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**THE MARKET OF NOODLE MACHINE IN CHINA**

Case study – Polar Device Oy

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## ABSTRACT

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This thesis topic is offered by Polar Devices. It is a start-up and founded in 2014 in Oulu. They specialize in products and services related to kitchen appliances and small-sized commercial appliances. They invented a new type of noodle machine and patented it. They firstly target the Asian market. Before entering Chinese market, the understanding and exploring of the target market is necessary.

The main purpose of this research is to get more understanding of the noodle machine market in China, to make more accurate business decisions and reduce business risk. To be more specific, three subjects such as competitors, customers and distribution channels are analyzed to assess the market more detailed and useful for the commissioners. The thesis is conducted by the qualitative research method. The specific method is desk research in order to gather data on the internet.

The result of the thesis aims at helping Polar Devices to identify the market potential and decide wisely to their entry strategy in Chinese market. This research can be used by Polar Devices to gain a better insight of noodle machine in China market and a better understanding of pricing, competitors etc. Meanwhile, it can be taken as a scholarly reference for those who need it.

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Keywords: *Consumer behavior, Distribution channels, Marketing research, Market share, Pricing*

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# 1 INTRODUCTION

The main purpose of this research is to have better understanding of the consumer behavior and current distribution channels within the selected sector of kitchen appliances industry in China, so that Polar Device Oy can make more accurate business decisions and reduce business risk. In this chapter, the commissioner who offered the topic will be introduced, why marketing research is important will be explained, also the research questions and method will be presented.

## 1.1 Case Study

“A case study is one which investigates the above to answer specific research questions and which seeks a range of different kinds of evidence, evidence which is there in the case setting, and which has to be abstracted and collated to get the best possible answers to the research questions (Bill 2010, 1).” Case study itself is not a research method, but researchers select suitable methods to collect and analysis data to generate outcomes. The most frequently used case study research methods are qualitative techniques, such as interviews, observation and diaries. Qualitative methods emphasize evidence. (Bill 2010, 10) Case study approach is one way of doing scientific research with either qualitative or quantitative methods. Different research questions need different research methods.

## 1.2 The Commissioner

Polar Device Oy is a new company which is established in May 2014. It is located in Oulu, Finland. The company specialize in product and services related to household machines and healthy food. They invented a new type of noodle making machine and applied patents. The existing typical electric noodle machine has the following two types:

1. Roll style: this type of noodle machine produce traditional Chinese noodle which can fit people’s eating habits. It is widely accepted. The shortcoming is: roll style noodle machine is not fully automatic, must be done by hand except roll and press the dough. This is not convenient.
2. Extrusion: it is recently introduced to achieve a fully automation. The advantage is the ability to achieve fully automatic, but there are three non-lethal shortcomings. The first is about a quarter of the dough will be left. Secondly it is inconvenient to clean. Thirdly be-

cause this noodles machine produce noodle by squeezing out dough with more than one ton of pressure, noodles taste is not suitable for people's appetite, not easily digested. These disadvantages can be seen on Amazon's customer reviews (Amazon, cited 28.11.2014).

The noodle machine made by Polar Device Oy is neither of them. It not only simplifies the operation processes, but noodle made by this machine is based on the principles of traditional hand-made dough consistent with Chinese people's tastes. Due to the way the machine makes noodles fits the Asian people's taste. Their first targeted market is China. China has a large amount of populations, plus more than half of the people like noodles. This gives them a good prospect.

### **1.3 Why marketing research**

Marketing, from was defined as the old sense of selling a product to the new sense of satisfying customer's need, refers to both sides get what they want through exchanging and creating value (Kotler & Armstrong 2009, 29). The process of exchange value involved to lots of factors, for instances, price, distribution and competitors. Want more information about these factors, the market research is needed. Marketing research plays a vital role in the whole business processes. A good marketing research allows companies to see the situation of the market, play to their strengths and opportunities and avoid their weaknesses and threats. Through information gathering and analysis to reduce business failures. In a marketing research book, the author describe the marketing research like this:

With ever increasing complexity of marketing and business activities, the collection, analysis and interpretation of information has become much more intricate warranting the services of specialized skills and refined techniques. This urgent need has given birth to market research as a unique function of modern marketing. Though we cannot claim it as the panacea for all the business ills, it can be regarded as the 'radar' to the navigator the 'dictionary' to the writer. (Sontakki 2010, 7)

## 1.4 Research questions and methods

In this thesis, the core issue is about the market research for the noodle machine in China and related to these three subjects: competitor, customer, and distribution channel. There are a main research question and its sub-questions:

How is the noodle machine market in China?

- a. What is the market share of the noodle machine in China?
- b. What is the price of the competitors' product in China?
- c. What is the customer analysis including their behavior and characteristics?
- d. What are the distribution channels in the market?

Since there are only few noodle machines on Chinese market, the reports and articles are rarely found on the internet, let alone the market share.

This research will be conducted by using qualitative method. The qualitative method involves describing specific situation in details by using research tools like interviews, surveys, and observations. (Wikipedia, Types of research methods and disciplines, cited 7.11.2014). Here desk research method will be used by collecting data from both internal and external sources; and analyzing data to get outcomes. The data is extracted from the company websites of the competitors, reviews of publications, the online market research report provided from McKinsey&Company company, analysis report from authoritative website such as Chinatradedata, Euromonitor and so on.

Besides, the data are also gathered from related e-commerce sites which are will be the best place to collect useful information of the competitor such as product, price and distribution channels. Tmall will be first choice. It does not represent the whole situation, but a large degree of the market. Tmall is a Chinese language website for business-to-consumer online retail. It spun off from Taobao which is operated by Alibaba Group. (Wikipedia, Tmall. cited 24.11.2014). "Double 11" refers to the annual November 11. Taobao in 2009 first proposed the double 11 big promotion, and now developed into online shopping carnival, electricity providers usually come on this day large-scale discount promotions. In 2012 November 11, China's largest Internet business activities occurred: the total sales of Taobao 19.1 billion RMB, of which Tmall 13.2 billion RMB. In 2014,

the total sales increased to 35.019 billion RMB, which approximately is 4.6 billion euros. (China Internet Watch, Alibaba Double 11 Sales Exceeded \$2 Bln in One Hour, cited 2.6.2015).



## **2 THEORETICAL BACKGROUND**

In this chapter the theoretical framework will be introduced as a theoretical basis for research and analysis of 3-4 chapters. Depending on the research direction, research problems and requirements Polar Device Oy set, the main points will be discussed include marketplace and customer needs, consumer characteristics, competitive advantage, pricing, distribution channels and market share.

### **2.1 Understanding the marketplace and customer needs**

As a marketer, the very first step to invent a product is to understand customer needs and marketplace. A fundamental and core reason of marketing is to meet human needs. "Human needs are states of felt deprivation" (Kotler & Armstrong 2009, 30). It is physical needs for food, clothes, safety. Human's need is very basic supplier to keep themselves survive. Nowadays needs also refer to healthcare and education. With the improvement of people's living standards, the need is improving. "Wants are the form human needs take as shaped by culture and individual personality" (Kotler & Armstrong 2009, 30). A person needs food but wants muffins and ice-cream. Food make you get away from starvation, but you will eat muffins and ice-cream because you want it. "Demands are human wants that are backed by buying power" (Kotler & Armstrong 2009, 30). Demands somehow are human's desire. People want products with most value and satisfaction if they had enough resource and money.

### **2.2 Consumer characteristics**

Consumer characteristics will affect consumers' purchase behavior. It is important to understand what forces a customer to make a purchase decision. People's thinking varies. For instance, some people respond based on their feeling, while some are rational, they respond based on making the wisest economic decision. A man's mind decides he/ she buy or not buy a product. Forming this mind is composed by a variety of factors. They include the following factors:

#### **2.2.1 Cultural factors**

"Culture is the most basic cause of a person's wants and behavior" (Kotler & Armstrong 2009, 161). Everyone grows up in this society and learns the basic values, wants, perceptions and be-

haviors from family, school, university, company and so on. Every group has their own culture. They can be beliefs, value, attitude, morals, customs, habits and forms of behavior. The culture is always changing. When a group of people realize that health is very important, products or services related to health will be popular. (Kotler & Armstrong 2009, 161)

Each culture consists of four smaller sub-cultures according to their life experiences and situations. They are nationality groups, religious groups, racial groups and geographical groups. Different sub-cultures have different values and behavior. In Finland, people prefer to the dark colors coat, especially in winter you only can see black and deep blue jacket outside. On the contrast, In Africa countries, people like colorful clothes more. Both national factor and geographical factor cause this difference. (Sherlekar, Prasad & Victor 2010, 146)

Each culture can also be divided into three social classes – upper class, middle class and lower class. People in the same class shares values, interests and behaviors. A social class is determined by occupation, income, education, wealth and others. People belongs to upper class have earned high income and buy brandy product which can symbolize their status. Middle class purchase carefully, read advertisement and compare the price. Lower class doesn't have so many choices when they purchase. (Sherlekar, Prasad & Victor 2010, 146-147)

Chinese culture as one of the oldest culture on this world has its own unique characteristics. There are 56 official ethnic groups, in which Han Chinese is the largest group. The culture varies within different ethnic groups. "Traditional Chinese Culture covers large geographical territories, where each region is usually divided into distinct sub-cultures." (Wikipedia, Chinese culture, cited 28.11.2014) Even through there are many different sub-culture in China, generally it has lots of similarities. Like celebration of The Spring Festival, the viewpoint of husband/male is in charge of earning money to support the family, while wife/female is responsible for doing housework.

### **2.2.2 Social factors**

Social factors have influence on consumers' behavior. It can split into three aspects (Sherlekar, Prasad & Victor 2010, 147).

- Reference groups. Because of the special skills, personality, knowledge and other characteristics, people have an influence on others. For example, lots of football

fans like Messi. A product with Messi's portrait on it will influence consumer's purchase behaviors somehow.

- Family has the strongest influence on people's attitudes. People have purchase influence from both parents, spouse and children.
- Roles and Status. Everybody plays different roles in different groups. A woman plays the role of mother and wife in her family. She also plays the role of a manager in company. People will choose the suitable product which match with their role and status. As a house wife, a woman will buy kitchen equipment, when as a employee, she will buy formal clothes to fit her role and status.

As Chinese people admire public figures, young people are willing to spend a lot of money on chasing movie actors and singers. In product promotions activities, celebrity endorsements for products played a significant role in promoting. "A successful endorser can increase consumers' purchase intentions and preference toward brands directly or indirectly (Matthew & James 2011, 1214-1235)". With a rapid growth in sports industries in China, athlete endorsement are relatively specific and effective. The famous sport stars, for example Michael Jordan, Kobe Bryant, Yao Ming, Michael Phelps, have endorsed not only product which is related to sports but also products in other industries. Chinese people value family. Chinese traditional family has a hierarchical order which is the man in a family marked responsibilities of supporting his family economically. This responsibility also gives him complete authority and the final decision of family affairs. Modern Chinese families is constantly changing over time, but in most families, men still have slightly higher position. Woman are responsible for housework and take care of the children.

### **2.2.3 Personal factors**

Personal factors will influence people purchasing decisions also. For instance, people's age and life-cycle stage, occupation, economic situation, lifestyle, and personality and self-concept. People at their age of 18 usually is student and do not have so much money. When at 30, they may have a job, buy a car, get married and take a loan. About occupation, blue-collar worker tends to work clothes, businessman buys formal suit more. Economic situation determines what you can buy and what you cannot. Lifestyle is the way people live. It largely depends on people's activities,

interests and opinions. It is far more than people's social class or personality, it sketches a person's whole pattern of acting and interacting. Personality refers to a person's unique psychological characteristics. A person's self-concept which also understand as a self-image is another term to describe personality. Personality can be described in terms of traits such as sincerity, aggressiveness, dominance. (Kotler & Armstrong 2009, 171-172.)

#### **2.2.4 Psychological factor**

Psychological factor can influence on how a person thinks and later affect his decisions and relations in his daily life (ask.com, cited 5.10.2014). Psychological factor is widely studied by marketers to explore the ways that people interact with products and environments. Psychological factor have four aspects: (Kotler & Armstrong 2009, 173)

- Motivation. A motive a need which drive people to seek satisfaction. There are two famous psychologists who have developed theories of human motivation. They are Sigmund Freud and Abraham Maslow. Freud thinks that people's behaviors are controlled by subconscious motives that even people themselves cannot totally understand and describe why they act as they do. Marketers often hire psychologists and social scientists to carry out the research of consumers' underlying emotions and attitudes toward brands and buying decision. Abraham Maslow stress that people are driven by particular needs at particular times. Maslow suppose human needs are arranged in a hierarchy (in Figure 1), from bottom to top sequence human needs are fulfilled. For example, a homeless person won't care about esteem needs so much than care about physiological needs like hunger and thirst. When a need get satisfied, the next most important need will come into play.

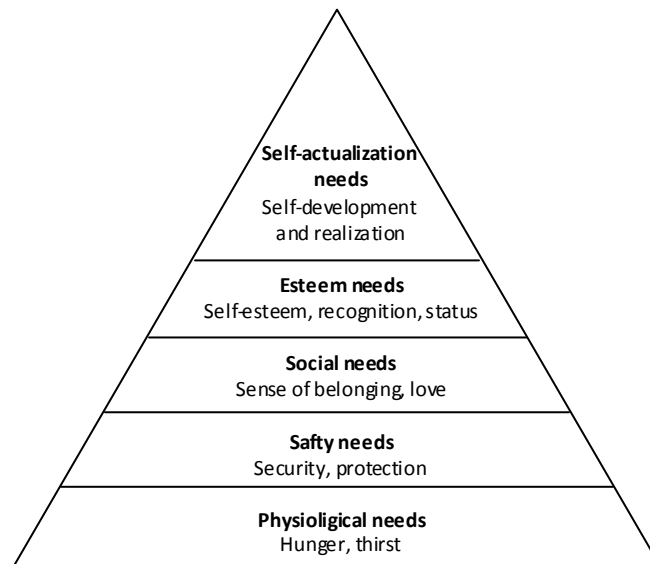


FIGURE 1. Maslow's hierarchy of needs. (Kotler & Armstrong 2009, 173)

– Perception

Each of us receives, organizes and interprets sensory information which gathering by our sight, hearing, smell, touch and taste in a individual way. The process how people select, organize and interpret information by five senses to form a meaningful picture is called perception. Perception is formed by stimilus. It's difficult for people to pay attention on all stimili, and then they will take that most important information to form perception. How to catch customer's attention is a topic worthy of study for marketers.

– Learning

“Learning describes changes in an individual's behavior arising from experience.” If a consumer keep receiving good experiences from one product, one brand or one restaurant, then he/she tend to purchase it again.

– Beliefs and attitudes

Beliefs are people's thoughts to something. They are based on real knowledge, opinions, or faiths or other emotional factors. Attitudes are people's consistent evaluation, feelings and tendencies toward something. People have attitude to religions, politics, music, food and almost everything else. Attitude is difficult to change.

Various socio-economic strata of the Chinese people are trying to "win" — is climbing the ladder of success. Chinese people cherish the feeling of gain the power. In Chinese people's consump-

tion culture, there has been a contradiction between self-protection and Identity demonstration. This contradiction can explain two seemingly conflicting trends existence: on the one hand, Chinese people is extremely sensitive to price rising and rejective to interest payments on the credit card; on the other hand, the Chinese people and their obsession with luxury products make them willing to spend 1.2 times annual revenue to buy a car. The habit of buying luxury goods is more about identity investment, rather than to their own aesthetic or craft. Confucius Confucianism has a profound impact on Chinese people that reflected in revering elders and caring the young. This has reflected in the workplace and in schools. Employees call their superior leadership for the boss, and students call their teacher for the teacher, rather than directly called names. Only superiors or elders can directly call subordinate or younger by their names. (Renren, Chinese consumer psychology, cited 3.6.2015)

## 2.3 Creating competitive advantage

Understanding of competitors can make a company know their strengths and weaknesses, make better adjustments in marketing strategy and product design, and gain competitive advantage in whole market.

### 2.3.1 Competitor analysis

A basic process to do a competitor analysis is displayed in Figure 2 below.

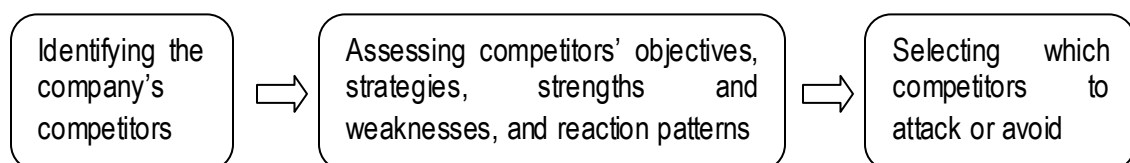


FIGURE 2. Steps in analyzing competitors (Kotler & Armstrong 2009, 553)

The narrow definition of competitors is those companies who offer similar product and services to the same customer with a similar price. From industry point of view to identify competitors, a company can see itself in a certain industry to understand the competitive patterns in its industry. From market point of view to identify competitors as companies that are trying to satisfy the same customer need and build the relationships with the same customer group.

Knowing competitors' mix of objectives, such as current profitability, market share growth, cash flow, technological leadership, service leadership and other goals, reveals whether the competitors are satisfied with its current situation and how they will react to different competitive actions. (Kotler & Armstrong 2009, 554) When two companies has the same market strategies in same market, they belong to a strategic group. The companies in same strategic group have the most intense competition relationship.

### **2.3.2 Competitive strategies**

There is no one strategy which is functional to every company. In different situation, a different strategy is required to fulfil its objectives and to bring value to customers. Each company must make the strategies which can make the most sense to position them in the industry based on its objectives, opportunities, and resources. The three basic competitive strategies include:

1. Overall cost leadership is a kind of strategy that company works hard to get the lowest production and distribution cost, then offer a lower price to achieve a large market share.
2. Differentiation: the company creates a highly differentiated product to become a leader in the industry. A highly differentiated product almost has no competitor, this can easily attract customers' attention if the price is not too high.
3. Focus: company focus its effort on a few market segments rather than a whole market.

A company should know its strategic positioning and pursue a clear strategy. It will likely perform it well and will bring a good profit. Never choose a blur strategy, it will do worst. (Kotler & Armstrong 2009, 558-560)

### **2.3.3 Balancing customer and competitor orientations**

Learning competitors and getting ready to make a strategic adjustment is a good thing, but too much focus on tracking competitors will lead to a less concentration on maintaining profitable customer relationship. A competitor-centered company moves are mainly based on competitors' actions and reactions. A customer-centered company focuses more on watching customer needs. And then it can concentrate its resources on designing and developing marketing strategies and delivering superior value to its targeted customers. A customer-centered company pays more attention on observing target customer groups and the emerging needs. In practice, today's company should watch both customers and competitors. It requires company pay balanced attention

on customer to find new way to build profitable customer relationship by delivering more customer value that competitors do not and competitors to beat them on their weakness. It called market-centered company. (Kotler & Armstrong 2009, 570)

## **2.4 Factors to consider when setting a price**

To define the price of a product and make it profitable is a tough question. There are plenty of elements should consider about when pricing. Except the cost of manufacturing the product, the price which should cover shipping, paperwork processing, and taxes that might be incurred, how much value the product delivers to a customer is also an extremely important element to be considered. A well-chosen price should do three things:

- Achieve the financial goals of the company.
- Fit the realities of the marketplace.
- Support a product's market positioning and be consistent with the other variables in marketing mix. (Wikipedia, Pricing, cited 21.9.2014)

An efficient price is a price that is very close to the maximum that consumer would like to buy. But a "right" price is the one that delivers value to the customer and profits to the company (Kotler & Armstrong 2009, 315). If the price is too low, the company cannot get enough profit it should get. If the price is too high, customers feel the value of the product is lower than the price of product, and they will not buy it.

### **2.4.1 Customer perception of value**

From the customer's point of view, when they buy a product, they will measure whether the value and the cost of this product is consistent. Using customer perception of value as the key to set a price called value-based pricing. Using product cost as the key to pricing is cost-based pricing (Figure 3). Cost-based pricing emphasizes the cost of product, and it easily set a high price. It usually turns out to have a bad sales volume.



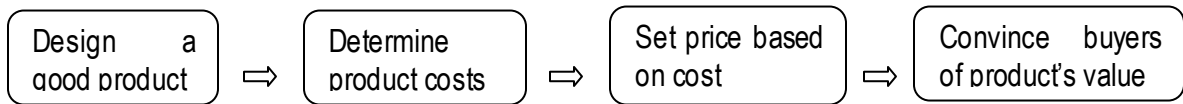


FIGURE 3. Cost-based Pricing (Kotler & Armstrong 2009, 316)

Value-based pricing (Figure 4) is on the contrary, prior knowledge of customer needs and value perception will not surprise customer and will lead to a good sales volume.

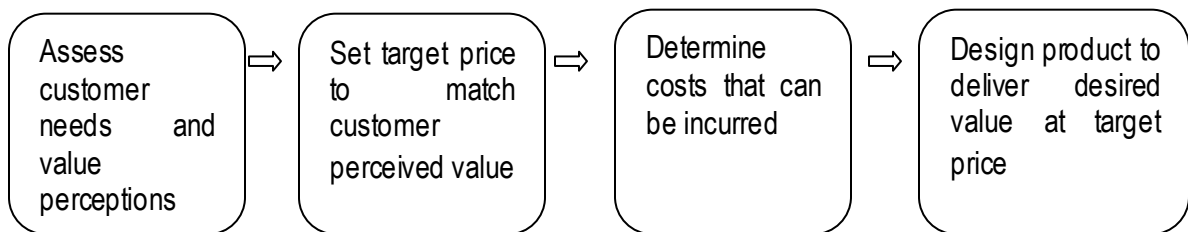


FIGURE 4. Value-based pricing (Kotler & Armstrong 2009, 316)

Putting emphasis on assess customer needs is the most core essence. If you pay too much attention on how good a product can be made and ignore the issue of costs. In order to making profit, a high price must be set. This does not mean the high price product are always difficult to sell. It depends on how much value the product bring to customer. Cost-based pricing usually is described as price is higher than value.

## 2.4.2 Company and product costs

When pricing, a company must consider the product cost. This is undoubtedly a very important factor in its pricing strategy. Product cost includes produce, distribution, selling the product and more. There are two types of costs when calculate product unit cost – fixed costs and variable costs. According to Kotler and Armstrong, fixed costs are the costs that do not vary with production or sales level. For instance, the cost for rent, heat, interest, salaries and other output all belong to fixed costs. Variable costs change directly with level of production. When produce an iPhone, it involves a cost of chips, battery, plastic, packaging and others.

### **2.4.3 Other internal and external considerations affecting price decisions**

Except consideration of customer perception of value and company profit, the company must consider other internal and external factors. They are mainly manifested in the following aspects.

- Overall marketing strategy, objectives and mix. Sometimes the pricing depends on the company's overall marketing strategy.
- Organizational consideration. In big company, the price is set by the marketing or sales departments. In small company, it is decided by top management.
- The market and demand
- Competitors' strategies and prices
- Other external factors such as economic situation, social concerns etc.

Factors affecting setting a price will not be a single one. Marketers should combine with the actual situation to make the most suitable marketing decisions.

### **2.5 Distribution channels**

"The distribution channel is defined as the chosen way to take the goods from the manufacturer to the consumer." On the process of forwarding of goods from manufacturers to consumers, there are plenty of different channel merchants (in Figure 5) between them. They are grouped by two major headings, middlemen and direct selling by manufacturers (B2C). Directly trading from producer to customer is called short channel. Trade that will go through several middlemen, for instances, a wholesaler or retailer. It's long channel. Channel width depends on each link channel number of the same type used in the number of middlemen. Wide channel has an extensive distributors and a wide distribution of the product on the market. On the contrary it is narrow channel.

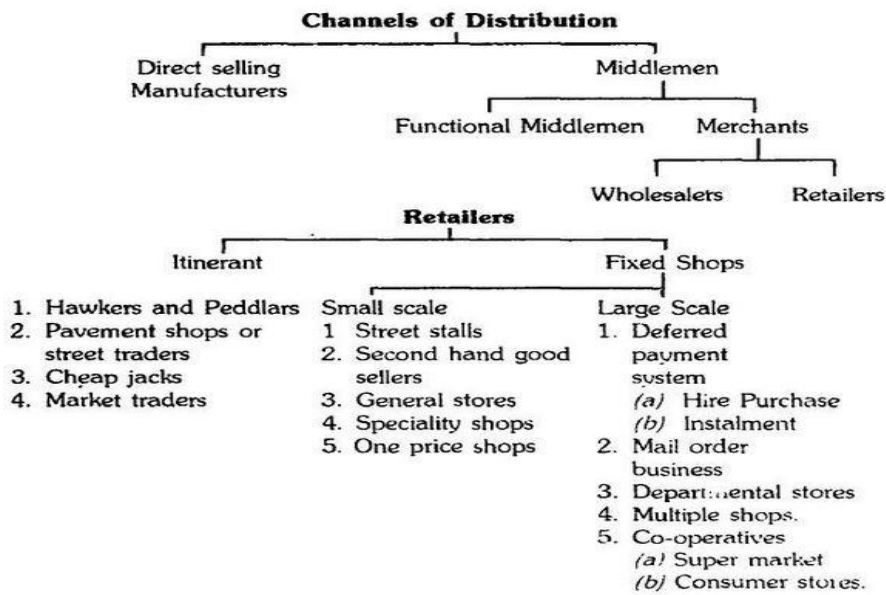


FIGURE 5. Map of middlemen (Sherlekar, Prasad & Victor 2010, 218)

Except traditional offline distribution channels, there are ten network channels (Table 1). E-commerce and traditional commercial business have no difference. Traditional enterprises to enter the online retail best use of this operating rhythm: first, the establishment of commodity supply chain and operating system; the second step, to create online channels; the third step, do channel promotion.

TABLE 1. Ten network channels in China (Money.163, Ten network channels in china, cited 12.1.2015)

	Types of channel	How to enter	Examples
Ten network channels	C2C channels	Easy to enter	Taobao
	B2C channels	<ol style="list-style-type: none"> <li>1. Popular product</li> <li>2. Have e-commerce customer service system</li> <li>3. ensure that these platforms can gain some margin space</li> <li>4. talk with them in name of traditional company, not the site</li> </ol>	Dangdang
	CPS channels	<ol style="list-style-type: none"> <li>1. develop a better revenue sharing policy than competitors</li> <li>2. Enhance competitiveness</li> <li>3. Need someone to do settlement and maintenance</li> </ol>	yiqifa、linktech
	Bank mall channels	Bank cares about most is their own online payment flow, knowing people's demand is likely to be entered	Online Mall of Bank of China, Industrial and Commercial Bank of China, China Construction Bank, etc
	Online payment channels	These platforms want customers to use their platform to make payment flows bigger. Grab their needs, to show you the strength and the large amount of forthcoming registered users. And they are willing to use their resources to promote your website platform.	PayPal mall
	Gateway Mall Channels	Portal welcome the direct cooperation with the manufacturers, if these portals have advertising cooperation, combined with the promotion into the mall, it would be easier	Tencent QQ membership mall, Tencent rebate mall, Sina Mall, Sohu Mall
	Points collecting Mall channels	<ol style="list-style-type: none"> <li>1. Set the higher commodity prices preferential for their points collecting customer</li> <li>2. Requires partners to synchronize their online orders docking operation. the technical interface requirements are high</li> </ol>	Wanlitong online mall, NetEase mailbox Points Mall, Ctrip merchants
	Operator channels	/	China Mobile Mall, China Unicom Points Mall, China Telecom mall
	Shopping search channels	/	Tesco, special king, askyaya
	Site navigation channels	/	hao123, 265, 114la shopping channel

What kind of distribution channel should be chosen to play an important strategic role to achieve the company's goals in a market. Channels selection is influenced by the following five factors. (Baidu Baike, Distribution channel, cited 21.9.2014)

- Market factor, which include the scope of target market, the degree of concentration of customers, purchase volume and purchase frequency, seasonal products, and competition
- Product factor which include physical and chemical properties, price, fashion ability, degree of standardization, technical complexity.
- Company factor, which include financial capacity, channel management capabilities, willing to control channels
- Middlemen factor which include the possibility of cooperation, expense, service.
- Environment factor which include economic situation.

## **2.6 Market share**

"Market share is the percentage of a market accounted for by a specific entity" (Wikipedia, Market share, cited 12.11.2014). Market share is the result of a company's sales over the period divided by the total sales of the industry over the same period. It gives a general idea of the size of the market and their competitors. Business managers pay highly attention on the increase and decrease of the market share of their competitors, from which they can not only see relative competitive advantages of the company's products and services, but help marketers evaluate primary and selective demand in their market. A company's market share grows with a corresponding increase in revenues. Marketers expand their market share either by increasing its own market or by capturing market from competitors. But it is always difficult to capture competitors' market share. Usually they enlarge the size of market by appealing to larger demographics, lowering prices, or through advertising. (Investopedia, cited 13.11.2014)

Market share data can be found in various independent sources, and most of times it is published by the companies themselves. Calculating market share is not easy, especially for some specific industries, it is harder to measure with accurate data. Wikipedia define the difficulties like this:

Although market share is likely the single most important marketing metric, there is no generally acknowledged best method for calculating it. This is unfortunate, as different methods may yield not only different computations of market share at a given moment, but also widely divergent trends over time. The reasons for these disparities include variations in the lenses through which share is viewed (units versus dollars), where in the channel the measurements are taken (shipments from manufacturers versus consumer purchases), market definition (scope of the competitive universe), and measurement error. (Wikipedia, Market share, cited 12.11.2014)

In the following two cases, high market share meant to bring high profits. Firstly, the company provides high quality products, while the price should rise more than the additional costs brought by the high quality. Secondly, improve product quality, and do not increase the company's costs, as the company reduces the waste and after-sales service consumption. And if its characteristic is suitable for consumer needs, they would prefer spending more than the cost of the product. Improving enterprise and commodities intangible assets is another way to improve market share. (Baidu Baike, market share, cited 3.6.2015)

### 3 MARKETPLACE AND CUSTOMER CHARACTERISTICS IN CHINA

#### 3.1 Why noodle machine has market in China

With the rapid development of China's economy, people's living standards requirements have also changed, with a series of news reports of food poisoning, made people more cautious about which food they choose in the supermarket. As a consequence, people pay attention to green and healthy food for a healthy living. People replaced the previous home-made fruit juices in the supermarket to buy ready-made juices, homemade soy milk replaces the previous ready-made soy milk. Joyoung is a good example, who successfully seized this opportunity to occupy the soy milk market with quick returns and small margins market strategy. They manage to gain more than 48% market share. (Euromonitor International, cited 17.01.2015)

In 2010, Beijing Youth Daily reported that more than 50 factories in Dongguan city which is from south of China and near Hong Kong produced about 500,000 kilograms of tainted rice noodle a day using stale and mouldy grain. It said "The cost-conscious producers were bleaching the rotting rice and using additives including sulphur dioxide and other substances that could cause cancer to stretch 500 grams of grain into 1.5 kg of noodles" (ABC News, cited 28.11.2014). Industrial plasticizers scandal made people paid much more attention to food safety.

People's attention to health has increased demand to food preparation appliances. A large number of automatically electric noodle machine emerge at this moment. According to data showing on Tmall (Tmall, cited 28.11.2014), there are fifty-three of household electric noodle machine brands and 244 merchants. From Tmall's front page, firstly choose "Life Electric" category, then "Kitchen Appliances", it will display kitchen appliances in different brands and categories (in Figure 6). Most of product on figure above have over 1000 sellers. Noodle machine as a new product have 472 sellers on Tmall. At a certain extent, this shows that noodle machine market is not saturated yet and any new products are likely to occupy a large market. The following picture is taken from Tmall. It indicates categories of kitchen appliances and each product's amount of results on Tmall.

Health drink	Water purifiers(9832)	Kettle (7354)	Mixing / cooking mac...(4216)	Juicer (4206)	Soymilk(1946)
	Fountains(1628)	Yogurt machine(1474)	Electric Cup(105)		
Boiling frying	Rice cookers(7477)	Electric stew / porrid...(4364)	Electric Pressure Co...(2841)	Electric heating / ho... (2590)	Cooker(2481)
	Microwave(1579)	Steamer (1102)	Lightwave / heat wa...(683)		
Pastry Baking	Oven(2631)	Electric baking pan /... (1997)	Toaster(1947)	Coffee machine (1837)	Toasters(631)
Other electric k...	Commercial electric ... (10001)	Kitchen appliances a... (10001)	Other Kitchen Applia...(8047)	Egg Boiler / Egg(1682)	Electric boxes(1633)
	Bean sprouts(682)	Timer / reminder(526)	Pasta machine(472)		

*FIGURE 6. Categories of kitchen appliances and each product's amount of results on Tmall (Tmall, cited 28.11.2014)*

There are three different types of shops on Tmall (Table 2). Merchants send application to Tmall, Tmall will check application. The qualified merchants can sell product on Tmall. The same brand of the same product is sold by different merchants with same or different price. Sometimes, prices vary considerably.



TABLE 2. Three different types of merchants who operate in Tmall (Tmall, cited 12.1.2015)

Type of shop	Types of merchant	Qualification	standard tariff (RMB)
Flagship store	Own brand (trademark status R or TM)	<ol style="list-style-type: none"> <li>1. Copy of enterprise business license</li> <li>2. Copy of business tax registration certificate</li> <li>3. Copy of organization code certificate</li> <li>4. Copy of bank account permits</li> <li>5. Copy of Legal representative's ID card</li> <li>6. Copy of Shop responsible ID card</li> <li>7. Copy of trademark registration issued by the State Trademark Administration</li> <li>8. Power of attorney issued by Alipay (operated by Alibaba, similar to PayPal)</li> <li>9. ProductList</li> </ol>	<ol style="list-style-type: none"> <li>1. Security deposit according to different store properties and trademarks status, deposit is categorized in to 50,000, 100,000, and 150,000.</li> <li>2. Technical service fee: 30,000</li> <li>3. Technical service fee rates (a certain percentage of its sales): 2%</li> </ol>
Exclusive store	Brand authorization Merchants	<ol style="list-style-type: none"> <li>1. Copy of enterprise business license</li> <li>2. Copy of business tax registration certificate</li> <li>3. Copy of organization code certificate</li> <li>4. Copy of bank account permits</li> <li>5. Copy of Legal representative's ID card</li> <li>6. Copy of Shop responsible ID card</li> <li>7. Copy of trademark registration issued by the State Trademark Administration</li> <li>8. Power of attorney issued by Alipay</li> <li>9. Power of attorney issued by the trademark owner</li> <li>10. ProductList</li> </ol>	<ol style="list-style-type: none"> <li>1. Security deposit according to different store properties and trademarks status, deposit is categorized in to 50,000, 100,000, and 150,000.</li> <li>2. Technical service fee: 30,000</li> <li>3. Technical service fee rates (a certain percentage of its sales): 2%</li> </ol>
Franchise store	Operating under the same investment category two brands or more.	<ol style="list-style-type: none"> <li>1. Copy of enterprise business license</li> <li>2. Copy of business tax registration certificate</li> <li>3. Copy of organization code certificate</li> <li>4. Copy of bank account permits</li> <li>5. Copy of Legal representative's ID card</li> <li>6. Copy of Shop responsible ID card</li> <li>7. Power of attorney issued by Alipay</li> <li>8. Private Label: trademark registration or a copy of a notice of trademark registration Agency brand: <ol style="list-style-type: none"> <li>a) The regular brand authorization documents or formal procurement contracts and purchase invoice from upper level,</li> <li>b) if the upper level of the authorized party or supplier is a natural person, you need to also provide a copy of their autographed ID card</li> </ol> </li> <li>9. ProductList</li> </ol>	<ol style="list-style-type: none"> <li>1. Security deposit according to different store properties and trademarks status, deposit is categorized in to 50,000, 100,000, and 150,000.</li> <li>2. Technical service fee: 30,000</li> <li>3. Technical service fee rates (a certain percentage of its sales): 2%</li> </ol>

The famous e-commercial platform in China except Tmall is Jingdong. Tmall and Jingdong are both B2C platform. Jingdong online platform was found in 2004 and sell electronics, mobile phones, and computers and so on. Jingdong made a strategic decision in 2007 to build and operate 86 warehouses in 36 cities and 1,620 delivery stations and 214 pickup stations in 495 cities across China. Over 70% of the order can be delivered on the day the order was placed or the day after.(China Internet Watch, Jingdong Intro, Stats, News & Insights, cited 2.6.2015) The qualification and standard tariff are various on different platforms. For instance, technical service fee in Tmall is 30,000 while in Jingdong is 1000. The technical service fee is 2% in Tmall while 7% -8% in Jingdong.

### 3.2 Typical users and their characteristics

China has the biggest population all around the world. In the 1st July 2014, it is estimated that China's population reached 1,393,783,836 and there are 430 million Chinese families and 54% are urban citizens. Because of the One-Child Policy the population growth rate since 2000 stays stable, at approximate 6% (Figure 7). But the One-Child Policy made the size of China's households dramatically reduced from 5.3 members in the 1950s to 3.02 in 2012. (China population, cited 18.01.2015)

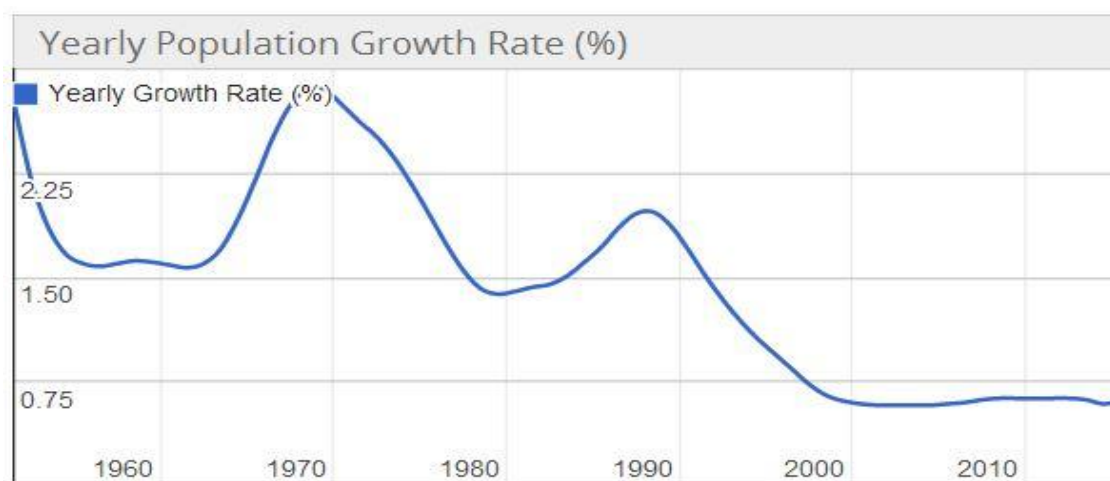
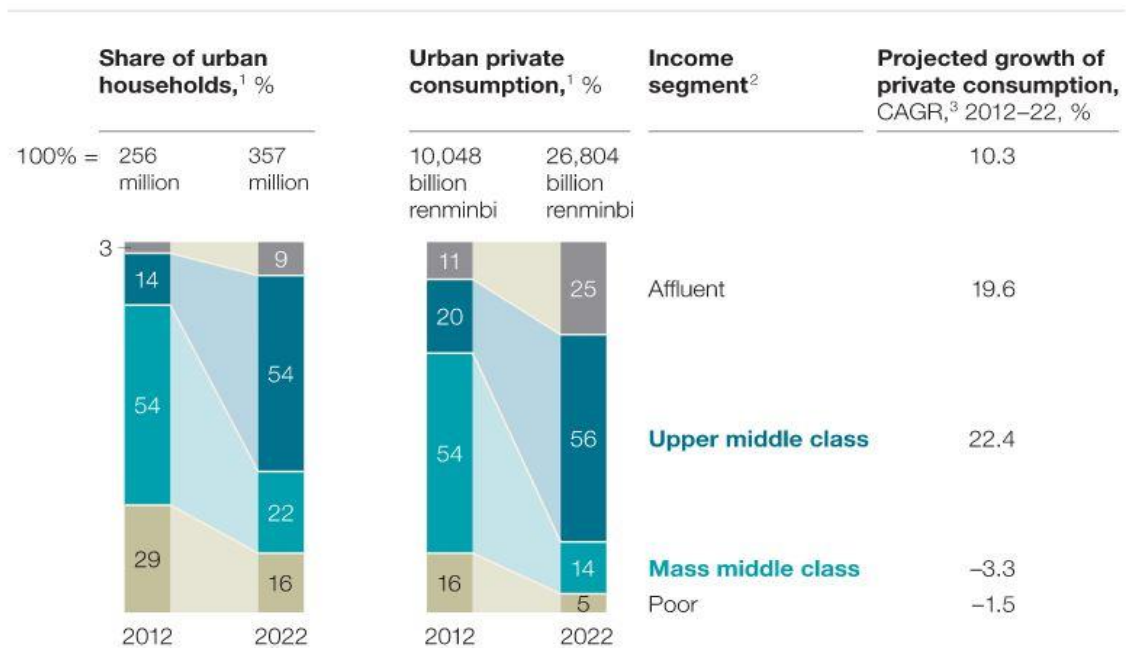


FIGURE 7. Yearly population growth rate in China (China population, cited 18.01.2015)

McKinsey & Company is a multinational management consulting firm. In one of their publication “Mapping China’s middle class”, they pointed out that “the explosive growth of China’s emerging middle class has brought sweeping economic change and social transformation.” It also estimated that more than 75% of China’s urban consumers will earn 60,000 to 229,000 RMB (8,359 to 31,904 euro) per year in 2022 (in Figure 8). It is surprised the urban private consumption of consumers who have 60,000 to 229,000 RMB (upper middle class and mass middle class) income per year has slightly decreased. But upper middle class has a giant growth. The whole purchasing strength was driven by affluent, upper-middle class and mass middle class. The rise of the upper middle class indicates that enhance purchasing power of Chinese consumers. These consumers tend to buy laptop, digital cameras, and specialized household items. By 2015, McKinsey & Company enunciated one-third of consumption all around the world on luxury products, for instance, high-end bags, shoes, watches, jewelry, will come from Chinese consumers in mainland of China or outside. (Barton, Chen & Jin 2013, cited 18.01.2015)



<sup>1</sup>Figures may not sum to 100%, because of rounding; data for 2022 are projected.

<sup>2</sup>Defined by annual disposable income per urban household, in 2010 real terms; affluent, >229,000 renminbi (equivalent to >\$34,000); upper middle class, 106,000 to 229,000 renminbi (equivalent to \$16,000 to \$34,000); mass middle class, 60,000 to 106,000 renminbi (equivalent to \$9,000 to \$16,000); poor, <60,000 renminbi (equivalent to <\$9,000).

<sup>3</sup>Compound annual growth rate.

FIGURE 8. The changes of share of urban household and urban consumption from 2012 to 2022 in China (Barton, Chen & Jin 2013, cited 18.01.2015)

China's upper middle class classify by age in different generations. People born after mid-1980s called generation 2. "They are confident, independent minded, and determined to display that independence through their consumption. Most of them are the only children in their families because when they were born, the government was starting to enforce its one-child policy quite strictly."(Barton, Chen & Jin 2013, cited 18.01.2015) China's upper middle class satisfied with their income and quite loyal to brands (in Figure 9). Most of the consumers from this class are unwilling to adopt new products.

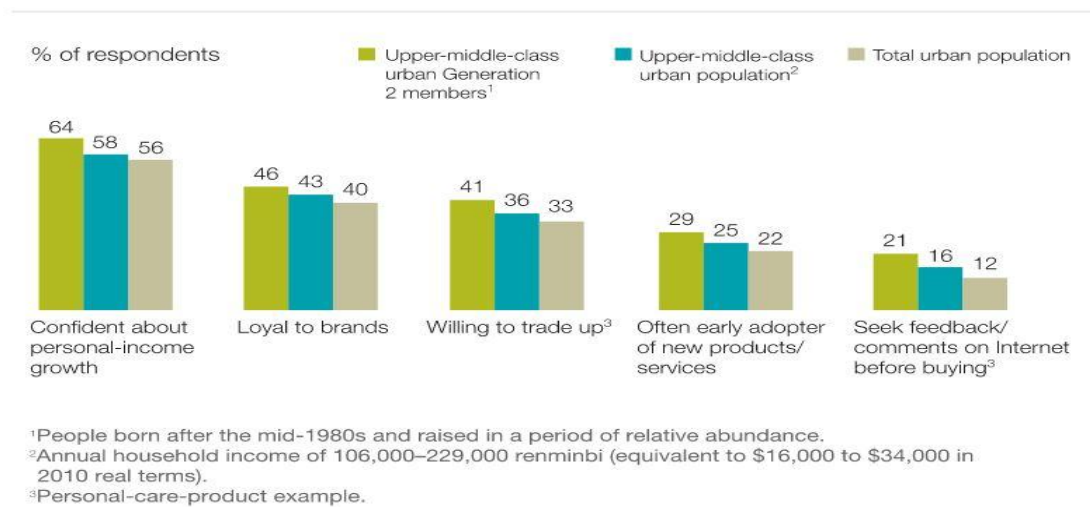


FIGURE 9. Consumer behavior of upper middle class in China (Barton, Chen & Jin 2013, cited 18.01.2015)

McKinsey & Company company indicated in their research of Chinese consumer, "Chinese consumers are proving to be an elusive target ... Chinese consumers are increasingly wary of untried products and ever more likely to make purchase decisions at the last minute (Ian, Claudia & Hsinhsin 2008, cited 18.01.2015)". It's hard to keep pace with the shifting attitudes of Chinese consumers. In Figure 10, the impact of recommendation from family & friends and TV ad increased slightly, but still are main impacts to Chinese consumer. The impact of sponsorships, the Internet, and articles in the print increased dramatically. People's preference to social media and internet made online-ads get more and more attention.

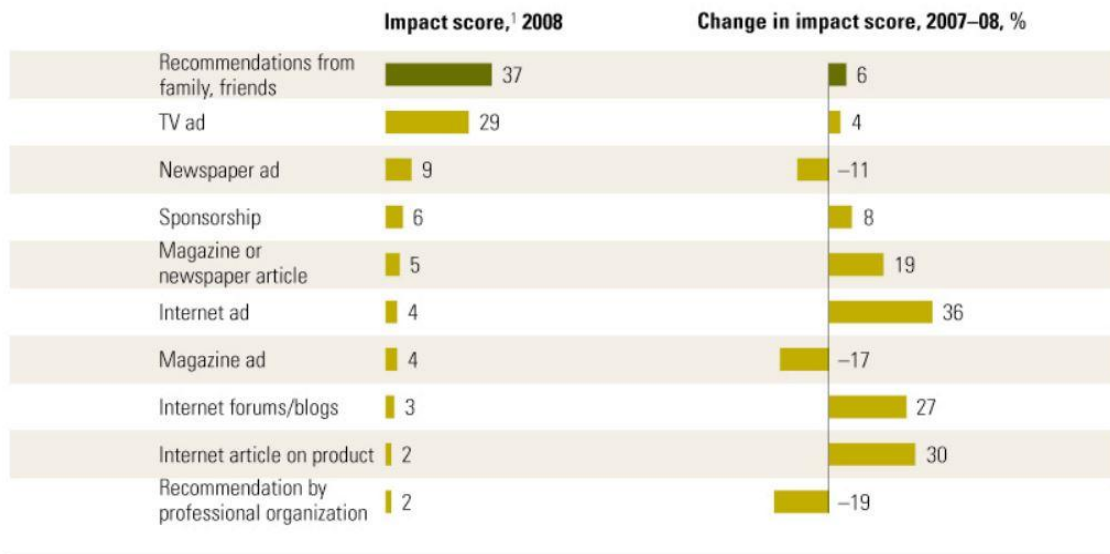


FIGURE 10. Impact score of different aspects to Chinese consumer (Ian, Claudia & Hsinhsin 2008, cited 18.01.2015)

Brand development is essential to marketers in China. According to research of McKinsey & Company, 63% Chinese consumers enter a store with one preferred brand or a shortlist of favorite brands and don't stray from it when making purchases. Chinese people are unwilling and uncomfortable to buy unfamiliar products. Only 18% of the respondents in China expressed that they were willing to purchase new products, the same question was asked in the United Kingdom and the United States, 40% of the respondents indicated they would like to try new products. Such unwillingness is understandable in China, unlike developed countries, they have strongly consumer protection laws and competition, dangerous and poor quality product is rare. In China, it is very likely that the consumer will get poor quality product even with an expensive price when he purchase an unfamiliar product. Developing brand loyalty and getting on consumer's shortlist is extremely important in China. (Ian, Claudia & Hsinhsin 2008, cited 18.01.2015)

## 4 EXISTING VENDERS ON THE CHINA MARKET

The price, distribution channels and market share of most popular brands on Tmall will be discussed in detail in the next chapters. On Tmall, under a certain product category, the last 30 days sales of a product will display. Market share will be calculated by adding the total sales of each noodle machine brands.

### 4.1 Competitors

There are more than 50 noodle machine manufacturers in Tmall, in which more than half brands are from China, such as Joyoung, Fasato. KitchenAid, Kenwood and Philips are western brands. KitchenAid and Kenwood are mixer machines with noodle making tool and target their product on high prices. The lowest price from these two brands are 355 euros. As an international company, Philips highly successful integration of the Chinese culture combined with China's special conditions, they develop and produce a variety of products for the Chinese market, for example, air pollution is worsening, they introduced air purifiers, poisoned food exposure, they introduced food preparation appliances. Joyoung is leading brand of food preparation appliances in domestic market. (Philips, Philips official online shop, cited 22.9.2014)

Conservative estimates there are 50 different noodle machine brands on the market. It is very difficult and not necessary to analysis of these brands one by one. Here, Philips and Joyoung as the most representative and competitive brand are analyzed.

#### Joyoung

Joyoung Co., Ltd. was founded in 1994. It was successfully listed on the Shenzhen Stock Exchange in May 28, 2008 (Joyoung, cited 21.9.2014). "Joyoung is a manufacturer of home-use soybean milk machines, headquartered in Jinan, Shandong. The business was incorporated in 1994. As of 2009 it was China's largest soybean milk machine company. The company saw an increase in business after a tainted milk scandal in 2008."(Wikipedia, Joyoung, cited 2.6.2015)

Joyoung advantages: Firstly, the company has been promoting the concept of healthy eating culture, the company will develop a long-term commitment to a healthy diet of small household appliances industry; Second is Joyoung's continuous innovation consciousness and ability to lead

the development of the industry; thirdly, it is company's service satisfaction ahead in the industry. The service and unique brand "Joyoung Sun service" has become the new benchmark for small appliance service industry. (Ifeng Finance, cited 21.9.2014).

## **Philips**

Philips is a well-known and a global company which has been founded in 1891 (Wikipedia, Philips, cited 22.9.2014). They focus on the areas of health care, consumer lifestyle and lighting. The product categories include sound and vision, personal care, mother and child care, household products, lighting, PC products and phones and accessories.

On Philips official online shop (Philips official online shop, cited 22.9.2014), there are quite many product only for the Asian market, for instance, automatic dough and noodle maker, rice maker, air purifiers and air humidifiers, and water machine. Philips has its own official online shop. Tmall, Jingdong and Amazon are the three other e-commerce platforms. Four types of noodle makers respectively sell 156.34 euros, 156.34 euros, 130.26 euros and 117.22 euros. (Philips, Philips official online shop, cited 22.9.2014)

### **4.2 Price of competitors' product**

In the following collected data, most of them are from Tmall and Taobao. Both of them are operated by Alibaba Group. Affiliated entities of Alibaba include Taobao, Tmall, Alipay, China Yahoo and so on 16 subsidiary companies. "Alibaba's consumer-to-consumer portal Taobao, similar to eBay.com, features nearly a billion products and is one of the 20 most-visited websites globally. The Group's websites accounted for over 60% of the parcels delivered in China by March 2013, and 80% of the nation's online sales by September 2014." (Wikipedia, Alibaba Group, cited 12.1.2015) Alibaba reported sales of 4.6 billion euros on Chinese single day (China Internet Watch, Alibaba Double 11 Sales Exceeded \$2 Bln in One Hour, cited 2.6.2015).

In Taobao, among the similar products, prices range from tens of euros to hundreds of euros. The cheapest noodle machine lower to 4 euros, it is a manually mold (see in Figure 12). The highest up to 968 euros, it is a multifunction machine from KitchenAid (see in Figure 13). In Figure 11, price between 244 to 268 euros has the best sales. Products over 268 euros, the sales is getting decreased. Price from 73 to 268 euros is popular to customers. Price range 73-136 euros, 136-

244 euros and 244-268 euros respectively have 25%, 25% and 29%. The total sales from price range 73-268 euros nearly take account of 80%.

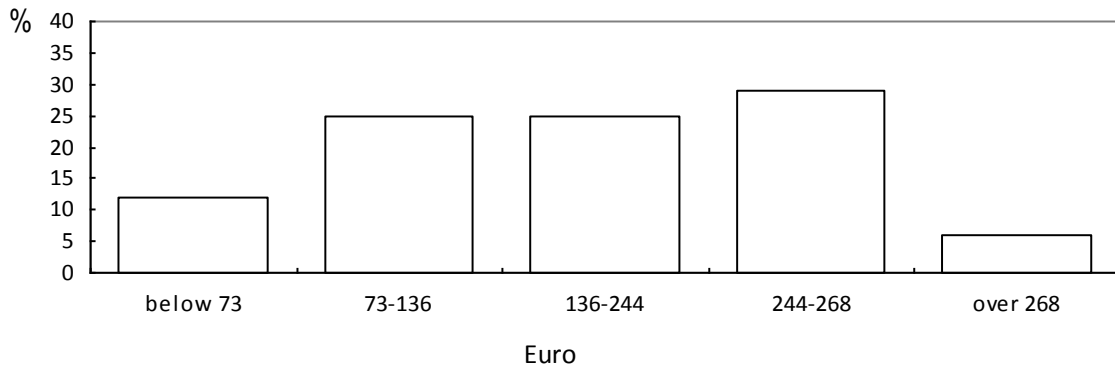


FIGURE 11. Percentage of price range preference of buyers (n = All online buyer of noodle machine)

Figure 12 displays a manually mold which is 4 euros selling in Taobao. Most automatic noodle machine on Chinese market made based on this principium.



FIGURE 12. Screenshot of cheapest noodle machine on Tmall (Tmall. cited 25.11.2014)

KitchenAid mixers (Figure 13) with different functional attachments had several colors selections. It does not have a good sale on Chinese market due to its extremely high price.





FIGURE 13. Screenshot of the most expensive noodle machine on Tmall (Tmall. cited 25.11.2014)

From Figure 14, Joyoung and Fasato respectively take first and second rank of the best sales volume on Taobao & Tmall in last 30 days before 20th January 2015, which are 6,000 and 3810 units. Koasis and Glinl almost have the same amount of sales volume. The best single selling item is from Lydea, on Tmall and Tmall both have over 1500 units sale volume within last 30 days.

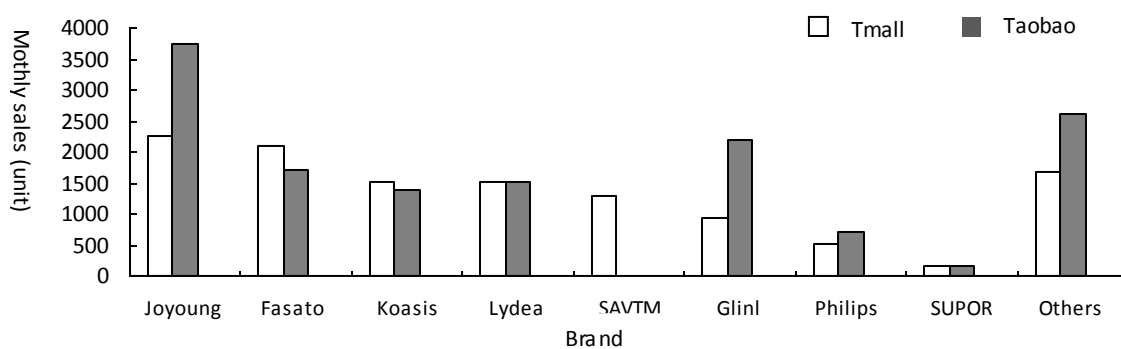


FIGURE 14. The first eight best sales of noodle machine brands in descending order on Tmall in last 30 days before 20th January 2015 (Tmall & Taobao. cited 20.01.2015)

The price of noodle machine on domestic market vary from 54 euro to 138 euro (in Figure 15). Joyoung's product general are under 70 euro, only have two products the price is above 100 e-

ros. Philips's product are general a bit expensive than other brands. But Philips is not the highest price.

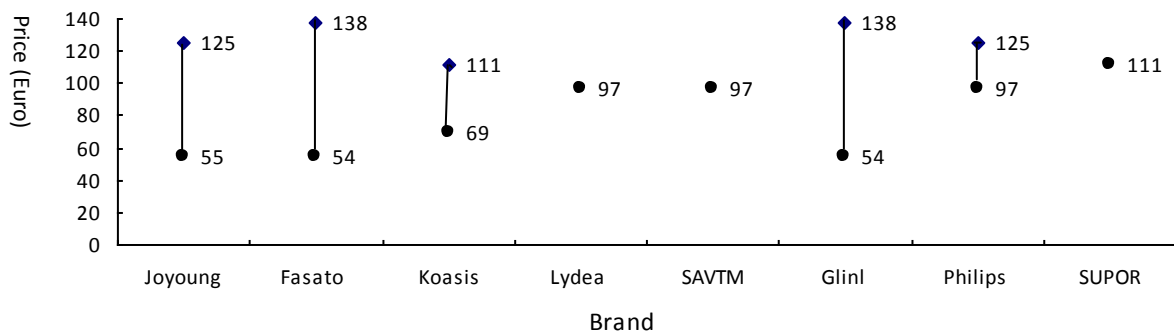


FIGURE 15. Price range of the first eight best sales of noodle machine on Tmall (Tmall. cited 25.11.2014)

The multifunction machine with noodle making tool from KitchenAid and Kenwood have prices over 370 euro per unit. In last 30 days before 20th January 2015, the multifunction machine of Kenwood have 67 units sales and noodle making tool which can attached on multifunction machine have 18 units sales.

#### 4.3 Distribution channels of competitors

The Chinese distribution sectors are constantly changing with times goes. In past, it is compulsory to use an uncoordinated network of domestic wholesalers to cooperation with foreign agents and distributors. Now the popularity of online B2C e-tailing give foreign companies more choices to decide how to enter China market. The foreign agents and distributors take a margin of 30-40%, except a company have money and time to build long term cooperation and gain better control over the distribution of goods, otherwise it's not a smart choice. (Casa Asian, cited 19.01.2015)

#### Wholesale Markets

Wholesale markets developed fast during the 1980s-90s. This markets managed by the appropriate local administration of industry and commerce. Wholesale markets have the highly effective channel to send products to towns and villages in the country and obtain wide variety of products. Most large markets are located in Shandong, Zhejiang, Jiangsu, Guangdong, Liaoning and Hebei

provinces. It is estimated that there are 70,000 to 90,000 specialized wholesale markets in China and its trade volumes are over 14.7 billion euros. (Casa Asian, cited 19.01.2015)

### Retail Distributors

Retail distributors in China developed rapidly from 1990s to 2015. The total sales volume is 940 billion RMB in early 1990s and reach to 6.72 trillion in 2015. The most common retail structures include kiosks, supermarkets, convenience stores, hypermarkets and department stores. The emergence and fast growing of chain stores and other modern retailers have changed retail environment by easing the task of coordinating distribution for manufacturers in certain fields. In 2010, the foreign store operators, for example Carrefour of France and Wal-Mart, were becoming a considerable force in not 1st and 2nd cities, but 3rd and 4th cities. (Casa Asian, cited 19.01.2015)

### B2C Markets

Because Chinese consumers are keen on online shopping, making the rapid rise of B2C. In 2014, the total transaction value volume of China online shopping market was 103 billion euros (in Figure 16) and accounted for 10.6% of total consumer retail market. The most famous online shopping platform are Taobao&Tmall, Suning, Dongjing and Gome. Large corporations usually build their own online platforms. For example, Gree Electric developed their own online shopping site to avoid the money and time spending on distributors and technical service fee and margin spending on B2C platforms, like Tmall and Suning.



FIGURE 16. The total transaction value and growth rate of China online shopping market from 2013 to 2014 (China Internet Watch. cited 19.01.2015)

Joyoung paid a great effort on channels establishment. At the moment, The company main channel structure is about 500 distributors, nearly 23,000 physical sales points, and established close cooperative relations with nine nationwide retail chains institutions, which are Carrefour, Wal-Mart, RT-Mart, Metro AG, Gome, Suning, Five Star, Century Mart, Tesco. Joyoung also has stable online sale cooperation with ten e-commerce platforms, they are Jing Dong, Suning, Amazon, Taobao, Dangdang, Newegg, Yihaodian, 51buy, Gome and 2688. Convenient marketing network and good after-sales service effectively enhance Joyoung's brand image, and dramatically driven sales performance improvement. (Joyoung, cited 21.9.2014).

As early as 1920, Philips entered the Chinese market. Philips must have sophisticated distribution channels and stable cooperation with distributors. Philips has good reputation in Chinese market. In 2004, US anti-dumping to China seriously affected China's TV exports. Many corporate profits fell, they switched production even mergers and acquisitions. According to the ZYK market reports in September, Philips flat-panel TV market share in China was 7.4%, ranking fifth. Philips's success is not accidental, due to its marketing strategy, advanced technology and strong production strength. (MBAlib, cited 19.01.2015)

#### **4.4 Market share of competitors**

Chinese brand catalog which is an authorized website specializes in analyzing different products and services from different industries. It displayed first ten ranked noodle machine brand with their market share (see in Figure 17).

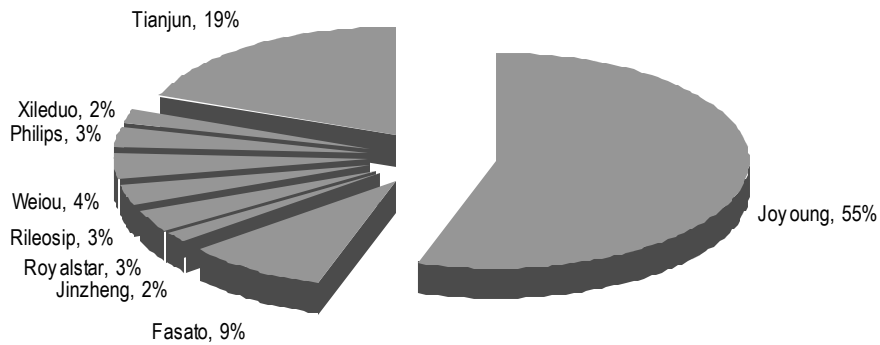


FIGURE 17. Market share of first ten ranked brand on China market (Chinese brand catalog, cited 13.11.2014)

The first three ranked brands in Figure 17 are Joyoung (55%), Tianjun (19%) and Fasato(9%). Philips market share only account for 3%. Tianjun, Joyoung and Fasato are the first three popular brands in China market. Since this is a brand's comprehensive ranking, which reflects the overall situation of all products of each brand.

TABLE 3. Sales volume and market share of the best eight sales of noodle machine brands on Tmall & Taobao In last 30 days before 20th January 2015 (Tmall & Taobao. cited 20.01.2015)

Brands	Units sold within one month on Tmall	Units sold within one month on Taobao	Total units sold	Market share
Joyoung	2258	3742	6000	23.1%
Fasato	2095	1715	3810	14.7%
Koasis	1515	1394	2909	11.2%
Lydea	1514	1503	2202	11.6%
SAVTM	1295	/	1295	5.0%
Glinl	940	2190	3130	12.1%
Philips	511	696	1207	4.6%
SUPOR	156	156	312	1.2%
Others	1673	2617	4290	16.5%
Total	11957	14013	25970	100%

In Table 3, it shows that Joyoung account for 23.1% of noodle machine market share on Tmall and Taobao. Fasato and Glinl have 14.7% and 12.1% respectively. More than forty other brands own 16.5% market share. Compared with other brands, Product from Koasis and Lydea are relatively simple, but the market share of these two brand are rank fourth and fifth position, 11.2% and 11.6% respectively.

## 5 CONCLUSIONS

From the above chapters, we can see that influenced by the industrial plasticizers scandal, consumers paid more attention to food safety, and preferred healthy home-made food and drinks. This promotes the development and popularity of noodle machines. Noodle machine began to pop up in recent years. It gives a good market prospect opportunity. The emergence of noodle machine caters Chinese people's need.

Chinese have very high degree of loyalty to a brand, once they found a product that will not be easily replaced, but if the price is much higher than what they expected, they probably will choose other promoted products. Chinese people's enthusiasm to try new products is no higher than customers in other countries, except when a family member or a friend strongly recommends something new. The amount of upper middle class consumers are increasing year by year in China. This group of people led to consumption of high quality products.

The price of all electronic products are relatively lower than in western countries due to the cheap labor. That might be a challenge for a western brand to enter the Chinese market and keep a foothold there. Even such as Philips has its own sales channels and plenty of market experience, its market share in China is still not very satisfactory, let alone a new company. But a new company's entry will not necessary be an absolute failure. There are many factors that determine the success or failure, inside which, the price should not set too high. Because Chinese electrical appliances generally biased towards cheap.

The rising of China's e-tailing provide direct dialogue between manufacturers and customers, and eliminate the middleman. Chinese online shopping market is over 10% of total retail in 2014. The development of online channels will lead to enormous sales for a company. Online shopping has become a trend. Tmall and Suning provide manufacturers and customers a face to face platform, but will take margins and manufacturers should satisfy with their qualification and standard tariff and comply with their regulations, such as provide real company information, pay deposit and margin before valid date. Upon discovery of irregularities, the deposit will be deducted or the shop will lose points, once the shop got certain point, it will be shut down. Conventional distribution channels, such as supermarkets and chain stores are popular in China. Joyoung still maintain a leading position in the field of food preparation appliances, especially soymilk maker accounts for half of the Chinese market.

All in all, Chinese market for noodle machine is huge, but competed. The online market could be the first choice. Because people go to special stores and supermarkets to look products, but rather buy them online due to better price. It is potential to enter Chinese market with a good product and good marketing strategy.



## 6 DISCUSSION

This research aims at identifying the market potential and the right entry model for Chinese market. Most of research data collected from one of the biggest online retail website, Tmall. The data like monthly sales volume is real-time, it keeps changing over time, but overall sales of each brands will not have much change. Limited by many factors, for example, some data needs to pay, geographical constraints and so on, exacerbate the difficulty of data collection. In general, I am very satisfied to be able to collect these data.

Joyoung had more than 50% market share of noodle machine. And it plays small profit and large sales volume strategy. In order to avoiding the formation of direct competition with Joyoung, the best way for a company's entry is to set a medium or high price, it will capture medium-consuming and high-consuming customers rather than Joyoung's customer. Meanwhile, to find a new customer groups will provide greater opportunities for the company. Combined with the overall situation of China's electrical appliances market – the price of noodle machines on Chinese market is generally not high – it is very likely workable for a new company to develop medium-price strategy, for example, to set a price at 200-250 euros.

E-commerce and traditional distribution channels have no substantial difference. If a company does not pay attention to the online channel, the promotion effects of e-commerce which gain by setting up a distribution system will be greatly reduced. Channel development is important for a company. When it comes to offline sales, everyone knows that should look for regional distributors if they want to enter a market like Wal-Mart and Carrefour. Developing network channel is exactly same – cooperate with suitable network channels.

I've learnt how to do marketing research and business terms from doing this thesis.

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