized at following three factors: The main idea by respondents is they want to Lu'an Hongbo Trade Co., Ltd. which reduces the product's price. Some respondents want the company to have more promotion, and other respondents suggested the company to enhance the aftersales service.

3.2 Qualitative Interviews of Knowing Lu'an Hongbo Trade Co., Ltd.

3.2.1 Implementation of the Interview

Time: 10th of February, 2014

Place: Head Office of Lu'an Hongbo Trade Co., Ltd., Jiefang Road, Lu'an, China.

Interviewee:

Interviewee 1: Marketing Manager of Lu'an Hongbo Trade Co., Ltd.
Ms. Bao Chuanjun
+86 5643227261

Interviewee 2: Sales Manager of Lu'an Hongbo Trade Co., Ltd.
Ms. Dong Meijia
+86 5643227262

Arrangement of the interview:

The objective of the interview was to understand the company's existing marketing situation, management methods and marketing strategies. So, the marketing manager was interviewed, because she is the marketing policymaker, with the controlling of the whole marketing operation. The sales manager was also interviewed, because the sales volume is an effective way to assess the marketing strategy, so from the sales manager's point of view, it can be a necessary complement for the interview. And for saving interview time, the author interviewed two interviewees at the same time. The interview lasted two hours totally, the main ideas are from the marketing manager, Ms. Bao, and Ms. Dong as sales manager also gave her answers.

3.2.2 Analysis of the Interview Results

The current market situation of Lu'an Hongbo Trade Co., Ltd.

The interview started with some background information about Lu'an Hongbo Trade Co., Ltd. by two interviewees firstly. Ms. Bao introduced that the company was established in 2003, and it has been growing a competitive company at the household appliance industry in Lu'an city. The company mainly sells household appliances of Midea, which is a very strong household appliance's brand in Chinese

market, to customers and some local department stores as a second level retailer; meanwhile the company also develops their own lower retailers in countries and villages of Lu'an city. Moreover, the company is authorized by the upper level company, owns the pricing right on central air condition and central hot water machine to other same level retailers in Lu'an City. Nowadays, the household appliance business has intense competition, although Midea is an excellent household appliance brand, it also has many competitors, and the biggest competitor is another famous household appliances brand in China named GREE. In addition, other small household appliance brands often disorder the market price, which has brought many problems to the company. Moreover, more and more customers especially young customers prefer buy household appliances from online shops, such as Tmall, Taobao and Jingdong, so the online shopping threaten the company's profits more or less.

Existing marketing strategies of the company and the evaluation

The marketing manager Ms. Bao firstly introduced some marketing strategies the company applies. The marketing objective of the company is to be the absolute winner at household appliances business in Lu'an city, especially in center air condition and center heater. And based on different customers of the company, Ms. Bao as marketing manager applied different strategies.

To the normal customer of Lu'an city, they can buy products directly from two department stores of the company, and because of all of those two stores have the good location, so it can provide stable and large customers. Although, some customers prefer buy household appliances from special hypermarkets, supermarkets, and other stores, actually Ms. Bao said her company is the product supplier for main stores at Lu'an city, so the company also can win more customers in this way. So, to those customers, the good selling techniques are the core competitive factor. And the sales manager Ms. Dong added that the company often holds selling meeting for whole sales persons, and the company often invites some famous sales master to teach their sales persons in regular. Although Midea is a very famous brand in China, the company also continuously keeps the brand awareness of the market. Advertising tools as TV commercials and Broadcasting are used in high marketing level. Promotions are often held by the company, sales persons always take the initiative actions, such as holding special promotions at the new

opening residential areas and door to door selling, they can win more customers at the first time.

And to the lower level retailers of the company, marketing manager appointed two representatives for operating. Two representatives are the communication bridge between the Lu'an Hongbo Trade Co., Ltd. and its lower level retailers, they collect the reflect lower level retailers' requirements and suggestions, after reporting to the company's CEO, they will solve problems and enhance situation. Also, the company often holds studying chances for lower level retailers; Ms. Bao said the lower level retailer is the core part of the company's business, so it is very necessary to pay more attention about them. Ms. Bao thought the current marketing strategy is effective, because the company can acquire high profits based on it. However, the sales manager Ms. Dong pointed, supplying products to local stores and supermarkets had not unsatisfactory profits. Although, the company can make profits on the one hand, on the other hand, the company need pay many costs on supplying products to local stores and supermarkets, so the company considered adjustments on the marketing strategy.

Facing the marketing changes and trends

Ms. Bao pointed out that the company has been facing many challenges recently. The first point is under the Marco economic environment, which is the local household appliances retailer suffering the most difficult period, based on the government statistics, the gross sales and the net profit were decreased of the household appliance business at the year of 2012 compared with past. Meanwhile, the online shopping accelerated the impact of traditional physical stores, such as the Lu'an Hongbo Trade Co., Ltd. and because the company as a second level retailer cannot change the Marco economic environment, it just bearded those changes and trends. And Ms. Dong added that it is the upgrading time for household appliances from the market's feedback, the customer trends to buy higher-quality and higher-tech of household appliances, for example, the double-door or triple-door refrigerator and the electricity-saving air condition. In addition, the company tried to make projects for other industry users, such as selling central hot water machine for the school's dormitory and selling central air condition for some government officers. And based on the Ms. Dong's presentation, the project sales can make much more profits than for the normal customers, and it saved costs also.

The customer segmentation and marketing the channel

Ms. Bao answered that the company did not have a clear segmentation of customers; they only sell products to three main customers. They are normal family customers, other stores and its own retailers, and concerning the marketing channel, she said the company is the second retailer, so the company should obey the upper level retailer's decision. And because the company has its own lower retailers, the lower level retailers should obey the marketing and price decision of the company.

The competition situation of the company

According to Ms. Bao's introductions, there are three main brands at the Chinese household appliance market, which are Haier, GREE and Midea. Because of Haier has occupied the unshakeable tycoon all along, and Haier owned not well market share at Lu'an city, so he main competitor of Midea is GREE. And she compared those two market challengers into following factors.

1. The core competitive advantage's difference

The core strategy of Midea is to build a comprehensive distribution channel and marketing strategy. Because of the Midea's large industrial line, so the complex product line needs the effective marketing strategy. In 2008, Midea Group took the "direct marketing + small regional agency" sales model, which aims to ensure the rapid expansion of the market as well as to strengthen channel management, and the sales model also can prevent out control of the expansion. On the vertical perspective, Midea occupied entire market from high-level to low-level, it generally orientated to cover full household appliances market, such as the washing machine business, "Little Swan", "Midea" and "Royalstar" , these three brands owned by Midea separately wined from the high-level to low-level market. And to ensure the large product share, Midea placed its core position middle and low level market, hence, to seize the market share, Midea had launched several price wars in all product areas.

And Ms. Dong introduced information more about the Midea's biggest competitor which is GREE. She said that from GREE's slogan, GREE owns core tech, it can be concluded GREE pays more attention to the product quality. GREE set up a unique

screening plant parts as early as in 1995, to control the quality from the source. With good product quality, GREE won the competition with Chunlan air-conditioning in the 1990s, and GREE has occupied the first position of the home air conditioning for consecutively for 17 years in China's domestic market. Moreover, GREE has more than 8,000 copies of grading standards, its product standards adoption rate over 95%, or even higher than the advanced international standard.

2. The marketing strategy's difference

The core marketing strategy of Midea is the "diversification strategy", Ms. Bao mentioned, and because of Midea has the complex and comprehensive product line, so based on the core strategy, it is particularly important to foster and maintain a sound marketing system, such as the annual recognition to motivate distributors, and communication closely with distributors through regional alliances. Under the "diversification strategy", Midea often applied mergers and acquisitions during the company's expansion, for example, acquisitioning Royalstar and Little Swan helped the company quickly join into the refrigerator and the washing machine industry.

From the perspective of GREE's marketing strategy, the core strategy is to implement "specialization strategy". The air conditioning business is always the absolute core business of the company. In the year of 2011, the air-conditioning business revenues accounted for 89.93% of the company's whole sales. GREE insists on the "quality strategy" in the domestic market and the company has always maintained a leading position in the field of quality and technology.

3. The marketing channel's difference

At the year of 2008, Midea authorized to outstanding retailers of all country, and then those retailers set up sales company, they became the special agents of Midea. Those companies did not have an equity relationship with Midea, but the CEO of companies was appointed by the Midea headquarters; the CEO can own equity of sales company. In addition, all companies' marketing strategies were decided by the Midea headquarters, so Midea significantly enhanced the ability to control its retailers than before. Under the strategy, the channel system became "direct marketing + small regional agency" mode, the channel mode reduced the level of sales companies and accelerated the reaction rate; it also improved profits.

However, Ms. Dong added, because of the slowing growth in the household appliance business since 2011, the "direct marketing + small regional agency" channel model has shown its drawbacks gradually. Because, the Midea headquarters signed an agreement with its retailers, which was once retailer incurred losses then the headquarters would subsidize them, and under the sales significantly lower than expected recently at the household appliances business, Midea should subsidize to its large retailers. Hence, Midea has begun to streamline its retailers' companies, and it changed the "direct marketing + small regional agency" channel mode to the middle and big agent channel mode.

When it comes to GREE's channel model, Ms. Bao introduced that GREE generally divided the domestic market into seven big areas, and it cultivated 28 franchisees. Through those 28 companies, GREE delivered its products and services covering the whole country. In the GREE channel system, it is composed of 28 franchisees and the lower level retailers, franchisees purchased products from GREE headquarter and sold to lower-level retailers as a uniform price.

4 MARKETING SUGGESTIONS FOR LU'AN HONGBO TRADE CO., LTD.

In this chapter, the object is to present marketing management suggestions for Lu'an Hongbo Trade Co., Ltd., on the one hand, marketing management suggestions were based on the second theoretical part, and on the other hand, the front research result also gives guides to the chapter. Hence, based on the research result on the third chapter, this chapter firstly concludes SWOT analysis of the case company, SWOT analysis can clearly showed the case company's current market situation, and then the final marketing management suggestion will be given by the author corresponding to the theoretical part's order.

4.1 SWOT Analysis of the Case Company

Based on the front research chapter, both the quantitative questionnaire research and the qualitative interview research, it is easily concluded the assessment of external and internal marketing environment Lu'an Hongbo Trade Co., Ltd. Generally, the SWOT analysis includes strengths, weaknesses, opportunities and threats of the Lu'an Hongbo Trade Co., Ltd.

Strengths

Because of the case company retailing Midea's household appliances, the company can easily own excellent brand awareness and reputation of customers. And based on the questionnaire's result, it can be known that the company has good income level customers, so those customers support the strong buying power. And customers have very good impression about the Midea's product and service. And on the company's view, Lu'an Hongbo Trade Co., Ltd. is one strong company in the household appliance business at Lu'an city. Two direct stores of the company all occupied good location which can easily attract more customers.

In addition, the company has outstanding sales persons and management staffs, which also can provide the important inside strength to defeat its opponents. Moreover, the company is the core member of the Lu'an Business Associations, which also can improve its reputation and increase more business chances. Because of the company is the special retailer about central air condition and central hot water

machine, and the company has the pricing right, it also a good profit point for the company.

Weaknesses

Because of the company is the retailer of Midea, on the other hand, the famous Midea weaken the company own brand, and to the normal customer's view, they are only trust the Midea brand, so there is a possibility that customers buy Midea's household appliances from other retailers in Lu'an market, that means Lu'an Hongbo Trade Co., is not the unique way to customers buy Midea's household appliances.

In addition, based on the interview research result, it is easily to find one weakness of the Lu'an Hongbo Trade Co., Ltd. that is the company does not have the clearly marketing segmentation strategy and marketing targeting strategy. The company only segment its market by main three customers, And concerning the marketing channel, because the company is the second retailer, so the company just obey the upper level retailer's decision and control its lower level retailers.

Opportunities

An important opportunity came from the Chinese government's economic policy. Recently, the country aimed to stimulate the economy development especially in rural market; they launched the "rural household appliance discount" policy, which means rural customers buy the household appliance with the government's subsidies. The policy can activate the purchasing power of rural customers, and it also can expand rural consumption. So under the good macroeconomic policy, the company can attract more customers especially at rural market. And on the other hand, the real estate industry of Lu'an city has been increasing during recently years. So with the continued growth of the real estate industry, the household appliance's demand also has been increasing at the same time.

And about the company itself, the company has found the new profit point recently, from the interview introduction by Ms. Dong, the company tried to make projects for other industry users, such as selling central hot water machine for the school's dormitory and selling central air condition for some government officers. And based

on the Ms. Dong's presentation, the project sales can make much more profits than for the normal customers, and it saved costs also.

Threats

According to Ministry of Commerce of China Statistics, household appliances retail sales volume in 2012 year-on-year decline of 1.1%, the market experienced downturn (MCCS 2012). Foreign retailers got rid of the Chinese market, the day of the domestic household appliances retailers also not fared well. According to the China Market Monitor's data shows that in 2012 the sales volume of the household appliances industry firstly happen negative growth since 2007, the annual total retail sales 1.1285 trillion RMB, down 6.6% compared with 2011(CMM 2013).And on the other hand the online shopping accelerated the impact of traditional physical stores including the household appliances business. In 2012, electricity sales the shunt and profitability impact of traditional offline retails have become increasingly evident. And according to the company's market in Lu'an, the evenly matched competitor GREE always exerted pressure to the Lu'an Hongbo Trade Co., Ltd.

4.2 Marketing Suggestions for the Case Company

Now it is time to give marketing management suggestions for Lu'an Hongbo Trade Co., Ltd. Mentioned as before writing, the suggestion is correspondingly match the order about the theoretical part, and the research's result also gives the needed information.

Analyzing Marketing Environment and Information

The company should always keep the good communication not only with its upper level wholesaler company, Hefei Heating Ventilating Co., Ltd., but also with its lower level retailers. Because of the upper level company has the whole control right for all marketing strategies and decisions, the company should pay the core attention on collecting information from the upper level company. Then, the company should apply the marketing strategies in right way and based on its own market situation. After understanding the marketing decisions totally, the company should immediately deliver the information to its lower level retailers, in addition, the company need pay

attention to those lower level retailers' reaction, if the marketing strategy and decision are not suitable for them, the company has the responsibility to enhance them. Moreover, the author suggests that the company also needs to make a market research and survey regularly to keep the pace with the changeable market. It should be held a formal and entire market research and survey in each quarter, and during the daily business time, sales persons should also collect customers' opinions through the selling time and they should reflect that information to the company's leaders, to help them understanding and knowing customers and market trends in every day.

Market segmentation and targeting

Based on the research part, the company can generally segment its market in customers' way and in its products' way for better market management.

For the customer's way, customers can be easily and effectively divided by their family income level. As following Table shows, the main customers of Lu'an Hongbo Trade Co., Ltd. comes from the family income level from the over 5000 RMB per month to 9000 RMB per month, hence, the company should pay the core attention to this level's customers. Although, the number of over 9001 RMB per month customer is not too many, however they have the strongest buying power, the company also should care about customers from the level.

TABLE 3. Segmentation by the family income level (RMB/Month)

Family income	<	2000	3001	4001	5001	6001	7001	8001	9001	>
	2000	3000	4000	5000	6000	7000	8000	9000	10000	10000
(RMB/Month)		4	18	24	92	106	115	74	38	29
n=500	0	(0.8%)	(3.6%)	(4.8%)	(18.4%)	(21.2%)	(23%)	(14.8%)	(7.6%)	(5.8%)

And based on the research question which kinds of Midea's household appliances the 500 respondents are using, from the below Table 4, it can be clearly divided into four groups. The most popular product groups include air condition, rice cooker, refrigerator and water heater; the next group is the second frequent product groups including kettle, pressure, fan and microwave & large oven. Hence the company should keep the competitive market share in these two groups. The third popular product group includes induction cooker, heater, water dispenser and laundry; in this group, the company should take positive marketing strategies to win more customers. The last group contains two products, and the using amount about vacuum and dishwasher is small, so the company can try to improve awareness of those two products, and to create customers' buying chances.

TABLE 4. Products analysis based on the use of products (n=500)

Type of the product	Air-Conditioning	Rice Cooker	Refrigerator	Water Heater
Number of products	342	334	328	307
Type of the product	Kettle	Pressure Cooker	Fan	Microwave & Large Oven
Number of products	277	261	257	253
Type of the product	Induction Cooker	Heater	Water Dispenser	Laundry
Number of products	245	226	176	129
Type of the product	Vacuum	Dishwasher		
Number of products	59	3		

Managing the marketing channel

Based on the interview results, the company generally sells products to different customers, and it not has a clear channel system. Hence, the author suggests a specific marketing channel model should be built. And also based on the interview results, the sales manager Ms. Dong said the net profit of supplying products to some

local supermarkets and stores is decreasing recently, and on the other hand, the company found a new profit increase point, which is make projects to big customers rather than the normal family customer. So the author made a revolution adjustment suggestion about the company channel, which is the company, could cut the business cooperation with the local supermarket and store, because the business could not make effective profit to the company, even the company should input more human resources and money. Hence, could trends to gradually enter the big customer business, because the business can make considerable profit for the company now with relatively little inputs.



FIGURE 23. New sales channel system of Lu'an Hongbo Trade Co., Ltd.

Managing competitions

As mentioned by the interview's result by the company's marketing manager Ms. Bao, the company has a powerful competitor named GREE, and the company really knows GREE. So when it comes to the suggestion about managing with competitors, two marketing projects will be given as the marketing promotion initiative to attack the company's competitor GREE.

Project 1

Project name: "Midea Thanksgiving" Sweepstakes

Objectives: This activity is to acknowledge the support of new and old customers for the Midea household appliance of Lu'an Hongbo Trade Co., Ltd., and it hopes to expand the influence of Midea's household appliances, especially in air condition business than its competitors through this event, and further deepen its brand reputation.

Time: July 30th of 2014, because it will be the hot summer time in Lu'an

Location: headquarter store of Lu'an Hongbo Trade Co., Ltd at Jiefang Road, Lu'an.

Activities: for customers who would buy Midea's household appliances over 1500 RMB at Lu'an Hongbo Trade Co. Ltd. with invoices, they can join the sweepstakes at the cashier. Winners can collect their prizes immediately. The prizes settings should be arrange by the company on its own wish.

Project 2

Project name: Midea air-conditioning, cool "10 minutes"

Time: July and August of 2014, hold in weekly

Location: two stores of Lu'an Hongbo Trade Co., Ltd., Jiefang road and Foziling Road

Activities: limited buy time, the duration of buying is only "10 minutes", during the "10 minutes", customers who has paid for the products can get 20% discount

Activity note:

- 1) Do not inform customers in advance about the specific "buy" time, pay attention to maintain order at the scene.
- 2) Indicating some expensive commodities do not participate in the event.

5 CONCLUSIONS

The fifth chapter of the thesis aims to conclude and evaluate the whole thesis process; it includes presentation of thesis topic and research and assessment of the thesis

Presentation of thesis topic and research

The thesis was Marketing Management Suggestions for Lu'an Hongbo Trade Co., Ltd, the objective of the thesis research was Lu'an Hongbo Trade Co., Ltd. And the thesis aims to give some marketing management suggestions for Lu'an Hongbo Trade Co., Ltd.

The framework of the thesis can be divided into five chapters; it includes the first introduction chapters, theoretical chapters, research chapter, marketing suggestions chapter and the last conclusion chapter.

The introduction chapter firstly defined the thesis research problem, which is to develop better marketing management strategies for the Lu'an Hobo Trade Co., Ltd., then the thesis structure is mentioned to give reader an outline of the whole thesis, meanwhile, the current Chinese household appliance market situation is presented as background information, also the case company's information is introduced as well as.

Second theoretic chapter involves analyzing the market environment and information, market segmentation and targeting, how to managing the marketing channel, and the last subchapter is about managing the competitor. The objective of this part is to introduce Theoretical foundation for marketing management factors of Lu'an Hongbo Trade Co., Ltd.

The important research chapter contains both the quantitative questionnaire survey with 500 respondents and the qualitative interview research for marketing manager and sales manager of the Lu'an Hongbo Trade Co., Ltd., which showed the initial understanding about the company's current market statement. In addition the SWOT analysis based on the research result is given to understand the case company current marketing situation clearly.

At the fourth suggestion chapter, marketing management suggestions are given correspondingly to the theoretical part and the research result, which are helping the company to know better analyzing the market environment and collecting market information, then suggestions about the market segmentation and targeting based on the company's customer family income level and its products sales. The new marketing channel is suggested by the author to the company, and two promotion projects are given to win the competitor.

And this chapter belongs to the conclusion chapter, the objective is to give an assessment of thesis topic and thesis processes, conclusion chapter also includes evaluation of author's work.

Assessment of the thesis

Because the author experienced two internships in the Lu'an Hongbo Trade Co., Ltd. the author knew some inside information about the company, hence from the author's view, the research problem was defined appropriately, and chosen the theoretical basis quite matched the company needs.

About the research part of the thesis, although the author got 500 respondents as a research sample, however, compared with the 7.048 million population of the Lu'an city, the research sample of the thesis is negligible, and the research result has no significant meaning for practice. Moreover, the number of the last open question answers was relatively few because of limited time and unfamiliar with the Lu'an Hongbo Trade Co., Ltd. And concerning the interview research, the interview time was limited and two members from the company may not present the information objectively.

Personally speaking, the thesis also can be seen as a conclusion of the author's undergraduate studies. The theoretical part helped the author to review the marketing theory, and the process of research part helped the author to improve many skills on how to define problems, collect information and analyze information. And the suggestion part helped the author to combine the theory and the practice.

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APPENDICES

APPENDIX 1 Questionnaire for Customers in Lu'an's Household Appliance Market (In English)

Please add "x" in the box in front of the option which you think the best one. Your answers are only used in the thesis, Thank you very much for your time!

1. What is your gender?

Male Female

2. What is your age?

≤25 26~35 36~45 46~55 56~65 ≥66

3. What is your occupation?

Agriculture Industry Economy Education

Government Media Other_____

4. Your family income level (RMB/month)

<2000 2000~3000 3001~4000 4001~5000 5001~6000

6001~7000 7001~8000 8001~9000 9001~10000 >10000

5. Have you known the Midea household appliances and in which way? (Multiple choice)

Yes No

If yes, by which ways?

By friends and relatives Internet TV Magazine

Spokesperson Newspaper Other,
what_____

6. Are you using Midea household appliances in your daily lives?

- Yes Yes, but I use Midea and other brands No

If you are using Midea products, please choose which kinds of Midea products of the followings are you using? (Multiple choice)

- Air-Conditioning Air Purifier Dishwasher Fan Heater Induction Cooker Kettle
 Laundry Microwave & Large Oven Rice Cooker Water Dispenser Pressure Cooker
 Vacuum Refrigerator Water Heater or all of them Other_____

If you are using brands other than Midea, please choose which kinds of other household appliances brands are you using? (Multiple choice)

- GREE Haier Hisense LG Matsushita PHILIPS
 SAMSUNG SANYO Siemens Skyworth SONY TCL
 Or other_____

7. How do you feel Midea household appliances about each following option? Please use the scoring scale of 1-4, where 4 represents the very satisfied, 1 means unsatisfied.

	4 very satisfied	3 quite satisfied	2 satisfied	1 unsatisfied
Products' quality & services				
Salesperson service				
Aftersales services				
Products' price				
Brand image				

8. Which place of followings do you usually buy household appliances? (Multiple choice)

- Special supermarkets Supermarket Products stores Brand stores
 Department store Online shops (such as Taobao, Jingdong, Amazon, etc.)
 Other _____

9. Which ways are you using when buying household appliances?

- I entirely decided Mainly decided by me, my family will give advice
 My family and I decided together Mainly decided by my family, I would give advice
 Completely decided by my family

10. How you emphasis on the following factors when you purchased household appliances? Please use the scoring scale of 1-4, where 4 represent the very important and 1 means unimportant.

	4 very important	3quite important	2 important	1 unimportant
Product & brand awareness, reputation and image				
Product quality and efficacy				
Salesperson service				
Aftersales service				
Price of the product				
The intensity of products' promotion activities				
Recommendations from family and friends				
Other users of the product evaluation				

11. When you purchase household appliances in the next time, will you choose Midea household appliances in priority?

- Yes, absolutely I am not sure No and why_____

12. Do you have any suggestions or complaints for Lu'an Hongbo Tarding Co., Ltd. or Midea?

APPENDIX 2 Questionnaire for Customers in Lu'an's Household Appliance Market (in Chinese)

请在你的选择答案前标记“x”，您的答案仅仅被用于论文调查，感谢您的合作！

1. 您的性别是？

男性 女性

2. 您的年龄在？

≤25 26~35 36~45 46~55 56~65 ≥66

3. 您从事于什么行业？

农业 工业 金融行业 教育行业

政府机关 媒体行业 其他_____

4. 您的家庭月收入是 (人民币/每月)

<2000 2000~3000 3001~4000 4001~5000 5001~6000
 6001~7000 7001~8000 8001~9000 9001~10000 >10000

5. 您听说的美的电器么，如果听说过，是通过下面哪种方式？(多项选择)

听过 没听过

如果你听说过，是通过下面哪种方式？

亲戚与朋友 网络 电视 杂志

代言人 报纸 其他_____

6. 您现在在使用美的品牌的家用电器产品吗?

是的, 我在使用 是的, 但是同时我也使用其他产品 没有使用

如果您在使用美的产品, 请标明你使用的美的产品是那些? (多项选择)

空调 空气净化器 洗碗机 电扇 取暖器 电磁炉 电水壶 洗衣机

微波炉 电饭锅 净水器 高压锅 吸尘器 电冰箱 热水器 所有 其他

如果您使用其他产品, 请标明您使用哪些品牌? (多项选择)

格力 海尔 海信 LG 三菱

飞利浦 三星 三洋 西门子 创维

SONY TCL 其他_____

7. 您是怎样衡量美的电器从以下几个方面的? 请在 1-4 之间选择, 4 代表非常满意, 1 代表不满意

	4 非常 满意	3 很满 意	2 满 意	1 不 满 意
产品质量和服务				
销售人员服务				
售后服务				
产品价格				
产品形象				

8. 您通过什么方式购买家用电器? (多项选择)

大型家用电器城 超市 产品商店 品牌商店 百货商店

网上商城 (比如, 淘宝, 京东, 亚马逊等) 其他_____

9. 您购买家用电器时的决策是?

- 完全自己决定 大部分由我决定，我的家人给与建议
- 我和我的家人一起决定 大部分有我的家人决定，我给与建议
- 全部取决我的家人

10. 在您购买电器时，您会怎么衡量一下因素? 请在 1-4 之间选择, 4 代表对你很重要，1 代表对你不重要。

	4 非常重要	3 很重要	2 重要	1 不重要
产品和品牌的意识				
产品质量				
销售人员的服务态度				
售后服务				
产品价格				
促销力度				
朋友和亲人的建议				
其他人的评价				

11. 当你下次购买家用电器是会有有限选择美的产品吗?

- 绝对会 我不确定 不会，原因是_____

12. 您还有什么好的建议对已六安宏博商贸有限公司或者是美的产品的吗?

APPENDIX 3 Interview Questions of Members of Lu'an Hongbo Trade Co., Ltd.

1. Please introduce the basic current market situation of Lu'an Hongbo Trading Co., Ltd.
2. What marketing strategies does your company have and please give your evaluation of it?
3. How are your company to facing the marketing changes and trends?
4. Which kinds of customer segment strategies does your company have, and please introduce it in brief.
5. Please introduce the marketing channel system your company applying now.
6. What are the major competitors of Lu'an Hongbo Trading Co., Ltd.? Comparing with your competitors, which kinds of competition strategies your company has?
7. What are marketing strategies of your company will have in the future? Are there some significant marketing adjustments of your company, if have, please introduce them in detail.
8. In your personally speaking, do you have some marketing suggestions to your company?