



**WHAT IS THE SUITABLE MARKETING STRATEGY FOR ELECTROLUX
CHINA SMALL HOME APPLIANCE CO. LTD**

Thesis

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<p>Electrolux Small Home Appliance Co. Ltd is facing increasing competitions in China and should update its outdated marketing plan as soon as possible. This study focuses on analyzing the main marketing issues of the company, such as the target markets, the brand and the distribution channels. Furthermore, concrete counter measures are introduced in the study. The research is based on the analysis of the marketing environment, the main competitors and Electrolux's resources and capability.</p> <p>As a famous multinational company, Electrolux China Small Home Appliance has high competence in the areas of product development, brand, and capital. Accordingly, its marketing strategy should be focused on its advantages. The company aims to be the leading producer of small home appliances in China with a well-known brand in the wealthy regions of China. The company should expand its market shares with its outstanding products and rebuild its brand impression on its famous brand in the world. After having decided its target market, the company's main issue is how to make its products well-known among consumers. When entering a new market, the relation between the brand, the price and the product series becomes a very important issue. The marketing channels are also very important, because it is useless to have too many inefficient channels.</p> <p>Electrolux should pay attention to its distribution efficiency and drive for profit. In other words, the company should develop the co-operation with the distributors carefully in order to enter into selected profitable stores. At the same time, it should look for more channels to reduce the distribution risk caused by a single channel and to avoid entering into low turnover stores. In the end, Electrolux China Small Home Appliance should adjust its organization and motivate sales team better so as to implement its new marketing strategy.</p> <p>The paper not only draws up a new marketing strategy for Electrolux China Small Home Appliance Co. Ltd to solve its problems, but can also be used as a source of reference to study other multinational home appliances' marketing strategies that also face similar problems in Chinese markets.</p>		
<p>Keywords Marketing, Strategy, Small Home Appliance, Electrolux</p>		
<p>Note</p>		

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1 INTRODUCTION

After China joined the WTO (World Trade Organization), an increasing amount of multinational corporations swarmed into the Chinese market. The small appliances industry in China is facing a dual dilemma now – an opportunity and a challenge for transnational corporations.

On one side, with the increased income in general, the Chinese households are demanding a better lifestyle, which boosts the demand for more small appliances. This is an opportunity to the appliance industry. However, on the other side of the coin, as a result of the Chinese special national condition, it has been decided that transnational corporation should apply different marketing strategies. In the same time, with the increased cost pressure from global raw material trends, labor costs, and Chinese Yuan (CNY or RMB) appreciation, the small appliances factories almost are facing the business profit hardship.

Electrolux was established in 1901. After 110 years, Electrolux constantly develops around residential appliances and commercial appliances; now the company is a global leader in household appliances and appliances for professional use selling more than 40 million products to customers in more than 150 markets every year. “Thinking of you” is the key message in the Group market communications. It highlights the strong Electrolux focus on consumers, but the concept of thoughtfulness also refers to employees, suppliers, the environment and other stakeholders that are affected by Group operations. (Electrolux Annual Report 2009, 24)

With the demand of constantly open up the international market, Electrolux entered into Chinese market in 1997. However, the facts show that it has been more complicated in the market management than the company imagine. Electrolux has faced unforeseen difficulties and setbacks, and managers have changed frequently. In the beginning, the main products were major home appliances, which are refrigerator, washing machine, air conditioning equipment and so on. Small home appliances in China have a higher profit rate and huge market share, which impel Electrolux expand small home appliance market compared with

the major home appliances who own a force competition, slow growth, and lower profits. (Wei 2009, 2)

In 2003, Electrolux (China) Head Office decided to divide small home appliance from head office, and established an Electrolux (China) Small Home Appliance Co., Ltd., to be a subsidiary of Electrolux Global Small Home Appliance (Sweden headquarter). Rely on the three strengths – strong brand, innovation, and products, Electrolux aimed at to be the largest producer of small home appliance in China. However, the sales situation of recent years shows that although Electrolux got some achievements, it did not reach the intended purpose. Especially under pressure of fierce competition and distribution channel, the income is unique, and develop space is narrow. (Wei 2009, 2)

Besides, the business model of Electrolux (China) is “both sides outside”, that is to say one side that products rely on European research and development center, the way of produce production is OEM (original equipment manufacturer) or ODM (original design manufacturer) and the other side the sales of Electrolux relies on all kinds of agents and do not contact with the customer directly. This kind of business model becomes increasingly adapted on the new business environment, which is needed to adjust. (Wei 2009, 3)

1.1 Research Problem Definition

What is a suitable marketing strategy for Electrolux home appliance China when they face the Chinese special market environment is the main problem in the thesis, which will include three parts:

How to set the target market? Electrolux small appliances company was build up in 2003, the target market is not clear, within the market strategy it is changing frequently.

How to build the image? Although Electrolux is one of the most famous appliance brands, its brand wandered between high-end and low-end and the brand value did not identified with China’s customers.

How to design the distribution channels? The sales of Electrolux production is mainly through all kinds of sales channel, they have not a special channel, independent sales agent.

1.2 Research Objective and Research Methodology

The main objective is to design some suitable marketing strategies for Electrolux China to solve the real problems Electrolux faced in China and to improve competitiveness. In addition, the example of Electrolux China development is typical, and might solve similar problems for multinational companies in the future. The main research method is the qualitative research method to collect information about existing situation, and then find problems and design targeted marketing strategies.

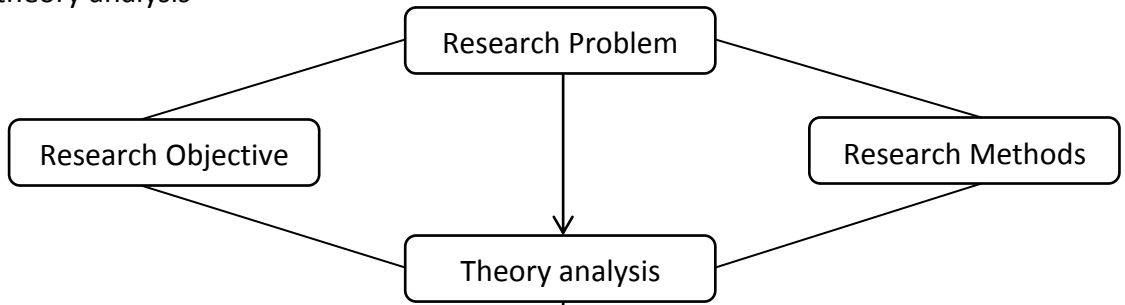
Philip Kotler divides marketing into three stages and five parts according to create customers' value in the marketing management, which is also called customer-based brand equity. The three stages are option value, provide value and spread value. The five parts are target market positioning, brand building, product and price strategy, channel strategy, promotion strategy. (Kotler and Armstrong 2007, 192-391)

This thesis mentality is generally according to the "create customer's value", however aim at the "both sides outside" business model, the focus is on the target market positioning, brand building, and distribution channel establishing. According to the current marketing situation, the product and the price strategy supports the corporation brand strategy, and the promotion strategy is implemented combined with the distribution channel strategy.

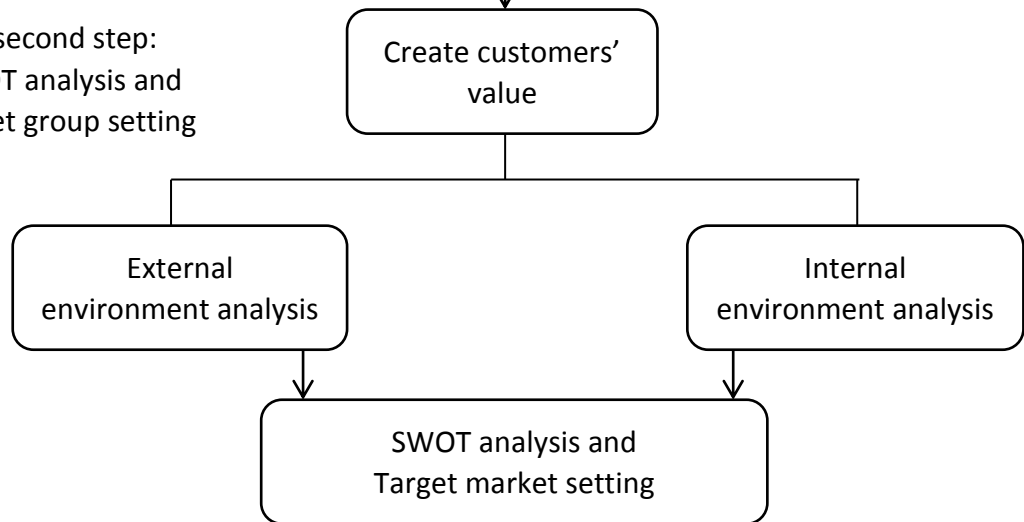
Considering the three problems of Electrolux, this thesis is divided into three main parts: 1) the current situation of Electrolux small home appliance, 2) the analysis of target market, 3) the design of the marketing strategy, with emphasis on the brand building and the distribution channel building. At the same time, considering the risks and risk preventability.

The framework is shown in Figure 1, it is divided into four steps. The first step is theory analysis. The second step is SWOT analysis and target market setting. The third step is brand strategy design and distribution channel strategy design. The fourth step is based on the marketing strategy, analysis the implementation and control.

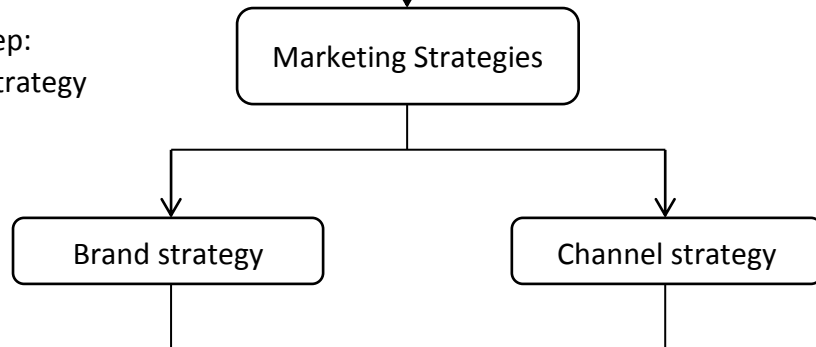
The first step:
theory analysis



The second step:
SWOT analysis and
target group setting



The third step:
marketing strategy
design



The fourth step:
strategy implementation

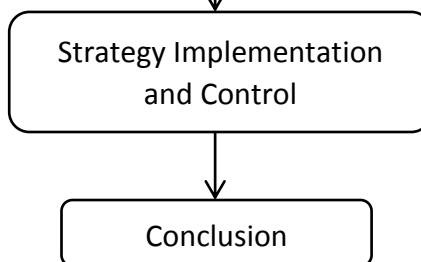


Figure 1. The framework of the thesis.

2 INTERNATIONALIZATION OF COMPANIES

The word “Market” is derived from the Latin “mercari” which means “to buy or trade”. A market is the set of actual and potential buyers of a product. These buyers share a particular need or want that can be satisfied through the exchange of relationships. Marketing means managing relationship markets to bring about profitable customers relationships. However, creating these relationships takes work; sellers must search for buyers, identify their needs, design good market offerings, set prices for them, promote them, and store and deliver them. Activities such as product development, research, communication, distribution, pricing and service are core marketing activities. (Armstrong, Harker, Kotler and Brennan 2009, 9)

The modern marketing started in the early 20th century. The change from the traditional economics to management in the marketing theory is not merely the symbol of business management but also the innovation of the marketing theory. Since the early 1950s, American marketing expert Neil H. Bouten put forward the Marketing Mix, which is “a blending of decisions in four areas-product, promotion, price and place”. In the words of William J. Stanton, “marketing mix is the term used to describe the combination of the four inputs which constitute a company’s marketing system, the product, the price structure, the promotional activities and the distribution system.” E. Jerome McCarthy, an American marketing expert, has stated marketing mix in terms of 4 P’s viz., product, promotion, price and place. (Tang 2009, 11)

After 4 P’s, Philip Kotler investigated marketing mix in special market conditions, advanced it as 11 P’s (2001), including four marketing strategies – probing, partitioning, prioritizing, positioning and six tactics – product, price, place, promotion, power, public, and people. The American marketing expert Lauteborn (1990) offered a new marketing theory from the customers’ point of view, which is “4C” marketing mix theory – customer needs and wants; customer value; convenience; and communication. In the beginning of 21 century, Ettenberg Elliott put forward the 4R theory that takes relationship marketing as a core, the important factor is establishing the customer’s loyalty. 4R theory states four new marketing mix elements: relativity, reaction, relation, and retribution. (Tang 2009, 11)

2.1 Decisions for Internationalization

When searching for reasons why an increasing number of companies have decided to go international in the past decade, we find four major driving forces:

1) Limited growth in domestic markets

In order to remain financially healthy, most companies must grow. Many foreign markets offer more opportunities for business expansion than the home market does. International business is not only a route to growth but also a necessary means for survival. In Europe, stagnant growth, local competitive pressure and the need to reduce costs have made non-domestic business a must for many firms. Some industries have an export rate of more than 60 per cent. European firms have reacted positively to the challenge. (Muhlbacher Dahringer and Leihns 2009, 28)

2) Technological change

Important drivers for international business are technological improvements and change in the areas of transportation and communication. The number of direct airline connections inside Europe to Asia has dramatically increased while ticket prices have substantially decreased. Low-price transport supports the development of international business. Telecommunications have revolutionized the economic and political world, and changed the way business is conducted. A seemingly simple invention like the fax machine has permitted real-time global communication without the difficulties involved in taking time zone differences into account. In a more advanced way, the computer has increasingly hooked people to each other online around the world. The Internet has further revolutionized communication, providing real-time information to even very small firms and to consumers. (Muhlbacher Dahringer and Leihns 2009, 29)

3) Global competition

For many firms, the primary driving force to start international business is competition. Business today is increasing y characterized by competitors operating on an international

level. Both local and national firms are confronted with foreign competitors in their home markets. In recent years a growing number of industries have become global in their competitive scope, that is, a firm's competitive position in one country is significantly influenced by its position in other countries. In more global industry, the firm that wants to survive must develop an integrated worldwide strategy for all of its operations. This means that large national companies might be forced to change their strategies to find their competitive positions as the industry becomes global in scope. (Muhlbacher, Dahringer and Leihls 2009, 32)

4) Access to Resources

Companies that operate internationally treat the world as a source of supply as well as demand. They obtain the resources they need wherever they can buy them at the best price. Technological know-how gained in different parts of the world is quickly applied to new products. Cooperation with firms in other nations can reduce costs and increase management knowledge, further enhancing the competitiveness of global firms relative to others. (Muhlbacher, Dahringer and Leihls 2009, 35)

To attain and maintain global competitiveness, however, it is not enough simply to keep abreast of technological developments. Serving more than one country-market allows the firm to balance resource investments in some markets against resource surpluses in others. Moreover, when a competitor attacks it in its home market, a globally competitive firm would be able to mount a counterattack in the competitor's domain. (Muhlbacher, Dahringer and Leihls 2009, 36)

2.2 Starting International Marketing

According to Hess and Cateora, international marketing is "the performance of business activities that direct the flow of goods and services to consumers or users in more than one nation." International marketing brought countries closer due to economic needs and facilitates understanding and co-operation among them. It is essentially a constructive

economic and commercial activity which is useful and beneficial to all participating countries. (Cateora and Hess 1995, 3)

The rapid move towards globalization means that all companies will have to answer some basic questions: What market position should we try to establish in our country, in our economic region, and globally? Who will our global competitors be, and what are their strategies and resources? Where should we produce or source our products? What strategic alliances should we form with other firms around the world? (Kotler and Armstrong 2007, 590)

Generally speaking, as shown in Figure 2, a company faces major decisions in international marketing. The first step for a company to be international is to examine the international environment. This step will give the company a chance to understand its present situation and its future development. When the company has a better understanding of itself, it can decide whether to go international. The next step is to decide which market to enter, different countries or regions may have different advantages and disadvantages, company can combine the situation and the market environment; the marketer may also take into consideration its products and the host government's policy to make its decisions. There are different strategies to enter different markets; a marketer must be very careful to make a sound program so as to be successfully accepted by local consumers. Finally, the company has to make a decision on the global marketing network including the marketing mix and to set up the measurements and systems to control both its long term marketing strategies and its short term plan. The marketing process circles and the company may improve greatly when the marketing activities are properly controlled and managed. (Kotler and Armstrong 2007, 590)



Figure 2. Major decision making areas in international marketing (Kotler and Armstrong 2007, 590).

The benefits of international marketing are considerable. Trade moderates inflation and improves both employment and the standard of living, while providing a better understanding of the marketing process at home and abroad. For many companies, survival or the ability to diversify depends on the growth, sales, and profits from abroad. As may be expected, the BRIC (Brazil, Russia, India, and China) economics have been getting a great deal of attention. (Onkvisit and Shaw 2009, 23)

3 INTERNATIONAL MARKETING STRATEGY

International trade is booming. Since 1969, the number of multinational corporations in the world has grown from 7,000 to more than 63,000. Multinational Corporation (MNC) as a corporation that has its management headquarters in one country, and operates in several other countries, gains marketing, productions, R&D, and financial advantages that are not available to purely domestic competitors. (Kotler and Armstrong 2007, 589)

In the past 40 years, whatever in the academic circles or in the business circles, the debate of whether applies standardization marketing strategy or adaptive marketing strategy was never stopped, and multinational corporations should have different marketing strategies according to various countries, so called uniform standardization marketing strategy does not exist. (Zou, Andrus and Norvell 1997, 107)

Nanda K. Viswanathan, Peter R. Dickson points out that there are shortcomings in this two marketing strategies, the best way should be “dynamics of standardization”. (Viswanathan and Dickson 2007, 46-63)

About the problem of dynamics of standardization, Jelena Siraliova and Jannis J. Angelis have positive analysis contraposed Baltic States, they regard as that most of Baltic States’ multinational corporations can apply dynamics of standardization marketing strategy. (Siraliova and Angelis 2006, 169-187)

3.1 Business Environment Analysis

Marketers need to be good at building relationship with customers, others in the company and external partners. To do this effectively, they must understand the major environmental forces that surround all of these relationships. Successful companies know the vital importance of constantly watching and adapting to the changing environment. (Kotler and Armstrong 2007, 65)

When taking and implementing the decision concerning the internationalization of their business, a firm's management has to be aware of the considerably higher complexity of the environment to be considered than for a strictly local firm. Figure 3 shows a general nested model of a firm's environments. It demonstrates that the decision makers of a company live in their firm's internal environment which is embedded in the operative environment of the company which, in turn, is surrounded by the macro environment. (Muhlbacher, Dahringer and Leihls 2009, 50)

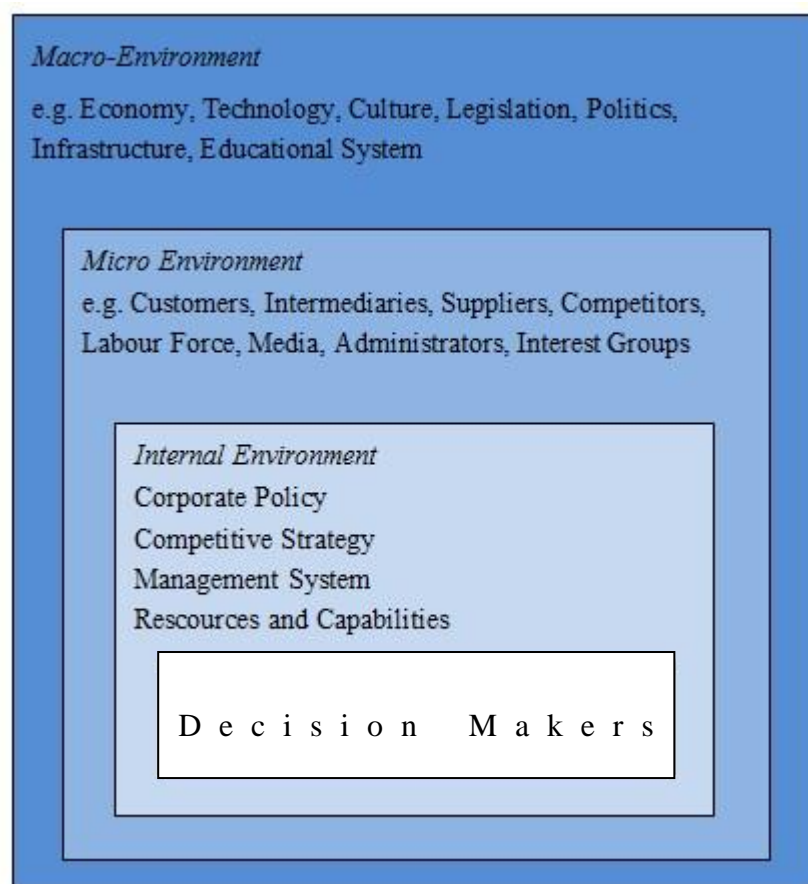


Figure 3. A nested model of a firm's environments (Muhlbacher, Dahringer and Leihls 2009, 51).

3.1.1 External environment analysis

The corporation environment is made up of a microenvironment and a macroenvironment. A company's macroenvironment is generally defined as the political, legal, economic, ecological, social, cultural and technological dimensions of the universe in which the microenvironment of the firm is embedded. Whereas the macroenvironment of a company strongly influences the structure and state of its operating environment, individual members of the microenvironment are restricted in their influence on the development of the macroenvironment. The Microenvironment and Macroenvironment of a corporate are not separated from each other by objective and clear-cut boundaries. Depending on the business of a company and its resources varying parts belong to its operating and macroenvironment. (Muhlbacher, Dahringer and Leihs 2009, 50)

The microenvironment of a firm contains all actors, that is individuals or people representing organizations and institutions, which have aspirations concerning the behavior and performance of the company in doing its business. Those are customers, competitors, suppliers, intermediaries, potential and existing workforce, owners, shareholders, banks, media, trade unions, and other so-called stakeholders of the company. They can have a strong impact on the success of a firm. (Muhlbacher, Dahringer and Leihs 2009, 50)

Besides, there is an essential part in the corporation's microenvironment is industry analysis. American Harvard Business School Michael E. Porter said, "Corporate is most concerned about competitive intensity in their industry, the strength of the competitive forces in an industry determines the degree to which this inflow of investment occurs and drives the return to the free market level, and thus the ability of firm to sustain above-average returns. The five competitive forces – entry threat of substitute products or service, bargaining power of buyers, bargaining power of suppliers, relative power of other stakeholders, and potential entrants – reflect the fact that competition in an industry goes well beyond the established players. All five competitive forces jointly determine the intensity of industry competition and profitability, and the strongest force or forces are governing and become crucial from the point of view of strategy formulation. (Porter 1998, 6)

3.1.2 Internal environment analysis

Analysis of the external environment for opportunities and threats is not enough to provide an organization a competitive advantage. Analysis must also look within the corporation itself to identify internal strategic factors – critical strengths and weaknesses that are likely to determine whether a firm will be able to take advantage of opportunities while avoiding threats. This internal environment analysis, often referred to as organizational analysis, is concerned with identifying and developing an organization's resources and competencies. (Muhlbacher, Dahringer and Leihls 2009, 52)

Generally, the manager must be analysis internal environment of the company concerned with the market position and marketing mix of the firm as well as with the overall reputation of the company and its brands. Marketing position deals with the question, “Who are our customers?” It refers to the selection of specific areas for marketing concentration and can be expressed in terms of market, product, and geographic locations. Through market research, corporations are able to practice market segmentation with various products or services so that managers can discover what niches to seek, which new types of products to develop, and how to ensure that a company's many products do not directly compete with one another. Marketing mix refers to the particular combination of key variables under a corporation's control that can be used to affect demand and to gain competitive advantage. These variables are product, place, promotion, and price. Besides, one of the most useful concepts – product life cycle, which enables a marketing manager to examine the marketing mix of a particular products or group of products in terms of its position in its life cycle. Meantime, brand and corporate reputation is a widely held perception of a company by the general public and it can have a significant impact on the mind of the consumer if the brand or the company has a high reputation. (Wheelen and Hunger 2010, 199-200)

At the same time, financial issues analysis of the company cannot be ignored and the best sources of funds must be ascertained and controlled. All strategic issues have financial implications. Benefits in the form of returns, repayments, or products and services must be given to the sources of outside financing. All these tasks must be handled in a way that

complements and supports overall corporate strategy. A firm's capital structure can influence its strategic choices. (Wheelen and Hunger 2010, 201)

For the next step, company should evaluate various segments and decide how many and which segments it can serve best. In evaluating different markets segments, a firm must look at three factors: segments size and growth, segment structural attractiveness, and company objectives and resources. The company also needs to examine major structural factors that affect long-run segment attractiveness, among that power of buyers affect segment attractiveness. The company should enter only segments in which it can offer superior value and gain advantages over competitors. After evaluating different segments, the company must now decide which and how many segments it will target. A target market consists of a set of buyers who share common needs or characteristics that the company decides to serve, because buyer have unique needs and wants, a seller could potentially view each buyer as a separate target market. The last step is market positioning, which consists of deciding how to best serve target customers – setting the competitive positioning for the product and creating a detailed marketing plan. (Kotler and Armstrong 2007, 192-225)

3.2 Marketing Strategic Decisions

After assessing the external and internal environment of corporate, when the capabilities and resources were compared to the success factors in the most attractive markets, the manager, therefore, must be especially concerned with the market position and marketing mix of the firm as well as with the overall reputation of the company and its brands. (Wheelen and Hunger 2010, 199)

Companies that operate in one or more foreign markets must decide how much, if at all, to adapt their marketing mixes to local conditions. In the global market, consumers in different counties still have widely varied cultural backgrounds. They still differ significantly in their needs and wants, spending power, product references, and shopping patterns, because these differences are hard to change, most marketers adapt their products, prices, channels, and promotions to fit consumer desires in each country. In addition, most international

marketers suggest that companies should “think globally but act locally” – that they should seek a balance between standardization and adaptation. These marketers advocate a “glocal” strategy in which the firm standardizes certain core marketing elements and localizes others. (Kotler and Armstrong 2007, 604)

3.2.1 Competitive strategies

Competitive strategy raised the following questions: Should we compete on the basis of lower cost, or should we differentiate our products or services on some basis other than cost, such as quality or service? Should we compete head to head with our major competitors for the biggest but most sought-after but also profitable segment of the market? Michael Porter proposes two “generic” competitive strategies for outperforming other corporations in a particular industry: low cost and differentiation. Porter further proposes that a firm’s competitive advantage in an industry is determined by its competitive scope, that is, the breadth of the company’s or business unit’s target market. Simply put, a company or business unit can choose a broad target or a narrow target. When the lower-cost and differentiation strategies have a broad mass-market target, they are simply called cost leadership and differentiation. When they are focused on a narrow target, however, they are called cost focus and differentiation focus. (Porter 1998, 11-12)

Cost leadership is that a firm sets out to become the low-cost producer in its industry. The firm has a broad scope and serves many industry segments, and may even operate in related industries – the firm’s breadth is often important to its cost advantage. In a differentiation strategy, a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. Cost focus is a low-cost competitive strategy that focuses on a particular buyer group or geographic market and attempts to serve only this niche, to the exclusion of other. In using cost focus, the company or business unit seeks a cost advantage in its target segment. Differentiation focus, like cost focus, concentrates on a particular buyer group, product line segment, or geographic market.

This strategy is valued by those who believe that a company or a unit that focuses its efforts is better able to serve the special needs of a narrow strategic target more effectively than can its competition. (Porter 1998, 13-21)

3.2.2 Product development strategies

Using the product development strategy, a company can develop new products for existing markets or develop new products for new markets. A firm can obtain new products in two ways. One is through acquisition – by buying a whole company, a patent, or a license to produce someone else’s product. The other is through new-product development in the company’s own research-and-development (R&D) department R&D department will develop and test one or more physical versions of the products concept and design a prototype that will satisfy and excite consumers and that can be produced quickly and at budgeted costs, , among which innovation can be very important. (Kotler and Armstrong 2007, 274-284)

In the process of product development, building strong brand is extremely important. Successful marketing enhances the value of a brand or family of brands. Philip said that a brand is a name that is given to a particular product or service from its competitors. It basically exists to distinguish a particular product or service from its competitors. Indeed, the word brand can be viewed as a mnemonic which summarizes marketing activity, encouraging customers to “**Buy Regularly And Never Desert**” in favor of a competitor’s brand. (Kotler, Keller, Brady, Goodman and Hansen 2009, 425)

Since household appliances are not bought frequently, consumers have limited knowledge of what has been offered in the market since their last purchase. Therefore, a strong brand is an important sales argument. Nowadays, the current market competition is based on the technology and brand, how many brand products and how many brand loyalty customers you have is an important index to judging the overall competitiveness of corporation, regional and national economy. Chinese consumer had rather brand name with the hedonic meaning than brand name with the practical meaning, of course they most dislike the brand

name with word-for-word translation. In addition, Chinese consumer prefer to quality (especially the safety), company origin, social image and such information to build up brand in their mind, they like to familiar with brand through TV advertising, news, blockbuster marketing events. Therefore, we should take those elements into consideration when we decide the brand strategy, especially for Multinational Corporation. (Wang 2007, 59-66)

In the 21 century, brand become the foundations of strategy that corporation get competition strength. Chinese home appliance organizations are emphasis on brand differentiation, apply product brand strategy and organization brand strategy, and combine with the supply-chain and value-chain to form the speed advantage that rapidly face the target market and prompt response ability. 80% home appliance organizations express the strategy transition, which is change from the price war to focus on high-end new product research and promotion in order to improve operating performance and competition ability. (Ye 2007, 50)

3.2.3 Marketing mix strategies

Marketing strategy deals with producing, pricing, promoting, and distributing a product. Price is only one of the marketing mix tools that company uses to achieve its marketing objectives. Price decisions must be coordinated with product design, distribution, and promotion decisions to form a consistent and effective marketing program. Decisions made for other marketing mix variables may affect pricing decisions.

Pricing strategies usually changes as the product passes through its life cycle. The introductory stage is especially challenging. Companies bringing out a new product face the challenge of setting prices for the first time. They can choose between two broad strategies: marketing-skimming pricing and market-penetration pricing. Meantime, the strategy for setting a product's price often has to be changed when the product is part of a product mix. In this case, the firm looks for a set of prices that maximizes the profits on the total product mix. Pricing is difficult because the various products have related demand and costs and face different degrees of competition. We now take a closer look at the five product mix pricing situations summarized in product line pricing, optional-product pricing,

captive-product pricing, by-product pricing, and product bundle pricing. Otherwise, companies usually adjust their basic prices to account for various customer differences and changing situations, there are six price adjustment strategies which include discount and allowance pricing, segmented pricing, psychological pricing, promotional pricing, geographical pricing, and international pricing. (Kotler and Armstrong 2007, 330-339)

With the development of competition, marketing distribution channel become the focal point and become the hot issue of research. Channel innovation is separating market winners from market losers, not just in leading – edge technology industries, but even in all kinds of traditional markets where most of us still make a living. Marketing managers have many decisions to make when designing effective channels to serve consumers when they design the marketing channel strategies. For example, decisions must be made whether to market directly to the consumer through company-owned or franchised stores or indirectly through combinations of intermediaries such as independent retailers, wholesalers, and agents. Decisions must be made whether to use store retailing, non-store retailing, or some combination of the two. Decisions must be made about plant and warehouse locations, how products will be delivered to consumers, and who will perform what marketing functions within the channel. (Peter and Olson 2005, 506)

A company's total marketing communication mix – also called its promotion mix – consists of the specific blend of advertising, sales promotion, public relations, and personal selling that the company uses to pursue its advertising and marketing objectives. To communicate effectively, marketers need to understand how communication works. Communication involves the nine elements: two of these elements are the major parties in a communication – the sender and the receiver. Another two are the major communication tools – the message and the media. Four more are major communication functions – encoding, decoding, response, and feedback. The last element is noise in the system. For a message to be effective, the sender's encoding process must mesh with the receiver's decoding process. Thus the best messages consist of words and other symbols that are familiar to the receiver. The more the sender's field of experience overlaps with that of the receiver, the more effective the message is likely to be. Marketing communicators may not always share their

consumer's held of experience. However, to communicate effectively, the marketing communicator must understand the consumer's field of experience. (Kotler, Armstrong 2007, 427-431)

Concerned about the steps in developing an effective integrated communications and promotion program, the marketing communicator must do the following: identify the target audience, determine the communication objectives, design a message, choose the media through which to send the message, select the message source, and collect feedback. (Kotler, Armstrong 2007, 432-439)

3.3 Strategy Choice and Implementation

Strategic choice is the evaluation of alternative strategies and selection of the best alternative. Perhaps the most important criterion is the capability of the proposed strategy to deal with the specific strategic factors developed earlier, in the SWOT analysis. If the alternative does not take advantage of environmental opportunities and corporate strengths/competencies, and lead always from environmental threats and corporate weaknesses, it will probably fail. (Wheelen and Hunger 2010, 299)

Another important consideration in the selection of a strategy is the ability of each alternative to satisfy agreed – on objectives with the least resources and the fewest negative side effects. It is, therefore, important to develop a tentative implementation plan in order to address the difficulties that management is likely to face. This should be done in light of societal trends, the industry, and company's situation based on the construction of scenarios. (Wheelen and Hunger 2010, 305)

Strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan. It is the process by which objective, strategies, and policies are put into action through the development of programs, budgets, and procedures. Implementation is a key part of strategic management, although implementation is usually

considered after strategy has been formulated. To begin the implementation process, manager should consider three questions:

1) Who implements strategy?

Those people who implement strategy will probably be a much more diverse set of people than those who formulate it. Vice presidents of functional areas and directors of divisions or strategic business units (SBUs) work with their subordinates to put together large-scale implementation plans. Plant managers, project managers, and unit heads put together plans for their specific plants, departments, and units. Consequently, all organizational employees are involved in some way in the formulation and implementation of strategy and tend to result in better organizational performance.

2) What must be done?

The managers of departments and functional areas work with their fellow managers to develop programs, budgets, and procedures for the implementation of strategy. Strategy implementation includes the build-up of programs to create a series of new organizational activities, budgets to allocate funds to the new activities, and procedures to handle the day-to-day details.

3) How is strategy to be implemented?

A corporation should be organized before the plan can lead to actual performance, programs should be adequately staffed, and activities should be directed toward achieving desired objectives. Keep structure follows strategy, that is to say changes in corporate strategy led to changes in organizational structure. Successful corporations tend to follow a pattern of structural development as they grow and expand. Meantime, advanced types of organizational structures cannot be ignored. And designing jobs to implements strategy cannot be lacked. (Wheelen and Hunger 2010, 320-339)

Multinational Corporation, such an Electrolux, tend to structure themselves either along product groups or geographic areas. They may even combine both in a matrix structure – the

design chosen by 3M Corporation, Philips, and Asea Brown Boveri (ABB), among others. One side of 3M's matrix represents the company's product divisions; the other side included the company's international country and regional subsidiaries. (Wheelen and Hunger 2010, 342)

4 ELECTROLUX CHINA ENVIRONMENT ANALYSIS

In order to find current problems in marketing and then put forward new marketing strategies for Electrolux China Small Home Appliance, it is necessary to have an analysis on marketing environment and the corporation itself the marketing conditions and solutions to research problems are based on the accurate understanding of environment.

4.1 Research Methodology

Research Methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. It is necessary for the researcher to know not lonely the research methods/techniques but also the methodology. Researchers not only need to know how to develop certain indices or tests, how to calculate the mean, the mode, the median or the standard deviation or chi-square, how to apply particular research techniques, but they also need to know which of these methods or techniques, are relevant and which are not, and what would they mean and indicate and why. Researchers also need to understand the assumptions underlying various techniques and they need to know the criteria by which they can decide that certain techniques and procedures will be applicable to certain problems and others will not. All this means that it is necessary for the researcher to design his methodology for his problem as the same may differ from problem to problem. (Kothari 2008, 8)

Four managers in Electrolux China small home appliance Co., Ltd were interviewed for the thesis research, the manager of marketing department, manager of sales department, manager of human resources department and manager of financial department to get enough material and statistics to support the case part of the thesis. In addition, in order to get a comprehensive analysis about small home appliance industry and relative competitor situation of Electrolux, materials were collected from the China Market Monitor Co., Ltd (CMM), which is a market research company that focuses on home appliances industry surveys and forms a lot of professional market research reports. Those materials will help

the thesis have a deep analysis about customers, competitors, and on the increasingly changing China's market, then set the suitable marketing strategy for Electrolux (China) small home appliance Co., Ltd. Listed below are contents and timetable for the interview:

In 17.01.2011, there was a telephone interview with the Marketing Manager of Electrolux China Small Home Appliance Co., Ltd Zhou Yongxiang about the general information and development history. The following questions were asked from the marketing manager, Mr. Zhou: Could you please introduce Electrolux China and its development history? Are there some difficulties or specific characteristic when a multinational corporation faces in the Chinese market? Could you give me some advices about my thesis that concerns about what is the most suitable marketing strategy for Electrolux China Small Home Appliance Co., Ltd? After the conversation about 20 minutes, Mr. Zhou said he was going to have a meeting and he looked forward to have a face-to-face interview with me and we made the appointments.

In 10.02.2011, there was a face-to-face interview with Mr. Zhou as the appointment about marketing environment, corporation's competitiveness and target market of Electrolux China. The questions included: Is the China's macro-environment good for the development of small home appliance industry? Which kind of buyers are the most common and in which area the number of buyer has been increasing rapidly in recent years? Are there enough suppliers to support Electrolux China and which kind of influence will have about the raw materials price raising and labor cost increasing? Which kind of product will substitute current one and what is the develop trend in the future? What is the industry competition situation of small home appliance now and what are the problems about it? Does the product of Electrolux have strong competition ability and why? What is the target market of Electrolux at present?

In 11.02.2011, there was another face-to-face interview with Mr. Zhou to get know the current marketing strategies and strategies plan in the near future. The following questions were asked from him: Which kind of marketing strategies are Electrolux using now? Are those strategies useful? Is it necessary to do some changes in marketing strategies of Electrolux China with the continuous development of economy and changes in society's

need? Do you have any advice for me to design and perfect marketing strategies for Electrolux China for next several years?

In order to get know well with the main products and main competitors, there was a face-to-face interview with the Sales Manager of Electrolux China Small Home Appliance Co., Ltd Yu Xiaoyun in 10.01.2011. The questions involved: what are the main products of Electrolux China at present? How many competitors does Electrolux have and what position does Electrolux have now? What the products' strengths and weaknesses of Electrolux China have when compared with its competitors? What is the sales situation and what are the sales turnover, the sales volume in different cities, and the sales volume in different distributors?

Besides, get understand about market share of main products, price segmentation and the situation of distributors, there was another face-to-face interview with Mr. Yu in 11.03.2011. The questions included: What is the market share of Electrolux's main products? What is the price segmentation of each products and what is the price situation compare with competitors? How many types of distributors Electrolux have at present? What is the sales objective for 2011? Could you give me some advices about this thesis research?

In 11.03.2011, there was also a face-to-face interview with the Human Recourse Manager of Electrolux China Small Home Appliance Co., Ltd Pu Chenhao about general information of Electrolux China's organization and personal arrangement. The following questions were asked: could you introduce Electrolux organization in generally? As it is known the managers have changed a lot in last several years, what is your opinion and plan when you choose to be the human recourse manager in the critical time? Are there some new measures about arranging the personnel? What is your work point in 2011? Could you give me some advice about how to arrange and perfect the personnel to implement the marketing strategies in the thesis?

With the purpose of getting a deep understand about the industry analysis of small home appliance, the face-to-face interview with the director of market of China Market Monitor Co., Ltd He Huabing was arranged in 10.01.2011. The questions included: Could you

introduce the development situation of China's small home appliances? Which are outstanding and competitive small home appliance enterprises nowadays? What is the competitive situation in China's small home appliance market? Could you introduce the market share of those brands in general? Could you please give me a piece of advice about my thesis?

After those interviews, some good points were found. Firstly, the preparation is very important for the face-to-face interview. The questions were prepared for three days for each manager before the interview, because different managers had different questions and those questions would be useful for thesis. Secondly, the annual report 2009, annual report 2010 of Electrolux China, and the annual report of Electrolux Global 2009 that are provided by the Marketing Manager of Electrolux China Mr. Zhou and annual analysis report of small home appliance industry in 2010 that is provided the director manager Mr. He were useful for the thesis analysis. Thirdly, those managers have a warm and positive attitude towards the research when they got to know the situation, and there was a good conversation in each interview, as well as they all wanted to get to know the research result.

On the contrary, some short backs were existing in the interviews as well. Firstly, the researcher could not have an interview with the CEO of Electrolux China Small Home Appliance Co., Ltd Kong Zhiqiang because of his business trip. Secondly, Electrolux China to be confidential and there was no access to provide information for interviewer. Thirdly, the marketing manager refused to tell any information about Electrolux China in the first telephone interview, however Mr. Zhou understood and agreed to make appointments after some help in explaining the situation and purpose of the interview. In addition, there were a few minutes for interview in each day because of the managers' tight schedule, so that they answered some questions in a short word.

4.2 External Environment Analysis

Chinese economy has met multiple challenges in 2008 after a few years' continuously rapid growth. In 2008, under the complicated situation, Chinese government took the macro-control and took a series of policy measures in order to promote rapid economic development, actively responding the economic recession, and increasing the foreseeability, pertinence, and effectiveness of macro-control. Those measures play a crucial role in alleviating contradictions of economic operation, enhancing confidence, ensuring market expectations, and sustaining economic situation to have a steady and rapid growth.

However, China still faces unprecedented difficulties and challenges. The first is that the international financial crisis still continues to spread and is getting worse, the demand continues to shrink on international markets, the tendency of global deflationary is obvious and the revival of trade protectionism, which means the external environment become more severe and uncertainties have been on the increase. The second challenge is the continued economic downturn becomes the principal contradiction affecting the overall situation. The third is restricting our long-term development of economic system and structural contradictions still exists.

Now in China, a period of important strategic opportunities, challenges and opportunities coexists, the situation that China's economy will have a good develop trend is not change. The 2010 macro-economic data released that the GDP (Gross Domestic Product) in 2010 grew 10.3 per cent than 2009 and the increasing ratio was faster 1.1 per cent than last year. However, in the 2011, with the inflation pressures and the tightened monetary policy, China's GDP is expected to grow by 9.6 per cent, which is moderate, compared with a growth of 10.3 per cent in 2010. The inflation rate, which averaged 3.3 per cent in 2010, will pick up to 4.6 per cent in 2011, lifted by abundant liquidity and higher food and commodities prices, the ADB (Asian Development Bank) said. (Xinhua 2011)

Generally, China's political environment still keeps stable and although the economy has been influenced by the economic crisis. The rate of growth is still good. If these policies of stimulate economic growth, stabilize Consumer Price Index (CPI) and expand domestic

demand take effect, which will have positive effect on small home appliances' sales. From the social culture aspect, people will have a deep understanding about small home appliances with the frequently outside communication, which is also good for the sales of small home appliances.

4.1.1 Small home appliance industry environment

According to the analysis international market share of China's small home appliance and Revealed Comparative Advantage (RCA) of area small home appliance, find that the competitive advantage of China's small home appliance is significantly higher than that of other countries. The advantages of China's small home are low-cost and low-price, but in the long run, China's small home appliance should more care about the technology research and development and market expanding. (Tang 2007, 38-43)

According to the Porter's theory of forces driving industry competitor, main threats of small home appliance are from buyers and industry competitors; however threats from suppliers, potential entrants and substitute are small.

1) Analysis on buyers

From the point of view of buyer, bargaining power of the buyer is strong. Except some huge enterprise (Such as Haier, TCL) build up a national individual marketing network, most of home appliance enterprises need to rely on distributors. And although an enterprise has an individual sales network, it can cover just large-medium cities. Small cities and county area still need to rely on distributors. Therefore, manufacturing will be restricted by distributors. In addition, the homogeneity in home appliance industry is serious, and the fact that the same product is manufactured by various producers can result in an intensive price competition.

The market share situation of China's small home appliance will be analyzed. As the figure 4 shown, customers' quantity demand of small home appliance is lower than major home

appliance. The market share of western-style small home appliance is far lower than Chinese-style small home appliance, such as rice cooker, pressure cooker and so on. China Market Monitor Co., LTD (CMM) considers that the market potential of China's small home appliance is huge; the figure shows that the trend is on the rise. However, there are many difficulties in expanding the market, especially in the aspect of distributors. (CMM 2010)

Product	Domestic Market Size		Owning per 100 Household (Urban)	Trends of Growth
	Qty '000,000	Value CNY '000,000		
Automobile	3.5	490,000	2%	
Color TV	25.0	62,500	98%	↗
Refrigerator	14.0	25,200	80%	↔
Washing Machine	18.0	18,000	85%	↗
Air Conditioner	20.0	36,000	50%	↗
Toast	3.0	360		↗
Coffee Maker	0.5	150		↗
Oven Toast	0.6	143		↗
Mini Blender	4.0	480		↗
Blender	7.0	1,050		↗
Shaver	13.1	3,200		↗
Kettle	10.0	1,300		↗
Induction Cooker	20.0	5,000		↗
Rice Cooker	40.0	7,200	95%	↔
Vacuum Cleaner	2.6	1,050	15%	↗
Subtotal of all SDA	210.0	31,500		

Figure 4. China's home appliance market in 2010 (CMM 2010).

Then, about the consumption situation of China's small home appliance, the rate of saving in China is nearly 17000 billion yuan but the whole level of resident's consumption is low, and a large amount of funds into the real estate market and stock market. Obsoletely, the purchasing power of China's small home appliance is improving with the increase of the residents' income. However, excessive small home appliance product leads to fierce competition, and result in the price competition of small home appliance becomes more and more intense.

Small home appliance market is closely linked with population density. In general, in the densely populated areas or the areas where the income levels are high, the purchasing power is strong. For example, the high owning rate of vacuum cleaner is spread over the east area of China, which has a high-density population and people's income is high.

The last the analysis about the growth situation of China's small home appliance market capacity will be done. The following statistics is China Market Monitor Co., Ltd as vacuum cleaner for example to analyses growth situation of China's small home appliance market capacity in 2009 compared to 2008 (according to monitoring result of 306 cities and 2787 retailers). Although the sales number of vacuum cleaners is different from the whole sale number of small home appliances, vacuum cleaner as the "barometer" in small home appliance market, the sales of vacuum cleaner can comparative accurate response the changes in the small home appliance.

Figure 5 shows the statistic result of vacuum cleaner's sales numbers in different-level cities of China in the year of 2010 compare with in the year of 2009 by CMM. It can be seen that there is an increasing sales trend in in sales number in the metropolis, and the sales number hardly grew in some large cities and medium cities and below. (CMM, 2010)



Figure 5. Market growth situations in different-level cities in China in 2010 (CMM, 2010).

Figure 6 shown the statistic result of vacuum cleaner's sales number in different distributors in 2010 compared with 2009 by CMM. We also can see that whatever in the stores, appliances chains, or supermarket, there is an increasing tendency in sales number. (CMM 2010)



Figure 6. Market growth situation in different distributors in China in 2010 (CMM 2010).

2) Analysis on industry competition situation

There are 5000 small home appliance manufacturing enterprises. Changhong, Galanz, Aucma successively entered into the small home appliance market in 2006, plus some big brand such as Midea, Haier, Gree, TCL, Chigo, Skyworth and so on. In the competition of small home appliance, there are 32 domestic and foreign brands, for example, Philips, Haier, Sanyo, Panasonic, Midea, LG and so forth.

In these years, the development of small home appliance is fast, rapid rise of large and medium-sized enterprises, production scale, operating efficiency and market become more and more mature. Some people point out that the good times of small home appliance industry is company, however, some people say that China's small home appliance still have the problem that the products are uneven, homogeneity serious, low-technical and so on.

The existing problems of small home appliance include two main parts: the first problem is that the industry chain of small home appliance is imperfect, and China's small home appliance is on the basis of the development of major home appliance, but which have a big difference in product kinds, technical and so on, small home appliance industry cannot share or copy those skills totally. Another part is that most of small home appliance enterprise cannot guarantee product quality, service, and skills, even though innovation and improvement. And the critical part – after sales service did not build up the network in the short-time because of the lack of funds and human resources.

3) Analysis on suppliers

The weakening of external demand and the rising of export costs will not only influence export enterprise's profit, but also effect enterprises of the supply chain. Except the external demand decrease, the rising cost of international raw materials and the implementation of the new labor contract law, all lead to higher production costs.

At the same time, enterprises cannot get so much from the customers due to overproduction, the production costs cannot follow the rising cost of raw materials and labor, and the consequently, is the profits of enterprises go down.

Therefore, from the view of supplier, small home appliance industry faces the increased pressure of rising cost.

4) Analysis on substitutes

The substitutes of small home appliances will be more humanization, intellectualization, and informatization. Thus, the threat is whether products can satisfied with consumers increasing needs of high grade, and whether products meet with requirements of world environment protection.

However, China's consumption level is not high at the present, the speed of updating and upgrading products will not be fast. Moreover, the technical of small home appliance is not

complicated and function is relatively simple, so that the threat from substitutes is not big. (ISTIS 2009)

5) Analysis on potential entrants

China's appliance industry has been developed for 20 years, the structure of small home appliance industry has become better and the whole market is entering into a mature stage. In addition, China's home appliance continues to suffer from the price war, which entered the small profit period with intense competition, so that small enterprises dare not enter into this industry, but diversification strategy is common. (ISTIS 2009)

In the other side, due to the characteristics that doorsill of small home appliance is low, standard limitation is less, investment is less, production cycle is short, and profit is high, threat from potential entrants is bigger. However, the fact is overproduction problem in small home appliance is serious, so the threat from potential entrants is not big. (ISTIS 2009)

4.1.2 Analysis of main competitors

Philip entered into Chinese market early, and is one of the strong brands in China's small home appliance market, and Philip through social responsibility to improve affinity with publics. Rely on the leader position of shaver, it also bring along the sales of other small home appliance, such as coffee maker, toaster and son on, all of those products are western-style small home appliance. In the main 32 small home appliance enterprises, Philip owns a high popularity in China's market, build up a good brand image, and Philip is also the market leader in vacuum cleaner and other small home appliance. From the product field, the shaver accounts for 55 % of customer's housing and accommodation, kitchen supplies is 25 %, housewares is 20 %. The main competitive characterizes of Philip's products are: through multiple products to share sales and expand market share; sales are big so that they can have a positive place when they negotiate with distributors; and enter China's market is early, they have a strong brand image and reputation. (Philip 2011)

Haier Group is the fourth largest white home appliance manufacturer in the world, China's valuable brand. Haier have more than 240 legal entities, which already build up design center, manufacturing base and trading companies in more than 30 countries, the total global workforce more than 50,000, they focus on developing the technology, industry, trading, and financial, Haier already became the multinational corporation that global sales exceed 1000 billion. In 2006, the market share of Haier in China's home appliance reached 25.5 % and keeps the first market share. After get success in major home appliance, Haier enter into the small home appliance market, telecommunication market and other market, among which Haier continue to get the champion depend on 16 % market share, which is the biggest home appliance brand in China, and the after sales service system has won the praise of customers. (Haier 2011)

Panasonic is original equipment manufacturer (OEM), and which vacuum cleaner has a strong price advantage. Panasonic has exported products and components into China from 1978, and offered production technology of color television and refrigerator. In the 1987, Panasonic set up a joint venture company in China (Beijing), after that Panasonic build up joint venture companies in other field. Until 2004, joint venture company reach 61 and production get good reputation. (Panasonic 2011)

LG's main market is in the north of China. LG group is the third biggest enterprise in Korea, and which business network express more than 180 countries and areas, the totally workforce exceed 10 million. In the 1990s, LG enter into China's market and decide China will be the biggest overseas production base, they produce microwave oven, washing machine, television, refrigerator, air-condition, vacuum cleaner as well as D-ROM, DVD, display and some digital electronic goods. Nowadays, the workforce in China is more than 12000 and sales turnover is about 20 billion dollar. (LG 2011)

From the Figure 7 we can see that the comparison between Electrolux, Haier, and Philips, and the advantage of Electrolux is not obvious in many aspects such as brand awareness, brand reputation, distribution and so on, although Electrolux have strengths in aspects of promoter, product design, and product range.

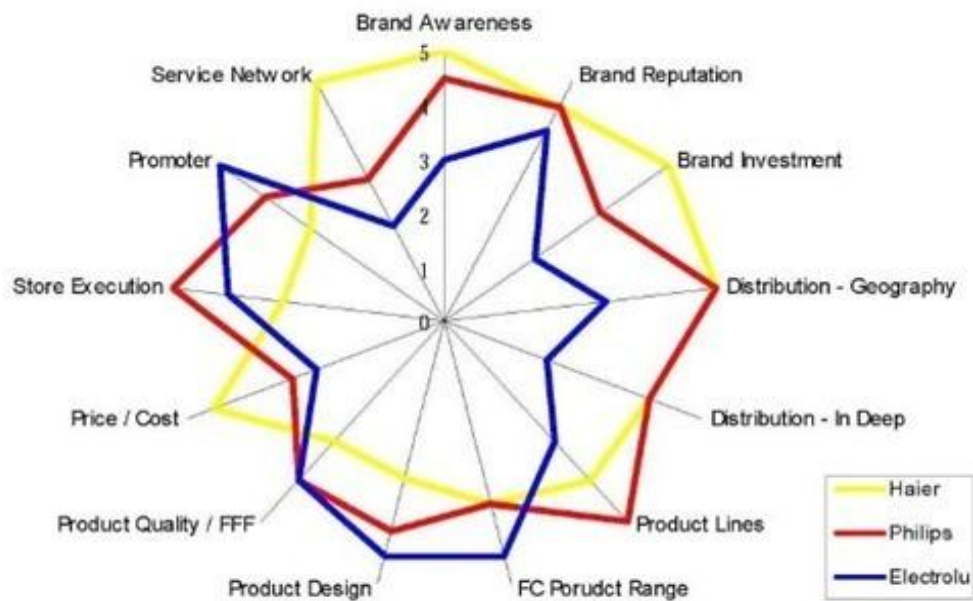


Figure 7. Comparison diagram of Electrolux main competitors (Electrolux Annual Report Statistics 2010).

4.2 Internal Environment Analysis

Analysis the external environment for Electrolux is not enough, and we also need to analysis internal recourses and capability, finally comprehensive analysis the external and internal environment situation to positing the target market correctly. Specific target market positioning match with company's competitive capability, and of course, the analysis of Electrolux competitive capability is equal to the analysis of the company marketing status.

4.2.1 Market competitive capability

The market competitive capability of Electrolux can be divided into market share, sales and financial situation of sales productions.

1) Situation of market share

The Figure 8 and Figure 9 show that there are no significant gaps in the retail volume between those brands except Philips and Haier, the sales volume of Philips and Haier was over than 2 billion units in 2009 compare with the sales volume of Electrolux was around 0.6 billion units. For Electrolux, the competition of retail sales is strong and the sales volume is not enough to cover the market result in improve its brand image.

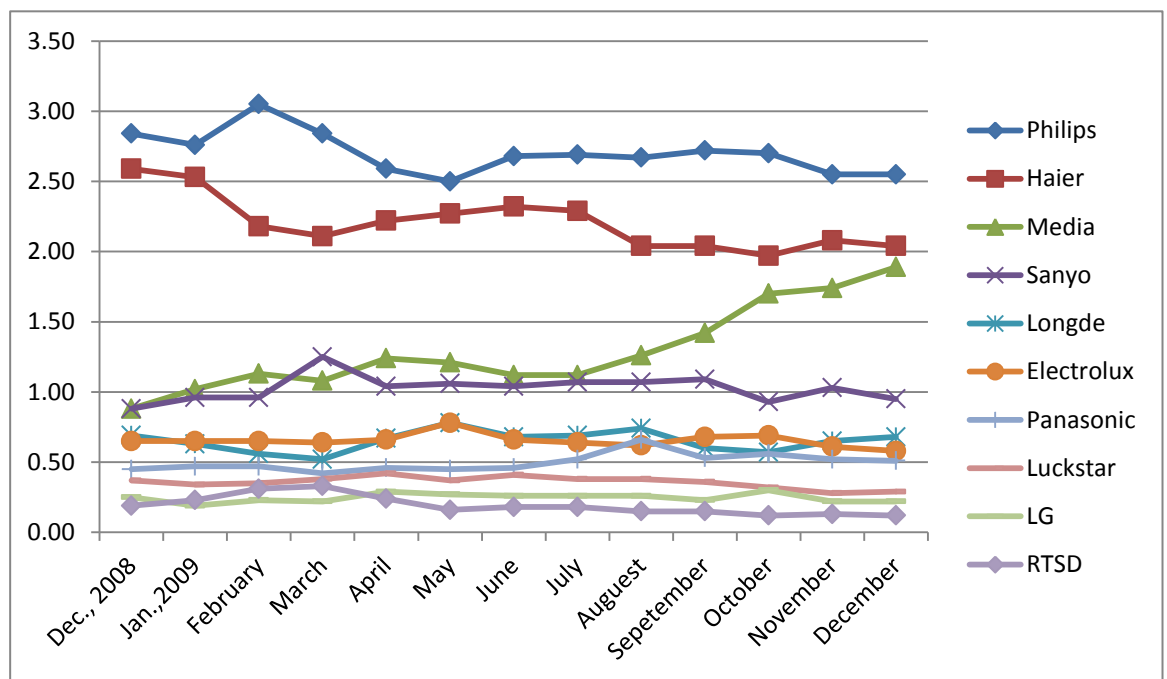


Figure 8. Sales volume trend diagram of main brands in China in 2009 (CMM, 2010).

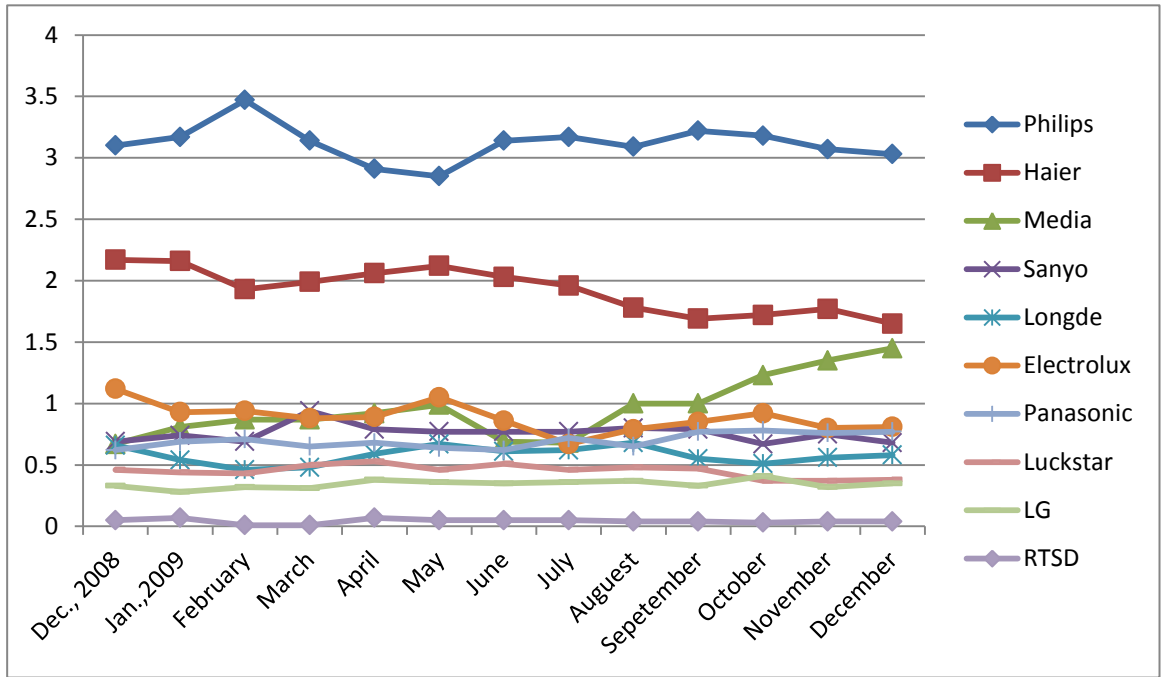


Figure 9. Retail share trend diagram of main brands in China in 2009 (CMM, 2010).

2) Situation of sales prices

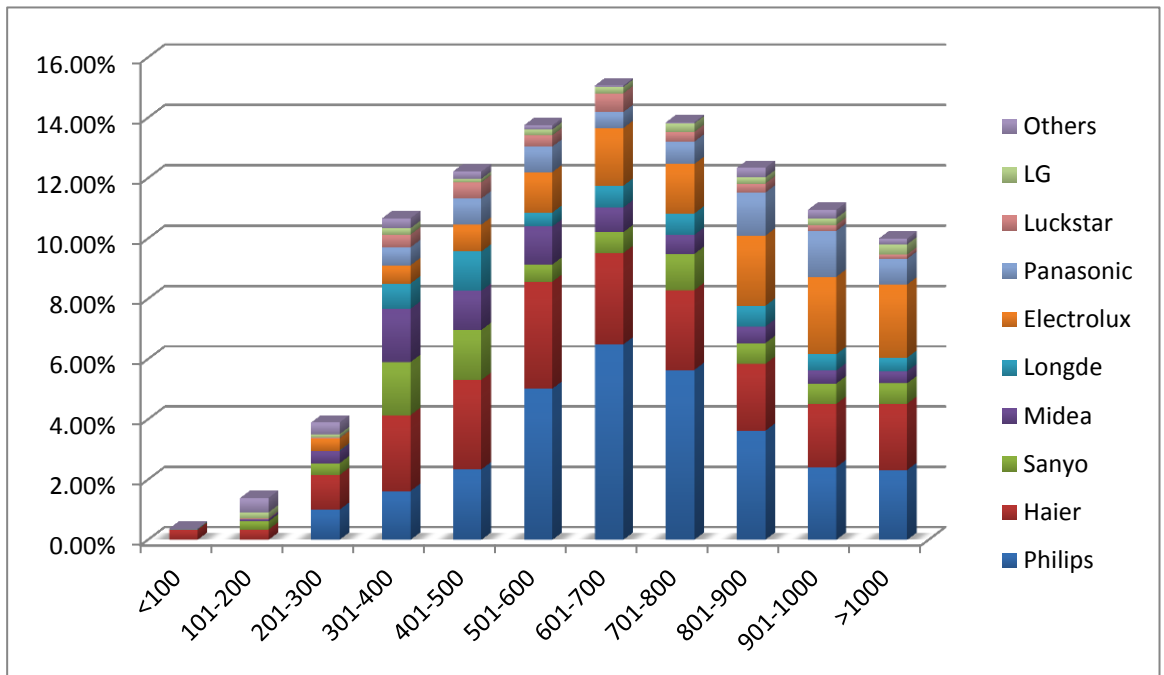


Figure 10. Players in different price segments in China (Electrolux annual report, 2010).

The figure 10 displays that the price of small home appliance is mainly distributed between 300 and 600 yuan, the average retail price is around 500 yuan. Haier cover any price stage, and product tent to low-price strategy. There is a big fluctuating about Philip's price, and the average retail price is about 600 yuan. Sanyo's products focus on low-end so that the price is lower, and the average retail price is about 350 yuan. Panasonic and Electrolux are belonging to high-end brand, and price is concentrated on 600 to 800 yuan.

3) Competitive situation of company's main products

Figure 11 shows that Electrolux have strengths in coffee maker and toast, but still have gap when comparing with Philips.

Position		Brand	@Price	Market Share		Price Index %
Value	Qty	Brand		Volume	Value	
1	1	Philips	277	40.9%	27.5%	67
2	4	Electrolux	748	8.4%	15.2%	181
3	2	Braun	429	13.3%	13.8%	104
4	8	Delongi	2,469	2.2%	12.9%	597
5	3	ACA	254	10.7%	6.6%	61
6	9	WIK	1,405	1.6%	5.5%	340
7	22	Jura	17,573	0.1%	5.8%	4250
8	5	Tefal	227	7.3%	4.0%	55

Position		Brand	@Price	Market Share		Price Index %
value	Qty	English		Volume	Value	
1	1	Philips	226	28.14%	37.04%	132
2	2	TalF	192	17.33%	19.36%	112
3	3	ACA	117	14.80%	10.08%	68
4	4	Electrolux	226	4.85%	6.37%	131
5	6	Sanyo	157	5.08%	4.63%	91
6	5	Weihome	122	10.35%	7.32%	71
7	7	Longde	141	4.47%	3.65%	82
8	8	Sunpentown	113	3.88%	2.55%	66

Figure 11. Coffee maker and toaster competitive situation in China (Electrolux annual report, 2009).

4) Financial situation

The Figure 12 present the return on investment capital (ROI) and the rate of return on capital becomes higher and higher.

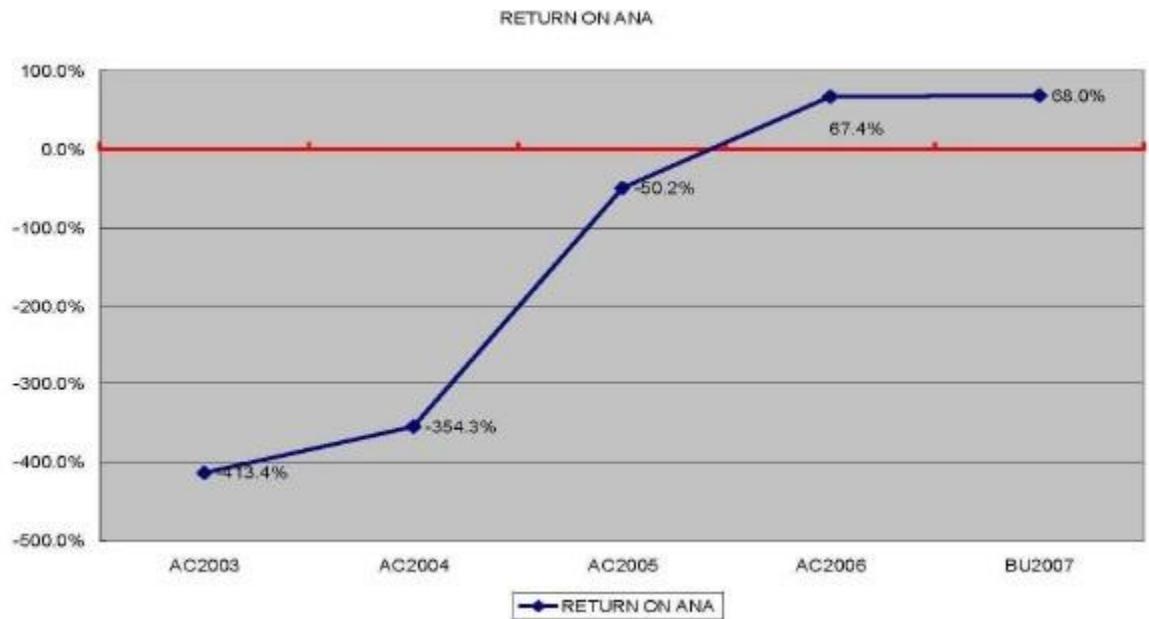


Figure 12. ROI of Electrolux from 2003 to 2007 (Electrolux Financial Department).

4.2.2 SWOT analysis

Multinational Corporation is increasing and many experts point out that there are more opportunities for multinational corporations than threats and more strengths than weaknesses at present time.

1) Opportunities

With the increasing development of China's economy, and the growing purchasing power, the demand of small home appliance will be rise. China as the world factory, cheap labor and rich market recourses will provide a good fundamental for small home appliances' production.

Some factors such as the price of raw materials is going up, appreciation of the RMB, and increasing labor cost lead to export cost of small home appliance is increasing, but the rate of gross profit of small home appliance still have 30 percentage - 40 percentage, which is far surpass the gross profit of major home appliance. For some appliance chain stores such as Suning and Gome, small homes gradually become the new sources of profit.

2) Threats

Precipitous rise of housing prices and stock market bubble will decrease consumer's purchasing power is one of the threats. Nature disasters will influence the development of economic and the consumption ability and the consumers' awareness about small home appliance is not enough. The appliance industry competition is fierce because each brand wants to take the biggest market share and due to the characteristics that doorsill of small home appliance is low, standard limitation is less, investment is less, production cycle is short, and profit is high, threat from potential entrants is big. Some major home appliance brand enters into small home appliance market, which makes the competition become more and more fierce.

In China's market, "guanxi" is very important when you do the business, so that the relationship between manufacturers and distributors is one of the threats; credit card is not wide spread in some medium or small cities, which is not good for the consumption.

3) Strengths

In the competition of medium and high end production, Electrolux has a good brand image and reputation. As one of the biggest appliance manufactory, the development and research technology is powerful. The production line is covering all kinds of small home appliance, which have a strong competition capacity.

After several years' development, Electrolux has built up an outstanding sales group and the experience of sales person is rich; the team work spirit is strong; and good at communication with distributor, retailer and customers.

4) Weaknesses

The market share of Electrolux is not big enough, which leads to lose of the initiative when negating with distributors in some times; there is not a significant competition strength when comparing with competitors, and the production is similar with some competitors; as well as the operating fee is higher than competitors.

According to marketing external environment analysis, internal environment analysis, competitors' analysis, and SWOT analysis of Electrolux, and combining with company's mission, the next step is to decide the target market.

The target market of Electrolux China small home appliance Co., Ltd includes four kinds of area: areas with high population density; areas where the income level is high; areas of high - degree opening; and areas where western-style consumption patterns earlier have been accepted. In the customer segmentation, Electrolux needs to focus on the high-income earners, people with high education, and the people who are willing to accept western-style's life.

In order to adapt the target market, the main sales tasks of company are to seek profit in the high-end market, and company should concentrate on the profit but sales turnover. The next target of company is realize the rapid growth of net sales, the annual sales will increase 25 percentage and profit before tax will greater than 5 percentage.

5 ELECTROLUX CHINA MARKETING STRATEGIES

After deciding the target market, it is time to design the suitable marketing strategies for Electrolux China. The development direction of Electrolux is high-end market, so that the brand strategy is become the core. Other strategies like product strategy, price strategy, and communication strategy is developed around the brand strategy. As a global home appliance enterprise, Electrolux should build up a high-end brand image. The CEO of Electrolux Kong Zhiqiang said that, “Managers change a lot in those years bring negative impact for Electrolux China, which lead to some mistakes in strategies decided. If you want to be successful in any market, the critical thing is steadiness. Now, we find the market direction of high-end, preparing it in product, distributors, market and so on and continuous work in this direction.”

In order to keep the steady position of high-end market, Electrolux should focus on the brand and adjust product and price to maintain the brand image in the customer’s mind. And how to find the best distribution channel and distributors to let more customers to know about the products of Electrolux is the important problem that needs to consider. In addition, environmental issue are becoming more and more important, it is necessary to make a positive contribution to sustainable development both through operations and products.

5.1 Brand strategy

The CEO of Haier pointed out that branding can make money; branding is the language that the customers can understand in the world. In this situation, the brand plays a more and more important role between corporations becomes the brand competition. It can be said that brand’s strengths or weaknesses determine the corporation will be success or failure.

After analyzing the former situation of brand strategy, I found some problems. Firstly, adopt high-price strategy blindly. Multinational corporations have more than hundred histories; they have high technology skills and strong innovation ability. Such as Electrolux are on the forefront of technology and Electrolux is one of the pioneer in high technology products.

Multinational corporations always like to set a high price because in one side high price gives a high profit and in the other side multinational corporations want to maintain the high position of their brand through high price. On the contrary, the consumption ability of Chinese customers is limited and they are more concerned about the practicability of small home appliance. From the figure 13, we can see that the high-price product that higher than 1000 yuan account 44.8 percentage of sales turnover.

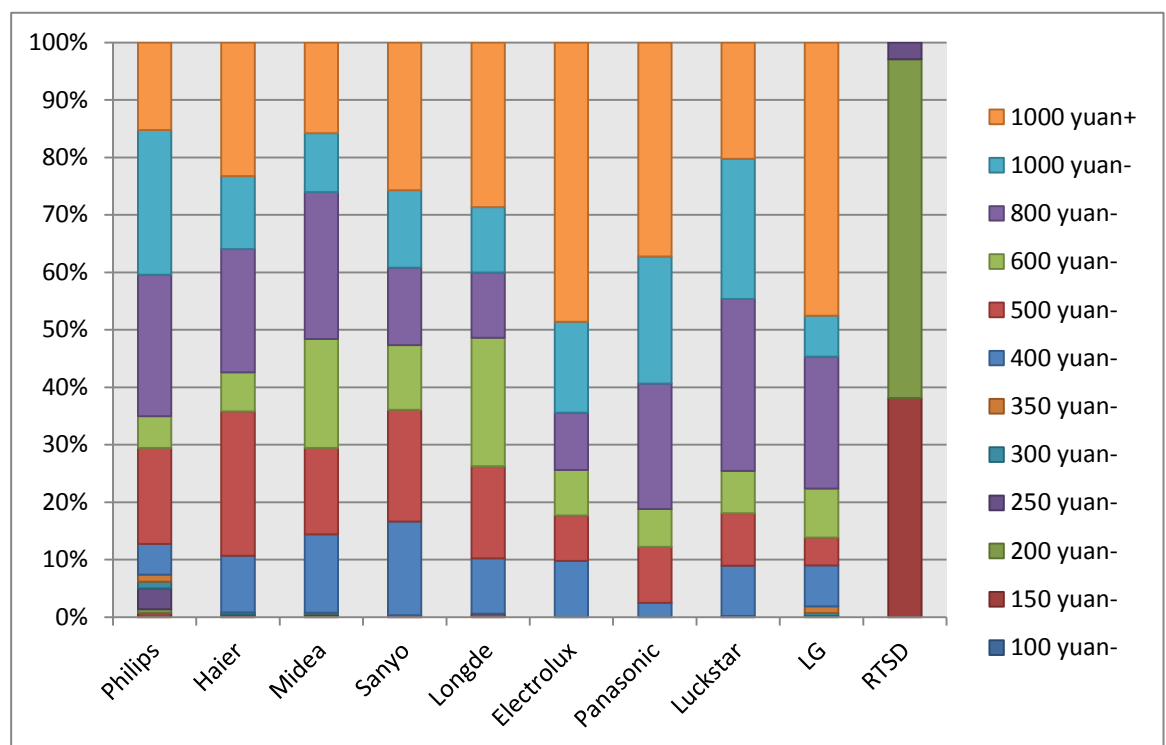


Figure 13. Retail price segmentation of main brands in China in 2009 (Electrolux annual report 2010).

Secondly, the product-value is not equal to the price-value. Electrolux have strength in product research and development and product innovation, so that it especially focuses on the high-end product, they want to maintain the brand image through the high price of high-end products. In addition, they are afraid that low-end product will damage the brand image in customer's mind.

For most of Chinese customers, the performance requirement of small home appliance is not very high, and some high-end product just suits for a few customers in some times. Customers really need “high quality and good price products”, but high-end products.

Because Electrolux is a famous brand in the world, it is not necessary to follow the steps to build the brand. Aim at those problems, brand strategy of Electrolux can be optimally as follows designed:

1) Adjusting the relationship between the brand and the price

Electrolux have a long history and long history will improve brand value in some case, but Electrolux should recognize clearly that high-price is not equal to high value. If the product cannot be sold at a high price, that is to say the customer does not recognize the brand value. In fact, the brand add-value can account only from 7 percentages to 10 percentage of the total price.

Most of the small home appliances belong to mass consumer goods and mass consumer goods are not like fashionable products that adapt high price strategy to bring high return. Many multinational corporations always like to adapt high price strategy when they enter into China’s market in the first time, but they have to adjust the price after a period. That is to say, market decides the price but the corporation itself.

For example, the sales manager of Electrolux China said that they have a kind of product which is sales very good. However, the sales decreasing rapidly after improve the price, even though the outside of new product is beautiful than before. Therefore, adjust the relationship between brand and price is essential.

2) Set suitable price for brand

Increase in sales will improve the awareness of brand; good quality and proper after sales service will turn the awareness to reputation, and high reputation will add value into brand. High brand value will improve customers’ loyalty, and customers’ loyalty raising will bring the increase in sales. All end up in a kind of virtuous circle. However, it will not attract the

awareness of customers if there is no sale, even though the quality is high. If the sale is lower, brand cannot get awareness from customers, or result in brand reputation and the image cannot be improved.

Aim at the China's market situation, based on the high quality and set a reasonable price is the most effective way to improve the sales. In the small home appliance industry, the product price of top-ranking brand is 1.6 to 1.8 times higher than general brand's price. It cannot reflect the correct brand value if the price is higher than 2 times, otherwise customers will choose to buy another brand.

3) Decide reasonable price and proportion according to different grade product

That is not to say that if Electrolux cannot set a high price on their product, they can decide different price according to different product. Electrolux have high-end technology to design professional product that is differ with other brand, set a high price to get more profit is not a bad choice. However, high price also means fewer consumers. If the low-end products account for a big part of sales, the brand will be a low-end brand in the end. Therefore, deciding reasonable price and proportion according to different grade product is crucial.

In general, the proportion of low-end, medium-end, and high-end is 25 percentage, 35 percentage, and 40 percentage. The price of a high-end product is about 600-800 yuan, a medium-end product is 400-600 yuan, and a low-end product is 280-400 yuan.

In order to speed up the updating of products, we can divide product into three series: Premium, Essential, and Entry. Premium series is to show the high technology of the company; Essential series' objective is getting more profits of the company; Entry series' purpose is to expand the market of the company. Different series have different functions and the terminal target is to increase sales and improve brand image.

5.2 Distribution channel strategy

The business model of Electrolux China is “both sides outside”, that is to say one side that products rely on European research and development center, the way of produce production is OEM (original equipment manufacturer) or ODM (original design manufacturer) and the other side the sales of Electrolux rely on all kinds of agent and do not contact with the customer directly. The main responsibility of sales department is contact with distributors and train sellers. Therefore, distribution channel strategy become the one of the most important part in corporation’s strategies, and how to choose the best distribution channels and distributors is the essential problem that Electrolux should take into account.

In 2009, Gome have 410 chains in China and achieved 39 billion yuan sales turnover. Suning have 281 chains and reached 35 billion yuan sales turnover. Yolo have 207 chains and the sales turnover is 16.8 billion. In this situation, Electrolux cannot have a perfect sales result if they do not cooperate with those home appliance sales chains.

The sales manager of Electrolux China said the core strategic at present is collecting resources and improve the sales efficiency in some major cities. Cooperate with Gome and Suning is one of the steps that Electrolux apply the high-end marketing strategy. After consolidate distribution channel and complete the high-end product line, cooperate with Gome and Suning will increase the promotion and expand speed to achieve a win-win of brand and distribution channels.

Now, Electrolux have account 15 percentage distribution channel in China’s market, the main distributor is department store, but there are few occupation ratio in supermarket. So that there are some problems about the distribution channel of Electrolux China:

First, dispersive distribution channel and the occupation ratio are small. From the Figure 14, and Figure 15, we will know that Electrolux have the highest share of department store in this three distribution channel; Philips have the biggest share whatever in which distribution channels. Not like Philips, the distribution channel density is low at present, which lead to that customers are difficult to get in touch with Electrolux’s product. However, if Electrolux

want to have more than 30% sales in every kind of distribution channel, the cost will increase with it. Data display that the brand overlay network in the top three are Philip, Haier, and Media, but Electrolux is in the fifth. (CMM, 2010)

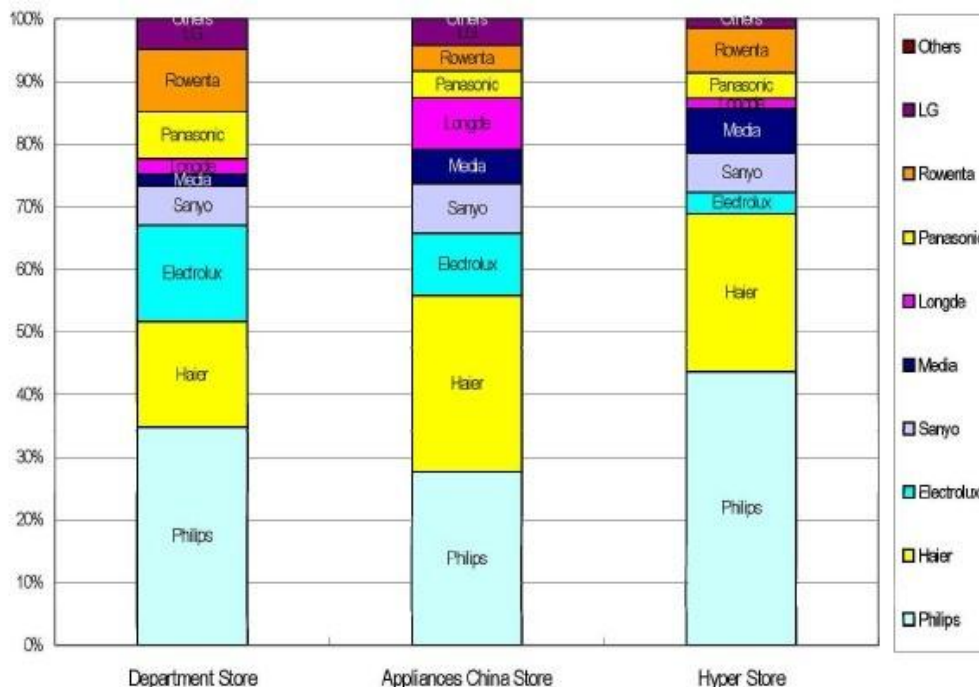


Figure 14. Market share by type of channels in China in 2009 (CMM 2010).

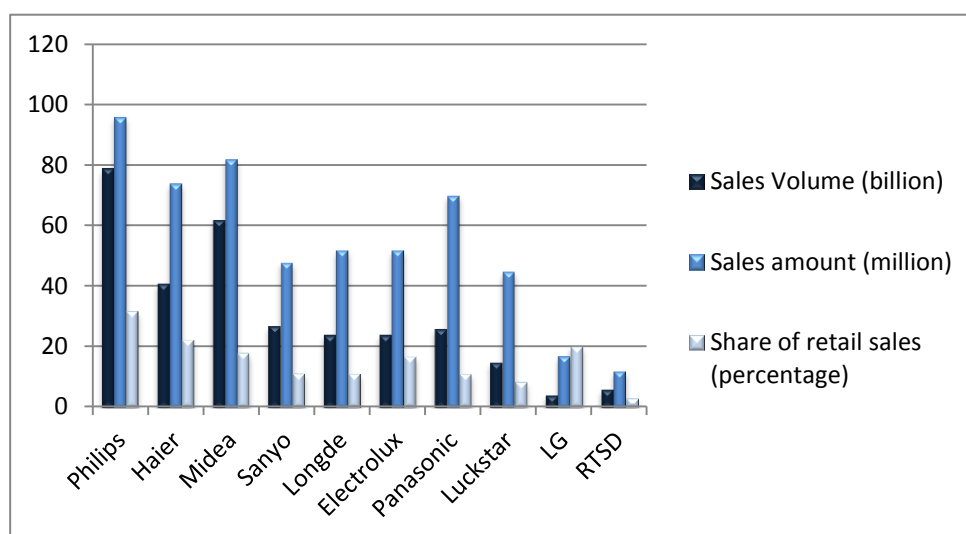


Figure 15. Overlay network of main brands in China in 2009 (CMM 2010).

Second, Electrolux face the huge profit squeeze by distributors. Figure 16 and Figure 17 is the value chain of Electrolux drawn by the statistics given by Electrolux Company. The upstream is the manufactory and the downstream are retailers, the middle are Electrolux and distributors. The length of each part is strand for the share in the value chain. The whole process display that Electrolux did not have a big share of value chain, the value-add was carved up by distributors. The main facts that Electrolux have a small share of value chain are: low market density (logistic); complex relationship in each cities; higher cost to serve, bad trade term, and long payment; promote cost increasing. Electrolux provide variable cost rebate to avoid fix cost on serve cost like promoter, entrance fee and so on.

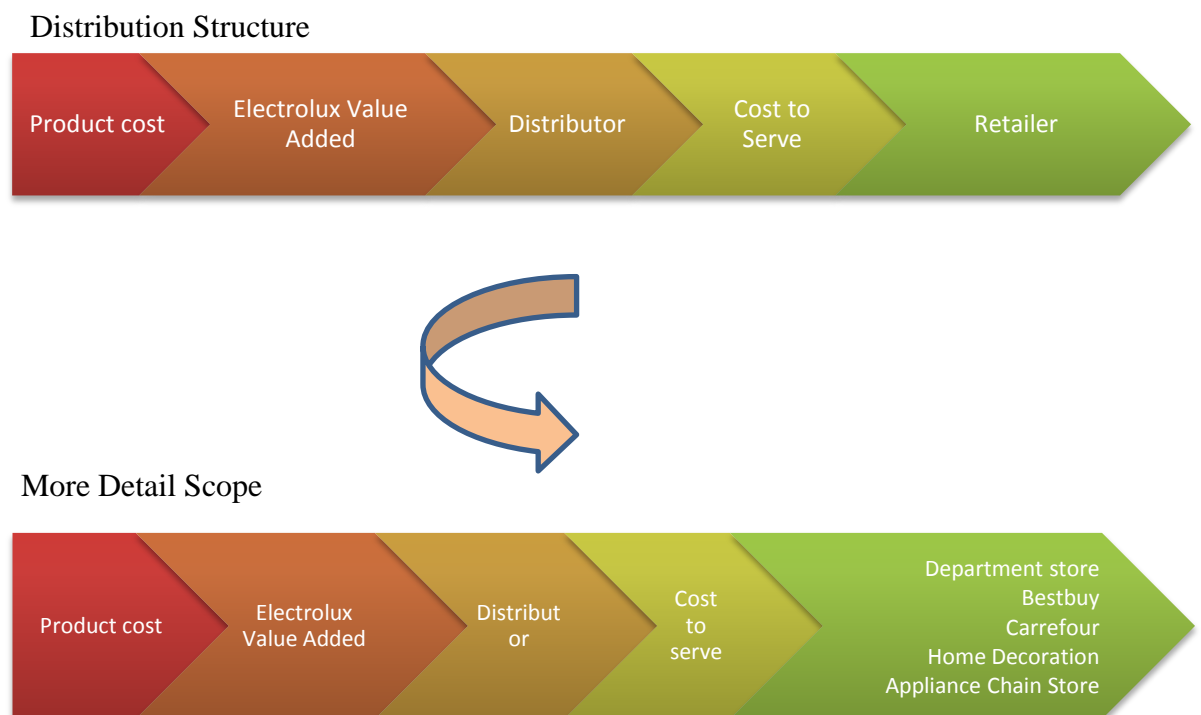


Figure 16. Value chain of Electrolux (Electrolux annual report 2010).

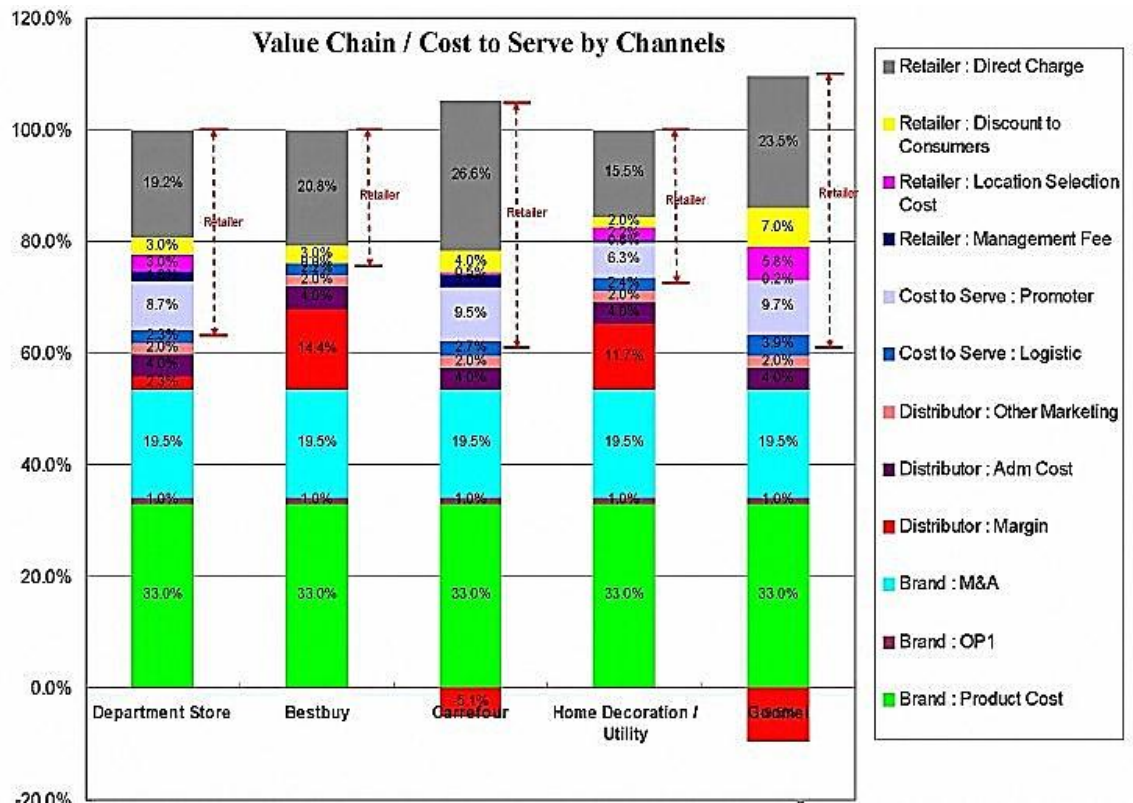


Figure 17. Value chain/cost to serve by distribution channels (Electrolux annual report 2010).

In order to deal with those problems, Electrolux should have new strategies in distribution channel to reduce cost, decrease risks and improve sales efficiency.

1) Hold characteristics of each distribution channel

Different distribution channel have different characteristics:

Home appliance chains: account 50 percentage shares of the whole distribution channel. The cost is similar with department store, which is include gallery fee, brand fee, staff fee and 25 percentage guarantee fee to insure the lowest sales.

Department stores: account 25 percentage shares of the whole distribution channel. There is a comfortable purchasing environment and consumer's loyalty is high. The main cost includes gallery fee, brand fee, staff fee and 12 percentages - 20 percentage guarantee fee.

Supermarket: account 10 percentage shares of the whole distribution channel. The purchasing environment is bad; too many brands are easy to bring the price war. The sales mode is display, which is not good for personal selling.

Other distribution channels: account 15 percentage shares of the whole distribution channel. Such as individual home appliance sales store, television sales, internet sales and so on.

Electrolux should have professional operation manager to negotiate with different distributors, and the operation manager should not better change a lot which is not good at communicate with those distributors. The most suitable distributors for Electrolux are department store and home appliance chain store, and company should improve the promotion ability of staffs and increase the teamwork ability.

2) Grasp the key-point of marketing distribution channel

How to improve the profit ratio is the main point when Electrolux choose distribution channel strategy. Corporate should focus on the profit increase but expand stores number, even though cooperate with one home appliance chains and they should choose some main chains but take all of their chains into consideration. Increase the overall sales will maker Electrolux stay a good position, so that company should rapid the speed of product updating and improve the quality of sales person.

Expand other distribution channel positively is another key-point. The easiest way is enter inter into all of the distribution channel, especially the home appliance chains, such as Gome and Suning but in the same time the sales cost will go up.

Reduce dependence on distributors and decrease sales risk is very important. In 2005, Electrolux have a big dependence on appliance chains, which account 55 percentages of overall sales. This situation made Electrolux stay a negative position when they negotiate with distributors. In the 2010, the sales share of appliance chains has decrease to 35 percentage, but non retailing (such as some big individual business) raise from 8 percentages to 32.4 percentages. In the future, company should open some new marketing distribution channel, for example, TV shopping, internet MLM and so on.

5.3 Product development strategy

Every big enterprise knows how important the product updating is, product development is decide how long the company's life have, if the company do not innovate their product, you will be eliminated by your competitors. Innovative products, a strong brand and cost efficiency underpin the companies' business strategy.

With the environment degradation, sustainability enters into people's mind. Not only more and more corporations focus on the sustainability but also increasing customers take it into consideration when they are choosing home appliances. For the company, sustainability can be broadened to include economic and social as well as environmental concerns. It is sometimes impossible to address the sustainability of the natural environment without considering the social and economic aspects of relevant communities are their activities.

For the Electrolux, the development of every new generation of small home appliance will be more energy-efficient than its predecessor. To raise the profile of the leading-edge products, the approach should be to launch a green range within each business sector, group-wide. These products are energy and water lean and feature climate-smart functions.

With the use phase representing more than 70 percentage of the total environmental impact of major appliances, Electrolux should priority lies foremost with innovating products. Putting lean, safe and low-impact products on the market starts at primary development. Through the Product Management Flow, Electrolux have a process in place to ensure that energy efficiency, component standardization, recyclability are all among the core criteria applied to innovating new products and upgrading existing ones.

And in the future, the trend of product innovation is low carbon (LC) product, and which is also the trend of small home appliance products.

5.4 Marketing Strategy Implementation

After deciding the main marketing strategies, the next step is how to implement those strategies, and how to guarantee those strategies implementation well.

We can look at the current situation of Electrolux China: the market of China's small home appliance is keeping an increasing trend so that the risk from the market is small; as a multinational corporate, Electrolux have rich global recourses that will support its development, and the head office will give a lot of help in product innovation and marketing research. Besides, the head office increasing gives Electrolux China financial support, so risks from technology, financial are small.

Therefore, the biggest risk of marketing strategy implementation is from internal personnel change. There is a significant relationship between marketing and human recourses, if the managers change a lot or the quality of manager and staff cannot follow the steps of market competition, the company will face a big risk and the marketing strategy cannot be implemented well. Besides, the communication between managers and staffs is essential. As a multinational corporation, employees' ideas are diverse and have a big influence in sales performance. So that, establishing a good corporation culture to coordinate the relationship between manager and employees is important.

In order to strengthen the sales power, see the figure 18, Electrolux should divide sales department into 4 areas (East China, Central China, North China, South China) according to different regions. Besides, build up a business development department to expand new market for Electrolux. The purpose is concentrating its human recourse to increase the sales turnover. In addition, we cannot ignore the staff training to improve the quality of seller and raise the efficiency of company's sales.

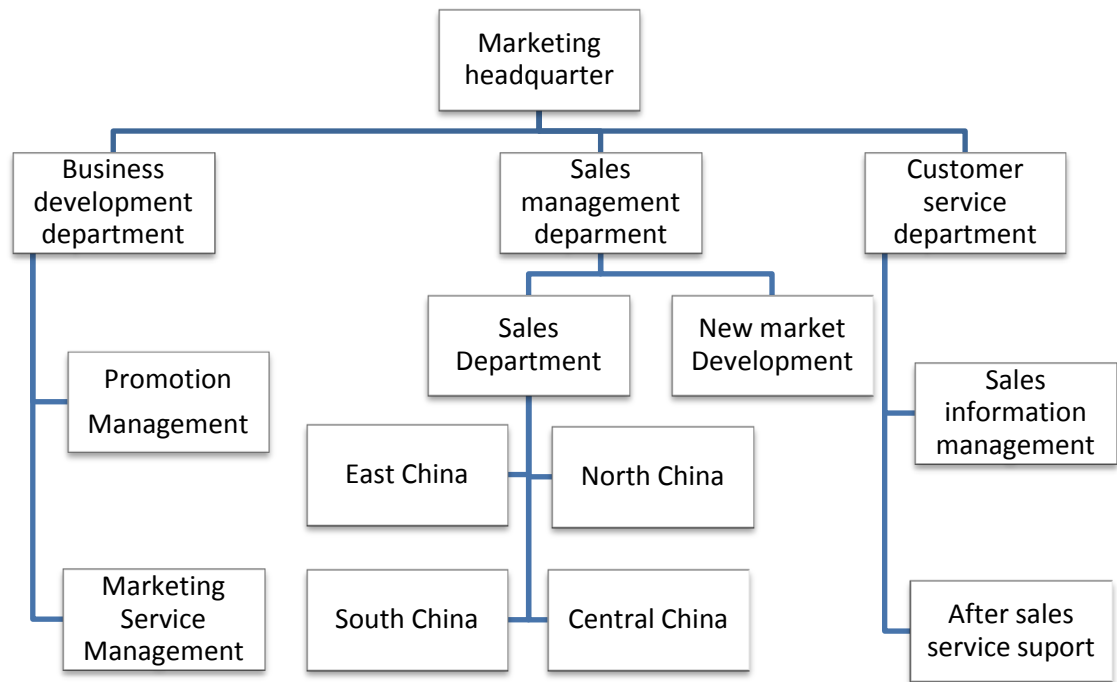


Figure 18. Marketing organization structure.

It is necessary to build up the incentive system in order to promote the marketing strategies implementation and make sure that employee will achieve their tasks. The purpose that combines the incentive system with their salary is good for the sales target setting, sales control and management, and guarantees the performance assessment to go smoothly.

Sales target and incentive polices will be: according to the sales performance of last year, set the sales target of this year. The target should be divide into main task (+25 per cent) and challenge task (50 per cent). Require all of the sales regions must keep or higher than the key performance indicator (KPI), otherwise bonus halved or lose the opportunities to get bonus. We can divide manager into four categories, the director, regional managers, regional operation managers, and regional supervisors.

At the same time, we should assess the performance of sales person. Assess the sales performance of each day, each month, each season and each year, according to their sales performance give different bonus to encourage their work.

6 CONCLUSIONS

Multinational Corporation face unprecedented challenge in China's market, Electrolux China small home Co., Ltd as one of the multinational corporation met a few twists as well. This thesis based on the analysis of Electrolux's marketing environment, main competitors and internal recourses and combine with relative marketing theory to deal with three main problems that Electrolux China small home appliance Co., Ltd faced in the new competition environment, and put forward corresponding marketing strategies and implementation plans.

As a long history enterprise, Electrolux has a high brand image in international market. However, they are hesitating whether choose the high-end market or low-end market for a long time after Electrolux enter into China's market, so that Electrolux did not build up a good brand image in China's market result in the sales performance was affected. Electrolux have strength in product research and development, brand image, financial, and those strengths decide that Electrolux should focus on the high-end market and expand market share through world-class product. The target market should concentrate on the coastal areas of China, the target customers should be white-collared workers or middle class workers who have high incomes, high education and who are easy to accept western life.

Therefore, Electrolux must rely on the strength of world brand to rebuild the brand image in China's market, especially deal with the relationship between brand and price, the relationship between brand and product series. To achieve the price matches the brand, the brand matches the product, in the brand strategy, Electrolux cannot consider that high price is stand for the high brand value, and complete product series can satisfied with the demand of customers. Electrolux should build up brand image through product's high value.

Electrolux as the corporate that "two sides are outside", which has a strong dependence on the distributors. So that, company should focus on some main distributors but expand the number of distributors in order to improve the efficiency and profit. At the same time, get rid of the control of home appliance chains, Electrolux should apply some diverse distribution channel, such as TV shopping, internet MLM and so on. Finally, to guarantee

the implement of new marketing strategies, company should adjust in the organization structure, and formulate corresponding intensive rules to motivate employee to work and keep the efficiency of work.

To sum up, this thesis aims to perfect the marketing strategies of Electrolux China small home appliance, which based on the theoretic and practical research about marketing strategies, and then hope the case study can give some suggestion about marketing strategies (brand, distribution channel) for Multinational Corporation, and then help them confront the competition better in China's market.

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