



Universitetet  
i Stavanger

FACULTY OF SCIENCE AND TECHNOLOGY

## MASTER'S THESIS

Study programme/specialisation:  Technology and Operation Management	Spring / Autumn semester, 2017  Open/Confidential
Author: Wang Xuecheng	..... (signature of author)
Programme coordinator: Tonje Irene Hansen  Supervisor(s): Prof. Jayantha Prasanna Liyanage	
Title of master's thesis:  Study on Development Strategies of a Small and Medium-sized Enterprise in Dynamic Environment	
Credits: 30	
Keywords:  SMEs, development strategies, development	Number of pages: 57  + supplemental material/other:  Stavanger, 25/03/2018 date/year

# **Study on Development Strategies of a Small and Medium-sized Enterprise in Dynamic Environment**

## **Abstract**

The role of SMEs in promoting economic prosperity and solving employment has become increasingly evident. In the large-scale trade of industrial products, SMEs can also play their unique role and form a new impetus for economic development. SMEs are highly permeable, flexible and innovative, and can meet social demands from a more nuanced perspective. SME development is also a very valuable research topic. This paper is based on a small and medium-sized industrial enterprise, through the study of its development, sort out strategies suitable for SMEs. It provides theoretical guidance and practical reference of the development strategies for innovative SMEs, and promotes the sound development of SMEs. However, the survival and development of SMEs must first solve the marketing problem. Without purchase order, everything cannot be discussed. SMEs must avoid weaknesses and create innovative business models. Through market-based strategies, they can do market segmentation, market selection, and market positioning. Combine with product strategies, price strategies, channel strategies, and promotion strategies, they can survive in the gap between large companies; and to meet the special demands of customers and achieve sustainable development.

In this paper, Company A is selected as a research case. As a small and medium-sized industrial trading company, company A is different from an industrial product manufacturing company. It faces greater pressure for survival in the fierce market competition but also has a wide range of opportunities for development. My work further clarifies Company A's market positioning and strategy selection, hoping by analyzing Company A's target-oriented markets and target market strategies to demonstrate Company A's 4P combination strategies including quality, service, brand and new product of Product strategy; going-rate, perceived value, market penetration, price mantissa, special customer, quantity discount and cash discount of Pricing strategy; conventional channels, website, social platform, local cooperation, channel member and international marketing of Place strategy; personnel promotion, network promotion, public relations and advertising of Promotion strategy.

In order to guarantee the implementation of the development strategies of Company A, supporting measures are proposed by my work in terms of resource advantages, organizational structure, information management, financing channels, team building, and corporate culture. It also points out that SMEs face great opportunities for development. SME's development strategies should focus on customer value, continue to innovate, and make a good integration between products and markets.

This paper comprehensively uses the literature research method and case analysis method to review relevant theories and discourses such as marketing development, SMEs, industrial product marketing, customer value, customer relationship, economic data and so on. Through the theory and practice, the detailed analysis of the external environment and the

internal environment of Company A was carried out. The SWOT analysis was performed on Company A, and the market status and existing problems of Company A were clarified. The measures from Company A include improving business models, deepening customer trust, increasing customer loyalty, meeting customer demands, and expanding market share, has provided reference for the sound development of small and medium-sized industrial products trading companies.

**Key words:** SMEs, development strategies, development

## Content

<b>Study on Development Strategies of a Small and Medium-sized Enterprise in Dynamic Environment</b> .....	1
<b>Abstract</b> .....	1
<b>1. Introduction</b> .....	5
<b>1.1 Background and significance of the subject</b> .....	5
<b>1.2 Research thought and method</b> .....	6
1.2.1 Research thought .....	6
1.2.2 Research method.....	7
<b>1.3 Main content and structure</b> .....	7
1.3.1 Research content .....	7
<b>1.4 Innovation points of the thesis</b> .....	8
1.3.2 Research structure.....	9
<b>2. Definition of relevant concepts and theoretical overview</b> .....	10
<b>2.1 Definition of relevant concepts</b> .....	10
2.1.1 Marketing concept .....	10
2.1.2 Concept of industrial product market .....	10
2.1.3 STP theory .....	10
2.1.4 SWOT analysis model.....	12
2.1.5 Five force model theory .....	13
2.1.6 4P combination theory.....	13
<b>2.2 Overview of relevant theory researches</b> .....	14
2.2.1 Research on the industrial products marketing development .....	15
2.2.2 Research on market positioning of SMEs.....	15
2.2.3 Research on customer value.....	16
2.2.4 Research on SMEs marketing.....	16
<b>3. Analysis on external and internal environments of Company A</b> .....	17
<b>3.1 Introduction of Company A</b> .....	17
<b>3.2 Analysis on external environments of Company A</b> .....	18
3.2.1 Political and legal environment .....	18
3.2.2 Economic environment.....	18
3.2.3 Social and cultural environment.....	19
3.2.4 Science and technology environment .....	20
<b>3.3 Analysis on internal environments of Company A</b> .....	20
3.3.1 Analysis on Company A's ability .....	20
3.3.2 Supplier.....	22
3.3.3 Customer.....	22
3.3.4 Competitors .....	22
<b>3.4 Analysis on Company A's SWOT</b> .....	23
3.4.1 Strengths .....	23
3.4.2 Weakness .....	23
3.4.3 Opportunity .....	24
3.4.4 Threats .....	24
<b>4. Company A's development strategies</b> .....	25
<b>4.1 Market segmentation of Company A</b> .....	25
4.1.1 Segmentation based on industry.....	25
4.1.2 Segmentation based on customer type .....	28
4.1.3 Segmentation based on geographical location.....	29
4.1.4 Segmentation based on customer demand.....	29
<b>4.2 Target market selection of Company A</b> .....	31
4.2.1 Market segment evaluation of Company A .....	31
4.2.2 Analysis on Five Forces Model of Company A.....	33
4.2.3 Selection strategy of Company A's target market.....	35
<b>4.3 Market positioning of Company A</b> .....	37
<b>4.4 Marketing combination strategy of Company A</b> .....	38
4.4.1 Product strategy of Company A .....	38
4.4.2 Price strategy of Company A .....	40
4.4.3 Place strategy of Company A .....	43
4.4.4 Promotion strategy of Company A .....	43

<b>5. Measures for Company A’s strategy implementation</b> .....	46
<b>5.1 Exploit the founder’s resource strengths</b> .....	47
<b>5.2 Optimize corporate organizational structure</b> .....	47
<b>5.3 Complete the corporate information management</b> .....	48
<b>5.3.1 Integration and reserve of products and suppliers</b> .....	48
<b>5.3.2 Customer data integration and reserve</b> .....	48
<b>5.4 Multi-channels’ solution to financing problems</b> .....	48
<b>5.4.1 Make good use of financing platform</b> .....	48
<b>5.4.2 Introduce project investors</b> .....	49
<b>5.5 Strengthen team construction</b> .....	49
<b>5.5.1 Recruitment</b> .....	50
<b>5.5.2 Salary system</b> .....	51
<b>5.5.3 Training</b> .....	51
<b>5.5.4 Career development plan</b> .....	51
<b>5.5.5 Build up staff-oriented development idea</b> .....	51
<b>5.6 Form the corporate culture trusted by customers</b> .....	52
<b>5.6.1 Operation idea of Company A</b> .....	52
<b>5.6.2 Company A’s service awareness</b> .....	52
<b>5.6.3 Enterprise spirit of Company A</b> .....	52
<b>5.6.4 Marketing tenet of Company A</b> .....	53
<b>6 Main conclusions and research prospects</b> .....	53
<b>6.1 The main research conclusions of the paper</b> .....	53
<b>6.1.1 Company A is confronted with great development opportunities</b> .....	53
<b>6.1.2 Company A shall conduct dynamic integration of development and market</b> .....	54
<b>6.1.3 The SMEs shall conduct customer value-oriented strategy</b> .....	54
<b>6.1.4 The SMEs shall conduct continuous innovation</b> .....	54
<b>6.2 Research limitations and prospects</b> .....	55
<b>6.2.1 Limitations of the study</b> .....	55
<b>6.2.2 Research prospects</b> .....	55
<b>References</b> .....	56

# 1. Introduction

## 1.1 Background and significance of the subject

After the global financial crisis broke out in 2008, the economy in China has passed through larger fluctuations. Some industries have excess production capacity with weak foreign trade, fiercer domestic competition and increased economic downward pressure, which desiderate to seek new economic growth points, establish new business mode and strengthen the economic growth impetus. On the other hand, enterprises shall implement the proactive internationalization to “go out” or bring in or be subject to the passive internationalization in the course of enterprise internationalization in China. Even though the domestic enterprises encounter the promotion or competition of the imported products, so the enterprise internationalization is the only way which must be passed.

During the implementation of “going out”, many domestic enterprises need the professional export-oriented enterprises to provide the international marketing services due to the lack of personnel, information insufficiency, channel constraints, risk prevention and control and other factors. In the traditional pillar industries such as metallurgy, mining, chemical engineering, electricity and petroleum, most high-end electromechanical equipment and parts are imported products. Some enterprises can’t timely purchase the real products at reasonable price for personnel quality, channel and other factors, which need the professional industrial goods trading companies to provide the supply chain service. Meanwhile, many enterprises often encounter special requirements in the product implementation process with odd orders, required high quality and tight time. The large-scale enterprises generally have complex processes with the supply cycle hard to be shortened; as a result, they fail to meet such customer requirements. In addition, there are numerous brand product import and agency companies, good and bad mixed together, with vicious competition sometimes even. Such imported product agency companies shall improve the business mode and service content; otherwise, they will be confronted with survival problems next step. Although the government actively promotes the mass entrepreneurship and innovation, the entrepreneurial small and medium-sized enterprises (SMEs) shall constantly make innovations for huge survival pressure. Limited to the startup capital and risk prevention, the SMEs are applicable to asset-light operation pattern generally to explore the innovative development road by making best use of the strengths and bypassing the weaknesses. After years of development of China’s market economy, huge economic and social benefits have been obtained. However, there are lots of problems exposed at present under the business environment and operation pattern which remain to be settled; the prominent problems include corporate environmental governance and enterprise credit management.

This paper takes Company A, an industrial goods trading enterprise, as an example to reflect how SMEs cope with the concurrent excess production capacity and demand, integrate with internationalization tide, innovatively exert their own strengths, conduct credit management and risk prevention, participate in and promote the development of sunrise industries under the current economic operation status by analyzing their development strategies.

This paper intends to analyze the problems which reflect in the actual implementation and the reason for such problems and discuss the adjustment and optimization of the future development strategies based on the analysis and exploration of Company A’s development

strategies. From the practical perspective, this paper aims at providing a basis for the development planning of both domestic and overseas businesses by managing Company A's marketing patterns; And indirectly reflecting the difficulties and opportunities which exist in the development of SMEs in China, in order to promote their development of innovative and entrepreneurial activities and provide the new source and force for China's economic development.

The SMEs are important constituent part of China's economic structure. They are of small scale, but in large number and involve wide industries, playing an important role in meeting national demands, promoting employment and developing economy. Germany, as one of the most developed countries in the world, owns the globally leading processing technology and strong manufacturing foundation as well as a large amount of world famous enterprises and brand products; at the same time, it is also an economic power with the SMEs as backbone. Therefore, the development of small and medium-sized can provide strong supplement to the development of whole national economy, adjusting and promoting the favorable development of China's economy and even bringing about new growth points to the economic development.

This paper is designed to analyze Company A's development strategies to make detailed arrangement for such existing strategies, find out the shortcomings and insufficiencies in terms of product, price, channel and promotion, dig up business mode for such small and medium-sized industrial goods trading enterprises based on domestic and overseas political, economic, social and technical environment, explore more suitable development strategies for Company A, and enhance the combination of production and sales, technical support, after-sales service, information integration, publicity and promotion, financial integration and credit management, making it a reliable supplier in the industry aiming at high-quality customer's high-end and special demands. Through the case study of Company A, this paper will provide reference for innovative SMEs in China to formulate development strategies, promote their sustainable development and the healthy development of China's economy under the new normal.

## **1.2 Research thought and method**

### **1.2.1 Research thought**

This paper starts from the overview of mass entrepreneurship and innovation in China at present and discusses the popular trend of small and medium-sized entrepreneurial enterprises in China. With the improvement and adjustment of industrial and commercial registration system in China, as well as the support and encouragement of the central and local governments on innovation and entrepreneurship, the quantity of entrepreneurial enterprises increases sharply in China, however, the development quality of such entrepreneurial SMEs make people worried. In particular, how SMEs survive in a gap, seek opportunities under pressure, improve business mode and obtain long-term sustainable development with the global economic downturn under the new normal of China's economy are quite stern problems which remains to be settled. Company A, as an innovative industrial goods trading company, has accumulated its own experience and lessons in the course of formulation and implementation of development strategies under the conditions of excess production capacity in traditional industries, fierce competition in brand agency, enterprise operation credit loss and inadequate security against emerging industries. This case starts from the formulation and implementation of Company A's development

strategies, introduces its foundation background, market positioning, problems and insufficiencies exposed in the selection and execution of product, price, channel and promotion strategies, inadequate security in the strategy implementation on target market, as well as the inspirations from the execution of Company A's development strategies. With the research layer upon layer, it gradually analyzes the SMEs' selection and execution of development strategies under the new normal of China's economy and analysis the countermeasures based on this company's actual situation against the series of existing problems in talent shortage, financing difficulty, channel integration and risk prevention during the execution. Only by means of constant innovation, continuous improvement, unceasing perfection and enhancement of their own strengths can the SMEs firmly occupy a place in the domestic and overseas economic space.

## **1.2.2 Research method**

This paper mainly intends to adopt the following two methods:

Literature research method: Collection, comparison, analysis and research on the existing books, periodicals, newspaper, documents, thesis and marketing-related literature.

Case analysis method: This paper, based on the Company A's strategy analysis, makes an in-depth and meticulous analysis of the company's internal and external environment, as well as its development status and shortages with the theoretical tools such as PEST and SWOT, explores its development opportunities and challenges and provides specific guidance on the selection and implementation of development strategies at the current development stage. Specifically, the following methods and means are adopted: Firstly, investigate the relevant development strategies management practice of Company A and widely collect its environment information and dynamic market information in order to obtain reliable research results. Secondly, put forward the development strategies more suitable for enterprise implementation in combination of enterprise's actual situation upon the in-depth understanding of the relevant domestic and overseas literature and research results, closely link the marketing plan to the enterprise practice and reflect the innovative development road of innovative SMEs with the characteristics of times, providing practical reference for the SMEs' development.

## **1.3 Main content and structure**

### **1.3.1 Research content**

This paper intends to elaborate the following contents:

Chapter I: Introduction. It mainly introduces this paper's research background, research significance and research process, reviews and analyzes the research results of domestic and overseas scholars and research institutions on SMEs in the industrial development field. It also raises research methods, research contents and innovation points.

Chapter II: Definition of relevant concepts and theoretical overview. It defines the relevant concepts of SMEs and refers to relevant domestic and overseas discussions.



Chapter III: Analysis of Company A's environment. It defines the opportunities and challenges confronted by the company, further defines its strengths and Weaknesses and finds out the obstacles and problems which exist in the development by means of analysis of Company A's external and internal environment with SWOT analysis.

Chapter IV: Company A's development strategies. It elaborates Company A's target market strategies and both the planning and implementation of 4P combination strategies including quality, service, brand and new product of Product strategy; going-rate, perceived value, market penetration, price mantissa, special customer, quantity discount and cash discount of Pricing strategy; conventional channels, website, social platform, local cooperation, channel member and international marketing of Place strategy; personnel promotion, network promotion, public relations and advertising of Promotion strategy.

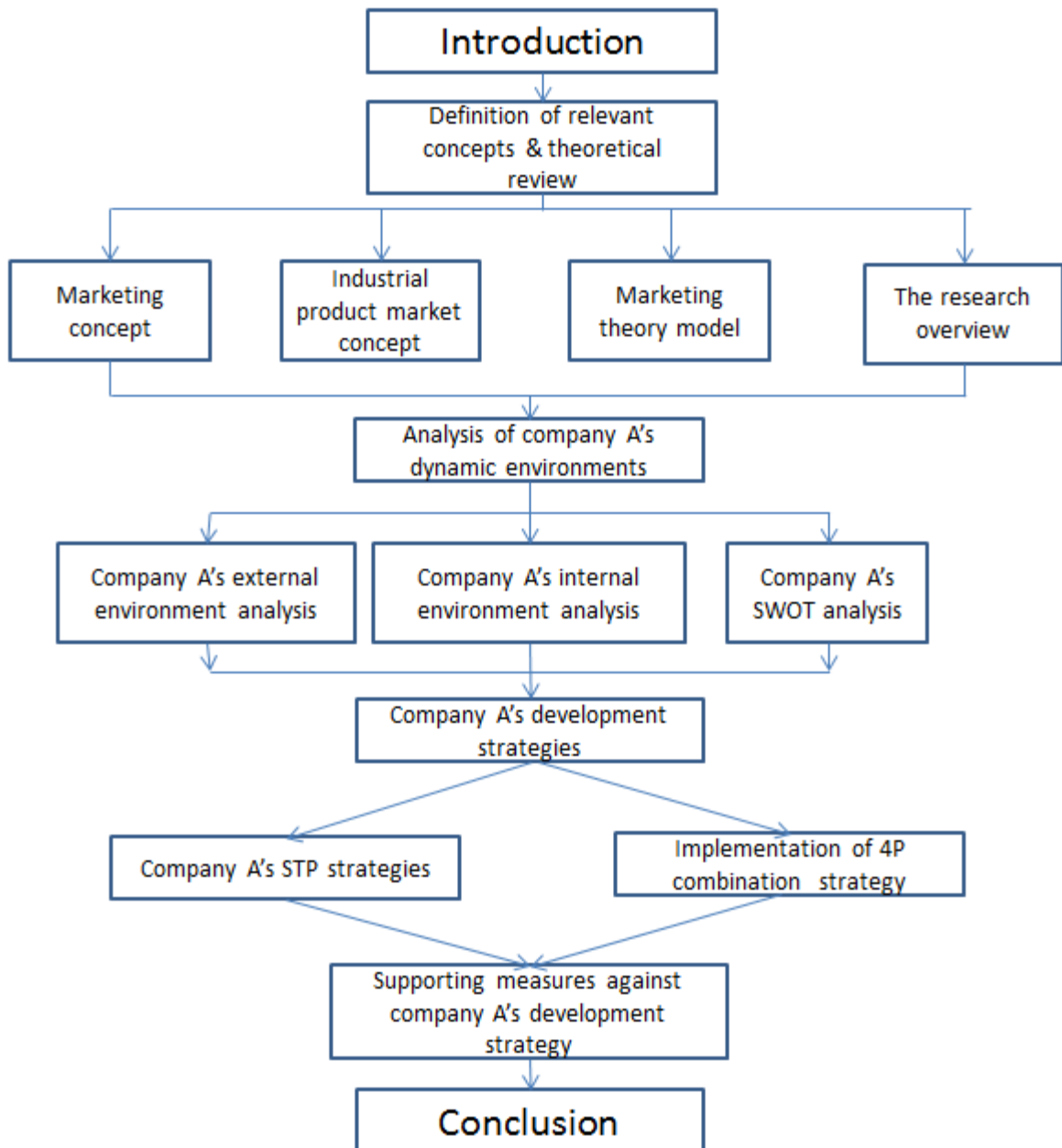
Chapter V: Supporting measures against Company A's development strategies. By contrast with Company A's improved development strategies, it respectively discusses the supporting measures against development strategies in terms of resource guarantee, information management, financing channel, organizational structure, team construction and corporate culture to ensure the effective implementation of development strategies.

Chapter VI: Conclusion. The discussion of this paper provides appropriate development strategies for Company A to develop into an innovative industrial goods trading company characterized by professionalization, integration and asset-light of industrial influence in market segment under the informatization and networking conditions, indicates that such SMEs like Company A are confronted with great development opportunities and required to complete the organic combination of product and market with customer value oriented and continuous innovation, indirectly reflects the innovation road for the current small SMEs in China and lays a foundation for further discussing SMEs' innovative strategies. At the same time, it also puts forward the shortcomings of this paper and future research suggestion.

## **1.4 Innovation points of the thesis**

Company A, a small and medium-sized industrial goods trading company, is different from industrial goods manufacturers. It is confronted with larger survival pressure in fierce market competition and has numerous development opportunities at the same time. This paper further defines Company A's market positioning and strategy selection based on its target market segmentation, selection and positioning researches in combination of its development strategies in terms of product, market, price and promotion, hopes to show its product capability, service capability, price strength, value idea and corporate culture by analyzing Company A's appropriate development strategies implemented on target market, innovatively improves the business mode, deepens customer confidence, increases customer viscosity, meets customer demands and enlarges market shares, providing reference for the favorable development of small and medium-sized industrial goods trading companies.

### 1.3.2 Research structure



## **2. Definition of relevant concepts and theoretical overview**

### **2.1 Definition of relevant concepts**

#### **2.1.1 Marketing concept**

Marketing is to recognize and meet the demands of both the human and society. The simplest definition of marketing is “to satisfy others and obtain profits”. Marketing can transform both the social demand and individual demand into business opportunities. American Marketing Association has defined the marketing that the marketing activities are to create, spread, deliver and exchange the market supplies valuable to customers, clients, partners and the society. Meanwhile, we can also define marketing from both perspectives of society and management. From the social perspective, marketing is a social process, in which the individuals and collectives unite with others to obtain their necessities by creating, providing, freely exchanging valuable products and services; From the management perspective, marketing management, a combination of art and management, needs to select target market, obtains, retains and develops customers by creating, delivering and spreading high-quality customer values [1].

#### **2.1.2 Concept of industrial product market**

According to the definition of “marketing”, the market can be divided into two classes based on the customer types, which are consumer market satisfying individual consumption and industrial product market satisfying organizational demands. The industrial product market is the market composed of enterprises providing basic industrial products or services for the production and operation of enterprises or other organization buyers. The economic aggregate of industrial product market is equivalent to that of consumer goods market [2].

#### **2.1.3 STP theory**

STP theory is also known as target marketing. The so-called STP is the whole set of development method and system which conducts marketing research against the specific whole market, formulate and implement development strategies by use of market segmentation, target market selection and market positioning, and carries out marketing activities for target consumers at enterprise level via specific market segment.

The market segmentation was firstly proposed in *Product Differentiation and Market Division in Development strategies* published by the famous American marketing researcher, Wendell R. Smith in 1956. The market segmentation is the process of forming several submarkets, fragment markets or branch markets by discriminating, distinguishing

and classifying consumer groups with different demands on the same product based on certain standard after the market investigation. It is also a process of dividing the whole market into different submarkets to determine the target market by enterprises based on consumer's demand characteristics. The market segmentation plays an extremely important role in enterprises' marketing activities, helps the enterprises better dig up market opportunities, concentrate resources to put into specific target market so as to obtain local competitive strength, and formulate and adjust the development strategies. The principles of market segmentation are distinguishability, measurability, accessibility and profitability. The standard of market segmentation includes two aspects: The standard of market segmentation for consumer markets includes geographic variable, demographic variable, psychological variable and behavior variable; the standard of market segmentation for industrial market include final user, user scale and user location. [3]

Generally, the procedure for market segmentation includes the following links:

- 1) Determine the market scope
- 2) List the consumer demands within the scope of determined market
- 3) Scree the viable of market segmentation
- 4) Divide the market segment
- 5) Measure the market scale and potential of each market segment
- 6) Analyze the profitability of each market segment
- 7) Predict the competition situation and variation trend of each market segment in the future

The so-called target market is the specific consumer group to be served by enterprises which is selected and determined by enterprises based on market segmentation and their own marketing strengths and resource conditions, namely, the enterprises shall enter and occupy some or several market segment(s). Then implement their development strategies based on the characteristics of target markets, which is the selection of target market. The patterns of target market coverage include product-market concentration pattern, selective specialization pattern, product specialization pattern, market specialization pattern and complete market coverage pattern. [4]

The concept of "market positioning" was firstly proposed in 1972. Market positioning, also known as product positioning or competitive positioning, is the generic terms of various activities, in which the enterprises design their own unique products, images and activities with the characteristics of operation and determine a distinctive and valuable position among target consumers for the purpose of seeking the best market position. In short, market positioning is to shape a product's unique location in corresponding market segment. The patterns of market positioning include competitive market positioning, differential market positioning and supplemental market positioning. The methods for market positioning include competitive positioning, product type positioning, user positioning and quality & price positioning. [5] [6]

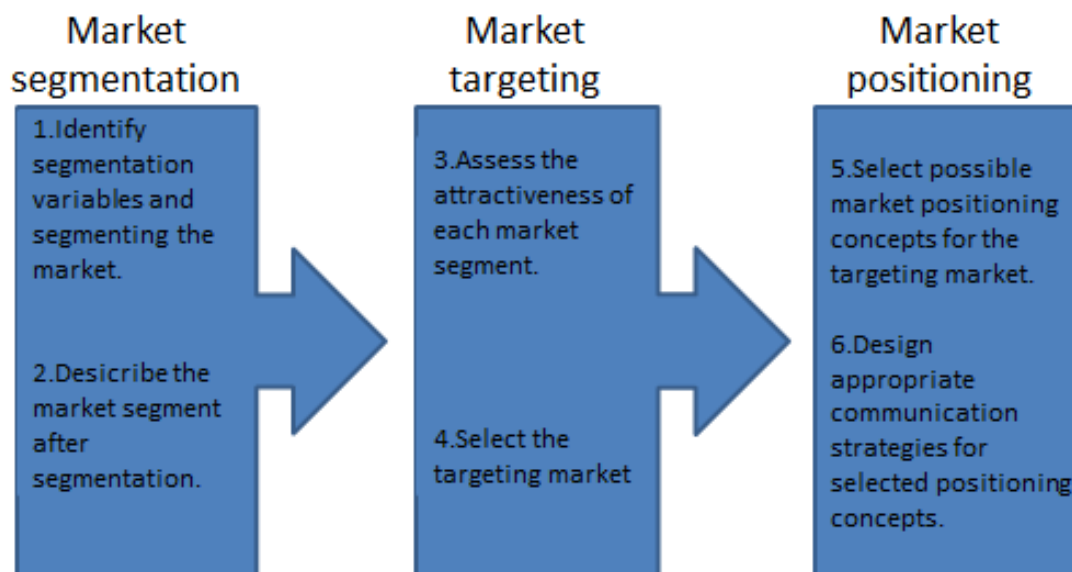


Figure 2-1 Basic framework of STP strategy

### 2.1.4 SWOT analysis model

SWOT analysis method (also known as Strengths Weakness Opportunity Threats) was proposed by the management professor, H·Weihrich in University of San Francisco, America in 1980s, which is often used in corporate strategy formulation and competitor analysis. SWOT analysis method is to combine the strengths, weaknesses, opportunities and threats formed in the internal and external environment for analysis to seek methods for formulating business strategy suitable for this organization's actual situation. [7]

#### (1) Strengths

Strengths are a company's specific ability, which is developed based on the resources and capabilities available to the company. The strengths will make an enterprise on a good wicket in the competition.

#### (2) Weakness

Weakness is restraints or defects of an enterprise relative to competitors in terms of resources and capabilities, which will damage the company's competitive position.

#### (3) Opportunity

Opportunity is the situations beneficial to enterprises. The opportunity comes from the phenomena beneficial to the changes in enterprise's competitive environment, technical reform and improvement in the relationships with customers or suppliers in the environment development tendency.

#### (4) Threats

Threats are external factors adverse to enterprise development, and main factors hampering the enterprise's current or future market position. The entry of competitors, slowdown of market growth, enhancement of bargaining ability of main clients or suppliers, technical reform and revision of laws and regulations will all pose threats to enterprise success.

Based on the SWOT analysis, four different strategies can be achieved, as shown in the table below:

	Strength	Weakness
Opportunity	SO Strategy: take advantage, use opportunity.	WO Strategy: Seize opportunity, reduce or avoid disadvantage.
Threats	ST Strategy: use advantage, avoid threats.	WT Strategy: overcome disadvantage, avoid threats.

Table 2-1 SWOT analysis model and strategy [8]

### 2.1.5 Five force model theory

The Porter Five Force model was introduced by Michael Porter in the early 1980s. It believes there are five forces in the industry that determine the scale and degree of competition. These five forces collectively affect the attractiveness of the industry. The Five Forces Model is a corporate market competition strategy analysis tool that is different from the macro environment analysis (PEST analysis) and the micro environment analysis (SWOT analysis). The core connotation of the Five Forces model is: The key to an enterprise obtaining a competitive advantage in the market is the profitability of the industry in which the company is located and the relative competitive position of the enterprise in the industry. The primary task for enterprises to participate in market competition is to analyze the five factors that affect the profitability of industry enterprises. These five factors are the bargaining power of the seller, the bargaining power of the buyer, the barriers to entry, the threat of substitutes, and the competition among existing competitors. [9]

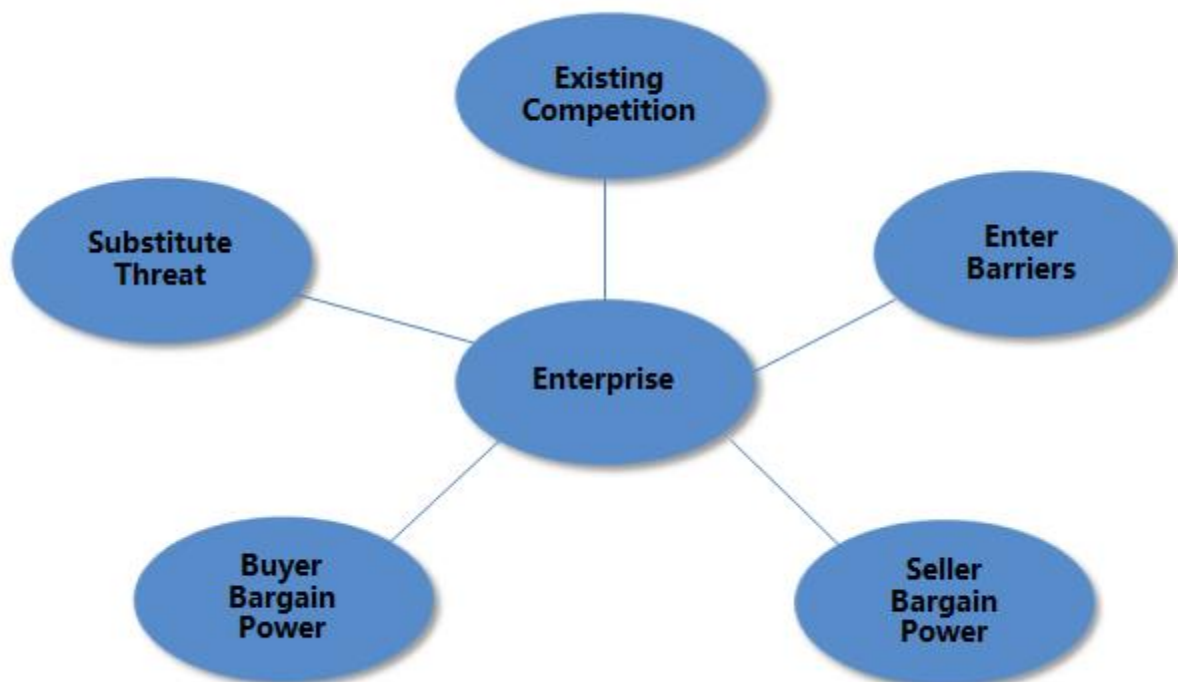


Figure 2-2 The Five Force Model

### 2.1.6 4P combination theory

4P theory, combination marketing proposed by an American marketing scholar at the earliest, is a combination of 4 basic strategies summarized with the enterprise marketing elements in *Basic Marketing* by such scholar in 1960 for the first time, which is the famous

4P theory: Product, price, place and promotion. The product variable mainly involves the design, performance, brand, package, specification, service, guarantee and goods return; The price variable mainly includes marked price, discount, payment term and credit conditions; The promotion variable mainly involves sales promotion, advertising, personal promotion, public relation and direct marketing; The place variable mainly involves coverage area, merchant type, location, inventory, transportation and other factors. McCarthy has also pointed out that the factors in marketing mix are all affected and restricted by the external environment of enterprises. [10]

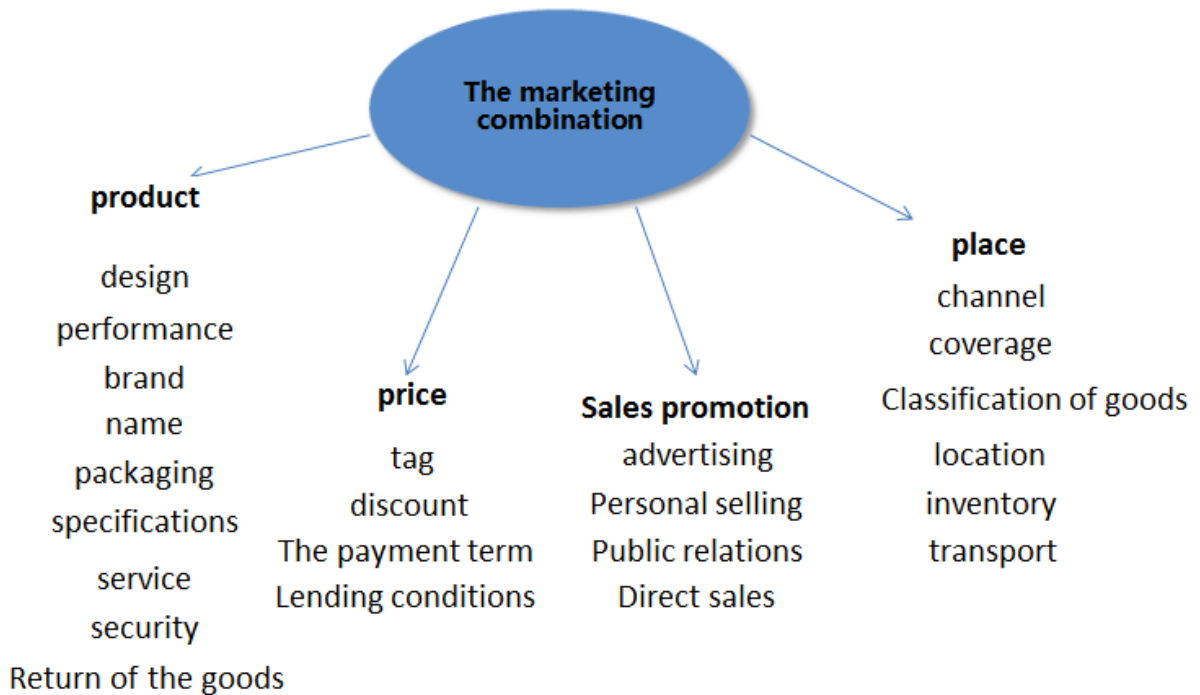


Figure 2-3 The model of 4P theory

## 2.2 Overview of relevant theory researches

In recent years, there have been lots of researches on SMEs in China and abroad, involving the human resources, financial service, financial management, information management, development strategies, entrepreneurial resources, international strategies, tax planning, business mode and other aspects. However, there are new situations and challenges for SMEs in terms of entrepreneurial innovation, business mode construction, resource integration and market expansion, etc. with the national economic development. It is required to provide theoretical direction for reference for the development of SMEs especially for the selection and formulation of development strategies of SMEs based on the economic development, new features and requirements of entrepreneurial SMEs according to the original research.

This paper looks up and cites the research literature of other researchers in terms of industrial products development, SMEs market positioning, customer value, SMEs strategies and relevant fields, in order to help research Company A's current situation and existing problems in a deeper and complete manner, and make the research and development strategies set forth here well-founded with rules to follow, of both theoretical property and operability.

### **2.2.1 Research on the industrial products marketing development**

In the practice of industrial products development, the traded products are more complex than consumer goods, which often involve relatively professional technical parameters and capital items, require the participation of professionals and more links to make final decisions with a larger target amount in transaction. The relationship between the buyer and seller is more complicated and balanced, and the cooperation relationship of both trading parties is usually long-term of strong cooperation inertia. The industrial products development and the consumer goods development have apparent difference reflected during transaction and also have obvious difference on the theoretical level, and such theoretical difference is enough to affect the success or failure of the marketing practice, and as the rapid economic development of China industry, the topics for industrial products development practice urgently need to be researched. [11]

At the early stage of development theory, the researchers regarded the industrial products marketing development and consumer goods marketing development as two different scenarios, it was a professor of Marketing Science in Harvard University, America who firstly made a distinction between the industrial products marketing development and consumer goods marketing development, and he firstly described the industrial products marketing development and consumer goods marketing development in separate chapters. However, there was not a separate field of academic research formed for the industrial products marketing development, and the proportional distribution of research on the industrial products marketing development and consumer goods marketing development theories cannot correspond to their own proportional distribution in the economy. In other words, the development of research on industrial products marketing theory fails to meet the actual demands of development practice, and such situation has continued until now. [12]

The research status and development trend of industrial products marketing development theory were described in details by Yang Xuelian and Hu Zhengming in *Research Status and Development Trend of Industrial Products Marketing*. It was indicated that the research on industrial products marketing development in China had always been a very weak field, and there were only less than sporadic 30 literature describing the research on industrial products marketing development before 2006; The first China's domestic professional marketing research academic journal in 2005 - the first issue of Journal of Marketing Science JMS marked that China's marketing research had entered into a period of rapid development, and the industrial products marketing research was also developed, and the number (27) of literature about industrial products marketing development during 1995-2005 only accounted for 28.4% of total number (95); While the number of literature within less than five years of 2006-2011 accounted for 71.6%. On the one hand, this set of data showed that the China's domestic marketing field started to catch up with the world research level at a faster speed, at the same time, the scholars began to pay more and more attention to the research on industrial products marketing theory. It can be shown from the domestic and foreign literature about industrial product marketing development that the "relationship" and "customer behavior" are two most prominent research topics under domestic and foreign industrial products marketing scenarios. [13]

### **2.2.2 Research on market positioning of SMEs**

With China's economic development, the marketing management levels of both large-sized enterprises and SMEs are promoted, and their marketing concepts are continuously updated



and improved, and under the atmosphere of economic globalization, the SMEs also begin to pay more and more attentions to the research on market positioning. The enterprises increasingly realize that only they comply with the changes of market environment, reasonably allocate the production factors, face the market segment, improve the product structure, innovate the service pattern and avoid the homogeneity problems can the overall strength and core competitiveness of the enterprises be improved. The research on market positioning of SMEs help China's SMEs adjust the industrial structure, improve profitability, improve the overall quality of SMEs, and cultivate the scientific decision-making ability of the enterprises; It helps the SMEs avoid blind positioning, repeated investment and sound development.

It was pointed out by Wei Guochun in *Analysis on Market Positioning Strategies of China's SMEs* that China's SMEs also have misunderstanding of market positioning, the market positioning method is immature, and the market positioning scheme formulated by the enterprises is undefined, so that the changes on the demands of target customer base cannot be rapidly and accurately known. And such enterprises cannot make accurate assessment on their own strength, are lack of relevant experience of enterprise's business mode, has no long-term vision for the market positioning, and are lack of the systematic and repetitive market positioning, all of which are not conducive to the accurate market positioning of the enterprise. [14]

### **2.2.3 Research on customer value**

It was pointed out by Li Wenwei in *Analysis on Customer Value-based Marketing strategy* that the customer value is the comparison between perceived benefits and perceived payouts and is all aspects of comprehensive benefits given to the customers due to purchase of products, and it is characterized by varying from person to person, dynamic change, difference comparison, multiple judgment and learning from practice, etc.. Therefore, the enterprises shall apply all kinds of effective development strategies and means including investigation, segmentation, positioning, communication and integration based on the customer value characteristics, so as to increase the customer value and promote customer purchase. Conduct market positioning by customer value, and transmit the value information to customers by using multiple means.

Customer value is the compass of enterprise resource allocation, and the enterprises shall only, according to the customer value demands, reasonably allocate the resources, develop the featured products, optimize the enterprises' accurate services, collect customer feedback information, create and deliver the products with perceived value of customer more accurately, improve the customer satisfaction, and optimize the costs and win the long-term decision strengths in the competition. [15]

### **2.2.4 Research on SMEs marketing**

It was described by Zheng Jinhe in *Discussion on Future Marketing strategy of SMEs* that it could be seen from the practice of world's economic development that the SMEs have the management strengths including flexible operation and low cost, can give quick response to the special demands of customers, have very strong adaptability to the market, and show a good momentum of vigorous development. In the economic development of all countries in the world including the developed countries such as Germany, America, Italy, Japan and

South Korea, the SMEs play the extremely important and irreplaceable roles, and it is very important to develop the SMEs in the countries with a vast territory, a large population and imbalanced economic development.

At the same time, because the SMEs have the problems including financing difficulties, weak strength, limited resources, difficulty in contending with large-sized enterprises and weaknesses in competition with large-sized enterprise, the enterprises need to focus on cost management, financial management and quality management. Therefore, the SMEs shall seek business opportunities in the market gap and edge zone, face the products and projects that the users indeed need, and use the flexible mechanism of “fast turnaround of small ship” to occupy the market and win the users. The fundamental of SMEs to survive and develop is to strengthen marketing strategy; the marketing strategy is a basis of enterprises to implement strategic decisions and is the maker and implementer of enterprises’ ways of thinking and strategic concepts. [16]

### **3. Analysis on external and internal environments of**

#### **Company A**

##### **3.1 Introduction of Company A**

Company A was established in October 2014 and is an innovation-type and technology-based industrial product trading company. By relying on the cooperation experience with SIEMENS and other world famous companies, Company A integrates the supply channels of famous industrial product and components headquarters, and its business scope is changed from supply of steel, castings, forgings and other metal materials to supply of high-end electromechanical equipment, spare parts and instruments, etc.. Company A has thousands of cooperative factories providing joint manufacturing services, selling Swedish Hydrosand hydraulic pipe fittings, Germany Testo Instruments, Germany Faladey Reactive Compensation, Italy Edicol Environmental Protection Coating, Italy Fam Gang Drill and other world famous brand products as an agent, has accumulated expansive overseas channels for many years, jointly devoting to the lean supply chain services of industrial products.

Company A focuses on high-quality customer base, solves the customer’s urgent, special and small batch orders, meanwhile, assists various enterprises in developing the overseas market, and provides the domestic and foreign enterprises with business and technical consulting services by cooperating with relevant industry association, scientific research institution and expert teams. Focus on introduction of advanced products and technologies, import the specialty products and enterprises, integrate the industry and expert resources, and serve the energy, environmental protection, metallurgy, chemical engineering, medical, scientific research and other industries. The enterprise culture of Company A is “quality, safety and trust”, and the company adheres to continuous improvement, takes preventive measures, gains the trusts from suppliers and customers and jointly guarantees the smooth implementation of the project.

According to the unpublished annual report on 2016, Company A had only one customer at the time of establishment, i.e. Siemens, and the annual turnover was RMB one million, after more than two years of development, it has had several thousand customers and the annual turnover has reached up to RMB 5 million. However, Company A still thinks that the order quantity is insufficient and the marketing status needs to be improved.

## **3.2 Analysis on external environments of Company A**

Company A engages in industrial product trading industry, and this article analyzes Company A's external environment from the aspects of politics, economy, social cultures and science and technology, etc. respectively.

### **3.2.1 Political and legal environment**

In the world scope, China's political situation is stable, in recent years, the governance capacity for domestic politics and diplomacy is continuously improved, and on March 28, 2015, National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce jointly published an action plan on the China-proposed Belt and Road Initiative. The "Belt and Road" aims to use the historical symbols of ancient Silk Road to hold high the banner of peaceful development, actively develop the economic partnership with countries along the "Belt and Road", jointly build a community of shared interests, community of common destiny and community of responsibility with political mutual trust, economic integration and cultural tolerance. After the "Belt and Road" economic zone was opened up, the number of contracted engineering projects exceeded 3,000. In 2015, the amount of national service outsourcing contract in connection with the "Belt and Road" undertaken by China was USD 17.83 billion, the implementation value was USD 12.15 billion, with year-on-year increases of 42.6% and 23.45% respectively. The healthy and stable political ecology ensures the sustainable development of economy, and the influence of China in the worldwide scope also increases constantly. [17]

The government encourages public innovation and entrepreneurship by millions of people, simplifies the commercial registration system, increases the financial support, implements the tax reform of replacing business tax with VAT, and continuously improve and perfect the corresponding laws and regulations, strengthen the enterprise credit management, and guarantees the legitimate rights and interests of enterprises and staff. In the links of import and export trade, the export commodities inspection for general manufactured products is cancelled, and the paperless customs clearance is carried out, which improve the import and export custom declaration efficiency, reduce the customs clearance costs for industrial product trading enterprises and improve the clearance efficiency.

### **3.2.2 Economic environment**

Since the reform and opening-up, China's economic development has been advancing rapidly; its GDP has increased by the rapid of about 8% annually or so, achieving remarkable achievements. China's industrial economy has made great development on the basis of economically poor and culturally blank at the early years of the new nation, forming a large-size industrial base. Especially as China joined WTO, the pace of Chinese

enterprises going abroad has been constantly accelerating, the impact of the world economy on Chinese enterprises is also constantly deepening, and China is further integrated into the wave of global economic integration. At present, the middle and high-end industrial products of Chinese enterprises mainly rely on import, and have a large demand on imported industrial equipment and spare and accessory parts; therefore, Chinese market also becomes an industrial product market that will be competed by the developed countries in Europe and the United States. At the same time, the manufacturing capacity and management capacity of Chinese enterprises are improved constantly, many featured products and innovative products have entered into the international market successively, and the market share of products made in China is gradually expanded.

Since 2013, China's economy has been shifted into a new normalization of development, i.e. from rapid increase to medium-high speed increase, its development method is shifted from scale, speed-type and extensive increase to quality, efficient-type and intensive increase, the industrial structure is shifted from middle and low end to middle and high end, the driving force of increase is shifted from factor-driving to innovation-driving, the resource allocation is shifted from a market playing a fundamental role to a market playing a decisive role, and the economic welfare is shifted from non-equilibrium type to inclusive and shared type. In the face of transformation method and structure adjustment, Chinese enterprises not only shall make the structural reform on the supply side properly and resolve the excess production capacity but also do well in the industrial upgrading and improve efficiency. Even with the impact of a slowdown world economic growth, China GDP also achieved a medium-high increase rate of 6.4% in 2016, which was still relatively higher in the world. Chinese enterprises have strong demands on the import and export of industrial products. [18]

### **3.2.3 Social and cultural environment**

China has 5,000 years of ancient civilization, although it has four great inventions in the history, looking at the throughout Chinese history, China's social form mainly comes from the agricultural society, and the cultivation culture is deeply rooted in the entire social culture. In today's industrial society, Chinese enterprises are conservative to some degree and are lack of innovation on the one hand, and envy the western countries for their highly-developed industrial civilization on the other hand. In recent years, Chinese enterprises have undertaken a large number of international projects and conducted collision and exchange with foreign advanced enterprises from manufacturing standards and management concepts, etc., the manufacturing concepts of enterprise managers and industrial workers have been changed profoundly, and the manufacturing level has been greatly improved. Personnel at home and abroad increasingly conduct frequent exchange, the public start to think western cultures and Chinese cultures from a broader perspective, and during the integration of Chinese and western cultures, they further explore the profound philosophy foundation of Chinese cultures and absorbs the practicability and efficiency of western cultures, to promote the economic and social development with more open gesture. The exchange on cultural concept also further promotes the multinational operation and management of enterprises. In the international industrial product market, the customers treat the products made in China more rationally, and Chinese enterprises are also better on communication and cooperation with foreign enterprises.

### 3.2.4 Science and technology environment

In recent years, the Chinese government pays highly attention to the scientific and technological development, providing massive funds and policy support for the high-tech enterprises and scientific research institutes, and has made outstanding achievements in the fields of basic disciplines and high-tech applications.

In 2016, China launched the world’s first quantum science experimental satellite “Mozi”, “China’s Eye of Heaven” five-hundred-meter aperture spherical radio telescope (FAST) was completed and enabled, “Shenzhou 11” spacecraft was successfully intersected and docked with “Tiangong 2” automatically, the fastest supercomputer “Sunway Taihu Light” in the world was created, the overall length of high speed rail reached up to 20 thousand km, China made the largest crane ship in the world, the “Gaofen” family would be added with a new member, and the acquisition of a series of scientific and technological achievements including radar remote sensing satellite Gaofen-3 showed that China not only conducted introduction and absorption in the field of science and technology but also led the world in some fields or exported to other countries.

Significant breakthroughs were made in the research and development and application & transformation of key industrial technologies, laying a firm scientific and technological basis for the upgrading of China’s industries. In the new round of economic increase on transformation method and structure adjustment, more and more high-tech enterprises have emerged suddenly, and the proportion of scientific and technological elements in the economic growth is increasing. At the stage of technical research and development, a large number of instruments, materials and equipment need to be purchased. At the stage of scientific and technological industrialization, new industrial equipment needs to be invested more. All of these bring a huge potential space for the industrial product market.

## 3.3 Analysis on internal environments of Company A

### 3.3.1 Analysis on Company A’s ability

Company A was founded in October 2014, after more than two years of development, the company’s annual turnover is RMB 5 million now while its annual turnover was RMB 1 million at the time of initial establishment, the company’s customers have expanded from the initial one customer Siemens to dozens of domestic and foreign customers specializing in automobile, metallurgy, education, furniture, electric power, environmental protection and other industries Table 3-1 is a comprehensive introduction of marketing, finance, manufacturing and organizing abilities of Company A from it’s unpublished annual report on 2016.

Inspection Items	Performance					Importance		
	Major Advantage	Minor Advantage	Ordinary	Minor Disadvantage	Major Disadvantage	High	Medium	Low
<b>Marketing</b>								
1.Company Credit		X				X		
2.Marketing share					X			X

3.Customer satisfaction	X					X		
4.Customer retention		X					X	
5.Product quality	X					X		
6.Service quality	X					X		
7.Pricing effects		X					X	
8.Sales effects					X			X
9.Promotion effects				X			X	
10.Personnel effects		X					X	
11.Innovation effects		X				X		
12.Geographic Coverage					X			X
<b>Finance</b>								
13.Capital source procurability					X		X	
14.Cash flow				X			X	
15.Financial stability				X			X	
<b>Manufacturing</b>								
16.Equipment					X			X
17.Scale economy					X		X	
18,Production capability					X			X
19.High skilled labors		X					X	
20.Deliver ability		X					X	
21.Techniques			X				X	
<b>Organization</b>								
22.Visionary leaders	X					X		
23.Dedicated staff		X					X	
24.Pioneer oriented	X					X		
25Adaptive capacity	X						X	

Table 3-1 Company's advantage/disadvantage analysis

It can be seen from the analysis in the above table that Company A is more outstanding on marketing and organizing aspects and is weaker on the manufacturing and finance aspects. Company A shall play the basic strengths on marketing, organization and entrepreneurial leadership, avoid weaknesses, ensure that it has had strengths, and maintain the existence. With the development of the company, the company's cash flow and capital stability will be further improved, and the manufacturing capability will be mainly improved through strengthening the management of suppliers.

### **3.3.2 Supplier**

Company A's suppliers include the import brand suppliers, non-standard product suppliers and centralized procurement suppliers. In which, the import brand suppliers have relatively strong bargaining power, but the price and payment method are difficult to be changed; The non-standard product suppliers have weaker bargaining power, but they need to strictly control the quality; The centralized procurement suppliers have general bargaining power, mainly responsible for urgent and small batch special procurement business supply, and they are also the potential competitors and need to protect the trade secrets well.

### **3.3.3 Customer**

At the early stage of development, the company has a weaker ability of risk undertaking, so the customers of Company A mainly come from the foreign-funded enterprises, foreign importers, education and other fields. Because the foreign-funded enterprises have a relatively complete management system, their performance abilities are relatively stronger, they focus on the perceived value and have relatively lower sensitivity of the cost, their commercial risk is relatively small, and they are the most important niche customers of Company A.

Company A has always had a long history of import and export business, although the company is not completely capable of undertaking import and export business at the initial stage of establishment, after a period of development, the volume of import and export business of the company is also rapidly rising. Although the process of import and export business is complicated and the period of business communication is long, the import and export business can make a considerable profit with large amount, has a purchasing inertia and is suitable for long-term cooperation, under the premise of avoiding the commercial risks, and the foreign importers customer base will be the customers mainly developed by Company A next. The import and export business will bring certain scale benefit to the company. The education industry belongs to the field of government procurement, the customers of this industry have a standardized purchasing process, not high profits and relatively lower risk, and belong to the customers that will be developed continuously by the company.

### **3.3.4 Competitors**

Company A belongs to the SMEs with special positioning, thus Company A seldom competes with large-sized companies and also has less chance of competition with SMEs with ordinary business modes, and its competitors mainly come from the government procurement fields.

On the government procurement market, the price is more transparent due to open bidding, especially in the case of low-price competition, Company A cannot compete with the small and micro-enterprises on prices. The rate of VAT of small and micro-enterprises is 6% or less, while the rate of VAT of Company A as a general taxpayer is about 17%, so Company A does not have the conditions to compete with the small and micro-enterprises at a low price.

On the well-known brand agency market, Company A also faces the competition from high-end brand agents, under such circumstance, Company A will take the strength of highest price-performance of products generally to capture market, and it will sell the products at a more reasonable price, safely optimize the cost, follow the competitors and seize the competitors' existing markets under the premise of guaranteeing high quality.

In addition, there will be some potential competitors among Company A's centralized procurement suppliers, they will imitate Company A's business mode to seize the customer resources, and need to prevent potential competitors from stealing customer information at the time of continuously improving own competitiveness.

## **3.4 Analysis on Company A's SWOT**

Analysis on Company A's SWOT is as follows:

### **3.4.1 Strengths**

Company A's founders have accumulated certain amount of network resource and channel resource in the fields of metallurgical equipment, mining equipment and scientific research institutes, etc., including Siemens, Metso Minerals, Danieli and other world famous customer resources and thousands of high-quality supplier resources. According to the international standards, conduct quality control for the suppliers, integrate the advanced manufacturing concepts of western countries into the supplier management, and promote the improvement of supplier management and manufacturing capacities. At the same time, Company A has simple personnel structure, has set up expert-type post and has comprehensive quality of personnel, so that Company A can give quick respond according to the actual customer demands and help the customer to solve the urgent and special material supply. After nearly three years of operation, Company A has established a trustworthy and good image among the current customers, and takes the customer development as the ultimate value for joint development with customer.

### **3.4.2 Weakness**

The Weakness of Company A is that no manufacturing factory is established, the supply of all industrial products needs to be delivered through collaborative factory, the cost price is higher than the factory price, so the company has no competitive strength for price-sensitive customers. Due to absence of investment partners, lack of self-owned funds and lack of adequate financial channel, when a project with relatively larger financial proportion is undertaken, the financial pressure is very large. Due to the lack of capital and single enterprise propaganda channel, the enterprise propaganda is conducted mainly by free Internet links, network purchasing community, mail sending, release of exhibition information and other low-cost method. According to the company's current order quantity and profitability level, it cannot support enough manpower cost, causing the shortage of company personnel and insufficient market development and order quantity.



### 3.4.3 Opportunity

The foreign-funded enterprises in China usually have some special demands during execution of the project, because the batch is too small, the project requirements fail to be met due to too small amount, complicated flow and tight delivery time, etc. through procurement of large-sized enterprises, and small-sized enterprise can meet the customer requirements through playing the flexible strengths on this aspect. The scientific research institutes generally have stable material requirements such as relatively stable instruments. The government has stable demands on procurement projects, generally without payment risks. Many European and American brand enterprises hope to explore the Chinese market in virtue of the local industrial product trading company.

Many Chinese manufacturing enterprises hope to obtain the international business consulting services through professional industrial product trading company, so as to jointly explore the international market. The products made in China are indispensable on the international market, as the transformation and upgrading of China's industrial development, the reputation and influence of Chinese products on international market are gradually increasing.

### 3.4.4 Threats

In the industrial products trade market, with the development of network technology, the price of products is more and more transparent. The strength of former information asymmetry has ceased to exist. It has threatened the survival of some industrial products trading companies. At the same time, because of Company A is still in the stage of enterprise start-up and market development, the various cost and expenditure have brought huge financial pressure.

<b>Internal Condition</b>	<b>Strength</b>	<b>Weakness</b>
	Accumulated certain amount of network resource and channel resource	No manufacturing factory is established
	Advanced quality control	No competitive price
	Lean personnel, quick respond	Lack of fund, shortage of personnel
	Established a trustworthy and good image among the current customers	Single enterprise propaganda channel
<b>External Environment</b>	<b>Opportunity</b>	<b>Threats</b>
	Foreign-funded enterprises' special demands in China	The price of products is more and more transparent
	Stable material requirements from scientific research institutes	The strength of former information asymmetry has ceased to exist
	Many European and American brand enterprises hope to explore the Chinese market	potential competitors exist
	Many Chinese manufacturing enterprises hope to explore the international market	Huge financial pressure

Table 3-2 SWOT analysis of Company A

## **4. Company A's development strategies**

This paper is further clarifying Company A's market positioning and strategy selection, hoping by analyzing Company A's target-oriented markets and target market strategies to demonstrate Company A's 4P combination strategies including quality, service, brand and new product of Product strategy; going-rate, perceived value, market penetration, price mantissa, special customer, quantity discount and cash discount of Pricing strategy; conventional channels, website, social platform, local cooperation, channel member and international marketing of Place strategy; personnel promotion, network promotion, public relations and advertising of Promotion strategy.

### **4.1 Market segmentation of Company A**

The founder of Company A has worked in the marketing department of a large heavy industry machinery company in China for over ten years, and he has accessed to products including complete sets of equipment, structural components, casting parts, forging parts, electrical equipment and hydraulic equipment, and the customers are from multiple sectors of heavy industry, including steel, mining, electric power, petrochemical, ports, buildings and coal. Therefore, in the early days of the business, the company's products and services involve many customer demands in the market segments, covering almost all of the production - based industrial enterprises. However, for a small and medium industrial product trade enterprise, the limited nature of the resources determines that any one enterprise cannot serve the whole market, and an enterprise must focus on one or more high quality segmentation areas based on its own limited capacity and strained resources, to survive and develop in the market.

As a small and medium-sized industrial products trading company, Company A needs to make best use of the strengths and avoid the weaknesses, take customer value as the orientation, use STP theory to formulate company's development strategies, correctly identify and determine the best segmentation variables, and re-divide and position the market with plans.

According to the above analysis of the environment that Company A is facing, based on the different segmentation standards of industry, customer type, geographical location, product, order and so on, the market segments of Company A are as follows:

#### **4.1.1 Segmentation based on industry**

##### **1) Automobile manufacturing market**

With the development of China's economy and the continuous improvement of the people's living standards, Chinese automobile market is developing rapidly.

According to the statistics of the China Association of Automobile Manufacturers, in 2016, China's automobile production and sales increased faster, and the total production and sales hit a record high, the annual automobile production and sales completed 28,119,000 and 28,028,000 cars respectively, with a year-to-year increase of 14.5% and 13.7% respectively,

and higher than that of the same period last year, which are 11.2% and 9.0%. [19]

From the development history of China's automobile market, the Chinese car market has entered a steady increase stage after years of high speed increase period, while the sales of cars in China has increased by more than 10 times in 15 years from 2000 to 2015, and 2 times the annual sales of the 27 EU countries with a population of 508 million. In 2016, under the influence of the policy of reducing the purchase tax by half, the car market is obviously warmer, and the sales volume is beyond the expectation at the beginning of the year. From January to August, the automobile production and sales were 16,845,900 cars and 16,755,000 cars, with a year-to-year increase of 10.82% and 11.43%, both the increase rate are more than 10%, and the production and sales showed a steady rise increase trend overall. From the sales and increase speed, although China automobile market has entered a mature stage, at present, the car ownership of one thousand people in China is about 120 cars, while this figure in the America is 800 cars, in Japan is 600 cars, in Europe is 550 cars, and the world average car ownership of one thousand people is 160 cars. According to the law of the development of the car ownership in the major countries of the world, the car ownership of one thousand people in China will be more than 300 cars in the next 15 years, at that time, the annual automobile production will be 42 million cars, where we can see that China's automobile industry still has a larger space for development.

Meanwhile, compared with other industry sectors, the automobile manufacturing industry has a relatively high profit margin. In particular, Mercedes Benz, BMW, Volkswagen and other high-end brand cars are profitable, and are less sensitive to material costs. The material requirement of the automobile manufacturing industry is exuberant, which includes the mould hydraulic pipe fittings for thermoforming of metal parts of automobile. Because of the metal thermoforming process has very high requirements for the quality and stability of the mould hydraulic pipe fittings, automobile manufacturers generally choose products of PARKER brand imported from America, However, this kind of product is expensive, the supply cycle is longer, and the after-sale service procedure is tedious. Company A is an authorized agent for Sweden Hydrosand hydraulic pipe fittings, and this brand has the top three high-end hydraulic pipe fittings products in Europe, which could also meet the technical and quality requirements of the mould hydraulic pipe fittings in the automobile industry. The quality of products is similar to that of the America PARKER brand. The product models are almost the same as that of PARKER, which can be replaced mutually. The price is relatively competitive, relatively reasonable, the supply cycle is relatively short, and the after-sale service procedure is simple. However, since the brand began to enter the Chinese market formally only in 2010, the brand awareness and influence are far less than PARKER products.

As the domestic economy continues to descend, consumption and investment growth continues to stabilize, and the growth rate of developed countries has declined, and the politics and policies of emerging economies are influenced by larger uncertainty and other factors, automobile manufacture enterprises are also starting to explore a reliable channel to optimize costs. On the contrary, the changes in these environments have brought great opportunities for the promotion of the Company A's Hydrosand products in the automobile manufacturing market.

## 2) Engineering machinery market

In the field of engineering machinery, the hydraulic pipe fittings are also the necessary assembly material. However, due to the severe excess production capacity of China's engineering machinery in recent years, the growth of the global economy has slowed down, and the manufacturing cost of engineering machinery is under great pressure. In order to reduce costs, many enterprises have changed the original part of imported hydraulic pipe

fittings into domestic pipe fittings, leaving only the most core and irreplaceable pipe fittings and continue to use imported products. Although the price of Hydroscand products, agented by Company A, is superior to the PARKER products, the price is still significantly higher than that of the domestic pipe fittings.

To Company A, although the market is not optimistic enough overall, there are also some internationally known engineering machinery manufacturers. Even if they want to reduce costs, they will not rush to choose domestic pipe fittings. Company A can promote good and cheap hydraulic pipe fittings imported from Sweden specific to this part of customers.

### 3) Metallurgical equipment market

The metallurgical equipment market has always been a traditional market for Company A. After nearly ten years of rapid development, China steel industry started to constantly decline since 2012, until the current severe excess production capacity, the whole industry has entered into a winter period of development, the steel industry and coal industry become the focus of national structural adjustment of supply side together. In addition, the production of steel has serious pollution. In the long term, steel enterprises have not invested enough in environmental governance. Under the pressure of environmental protection, the government sector has to compress steel production capacity in order to improve the environment. All these factors have led to a decline in the purchasing of the steel industry and a shrinking demand.

But, the steel industry is the industrial base of a country. It is an indispensable industry in the development of national industry, military security and so on. In the meantime, after in-depth analysis of Chinese steel industry, it is also find that China is mainly a serious excess of coarse steel products. There is still a big gap in the high-end steel products, which requires a large number of imports. This requires Chinese steel production enterprises to eliminate backward production capacity, accelerate industrial upgrading and give consideration to environmental protection at the same time. In this process, the material requirement of steel enterprises with cost strength and technical strength will remain stable and increase.

From the point of worldwide scope, although China's steel production has a great influence on the world's steel market, the foreign steel market is not as depressed as China. In the international steel market, the demand for metallurgical equipment remains stable, and the profits of special equipment, such as sewing machine, vibrating screen and hot blast heater, are kept high proportion.

Company A can maintain the business communication with part of the dominant steel enterprises and focus on developing the international metallurgical equipment market.

### 4) Government procurement market

Government procurement generally refers to the procurement of projects in the administrative organs or public schools. Company A can participate in government procurement projects in complete sets of equipment, instruments, kitchen equipment, office consumables, building materials and other products. At present, it mainly serves for the purchase of complete sets of equipment and instruments in domestic university laboratories and imports complete sets of equipment and instruments from England, Italy and other countries for some domestic universities, such as Shandong University and Xiamen University of Technology. The demand of the government procurement market is relatively stable, and the payment risk is low, but the quantity is not large generally, the profit margin is generally low, and the profit of individual orders is considerable.

#### 5) Energy conservation and environment protection market

In recent years, while China's economy has made great development, the problem of environmental pollution is becoming more and more serious. In the environmental protection material market, the business of Company A mainly involves environmental protection equipment and environmental protection coatings. In the process of production, industrial enterprises must invest enough environmental protection facilities to meet the environmental requirements. In the life of the residents, people's environmental requirements to coatings and building materials, etc. are becoming higher and higher. German Testo, Hach and other instruments agented by Company A are mainly used for smoke detection, water quality monitoring and other fields of environmental protection. In addition, Company A has agented the Italy edilcol photocatalytic environmental protection coatings, which is the designated environmental protection coating of 2010, Shanghai World Expo Italy International Pavilion, Air France Headquarters building and other customers, facing domestic high-end consumer group. This product has huge market space.

#### 6) Energy electric power market

In the electric power material market, although Company A has the supplier qualification of China Guodian Corporation, SNPTC, etc., due to the market has been in a highly monopolized state for a long time, and the customer relationship is complex, the order acquisition is more difficult.

### **4.1.2 Segmentation based on customer type**

#### 1) Foreign-related enterprises

The foreign-related enterprises faced by Company A mainly include foreign importers, foreign-funded enterprises in China and joint ventures. Such enterprises generally operate normatively, and observe disciplines and obey laws, with strong performance ability and low commercial risk. Company A's business contacts with these enterprises mainly include export of complete sets of equipment and spare parts, supply of production materials, and the supply of emergency materials on the spot. This kind of customer often has relatively high value cognition ability, and is the main source of profit for Company A. At the same time, these customers also have high international standards requirements for products and services, and require a high level of international business and technical communication skills of the suppliers.

#### 2) State-owned enterprises

China's state-owned enterprises generally have a standardized management process, large management institutions, and the procurement process is more complicated. In the business contacts with state-owned enterprises, Company A finds that central enterprises and local state-owned enterprises with relatively good operating conditions have relatively large profit margins and relatively low risk of payment, but the entry difficulty is also relatively high. While state-owned enterprises with poor operating conditions have great commercial risks.

#### 3) Private enterprises

Private enterprises pay more attention to the procurement cost, the management is relatively backward, and the commercial risk is relatively high. In business contacts with private enterprises, Company A strictly controls the risk of contracts and ensures the avoidance of payment risk.

#### 4) Public authorities

The government, schools, hospitals and other public authorities are also part of the market for Company A. Such customers usually purchase through public bidding, the procurement process is standardized, the customer relationship is relatively simple, and the commercial risk is relatively low with the support of government credit. However, in the process of bidding and purchasing, there are strict requirements on the qualifications of the suppliers in general case, and a certain amount of bidding bond is to be provided. After winning the bid, some projects can apply for contract mortgage financing with the purchase contract to the contracted banks. These financial measures can help the winning suppliers to solve the financial problems.

### **4.1.3 Segmentation based on geographical location**

#### 1) International market

In the early days of business, Company A mainly concentrated in the domestic market. However, with the development of the company and the accumulation of market channels of the company, the development of the international market will become more and more important. Although the international market customers are stricter on product quality and technology, and the cost of communication is relatively high, the international market is profitable. The commercial risk is also easy to be controlled by letter of credit or wire transfer, etc.. Furthermore, once entering a regional international market, the customer's procurement inertia is relatively large, which is conducive to the establishment of long-term cooperative relations, and has great significance for the company to expand the market share, improve the product profit margin and the sustainable development of the market.

#### 2) Domestic market

Due to the limitation of funds and channels, the main market of Company A is still centralized in the domestic market at present. In the domestic market, many industries have excess production capacity, fierce competition, and the commercial risk is not easy to be controlled. Hence, Company A needs to strictly avoid commercial risks and select high quality customers to cooperate in the domestic market.

### **4.1.4 Segmentation based on customer demand**

#### 1) Purchase under plan of project

Procurement under plan of industrial projects is a complex system work, involving equipment and materials of each category, requiring coordination of joint work of multiple departments, including the design unit, the construction unit, the supervision unit and the manufacturing unit, the amount of purchase is also relatively large and sensitive, so purchasing decisions are difficult to be self-decided by individual personnel. It is often necessary to finally form effective decisions by a group of members or a committee according to a complex process. This kind of procurement is generally carried out by public bidding step by step, and the procurement unit shall describe the specific demands of the project in detail by issuing bidding documents, mainly including the requirements in two aspects of business and technology. In business documents, the procurement unit will give detailed regulations on the supplier's qualification, ability, payment method, performance bond, etc., and in the technical documents, the procurement unit will make the detailed requirements of specification parameter, quality inspection, installation and commissioning, technical guidance, after-sales service, etc.. Supplier shall strictly, according to the requirements of the procurement unit, submit normative and detailed bidding documents at

the specified time and place, to respond to and explain clearly all business and technical terms of the bidding documents. Therefore, this kind of project procurement requires the suppliers to do a detailed investigation of customers' demands and communication before bidding, and a lot of manpower and material resources need to be invested to the bidding process to ensure the bidding documents could be submitted on time. After the opening of the bid, the customer purchase intention needs to be closely tracked, as well as timely and effective communication, to strive for obtaining the qualification of winning the bid. This kind of purchase generally requires that the supplier have enough strength to participate in the bidding.

#### 2) Project supplementary procurement

In the process of project procurement, Project Managers often find that no matter how perfect the project procurement plan is, it is difficult to ensure complete success of final project material supply. The reasons include omission of design, failure of supplier delivery, temporary change of the project, weather cause and other unexpected factors. Therefore, in the process of project procurement, in addition to doing the best to do a good procurement under the plan, we must do a good job of supplementary procurement. Because of the demand for supplementary procurement often appears in the later stage of the project. Generally, key finishing work, such as general assembly and joint commissioning test, will be carried out in this stage, and this is also the key link to pass the acceptance of the owner and finally obtain the success of the project. Yet, the quantity of supplementary procurement of this link is usually small, and the amount is relatively small, while the requirement of the delivery period is very urgent. Large companies will not spare a glance for such business, and general small companies cannot reach the requirements in the aspects of foreign communication, international standards, product channels, delivery time, etc. and are unable to complete the delivery of the product. With the accumulation of many years of international project experience and customer trust, Company A can excellently meet the requirements of this kind of order. Because of the order quantity is small and the delivery time is relatively tight, there's always a bottleneck effect to the whole project of the customer, and the customers are willing to undertake the high purchase cost. This kind of order is very profitable. This kind of purchase demand seems to be accidental for individual items of individual customers, the demand is unstable and the transaction amount is small. However, for multiple items of many customers, this kind of purchase is inevitable, and the overall procurement scale is attractive enough for SMEs. Moreover, the overall profit margin can reach 40-100%, which is not comparable to 10-30% of traditional market.

#### 3) Procurement of production materials

Generally, the procurement of production materials is mainly aimed at the production of raw materials and auxiliary consumables, such market has a large scale, many of which are bulk material demand. However, different manufacturing enterprises usually have relatively fixed or familiar suppliers. It's basically a buyer's market, the customers have strong bargaining power, with transparent prices and fierce competition, and the phenomenon of capital occupation is outstanding. Common procurement of production materials, such as steel, rubber, ore, crude oil, coal, and glass; such procurement is usually a long-term cooperative relationship, and the method of payment of customers is mostly the rolling payment or regular payment. It's hard for suppliers to recover the payment for goods at a time, and suppliers need to pay large sums of money in advance.

#### 4) Procurement of spare parts

In the production and operation of the industrial enterprise, a sufficient quantity of spare parts must be purchased to guarantee the normal operation and stable production of the equipment. Most of these spare parts are general components or auxiliary materials, such as bearing, valve port, bolt, instrument, lubricating oil, and seal ring. The demand batch is

usually not large, the time interval of repeated purchases is long, and pay much attention to the quality, price, and delivery cycle.

## 4.2 Target market selection of Company A

### 4.2.1 Market segment evaluation of Company A

When selecting the target market, Company A needs to evaluate the different market segments, the company must consider two factors: The overall attractiveness of the market segment, the company's goals and resources. First, we divide the customers according to their different demands, then take full account of the company's business capabilities, commercial risks and profit margins, and make an evaluation combining the market opportunities brought by the macro environment and the future development trend of the industry. The detailed evaluation analysis based on its unpublished annual report 2016 is shown in the following table:

Type of Demand	Industry	Demand Product	Risk	Profit	Opportunity
Planned procurement	Automobile manufacturing	Hydraulic pipe	Low	Medium	Traditional automobile market is mature, the potential of new energy vehicles is huge, lots of new projects
	Engineering machinery	Complete set of equipment	High	Low	Only some foreign related enterprises' projects valuable
	Metallurgical equipment	Complete set of equipment, Instrument	High	Medium	Domestic importers have stable demand
	Government Procurement	Complete set of equipment, Instrument	Low	Medium	Stable demand
	Energy conservation & environment protection	Complete set of equipment, Instrument, Environmental protection coating	Medium	Medium	Huge market potential
	Energy & Electricity	Complete set of equipment, Instrument	Medium	Medium	Increased development and competition in the industry
Supplementary procurement	Automobile manufacturing	Hydraulic pipe	Low	Medium	Opportunity is more accidental
	Engineering machinery	Complete set of equipment	High	Low	Only some foreign related enterprises' projects valuable
	Metallurgical equipment	Hydraulic pipe, Instrument, Other parts	Medium	High	Foreign funded enterprises in China have stable demand
	Government Procurement	Complete set of equipment, Instrument	Low	High	Lumpy demand
	Energy conservation & environment protection	Instrument	Medium	Medium	Some opportunities
	Energy & Electricity	Instrument	Medium	Medium	Stand a chance
Material procurement	Automobile manufacturing	Hydraulic pipe	Low	Medium	Difficult to enter at current stage
	Engineering machinery	Hydraulic pipe	Low	Low	Foreign related enterprises have stable demand



	Metallurgical equipment	Rolled steel, Hydraulic pipe	High	Low	Slim chance
	Government Procurement	Office supplies and consumables, Laboratory consumables	Low	Medium	Stand a chance
	Energy conservation & environment protection	Laboratory consumables	Medium	Medium	Stand a chance
	Energy & Electricity	Laboratory consumables	Medium	Medium	Stand a chance
Spare parts procurement	Automobile manufacturing	Hydraulic pipe	Low	Medium	Stable demand but long cycle length
	Engineering machinery	Hydraulic pipe	Low	Low	Foreign funded enterprises in China have stable demand but long cycle length
	Metallurgical equipment	Complete set of equipment, Hydraulic pipe, Instrument	Medium	Medium	Foreign importers have stable demand
	Government Procurement	Complete set of equipment, Instrument	Low	Medium	Slim chance
	Energy conservation & environment protection	Complete set of equipment, Instrument	Medium	Medium	Slim chance
	Energy & Electricity	Complete set of equipment, Instrument	Medium	Medium	Slim chance

Table 4-1, A Company's market segment evaluation

From the results of the above survey, the following conclusions can be concluded firstly:

- 1) The market of hydraulic pipe fittings has scale benefit and broad prospects for development. In the automobile manufacturing market, companies related to automobile manufacturing must purchase imported hydraulic pipe fittings to meet the demands of metal thermoforming process in new projects, and the purchase of the hydraulic pipe market under the project plan has a considerable market capacity due to the huge space and strong development trend of the automobile market. At the same time, the production of hydraulic pipe fittings for foreign engineering machinery enterprises has a relatively considerable market scale, although the profit is not high, the risk is controllable. In a word, the overall scale of the hydraulic pipe fittings market is very large. In the two market segments of procurement under automobile manufacturing project plan and procurement of materials for foreign engineering machinery production, the risk is controllable, and overall profit margin is close to medium, and there is scale benefit. It's a market segment for Company A's key development, to increase the strength of marketing facing Huaxiang Group, Voestalpine Automotive Metal Parts Company, Sinotruk-Hiab, Volvo, Volkswagen, Audi and other important customers.
- 2) The supplementary procurement of foreign-funded enterprises projects in China is the niche market of Company A. This kind of market has medium risk and high profit, and is the niche market that Company A relies on from the early days of their business. The company needs to make use of the existing Siemens supplier qualification and delivery performance under the premise of maintaining the good relationship with Siemens and other foreign-funded enterprises in China, to continue to face similar enterprises in China, such as Sweden Skanska, America FLUOR, German Linde, France Technip, America BECHTEL, German Hochtief, France vinci, for the marketing of project supplemental supply service.

- 3) The international market for metallurgical equipment and spare parts needs to be developed continuously. Although the international steel market is not optimistic in recent years, the market of domestic metallurgical equipment and spare parts is deteriorating under such influence, and the demand for metallurgical equipment and spare parts in the international market has also declined. There still has rigid demands in the segmentation of the international market, and in the long run, the demand of international markets is more stable. International market generally adopts letter of credit or wire transfer and other payment methods, risk of which can be controlled and profit of which is proper. And it is easy to keep long-term cooperation and has large growth space. Company A needs to take strength of Alibaba One Touch, CCPIT, EU-China Business & Technology Cooperation Fair and Chinese Chamber of Commerce in each country and other organizational platforms to conduct marketing and promotion and expand international business share.
- 4) Procurement market of government has stable demand. Company A may participate in bidding and purchasing of instruments, kitchen equipment, complete sets of equipment, office supplies and consumables of government procurement market. Such business has small risk and its profit is considerable. But, if you participate in such business aimlessly, success rate will be very low. The company needs to conduct project information identification according to strength and strengths of the company and then selects dominant project to participate in the bidding.
- 5) Energy conservation and environment protection market has significant potential. With improvement of living standard and strengthening of environmental awareness, people pay more and more attention on energy-saving and environment protection problem occurred in living environment and production environment, especially middle and high-end environmental protection building materials market has significant demand potential for high-quality environmental protection product and industrial enterprises also need to continuously introduce advanced and energy-saving product and technology. Company A has less obvious overall strengths in conventional environmental protection industry field. But the company may give play to strength in the aspect of international channel and keep attention and research on the market, keep contact and communication with Shandong Environmental Protection Association, Environment Protection Community, foreign energy-saving and environmental protection enterprises and introduce advanced and energy-saving product and technology. Meanwhile, Company A needs to strengthen research and development intensity for environmental protection coating market and quicken market promotion of the agent Italy edilcol photo-catalytic environmental protection coating. Because of such coating can fully achieve zero pollution and has pollution gas absorption function. Therefore, it is environmental protection building material specified by Italy Pavilion in 2010 World Expo and other institutions, it can develop its own brand in environmental protection building materials market where the good and bad are intermingled. And it has significant market potential.

#### **4.2.2 Analysis on Five Forces Model of Company A**

With the rapid development of China's economy and the continuous progress of science and technology, especially the Internet and electronic commerce become widespread. The real economy enterprises are facing enormous challenges. Faced with growing competitive environment and complex changes in the market, enterprises have only core technology and

production capacity is often not enough, we can analyze market competitiveness correctly through using the five forces model. Such five forces decides competitive scale and degree of the industry and decides profit attraction of whole market or one of market segments in whole market, so as to affect long-term attraction of such industry.

Type of Demand	Industry	Demand Product	Existing Competition	Buyer Bargain Power	Substitute Threat	Enter Barriers	Buyer Bargain Power
Planned procurement	Automobile manufacturing	Hydraulic pipe	Normal	Normal	Normal	Strong	Normal
	Engineering machinery	Complete set of equipment	Strong	Strong	Strong	Normal	Normal
	Metallurgical equipment	Complete set of equipment, Instrument	Strong	Strong	Normal	Normal	Normal
	Government Procurement	Complete set of equipment, Instrument	Normal	Normal	None	Normal	Normal
	Energy conservation & environment protection	Complete set of equipment, Instrument, Environmental protection coating	Normal	Normal	None	Strong	Normal
	Energy & Electricity	Complete set of equipment, Instrument	Strong	Strong	None	Normal	Normal
Supplementary procurement	Automobile manufacturing	Hydraulic pipe	Normal	Normal	Normal	Normal	Normal
	Engineering machinery	Complete set of equipment	Strong	Strong	None	Strong	Weak
	Metallurgical equipment	Hydraulic pipe, Instrument, Other parts	Weak	Normal	Weak	Strong	Normal
	Government Procurement	Complete set of equipment, Instrument	Weak	Normal	None	Strong	Normal
	Energy conservation & environment protection	Instrument	Normal	Normal	Weak	Weak	Normal
	Energy & Electricity	Instrument	Strong	Strong	None	Weak	Strong
Material procurement	Automobile manufacturing	Hydraulic pipe	Strong	Strong	Weak	Weak	Normal
	Engineering machinery	Hydraulic pipe	Normal	Strong	Weak	Strong	Normal
	Metallurgical equipment	Rolled steel, Hydraulic pipe	Strong	Strong	Strong	Strong	Normal
	Government Procurement	Office supplies and consumables, Laboratory consumables	Normal	Normal	None	Normal	Normal
	Energy conservation & environment protection	Laboratory consumables	Normal	Normal	Normal	Normal	Normal
	Energy & Electricity	Laboratory consumables	Strong	Strong	Normal	Weak	Strong
Spare parts procurement	Automobile manufacturing	Hydraulic pipe	Strong	Normal	Normal	Normal	Normal
	Engineering machinery	Hydraulic pipe	Normal	Strong	Normal	Normal	Normal
	Metallurgical equipment	Complete set of equipment, Hydraulic pipe, Instrument	Normal	Normal	Normal	Normal	Normal
	Government Procurement	Complete set of equipment, Instrument	Normal	Normal	None	Normal	Normal
	Energy conservation &	Complete set of equipment, Instrument	Normal	Normal	Normal	Normal	Normal

	environment protection						
	Energy & Electricity	Complete set of equipment, Instrument	Strong	Strong	Normal	Normal	Normal

Table 4-2, Analysis on Company A's Five Forces Model

### 4.2.3 Selection strategy of Company A's target market

#### 1) Selection strategy of five target markets

Select the mainly five strategies for target market and combine with actual analysis of Company A, as shown in the following table:

Strategy	Description	Advantage	Disadvantage	Whether is Applicable
Product-market specialization strategy	Based on its own conditions, the company selects a market segment as its target market, then formulates and implements a marketing mix strategy for this target market.	The company can be more familiar with the specific market segments and establish good reputation based on specialized production, sales and promotion. Also can obtain good profit.	The risk is high. When the market segment's demand shrinks or there is a recession, the company may be in trouble or even destroyed.	It's applicable when the company is newly founded. This strategy is not applicable to the current stage of Company A.
Product specialization strategy	The company produces only one product and sells it to various consumers at the same time to meet their requirements.	It is beneficial for the company to concentrate their resources, strengthen their technologies and improve their quality. It is also conducive to establish a brand image for the company and also produces scale benefit.	Without fully considering the differences in market segment segments, the company will face difficulties once the proportion of consumers who do not apply to products exceeds a certain amount.	A company's products and business are complex and diverse, customers also from different industries. This strategy cannot meet the differentiated market of company A
Market specialization strategy	The company provides different kinds of products to a specific market segment.	In the narrow target market, there are many types of product which can moderately decentralize the risk.	The company will face difficulties once the market segment demand falls.	It is applicable at some specific development stage of Company A, but not applicable in the long term.
Selective specialization strategy	Select a number of market segment segments that are objectively attractive and compatible with the company's resource conditions and marketing goals. Then provide selected products to different consumer groups.	It is beneficial for the company to better adapt to the market environment, find market gaps and enter at any time, and gain new market opportunities. It is also conducive to the decentralize business risks.	The company needs to have superior resources and market competitiveness.	Applicable. With the development of Company A, the products and customers are involved in multiple market segment segments. And according to the company's development trend, it is necessary to rely on this strategy in the future.
Comprehensive	The company	Large scale	The company must	Not applicable for

coverage strategy	provides various product to customers in overall market segments simultaneously	comprehensive business management. Often used by industry leading companies.	have advantages in all aspect including technology, resources, production and sales.	Company A.
-------------------	---	--	--	------------

Table 4-3, Company A's selection strategy of target market.

### 2) Selective specialization strategy of Company A

Company A mainly adopts product-market specialization strategy in the early days of business. Company A starts to conduct business through providing site emergency repair, and transformation service for Siemens Company Industrial Solution Group. Such site repair, and transformation business is virtually one kind of project supplement-type purchasing business. Such business is in small batch and time is limited. But its profit is relative high. Only the company can meet requirement of customer in site technology and time, customer may ignore the price. Through such niche market, the company also forms initial market foundation and has the capability of further expanding the market. But, such single market is very easy to suffer from influence of change of macro environment and customer relationship, etc.. Single customer market is in small scale and is unstable. For the purpose of long-term development, the company shall expand other markets on this foundation. Product-market specialization strategy will gradually not adapt to change of market expansion of the company.

During expansion process of individual market segment, the company may locally adopt market specialization strategy and provide all products for individual market segment. But, Company A is possible to only provide one kind of product for other market segments. Therefore, market specialization strategy can not cover all market fields of the company.

Company A belongs to small and medium size industrial products trading company at present. But the development objective of the company is to become industrial product equipment company with very strong competitiveness. Moreover, the company also gradually enhances industry influence and popularity and accumulates rich channel and market resources through quantification operation, channel coordination, public relations, institutional financing, community propaganda and virtual operation, etc. and meets differential demand of various niche markets for industrial products through trading and service means. Premise of selective specialization strategy of Company A is value guidance. The company creates value and communicates value for customers through differential marketing and starts from the customer's point of view and forms community of shared interests. At the same time of conducting self-marketing with customer's value as center, the company conducts marketing for customer and helps customer to form purchasing demand. And the company will increase viscosity with different market segment customers by such way that can be called to be purchasing-type marketing, so as to finally achieve mutual benefit. Therefore, Company A needs to select selective specialization strategy to conduct selection for target market.

### 3) Selection of Company A 's target market

At present, main market segment of Company A includes procurement market, project supplementary procurement market, procurement market for production material and spare parts market within project plan of automobile manufacturing, engineering machinery, metallurgical equipment, government procurement, energy conservation and environment protection, energy electric power and other industries. Where, domestic engineering machinery industry has excess production capacity and has very high commercial risk; Domestic metallurgical equipment market is in overall reduction condition and its profit is reduced and risk is expanded; The company has entered into energy electric power market

for one year. But competition is fierce and customer's relation is complex. Therefore, it is difficult to obtain efficiency within short period. Development prospect of the industry starts to be in shrinkage condition. Under guidance of selective specialization strategy, Company A redistricts 4 major market segments to be target markets of the company, namely, purchasing market within project plan of automobile manufacturing hydraulic pipe fittings, purchasing market within foreign project plan of metallurgical equipment and instruments, supplementary procurement market for project of foreign-funded enterprises in China and purchasing market of hydraulic pipe fittings for foreign-related engineering machinery enterprises production. Development strategy of target market is to: Regard purchasing market within automobile manufacturing project plan of hydraulic pipe fittings, purchasing market of production materials of foreign-related engineering machinery enterprises and purchasing market within foreign project plan of metallurgical equipment and instruments as major market segments. Meanwhile, the company continues to develop other supplementary procurement markets for project of foreign-funded enterprises in China besides Siemens. Abandon previous poor market segments and consolidate relationship with old customer through sales of hydraulic pipe fittings in high-quality market segment and form scale benefit; Expand international market share, deepen understanding and trust from international customer through international promotion for metallurgical equipment and instruments, so as to further lay foundation for comprehensive expansion of international market; Take strength of qualification and performance of Siemens supplier to increase propaganda work in other foreign-funded enterprises in China and strive for larger niche market.

### 4.3 Market positioning of Company A

In addition to decide which market segment will be entered, SMEs shall also face to many competitors to conduct accurate market positioning and create differential value for target market according to value proposition of the company and occupy a prominent position in target market. For this purpose, as small and medium size industrial products trading enterprise, Company A shall plan target market positioning suitable for itself with customer's demand as core by combining with industrial characteristic of industrial products, so as to its product and service obtain the maximum competitive strengths and achieve positioning of all planning through proper marketing combination.

Positioning strategy is to provide products and services with difference that meet customer's demand through design under the premise of resources and conditions determined by the company and conduct positioning by combining with consumption potentiality of target market. Specific positioning of Company A in target markets is as shown in the following table:

Type of Demand	Industry	Demand Product	Positioning Strategy	Resource Allocation
Planned procurement	Automobile manufacturing	Hydraulic pipe	Bring cost and service advantages to replace competitors	Focus on this market segment
	Metallurgical equipment	Complete set of equipment, Instrument	Targeting the international market, and find the gap or blank area. Then export featured products and innovative products	Focus on this market segment
	Government Procurement	Complete set of equipment, Instrument	Consolidate the existing position of instrumentation supplier in the market of universities. Provide more	Do not focus on this market segment

			professional and convenient services.	
	Energy conservation & environment protection	Environmental protection coating	Positioning the top supplier to provide the veritable green coating product to the market.	Do not focus on this market segment
Supplementary procurement	Metallurgical equipment	Hydraulic pipe, Instrument, Other parts	Use market-niche strategy, meet the special requirements from foreign-funded enterprises in China and deepen the trust of customers. Then enhance market awareness and influence.	Focus on this market segment
	Government Procurement	Complete set of equipment, Instrument	Repositioning to reduce the marketing efforts.	Do not focus on this market segment
Material procurement	Engineering machinery	Hydraulic pipe	Foreign-related enterprise oriented. Bring cost and service advantages to replace competitors	Focus on this market segment
Spare parts procurement	Metallurgical equipment	Complete set of equipment, Hydraulic pipe, Instrument	Repositioning to moderately put marketing efforts for the international market.	Do not focus on this market segment

Table 4-4, Analysis of Company A's specific positioning in target markets.

## 4.4 Marketing combination strategy of Company A

### 4.4.1 Product strategy of Company A

#### 1) Overall concept of product of Company A

According to modern marketing science theory, as an industrial products trading enterprise, Company A shall provide product concept including three aspects, namely, core product, product form and additional product. Where, core product is achieved by guaranteeing various functions or effectiveness through various materials provided, so as to meet reproduction demand of the enterprise, which is original motivation of customers for purchasing product. Formal product is the form for achieving the core product value, namely, the process that Company A sells materials to customer through purchasing, detection, package and transportation. Additional product is operation management services, such as, maintenance service, technical guidance, consultation service, scheme recommendation and cost optimization, etc. that Company A still provides for customer after delivering material to customer, these can be called as additional value. As shown in the following figure:

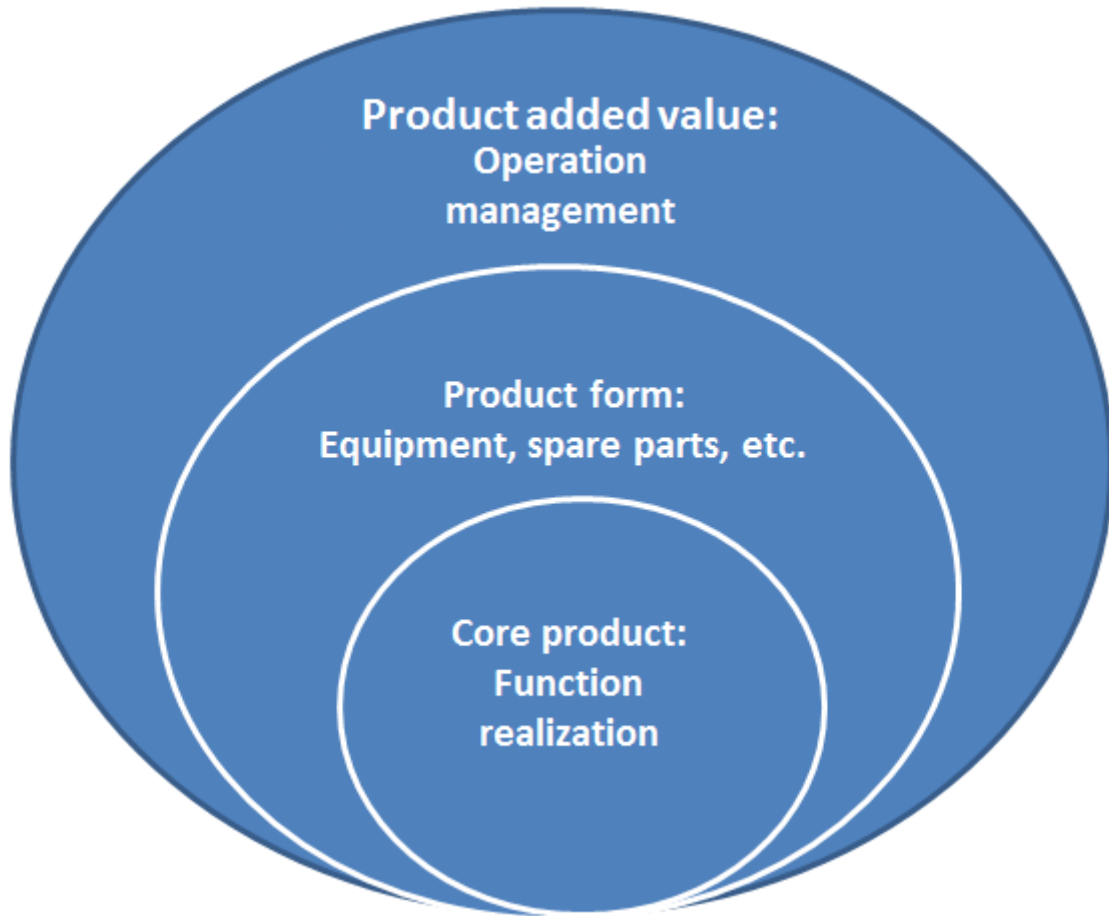


Figure 4-1 Product hierarchy of Company A

2) Specific product strategy

- Quality strategy

Understand specific quality and technology requirement of customer in advance and conduct pre-sale quality communication.

Project quality and technology communication record table of Company A is used for conducting pre-sale quality control. At product preparation stage, Company A shall strengthen supplier's audit and quality control according to international standard. Because of the standard brand product is generally equipped with matured quality control process. Therefore, re-examination and detection need to be conducted at acceptance stage only. But, process monitoring needs to be strengthened for manufacturing process of non-standard products. It may be required that supplier provides product detection outline of Company A to monitor quality management of manufacturing process.

At after-sale stage of product, regularly pay a return visit for major customers, understand quality status of product during usage process, timely solve quality problems of product and provide customers with repair service or emergency parts, so as to ensure production operation of customers is not affected. Ensure quality and safety benefits of customer through excellent quality management; and finally forms reliant and reliable relationship with customer.

- Service strategy

In addition to maintenance service within supply scope, provide customer with comprehensive consultation service on other production problems, technical problems,



other supplier's product problem and technical upgrading problem, etc. in virtue of related channels of the company at the same time. and deepen understanding for customer, enhance viscosity with customer and find out new demand of customers during the process of helping customer to find solution. Organize related feature enterprises to conduct industrial communication in virtue of industrial association, organizational platform and other channels, promote business-business operation management and technical advance and enhance influence force of Company A in the industry through tea party, technical seminar, enterprise club and new product introduction meeting, etc. at the same time.

- Brand strategy

In case of economic downturn, enterprise will often select second-class brands in the industry to replace original first-class brands in order to reduce cost and guarantee quality. Sweden Hydroscand hydraulic pipe fittings which agented by Company A meets such characteristic. The company may conduct vigorous propaganda and gradually occupy present market of first-class brand America PARKER pipe fittings. In environmental protection building material market, Company A may set up first-class brand image of Italy edilco photo-catalytic coating agented by Company A when facing to environmental protection coating field where the good and bad are intermingled, so as to make users realize that this is real environmental protection coating material and finally forms monopoly position in high-end environmental protection coating market.

- New product strategy

Collect and clear feedback information of customer, expand product portfolio to potentiality market, form database of reserved products, recommend more proper product and solution according to production condition of customer and help customer to reduce operation cost. Adjust or reduce product portfolio for declining market, so as to save resources of the enterprise.

#### **4.4.2 Price strategy of Company A**

- 1) Going-rate pricing

Facing to hydraulic pipe fittings market, Company A may refer to price of monopolistic competitors, such as, America PARKER and Germany Stauff and take price lower than the competitive product to sell its product.

Sweden Hydroscand hydraulic pipe fittings which operated by Company A has the quality equal to competitive brand - America PARKER and Germany Stauff. But its brand influence force and popularity are far less than other imported brand because Sweden Hydroscand formally entered into China in 2010. Meanwhile, based on their high-end market positioning and monopolistic market position, America PARKER and Germany Stauff and other monopolistic competitors make very high pricing in Chinese market. In contrast, Sweden Hydroscand hydraulic pipe fittings have at least 20% of price strength.

Sweden Hydroscand hydraulic pipe fittings can be fully used mutually with competitive brand - America PARKER and Germany Stauff, etc. in model, and it quality is fully equal to their quality. Therefore, Company A takes going-rate pricing on the price strategy according to such characteristic and takes price lower 20%-30% than competitor to sell its product according to customer distribution and price positioning of monopolistic competitive brand, meets high-end demand of customer in the same way and guarantees high-end quality at the same time of helping the enterprise to reduce cost, so as to really optimize cost.

## 2) Perceived value pricing

During supplementary procurement for project of foreign-funded enterprise in China, perceived value of customer is far more than the product. Customer has very high requirement on transaction way, supply speed and response time, etc. and customer also has relatively strong bearing capability for the price. In such market, the company may conduct product premium through excellent durability, excellent reliability, excellent service, longer guarantee period of parts and convenient parts ordering, etc. so as to enhance perceived value of customer. Achieve profit maximization through perceived value pricing under the premise of meeting customer's demand.

According to such strategy, Company A conducts pricing for perceived value of foreign customers, such as, Siemens and Danieli. Cost of materials required by such foreign enterprises on site is possibly not too high. But, such site supply is featured with high requirement, small batch and tight time, etc.. In case of failing to timely meet customer's demand, several tens of times and even hundreds of times of default loss will occur. Therefore, W customer is often not especially sensitive to price of material, but pays more attention on value influence of timely supply of material on whole project. According to demand of such customer, Company A generally takes price higher 50-100% than market price in consideration of business coordination, time emergency, quality risk and other factors. For very special material supply, Company A may take price higher 100-200% than market price according to situation. [20]

## 3) Market penetration pricing

In order to expand new market, Company A may take market-penetration pricing to enter into supplier system of customer through attractive price and then adjust price properly according to demand status of customer at initial stage. Company A determines target customer according to market survey and project evaluation and take market-penetration pricing during initial cooperation process with customer. For general customers, Company A may directly offer according to 10-15% of profit margin; for relatively excellent customers, Company A may offer according to 5% of interest rate; for very excellent or special customer, Company A may make the lowest offer according to 0-5% of profit margin.

## 4) Price mantissa pricing

Considering customer's psychology, generally do not select integer quotation for customers who are sensitive to price in the quotation process. For example, customer will regard commodity with unit price of RMB 299 as RMB 200, rather than RMB 300. In addition, price mantissa has better effect in odd number than even number, especially common occurrence of figure 9, which conveys discount or price reduction information to consumers. For customers who pursue quality, sometimes in order to reflect high-end quality of product, integer pricing method may be adopted so as to convey high-end and high-quality concept of product from price.

Company A is mainly engaged in industrial goods and value of single ordered goods is relatively high, for example, unit price of sewing machine exported to India is about USD 200,000. Therefore, it generally quotes a price of USD 199,000 or 197,000 when making quotation to the customer, so as to give an impression of more than USD 100,000 rather of more than USD 200,000 to the customer. Meanwhile, mantissa 9 will make customer have the feeling that the product is high-end.

Pursuers for high-end products possibly do not care about the price, but pay more attention to brand and positioning. At this time, we will adopt integer pricing method. For example, KONIAMBO nickel iron project of Canada Glencore Mining Company is the first modular

nickel iron smelting project constructed in the world. Its design and construction fully pursue world-class quality. According to this characteristic, Company A quotes a unit price of USD 50,000 when conducting quotation for Rexroth oil cylinder required by KONIAMBO. Compared with unit price of USD 43,000 and USD 47,000, customer will feel that the oil cylinder of this brand is positioned to be high-end and the price also reflects its excellent quality.

#### 5) Special customer pricing

For CNHTC Hiab and other such customers, special discounts may be adopted because business conducted with this company is mainly involved in automobile crane hydraulic hose and air filter at initial stage. But, its Sweden investor is famous Hiab Group in Europe, which is world-famous manufacturer of port lifting equipment. It gradually extends to port lifting equipment of Hiab Group Shanghai Company during participating in the business process of automobile crane hydraulic hose of CNHTC Hiab.

During cooperation process with CNHTC Hiab, Company A always controls profit rate of order within 5-10%. The company gradually deepens trust relationship with customer through supply of high-quality and low-price product and also makes customer understand more business capability of the company. The company strives to expand its business to Hiab Group Shanghai Company through recommendation of CNHTC Hiab when appropriate.

Company A controls profit rate of initial order within 5-10% for special customer, so as to stabilize relationship with customer and obtain larger market share.

#### 6) Quantity discount

For batch purchasing of customer, quantity discount may be adopted to encourage customer to conduct large-batch purchasing, expand market scale and improve customer satisfaction. For single piece purchasing, formulate price according to reasonable cost of the company and generally do not provide discount. For customers who purchase 5-10 pieces at a time, 1-3% of price discount can be provided according to order amount and profit rate. For customers who purchase more than 10 pieces at a time, maximum 5% of price discount can be provided according to order amount and profit rate.

#### 7) Cash discount

As entrepreneurial industrial goods trading company, Company A also faces fund shortage problem. During daily operation process, it must leave no stone unturned to increase its cash flow.

Company A formulates price strategy of cash discount, encourages customer that the higher the advance payment proportion of customer in cash is, the more favorable the price is. Especially for foreign customers, the higher the advance payment proportion in wire transfer is, the less the fund pressure of the company is and the less the commercial risk is. Under such situation, Company A may provide certain price discount for the customer. In case customer pays 30-50% of advance payment, the company will provide 1-2% of discount; in case customer pays 50-80% of advance payment, the company will provide 3% of discount; in case customer pays 80-100% of advance payment, the company will provide 5% of discount.

### **4.4.3 Place strategy of Company A**

Conventional channels adopted by Company A include network platform, social platform, commission agent, purchasing agent and cooperative branch. The company does not have formal enterprise website. It mainly conducts registration and promotion relying on free online platform. Such registration website is fixed in format and is disordered in advertising. It is difficult to give good impression to customer and it only lists simple company product and information. With the development of the company, Company A needs to establish an enterprise website that meets aesthetic standards of customers at home and abroad, reflects the enterprise culture of guaranteeing quality and safety of the company, shows unique positioning of the company and highlights original and innovative vision of the company as soon as possible. When the time is right, Company A will pay to join in Alibaba international promotion platform and expand international market for featured industrial products facing international market. Optimize social platform resources, select valuable personnel and channel and through project cooperation system, flexibly introduce order demand, share interests, and encourage cooperative personnel to vigorously expand market, strengthen communication with purchasing community, continuously enrich resources of commission agent in each industry and obtain high-quality order and expand market share through accurate operation of commission agent.

The company has limited funds. Therefore, it is difficult to establish its own independent distribution institution in other places. The company mainly conducts local marketing taking strength of local cooperation institution, provides cooperation institution with competitive price and necessary technical support and gives play to subjective initiative of local cooperation institution to actively expand market. Provide special payment method, high-quality additional service and enhance viscosity with customer for America WESCO and other foreign-invested centralized purchasing agents.

At the same time of strengthening construction of the above marketing channels, Company A shall also conduct targeted channel member training for different products and regions and help them to learn basic knowledge of products, master relevant skills of market promotion and collect market feedback information. And the company encourages channel member through profit rebate and payment policy and regularly assesses channel member for proper adjustment.

For international market, Company A shall reserve several strategic logistics service providers, so as to economically and efficiently handle logistics business such as customs clearance and transportation for import and export business of the company and serve international marketing channel of the company.

### **4.4.4 Promotion strategy of Company A**

#### 1) Personnel promotion strategy

##### ● Visit customer

Industrial goods have more complex product characteristics and purchasing process than consumer goods. It is very important that customer trusts enterprise and personnel. Therefore, during product promotion process of Company A, although visiting customer is one relatively traditional market expansion way, it is an relatively important way. During face-to-face communication with customer, marketing personnel can understand true demand of customer, competitive status of supplier, value orientation and operation concept

of customer more in details and also conduct better communication with customer in the level of technology and service.

However, visiting customer requires a lot of energy and expenses. Therefore, consideration must be taken to project, geographic position, probability of success and other customer value factors when selecting target customer to be visited and the company shall not be blind to conduct visit. Otherwise, in case that customer does not have very good communication willingness, it will be significant waste of the company's resources.

- Project derivative

The founder of Company A has many years of market accumulation in industrial equipment field; therefore, the company also conducts external project consultation and cooperation business at the same of conducting independent trading. During project cooperation process with other companies, with the understanding of owner on resources and capability of Company A, the owner starts to be interested in some unique product structure and service mode of Company A. For cooperation relationship established through this way, the risk is relatively easy to be controlled, cooperation between both parties is based on mutual trust, and it is also one of personnel promotion ways of Company A.

- Purchasing community

With the development of WeChat and online social media, professional purchaser also forms its own network group in virtual space. Joining in such social community generally requires recommendation of internal personnel of the community and it requires following related provision and behavior mode of the community. After maintaining such community relationship well, the company can conduct specific communication with members of the community by targeted way. Such members are very much likely to be purchasing personnel of world's top 500 companies, central enterprises and listed companies. Purchasing personnel will regard purchasing community as information platform and often publish some special material demands, industrial information and perception of careers. The company may provide direct quotation, supply channel and information service for purchasing personnel according to relevance, so as to display capability and culture of the company and gradually establish trust and cooperation relationship with target personnel. [21]

- Exhibition promotion

For exhibition promotion, the company may establish booth by itself and also may directly distribute materials at the exhibition. For establishing booth by itself, the cost is generally expensive. Although some exhibitions obtain financial support from government now, the company still needs to input a large number of labor and materials to conduct corresponding preparation at exhibition preparation stage. For SMEs requiring to control cost, in case of exhibition promotion, they also can directly distribute business cards and corporate brochures at exhibition site according to personnel exchange situation to conduct promotion activity. In this way, the cost is cheap and targeted enterprise propaganda can be also conducted.

## 2) Network promotion strategy

For SMEs, network marketing is essential marketing way, especially in nowadays big data age, network marketing is more prominent in low cost and high efficiency. On aspect of specific strategy implementation, Company A may adopt WeChat Official Account, enterprise website, Alibaba International Website, Made-in-China, Ecplaz, EC21, World Importers Net, China Suppliers, E-BAY, Linkedin and other network channels to conduct network propaganda and promotion. [22]

Company A always uses WeChat Official Account to conduct enterprise propaganda, but it needs to conduct continuous improvement on promotion contents and display image of the company with proper positioning and description. Meanwhile, the company needs to note that the propaganda effect of WeChat Official Account is gradually weakened because WeChat users pay more and more attention to quality of information in Circle of Friends and corporate advertising often is screened out, thus failing to achieve propaganda purpose of the enterprise. Therefore, at the same time of continuing to maintain present WeChat Official Account, Company A needs to establish its own enterprise website as soon as possible. At initial stage of entrepreneurship, Company A has not established its own enterprise website in order to save expenses. But, with the development of the company, enterprise image and propaganda effect will be damaged during external communication and propaganda process if it does not have its own website. In the course of establishing enterprise website, it is required to fully consider the aesthetic standard and value orientation of domestic and overseas customers, corporate market structure, innovational features and other factors and select reliable website development companies to ensure to embody the company philosophy of high-end, close to customers and flexible service to show the company characteristics in a simple and beautiful manner. [23]

In addition, such network channels as Alibaba International Website, Made-in-China, Eplaz, EC21, World Importers Net, China Suppliers, E-BAY, and Linkedin shall be made good use of for propagandizing and popularizing, and it shall become the paying member of Alibaba International Website to intensify the international marketing especially when the time is right.

### 3) Public relations strategy

The public relations refer to that an enterprise establishes good corporate image by handling the relations with surrounding institutions, organizations and individuals, and raises the corporate influence and reputation by multiple communication means in order to bring more practical business and public communication modes of intangible value to itself, which involves governments, schools, communities, banks, associations, media, customers, staff and suppliers.

The SMEs like Company A can adopt the following public relations communication means:

- News media propaganda

The news media propaganda is characterized by fast speed, wide area and deep impression. Company A can conduct enterprise propaganda by adopting proper news media and selecting corresponding news materials to improve the corporate popularity and reputation in the forms of news report, exclusive interview of enterprise, interaction with media and public relations advertising.

- Enterprise self-propaganda

Company A can conduct self-propaganda by corporate website, social website, enterprise card, enterprise showroom, outdoor display panel, and enterprise sample book, and enhance self-propaganda by holding technical seminar, participating in international meeting and participating in government training. By these propaganda means, social public and enterprise staff can have better understanding of the corporate ability, identify with the corporate culture, support corporate development and be willing to work for and cooperate with the enterprise, which facilitates the establishment of a good corporate image.

- Provision of service

In the course of Company A providing services to target customers, enterprise staff can communicate with customers in details based on their specific demands, understand the application status of company products, compare the service scope and service mode of

suppliers of the same kind, collect the customer feedback on current services, find out the service defects and deficiencies, and grasp customers' potential demands and tendency in order to improve the company's service process and quality, develop service contents, promote service capability, further keep close to and understand customers and make target customers realize Company A's unique value. By making good use of such public relations communication means, the demands of target customers will be practically satisfied, and such customers will have a good impression on and identify with the enterprise, and publicize the enterprise and enterprise products to the organizations or individuals contacted, which facilitates the optimization of corporate image and the enlargement of market scale.

- Enhance the liaison with industry associations

Publicize the enterprise taking strength of the good relations among Company A and Shandong Province Electric Power Enterprise Association, Shandong Association of Environmental Protection Industry, EU Project Innovation Center (EUPIC), China-Britain Business Council, China-Germany Environmental Protection Association and other industry associations and institutions, search more valuable business opportunities in virtue of these industry platforms and promote the corporate development.

- Ask for opinions

By means of customer satisfaction poll, visiting key customers, suppliers and distributors, dealing with complaints and carrying out various consultancy services, inquire into the opinions of the social public on the enterprise and its products and publicize the enterprise. This public communication means has bidirectional feature and can completely and truly reflect the demand tendency, market trend and customer inclination. By making good use of such means, not only the social public and consumers can have better understanding of and identify with the enterprise, but also the social public can realize they are respected and valued, then further trust and prefer the enterprise; meanwhile, the process can also establish a relation between the enterprise and the social public, making enterprise truly understand the opinions and demands of the social public, develop more appropriate products and services and better satisfy the social demands.

#### 4) Advertising strategy

Considering the features of advertising fund input, Company A will cautiously select this way of promotion, but the advertising means for propaganda can be used to exploit the environmentally friendly coating market when the time is right. However, the advertising quality control shall be paid attention to at the time of enterprise propaganda through advertising channel. Only the ads in line with the corporate product features and market structure can find out the right appeal points. Therefore, the advertising goal, demand contents and discriminative features shall be defined before the advertising creation. Company A shall inquire into the information that the appeal objects care about the most, pay the most attention to and have the most interest in, and deliver ads in a targeted manner when formulating the advertising communication information of the enterprise. Accurately grasp the advertising appeal points and ensure to reach the advertising goals of enterprise propaganda and market development. [24]

## **5. Measures for Company A's strategy implementation**

By contrast with Company A's improved development strategies, this paper is respectively discussing the supporting measures against development strategies in terms of resource guarantee, information management, financing channel, organizational structure, team construction and corporate culture to ensure the effective implementation of development strategies.

## **5.1 Exploit the founder's resource strengths**

The founder of Company A has worked for years at a heavy machinery company of a large-scale state-owned iron and steel enterprise, mainly engaged in the international marketing of complete equipment, during which, he established good cooperation relations with foreign customers, joint ventures, large designing institutes, engineering companies concerning foreign affairs, manufacturers and foreign suppliers. These interpersonal connections have played important role at the establishing stage of Company A, which has brought initial orders for Company A. During the cooperation with customers and suppliers, their mutual understanding has been deepened, which contributes to the control of business risks.

Company A, as a small and medium-sized industrial goods trading enterprise, shall continue to exert the founder's resource strength due to the limitation of scale and industry features. The company founder grasps the corporate development direction and concept, which is the theoretical basis for corporate development. At the same time, due to the complexity and technicality of industrial goods industry, the target customer's recognition of the company often depends on that of the corporate staff experience and concepts. The founder's surrounding education resources shall be made good use of to establish a corporate learning organization and constantly improve the corporate innovation capability.

On this basis, Company A shall give play to the propaganda function of existing performance and market well, meanwhile duplicate the market and innovate to enlarge the market share in each market segment and enhance the corporate development power.

## **5.2 Optimize corporate organizational structure**

The current corporate status is that the division of labor of staff except for the financial staff is not clear, and that they work based on the arrangement of the General Manager of the company. As the company develops, the Purchasing Department, Sales Department, Quality Department, Finance Department and General Management Department shall be established with the post duty and assessment policies established for the incentive rewards and punishment of all staff.



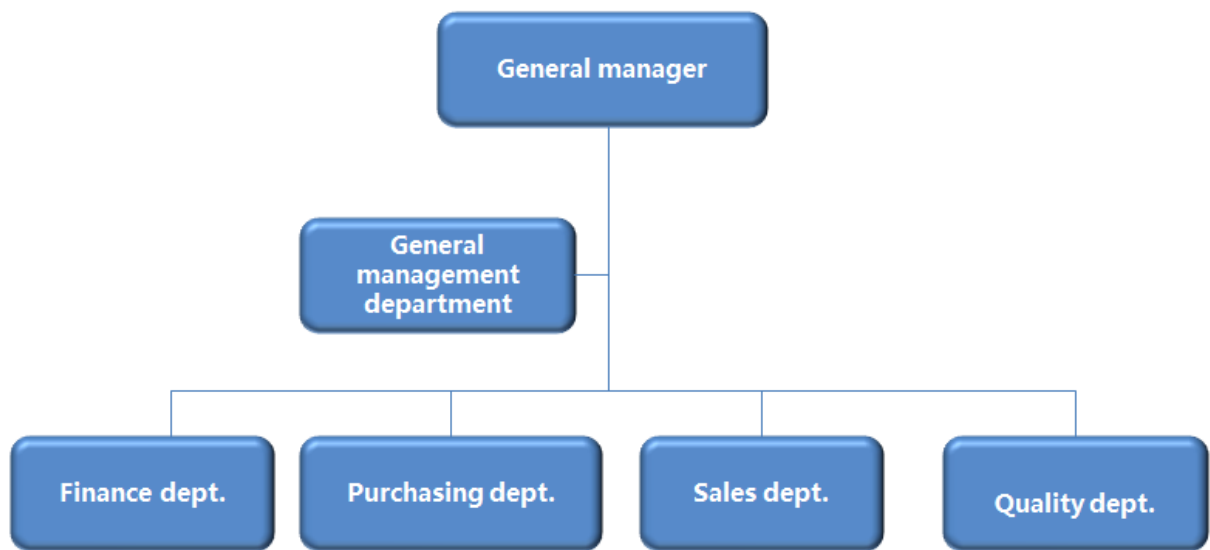


Figure 5-1 Optimized corporate organizational structure for Company A

## 5.3 Complete the corporate information management

### 5.3.1 Integration and reserve of products and suppliers

Although the company has accumulated thousands of supplier data, it is still required to continue to enhance the integration and reserve of both products and suppliers, constantly enrich and perfect the supplier database based on different customer demands and market feedback, screen out quality suppliers and evaluate strategic cooperation suppliers.

### 5.3.2 Customer data integration and reserve

Arrange and classify the existing customers, and complete the customer reserve on market segment such as aviation and G-Series high-speed train towards the potential markets.

## 5.4 Multi-channels' solution to financing problems

### 5.4.1 Make good use of financing platform

On the premise of guaranteeing the financing security, conduct packing loan under L/C and insurance based financing via Alibaba One Touch financing platform, obtain fund support and increase the corporate asset liquidity at the affordable financial cost.

## **5.4.2 Introduce project investors**

Specific to appropriate projects, introduce project investors, define the project profit distribution scheme, select quality investors without prejudice to the corporate equity structure and cooperate on specific item.

## **5.5 Strengthen team construction**

As the company develops constantly, Company A shall unceasingly enhance the learning organization construction. The team members shall focus on the self-improvement and affect each other, capable of subtly catching economic information from the market and social environment and forming unique idea of development. In the course of team construction, the company organizations shall establish their own strengths in the following key areas;

### **1) Sense of responsibility**

The team members shall build up the sense of responsibility. Only by having such sense of responsibility towards themselves, colleagues, company and family members, can they be responsible for customers and the society. The sense of responsibility is the representation of working attitude and the guarantee on job quality.

### **2) Professional and comprehensive**

Company A has diversified markets and complex products, and the team members shall find pleasure in learning and be good at learning, becoming experts in multiple professions, form relatively comprehensive professional ability in terms of quality technology, customer communication and channel management, and show the company's professional ability and all-around services through the communications with individuals and customers. [25]

### **3) Keep close to customers**

Build up the customer-oriented idea that without customers there would be no company, and the behaviors of team members shall consider the customers. By really keeping close to, understanding and serving customers, the company can create unexpected value from the view of customers and add the customer stickiness.

### **4) Flexible and efficient**

Give play to the company's flexible strength, make customers feel that small company can also carry on big businesses, reflect company's service difference and unique strengths by team members' flexible and efficient services and form the unique competitiveness.

Although Company A is in a small scale, its business model is characterized by diversification and comprehensiveness. It is required to integrate the experts in enterprises and public institutions in the cultivation of internal teams, and rely on part-timers to enhance the corporate technical service capacity. It shall flexibly mobilize social public resources and enhance the corporate marketing influence by means of project cooperation system. Comprehensively use multiple channels to enhance the corporate team construction. [26]

### 5.5.1 Recruitment

Because the company lacks staff at present, it is required to recruit some personnel to enhance the purchase, marketing and quality inspection next step. During the talents selection, those identifying with the corporate idea of development and in line with the corporate virtue standard would be allowed. The professional skills are only basic elements for the talents selection, and such elements as employee’s morality level, value identification, honesty and self-discipline, aggressiveness, accountability, consciousness of innovation and cooperation shall also be considered comprehensively. As shown in the following figure:

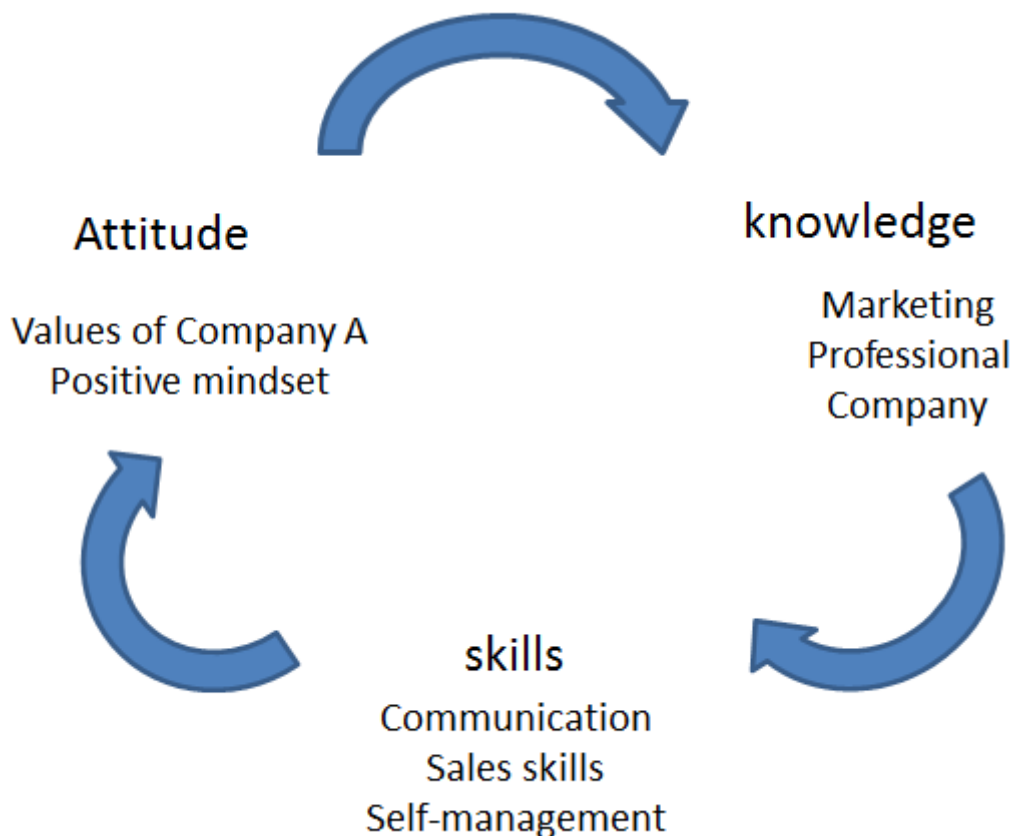


Figure 5-2 Talent model of Company A

While the company shall integrate the talents in enterprises and public institutions based on the project need for the reserve of talents, screen some experts to become part-timers of the company, participate in the corporate external consulting and technical service, and improve the corporate professional level. The project cooperation system shall be used to absorb industry broker and commission merchant to become corporate cooperation marketing personnel who shall flexibly mobilize social resources and enhance the corporate marketing capability.

In order to improve the corporate popularity and enhance the reserve of talents, the company will recruit some interns from some well-known colleges and universities which provide outstanding university students with pre-graduation learning and practice opportunities and help them get ready for the career.

## **5.5.2 Salary system**

Company A implements the combined salary system of basic wage and project wage, which mainly includes basic wage, bonus, social security and others in day-to-day business. In the course of project introduction and social channel collaboration, the project wage will be implemented based on the project profits for the regular staff and part-timers in project responsibility system. With the corporate development, Company A shall gradually implement full-scale salary system towards regular staff, which not only includes basic salary and social security benefits, but also contains career development, work experience on international standard, innovation and entrepreneurship support and other incentive mechanisms on the premise of keeping the existing salary system. The company's flexible and comprehensive salary system contributes to absorbing talents, encouraging talents and improving the work efficiency of the whole team.

## **5.5.3 Training**

Corresponding training is required for the different stages in staff career. Only by applying individualized teaching can they apply what they have learned. The new comers are mainly trained with corporate culture, market positioning and product features in order to make them have better understanding and recognition of the company and form sympathetic chord inwardly; Later, they are subject to marketing promotion series training and taught by external experts and internal members, for the purpose of providing specific product knowledge and sales technique training for the staff at different stages; After the company develops into certain stage, the core management shall be subject to joint training by entrusting colleges and universities or well-known enterprises to improve their management skills.

## **5.5.4 Career development plan**

According to the business personnel performance assessment and capability level, the company shall set up the career development channel of intern employee– regular employee – business manager – business director – senior partner. The company's future talent policy is not limited to internal use. It shall consider both talent collaboration and talent output and encourage staff to conduct internal entrepreneurship and joint adventure, creating a wider development space for both individuals and enterprises.

## **5.5.5 Build up staff-oriented development idea**

Company A shall combine the corporate resource and business model to build up the employees-oriented development idea that all developments are for staff development, provide employees with the innovation and entrepreneurship platforms with mutual communication, enlightenment and support, make employees feel that small company also has great performance, provide creative working opportunities to employees and constantly improve the working environment and living atmosphere. Because Company A's main customers are concentrated in the industrial field, and employees shall often come to the project site, where there are dangerous factors, to visit customers and render technical

services. Company A shall therefore enhance the safety training on employees, improve their hazard source identification and self-protection abilities. Regularly organize physical examination, jointly hold travel, athletic contests, cultural programs and other recreational and sports activities with business units to ensure the employees sound in body and mind.

## **5.6 Form the corporate culture trusted by customers**

The corporate culture is essential to the corporate development. Because Company A mainly serves high-end transnational corporations, it shall attach more importance to the corporate culture base. The high-end and advanced corporate culture contributes to good communications with various quality customers and winning customer trust through quality and safety.

### **5.6.1 Operation idea of Company A**

Drawing on the quality gene culture of Siemens, Company A defines that quality comes from responsibility, makes constant improvement to satisfy customers' new demands, nips in the bud to avoid reworking and forms the trustworthy quality idea. The company's quality idea is publicized through such channels as company email signature, brochure and company letter paper. Both quality and safety are conveyed to customers for customer trust, so as to jointly create the good life operation principle.

### **5.6.2 Company A's service awareness**

As an industrial goods marketing company, the service awareness must be a part of the company's core idea. The course of serving customers is that of both performing the contractual obligations and duties and satisfying the customer demands as well as collecting information, finding out loopholes and demands, improving image and stickiness. The service awareness is a constituent part of enterprise development gene, led by which the corporate internal process can be optimized from the view of customers. Carefully implement quality control, carefully care about customer difficulty and put forth effort to promote the market development. The service awareness is also the concrete embodiment of customer value orientation, by which the company can bring development opportunity and prospect to itself at the time of creating value for customers, and constantly improve its business scale and quality while building up a good image.

### **5.6.3 Enterprise spirit of Company A**

The development of Company A always adheres to the innovation spirit. By constantly exploring the customer demands, it adjusts the business models and operation details, seeks the best combined point of supply channel and quality market and makes itself vigorous forever in the industrial goods field by referring to the development models of innovative companies such as Hong Kong Li & Fung Company.

## **5.6.4 Marketing tenet of Company A**

As a small comprehensive industrial goods trading company, the company has received customers' trust with customer-oriented, honest and trustworthy marketing tenet. The customer value is corporate value; without the former's security, there would be no development of the enterprise. No matter in domestic or international market, the corporate business objective is to first guarantee the realization of customer value. As the cooperation deepens, the mutual trust will also be intensified. With the business development in recent years, Company A's business model and product structure have been recognized and welcomed by more and more customers. The company's international market share has increased gradually from nothing by perfecting itself in international business model and professional services on international market.

# **6 Main conclusions and research prospects**

## **6.1 The main research conclusions of the paper**

The development of both economic globalization and high-tech has accelerated the industrial restructuring and transformation in China. With the publicity and promotion of a series of policies such as "Belt and Road", "Mass innovation and entrepreneurship" and "Internet +", the industrial goods market in China is confronted with wide development prospect as well as large growth pressure and challenge. In particular, the SMEs in industrial goods field shall give play to the flexible strength, carry out special operation and survive in the gap among large-sized enterprises. The economic development can't be separated from the development of SMEs. The closer approaching the stage of economic maturity, the more obvious promoting effect of the SMEs have on the economy. On the industrial goods market with fierce competition, this paper selected Company A as the research sample to study its external and internal environment, arrange the opportunities, challenges, strengths and weaknesses with the Michael Porter's Five Forces and SWOT analytical method, apply STP strategy for the analysis of market segmentation and selection, define the market positioning, and put forward product strategy, price strategy, channel strategy and promotion strategy suitable for Company A based on 4P combination theory. Main research conclusions are as follows.

### **6.1.1 Company A is confronted with great development opportunities**

The discussion in the paper provides appropriate development strategies for Company A to develop into an innovative industrial goods trading company characterized by professionalization, integration and asset-light of industrial influence in the market segment under the informatization and networking conditions. Company A, like other SMEs, is confronted with great development opportunities as an innovative industrial goods trading company. "Mass innovation and entrepreneurship" has created a favorable opinion atmosphere for the development of SMEs, and the whole society attaches more importance to the innovation and entrepreneurship. The SMEs obtains more policy and market supports. The development and application of Internet technology have reduced the corporate

operation cost and increased corporate efficiency of operation. The SMEs can conduct extensive resource collaboration, link to global market needs and obtain rapid development in the internationalization context; there are also great performance for SMEs and the unprecedented opportunities of SMEs. At the same time, the SMEs play increasingly important roles in booming the economy, promoting employment and stabilizing the society. The development of SMEs meets the intrinsic requirements of economic and social development. In the field of industry, the SMEs have huge development spaces under the huge demand size, and only the SMEs like Company A choose the appropriate business mode, face the target market, take right development strategies and carry out the flexible and characteristic management can they achieve the effective marketing performance on own market segment.

### **6.1.2 Company A shall conduct dynamic integration of development and market**

Due to the lack of resources, Company A as a small and medium-sized enterprise must take the relatively concentrated strategy to conduct dynamic integration of development and market and has a clear purpose to successfully conduct marketing under the premise of market segmentation and by combining the company's development. The market segmentation is particularly important for Company A, if no market segmentation is made or is not clear, then when facing the complicated market, the enterprises will be lack of reasons, take measures blindly and waste the resources, and then they will be eliminated from the market and have a entrepreneurship failure. Therefore, the rationality of development and market matching decides whether Company A can start a business successfully and can be developed. Only the development and market is dynamically integrated, can the enterprises meet the customer demands; and the value of existence and the space of development can be gained. In the field of industrial goods, the market is huge and the demands are complicated, if the SMEs like Company A fail to find a bonding point between the development and market, they will feel powerless and pressured, and the marketing activities of the enterprises will also end in failure.

### **6.1.3 The SMEs shall conduct customer value-oriented strategy**

Only the customer value oriented SMEs like Company A can achieve the success of development. The enterprises cannot exist without customers, and only the customer value is guaranteed can the enterprise value be guaranteed. In the field of industrial goods, the customer value is larger scaled, systematic and long term, and when facing the customers in the field of industrial goods, the SMEs more need to guarantee the realization of customer value through professional technology and excellent services and win the trust of customer and market recognition, and the success of market segmentation will also bring a greater market opportunity and the development of enterprises will be promoted strongly.

### **6.1.4 The SMEs shall conduct continuous innovation**

In the world, for both the large-sized enterprises and the SMEs, innovation is the inexhaustible source of enterprise development. According to the statistics, during 20 years

from 1953 to 1973, 157 of the 352 major innovation projects developed by Britain, America, Germany, France and Japan were made by the SMEs, accounting for 45.2%; During 25 years from 1952 to 1977, more than 200 of the most important 319 scientific and research development projects were made by SMEs. It is shown from these data that the SMEs have very strong abilities to innovate, and through persistent entrepreneurship, the SMEs will form own unique technique generally on the products and marketing, which guarantees the long-term existence and sustainable development of the enterprises. In China, the SMEs insist on innovation-driven development, promote transformation, and continuously cultivate and enhance the ability to innovate through collaboration and joint manufacturing with large-sized enterprises, and play a greater role in the innovation chain. Cultivate a batch of “professional, refined, characteristic and novel” SMEs with sustainable development. Guide and support the SMEs to conduct professional, refined, characteristic and novel development for the specialized market segment and customer base. The development of information technology also makes the market and demands change rapidly, only the SMEs like Company A conduct continuous product and service innovation can they respond to the constant change and fiercely competitive market, and then create value from the view of customers and gain the long-term sustainable development of enterprises. [22]

## **6.2 Research limitations and prospects**

### **6.2.1 Limitations of the study**

Because the paper provides some suggestions on marketing and management of the SMEs in China according to the analysis on development strategies research of a small and medium-sized industrial goods trading enterprise, and such suggestions are one-sided and not systematic; and there is a very large difference between the product structure and market characteristics of industrial goods market and the consumer product market, therefore, these suggestions and advises may not suitable for all SMEs.

### **6.2.2 Research prospects**

In the future research, the researchers can make further analysis and research on the SMEs under the backgrounds of internet and internationalization. For industrial goods marketing, the SMEs have achieved unique performance on aspects of market subdivision, customer relationship and customer value, etc., and the researchers need to constantly make innovation from the theoretical point of view, meet the demands of enterprise operation and development, guide the marketing practices of the enterprises and promote the healthy development of SMEs in the Global market.



## References

- [1] Wang Daoxin. On the Research and Application of Marketing and Strategy. [J]. Economist, 2017 No.12, P290-291
- [2] Yang Xuelian, Hu Zhengming. Industrial Product Marketing Research Status and Development Trend. [J]. Jiangsu Commercial Forum, 2012 No.10, P70-71
- [3] Ding Penghui. International Marketing STP Strategy and 4P Strategy Analysis. [J]. Business Economics, 2011 No.5, P85-87
- [4] Gloria Green, Jeffrey Williams. Marketing. [M]. China Renmin University Publishing House, 1999
- [5] Al Rise, Jack Trout. Positioning: The Battle for Your Mind. [M]. McGraw-Hill Companies, 2001
- [6] Li Fei, Liu Qian. Research on Comprehensive Model of Market Positioning Strategy. [J]. Nankai Business Review, 2004 No.5, P39-43
- [7] Zhuo Jun, Principles of Marketing. [M]. Zhejiang University Publishing House, 2015
- [8] Manager Forum. SWOT analysis model introduction. [OL]. [www.onlyit.cn/okm/theory\\_swot\\_analysis.html](http://www.onlyit.cn/okm/theory_swot_analysis.html).
- [9] Zhang Lu. Study and Thinking of Porter Five Force Model Theory. [J]. Brand, 2015 No.6, P345
- [10] Philip Kotler, Kevin Lane Keller. Marketing Management. [M]. Gezhi Publishing House, Shanghai People's Publishing House, 2012
- [11] Cui Rongxin. Establishment of Trust Relationship in Industrial Product Marketing. [J]. Enterprise Reform and Management, 2011 No.11, P72-74
- [12] Melvin T. Copeland. Cases on Industrial Marketing. [M]. Thoemmes Continuum, 2003
- [13] Yang Xuelian, Hu Zhengming. Research Status and Development Trend of Industrial Products Marketing. [J]. Jiangsu Commercial Forum, 2012 No.10, P70-71
- [14] Wei Guoxin. Analysis of Marketing Strategy Based on Customer Value. [J]. Knowledge Economy, 2016 No.5, P89
- [15] Li Wenwei. Analysis of Marketing Strategy Based on Customer Value. [J]. China Business Forum, 2016 No.13, P19-22
- [16] Zheng Jinhe. On the Future Marketing Strategy of SMEs. [J]. Economic Research Guide, 2015 No. 9, P94-95
- [17] National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China. Vision and Action of Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road. [N]. [www.news.cn](http://www.news.cn), 2015.03
- [18] Li Shuwang. The Great Logic of Contemporary Chinese Economic Development. [J]. Jinzhou Forum, 2015
- [19] Ministry of Industry and Information Technology of the People's Republic of China. 2016 Automobile Industry Economic Operation Report. [R]. [www.miit.gov.cn](http://www.miit.gov.cn)
- [20] Zhu Siwen, Zhan Xuebing. On the Application of Cognitive Value Pricing in Product Pricing. [J]. Journal of Hunan Institute of Finance and Economics, 2011.06, P155-157
- [21] Liang Na. On Personnel Marketing Strategy in Marketing. [J]. Science & Technology Information, 2011 No. 11
- [22] Zhang Xin. The New Trend of Corporate Marketing in the Age of Network Economy. [J]. Market Modernization, 2018 No.2, P78-79
- [23] Judy Strauss, Raymond Forst. Internet Marketing. [M]. China Renmin University Publishing House, 2015
- [24] Si Yang. Research on Public Relations Strategies of Start-up Enterprises. [J]. SMEs Management and Technology, 2016 No.21, P1-2

- [25] Thomas W. Zimmerer, Norman M. Scarborough. Small Enterprise Management and Entrepreneurship Essentials. [M]. Peking University Publishing House, 2002
- [26] Sun Hongbin, Zhang Yuming. Team Building of SMEs. [J]. Economic Perspective, 2012 No.5, P70-71