Analyzing the Challenges and potential Opportunities for a Swedish Newly Established Firm when entering the Chinese Food Market

A Marketing Study for BIM in Zhuhai City

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"Keep your eyes open to your mercies. The man who forgets to be thankful has fallen asleep in life."

—Robert Louis Stevenson

We dedicate this Bachelor's thesis to our supervisor, Katarina Hansson, who has enlightened us with scientific knowledge. She gave us invaluable advice in writing and revising this report. We also want to show our appreciation about her patience and kindness, without her encouragement, we could not go so far.

We would like to express our deep gratitude to Johan P Bång (CEO of FPX), who gave us the chance to work with BIM and who provided valuable information.

Also, we will like to thank Ulf Andersson (CEO of BIM), who has meet with us continually to share his knowledge, and specifically the experience of taking BIM to China.

This study should also be dedicated to Shahryar K Scott (creator of BIM), who has introduced the BIM world to us and opened our mind to a new life style. He has also shared his ideas and experiences with us.

Many thanks to our opponents, David Gay-Perret and Jiaman Tang, who have shared their knowledge and inspiring advices with us, they have put time and efforts on commenting our draft helping us leading when we had problems.

Last, but not least, we would like to thank every teacher and classmate who have join us and help us through these past three years.
China has become one of the largest markets for business investments. A great number of foreign companies have showed interest in the Chinese market; even more when they seen how other companies have succeeded in the crossover. However, not everyone has been lucky enough to be successful in the Chinese market; this is especially true for small firms. Small companies have faced big troubles when entering the Chinese market; specifically those who decided to go international after a mere few years. In this study, we will show the challenges and potential opportunities for Swedish newly established firm when entering Chinese market. The company chosen was a Swedish food company called BIM, which also promotes healthy life styles.

The authors begins the paper by briefly introducing the BIM company, background of this study, and some definitions, such as the Chinese concept of networking or Guanxi, the difference that exists between Swedish and Chinese managerial style and negotiating style and how can all of these issues can make a difference in succeeding in China. Next, the authors introduce the theoretical model which is a combination of opportunities; such as: costs of labour, market size and availability of resources; and barriers such as: networking, bureaucracy, culture, managerial and negotiating style.

Finally, the results show that new established companies that acknowledge the importance of a well establish network will have a bigger chance to succeed while doing business in China. A marketing study and interviews for the company BIM are shown in the appendix to assess opportunities and challenges before and after entering the Chinese market.
Chapter 1 Introduction and Background

1.1 Introduction to the study

There has been some debate lately on what are really the main aspects that a company should focus on before attempting the process of internationalization, specifically in China’s case, and what of those aspects can, if they are not taken into consideration, represent the difference between gaining success or not.

In this study we focus on building a model of opportunities and barriers for a Swedish fast food brand, which has just recently establish in Sweden; when attempting to enter the Chinese market; and how the knowledge of some of the aspects that represent both barriers and opportunities can make the difference in succeeding when gaining access to the Chinese market.

1.2 Presentation of BIM

BIM (Body in Motion) is a Swedish healthy food company that began its business in Sweden in 2009; the company was created by Mr. Shahryar K Scott (BIM’s creator) who introduced the concept of a healthy fast food restaurant to the Swedish market.

Mr Scott felt that it was a need that was not fulfilled by the market; people wished to follow a healthy lifestyle and at the same time were conscious and willing to include fresh food into their diets. The BIM Concept was created with four cornerstones: food, nutrition, gym & relax, and health guidance.

Currently, BIM has a store located in Sundsvall; Sweden in which they sell healthy fast food consists on a mix of western food with influences around the world. Also, the company sells a coffee that have a very unique taste since it is a specific blend created especially for the BIM brand.

BIM also has created food supplements which helps go up or down in weight and is the company’s wish to expand its market to China. It is BIM's belief that by addressing a country in which the food production and the food consumption is so high will substantially improve their chances in the future to expand to other markets.

BIM and its desire to enter other markets represented, therefore, a perfect match to help answer our research questions.

When we began this study, BIM was a very new brand, with a desire to expand its business internationally to a market to which they had little information about; so it fitted our requirements
perfectly.

1.3 The consulting Company for BIM: Future Positioning X (FPX)

FPX is Europe’s leading cluster for innovative and expanding use of Geographical information. Together we create new solutions for tomorrow’s society and emerging markets (FPXWEB).

Future positioning X gathers companies, researchers and organizations developing Geographic information technology in a cluster. The FPX-cluster has their headquarters in Gävle, Sweden and the network covers more than 10 countries.

As a partner in the FPX-cluster you gain access to our four business areas (FPX brochures):

- Networks
- Markets
- Lab
- Research

1.4 Background of the Study

Globalization is the driving force for a lot of companies who approach the global market. There are several studies that cover the area of internationalization, and more specifically the factors that make firms go through the process of internationalization.

A study called *Foreign Direct Investment in China: Determinants and Effects*, attempts to give an overview of the development of FDI in China from 1979; and more importantly; the research investigates the determinants of the dramatic increase of FDI inflows into China (Dess, Elizabeth; 1998). Dess (1998) finds among the positive variables the most important determinants are the potential market and cheap labour.

Another study, *Internationalization of the firm: stage approach vs. global approach*, by Baronchelli, 2008, states that during what is called the stage approach, companies often establish at their domestic market in the beginning, and then they start trying new markets in other countries. In fact, the study points out; “many firms start their internalization from their birth: they begin marketing in different countries all at once, approaching new markets for both exporting and sourcing” (Baronchelli, 2008).
The study *Commitment and Opportunity Development in the Internationalization Process: A Note on the Uppsala Internationalization Process Model* by Johanson & Vahlne, 2006; maintains that the “enterprise gradually increases its international involvement”. The entering of new markets by the firm is usually disturbed by the psychic distance, which is the sum of differences in languages, cultures, political systems, etc., creating more gaps between the firm and the markets than physical distance (Johanson & Wiedersheim-Paul, 1975).

**1.5 Restrictions**

- This study will only cover Swedish newly established firms.
- We only collected a few interview samples, this because of the fact that the people that was actually involved or had valuable information on China were very few.
- We were not able to go to China to assess the market information.
- We constructed a survey that consisted of only of 8 questions in order to increment the chances of completion by the responders, which limited the broad of this research.

**1.6 Confidentiality**

The Business plan for BIM in China is confidential, information on what do the entire BIM concept mean, which are the brand cornerstones, specification of their menu, ingredients and pricelists are not included in this study due to confidentiality issues. Information on how will BIM attempt to conquer the Chinese market will be excluded for the same reason.

**1.7 Disposition**

This paper will begin with an introduction to the BIM Company, then a short background of similar studies, follow up by the main purpose and objectives of our work. The Theoretical framework section will include definition on newly established firms, MNE firms and their differentiation; also the opportunities and barriers that newly establish firms can faced according to other researchers. We will explain how and why we constructed our own theoretical model. The Methodology chapter will introduce how we performed our study; specifically, we will regard Validity, Reliability. References are provided according to Oxford Referencing System, thus a list of all references can be found in the end of the paper.
Chapter 2 Purpose and Objectives

The main purpose of this study is to determine the challenges, presented as barriers, and potential opportunities for a Swedish newly established firm when entering the Chinese market, specifically the food market sector.

The detail objectives for this study are:

- What factors can be considered as advantages for Swedish companies when entering the Chinese market?
- What kind of risks does Swedish newly establish firms get in contact with when they try to enter the Chinese market?
- Is there any specific model that will help newly established firm, specifically Swedish companies enter the Chinese market?

Also, we conducted a marketing study for the Swedish food brand BIM in order to assess opportunities and barriers before the company’s trip to China.

Chapter 3 Research Methodology

3.1 Selection of Secondary Sources

This research began as an investigation on the field of innovation. The theoretical literature was mainly founded at online databases such as Emerald and Google Scholar. The results were found as a result of keywords such as Chinese Managerial style, food industry in China, Swedish Managerial Style, Marketing in China, Chinese consumer behaviour; Market entry strategies; articles were found in journals such as the European Business Review, International Marketing Review, Journal of Consumer Marketing, International Journal of Quality and Service Sciences.

The articles used for this research were from 2004 to 2010, articles from 1994 and 1997 are used
merely as a reference.

3.2 Case Selection

Our purpose is to study the opportunities and challenges that a newly established Swedish firm faces when entering the Chinese market.

In order to accomplish this we contacted a Swedish consulting company FPX which has been working at helping Swedish companies entering the Chinese market. For the past three years FPX has been working on strengthening its Chinese network, the company have been very successful in building a strong network in China, thanks in part to their tie to the Swedish Government.

3.3 Data Gathering

The information that is available on this research on the BIM Company was collected by a number of personal interviews made by both authors of this study.

Our empirical data is based, therefore, on a number of interviews performed in person with the concept creator of the Swedish company BIM, Mr Scott (BIM creator) and the company manager Mr Ulf Andersson (BIM CEO), before and after their trip to China.

The information that we were able to obtain on the FPX Company were in the form of interviews send by mail.

3.4 Qualitative or Quantitative

A qualitative approach

An initial, generic definition for qualitative research can be offered: It is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible. These practices transform the world. They turn the world into a series of representations, including field notes, interviews, photographs, recordings and memos to the self. Qualitative research involves the studied use and collection of a variety of empirical materials-case study; personal experience; introspection; life story; interview; artefacts; culture texts and
productions; observational, historical, interactional and visual texts- that describe routine and problematic moments and meanings in individual's lives (Denzin and Lincoln, 2005). We wish to create a theoretical model of possible barriers and opportunities perceived by a small Swedish company, specifically a newly established firm that, in the future, help Swedish entrepreneurs who wish to enter and establish themselves in the Chinese market.

In order to achieve our purpose we have carried out a qualitative study, which according to theory uses a naturalistic approach that seeks to understand phenomena in context-specific settings, such as "real world setting [where] the researcher does not attempt to manipulate the phenomenon of interest" (Patton, 2001, p. 39).

Quantitative researchers seek causal determination, prediction, and generalization of findings, qualitative researchers seek instead illumination, understanding, and extrapolation to similar situations (Hoepfl, 1997), so because there is limited information on small to medium size Swedish companies currently established in China and the amount of persons that we were able to interview was reduce; we cannot generalize or predict any of our findings; we instead choose to understand and explore; based on the premises of a qualitative study.

We constructed a before and after scenario. The before scenario is based on information gathered by interviews with the company owners and managers before their trip to China. Also, we build a marketing study for the situation of the market before the company’s trip to China.

The after scenario was built upon information gathered from interviews with the company owners and managers Mr. Scott (BIM Creator) and Mr. Andersson (BIM CEO) after their return from China.

3.5 Methodology

3.5.1 Sample

In order to fulfil our purpose it was necessary to build a marketing study of the current state and possible opportunities of the Chinese food market, specifically for the City of Zhuhai in Guangdong Province.
The marketing study of the Chinese food market was mostly build on information gathered on Chinese web pages and articles. This represents a challenge because of the availability of specific information on resources, labour and food control.

We will focus on a study of the opportunities and barriers encounter by the company before and after their visit to China.

Specifically, what are the factors that BIM managers believe, after their visit to China, to be the most relevant when entering the Chinese food market?
Did the overestimated some aspects? Were their preconceptions of Chinas market changed in any way?
Also, we will study the answers from the Swedish firm FPX that has successfully engaged with the Chinese market for three years, and currently is employ by BIM as their consultant; and compare them to that of the new firm (BIM).

We will also conduct a Marketing study of the potential opportunities for the newly established firm (BIM), this in order to gain some idea of the state of the market in the food sector.

**3.5.2 Interviews**

In an unstructured interview, no questions are prepared. Instead, the interviewer should have a clear understanding of the subject to conduct a fruitful discussion with the interviewee. The purpose of the unstructured interview is to allow the interviewee to speak freely about events, behaviour and beliefs. (Saunders et al., 2003)

The strength of the unstructured interviews is the most complete freedom they provide in terms of content and structure (Kummar, 2005).

Unstructured interviews were used with Shahryar K Scott (BIM creator) and Ulf Andersson (BIM CEO) in the beginning of the thesis work, since the aim was to have basic pictures about this work and the company. And we tried to balance the deliverables between the company and the academic paper.
Semi-structured interviews rely on an interview guide that includes questions, possible prompts, and notes to the interviewer about how to handle certain responses. Constructing the interview guide derives from the study’s research question(s) and begins with reviewing the literature on a chosen topic to see how others have approached similar inquiries. Working back and forth between the previous research-what has been done- and the draft interview guide-what could be done-helps to clarify the aims and hypotheses of a study and brings into focus possible questions to include in the interview guide. The guide should be designed to balance the need to collect roughly similar kinds of information from all subjects while capturing each subject’s unique perspective on that information (Sankar and Jones, 2008).

In a semi-structured interview, the discussion is directed by a list of themes or questions that needs to be covered in the interview. The pre-determined questions should work only as guide where questions can be added or removed during the course of the interview (Saunders et al., 2003).

Semi-structured interviews were used with Ulf Andersson (BIM CEO), Johan P Bång (FPX CEO), Micke Kedbäck (Marketing Developer fro FPX) before BIM went to China. This was because by then we had a clearer view about how we wanted to conduct the study and what information was needed. Another important reason was that by the time they came back from China we were able to gather more information on the subject and build up an idea of what we wish them to clarify for us.

### 3.6 Validity

Validity is a test to establish the quality of any empirical social research (Yin, 2003). The validity can also be defined as measuring instruments ability to measure what one intends to measure (Eriksson and Wiedersheim-Paul, 2001). According to Yin (2003), validity can be divided from two different perspectives, internal and external validity. The internal validity can be used as establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships. External validity is used to establish the domain to which a study's findings can be generalized.

In order to make sure the validity of this study as sufficient as possible, we gathered the
information through different approaches, such as Internet information collection, relevant literature reviews, and interviews. The information we use has been as updated as possible and crosscheck among different sources for the same topic has been done. One negative factor on the validity for this report is that the theoretical model was created by us by gathering and combining different theories together, it's used just for this study only and has not been tested by other previous studies. During the course of this study, we will test our theoretical model and present our results for the Swedish company BIM.

Entry modes were included in the theoretical model, because they were found to be important while researching; even though we conducted interviews and ask on BIM’s entry modes the company’s managers still don’t know which they will choose, all depend on the investors.

3.7 Reliability

Reliability refers to demonstrating that the operations of a study- such as the data collection procedures- can be repeated, with the same results (Yin, 2003).

Reliability refers to the consistency, stability, and repeatability of a data collection instrument (Kirk and Miller, 1986).

In order to ensure the reliability of our study, we explain the procedure and approaches on how we built the model and relevant information will be provided as well. We will clearly state the variables of our study and sufficient references will be provided as well. One pitfall of the study is that the feedbacks of our interview questions we got were not sufficient enough to support our study.

Chapter 4 Theoretical Framework

4.1 Definitions

In this chapter the reader is introduced to the concept of newly internationalized ventures and the barriers and opportunities that such firms might encounter according to theory.

4.1.1 Newly internationalized firms

New internationalized firms are by definition “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall 2005). The main feature of this type of firms is the fact
that the internationalization occurs early in the life of the firm.

The firm will not only go global by exporting their sales in an early stage (Madsen and Servais 1997), but they will also provide a sort service to the new market.

A company of this sort will not be recognized for its size, which is medium to small, but mostly for the time in which it chooses to go and establish itself into other markets (Oviatt & MacDougall 2005).

The concept of newly establish firms is quite new and its development has occurred because of the appearance in today’s market of more and more ventures that quite not follow pre existent concepts; such as the MNE concept.

4.1.2 Multinational Enterprises (MNE) firms

Multinational enterprises are “firms that engage in direct foreign investment, they will acquire a substantial controlling interest in a foreign firm or set up a subsidiary in a foreign country” according to James (1995). By definition these firms possess some special advantage such as superior technology or lower costs due to scale economies (Hymer, 1976).

MNE tend to be industries that follow four characteristics (Markusen, James R. 1995):

- High levels of R&D relative to sales.
- Large shares of professional and technical workers in their workforces.
- Products that are new/technically complex.
- High levels of product differentiation and advertising.

4.2 The difference between MNE and new internationalized firms

The difference lies in the amount of resources and capabilities that MNE have in contrast with new internationalized firms, both ventures wish to establish their business idea in a different market, but in the case of newly internationalized firms the internationalization occurs early in the life of the company.
For MNE it internationalization will occur later on, since for these firms corporate age is correlated with multinationality (Blomstrom and Lipsey 1991, Morck and Yeung 1991, Beaudreau 1986), this can also be related to size of the endeavour for these type of companies.

### 4.3 Analysing newly internationalized firms

Newly internationalized firms “are best captured in a framework that is found at the intersection of entrepreneurial and internationalisation perspectives, which we propose be known as international entrepreneurial dynamics” (Mathews and Zander, 2007).

As mention before, only few studies have tried to explain the differences that exist between the definitions that are currently available and the actual enterprises, (Madsen and Servais 1997) which doesn’t precisely adapt to the concepts that exists.

This is why this study will take on the concept of newly internationalized firms and the opportunities and barriers that they face when entering a new market.

### 4.4. Opportunities for newly internationalized firms

#### 4.4.1 Low cost of labor

Chinese low Cost of labor is one of the reasons why companies choose to enter the Chinese market; according to a study by Guan and Swain (1995) low-cost labour and currency depreciation is an important factor in explaining how much foreign capital flows into a particular country.

Furthermore, data on Chinese low cost of labour is shown in the appendix section; specifically on the marketing study under section 2, availability of resources.

#### 4.4.2 Market size Capabilities

Mainland China is a vast and populous country with a population of 1.3 billion, and an annual growing increase percent of 0.26% (Reuvid, Jonathan 2007), so it exist great potential for developing China’s market. Dunning (1981) in his product cycle theory declares that market-share extension is the critical strategy utilized by mature multinational corporations; in order to increase
market share, foreign investors may take advantage of regional gaps in demand and supply. (Chen el a. 1996)

4.4.3 Availability of resources

Chinas resources attracts a huge amount of foreign investors every year, resources such as labor force; estimated at 798 million in 2006, of which 45% were said to be employed in agriculture, 24% in industry and 31 percent in services (Reuvid 2008); natural resources, such as minerals, metals, gold, and all types of fuels, make China a great market for Foreign Direct Investments (FDI). This can be shown in detail in Table 2.5 Macroeconomic indicators of foreign trade in page 24 of Reuvid (2008).

4.5 The challenges of a newly internationalized firm

In order to succeed when establishing a company in another market, specifically one that is quite different culturally as the Chinese market, it is necessary to develop an innate understanding of the local culture as well as of the extant business environment” (Lightfoot, W.S. & Almeida, J. 2007).

This is great task, and one that in most cases require years to achieve; and of course can determine whether the company succeeds or not in the market that it’s trying to enter.

But according to Lightfoot & James (2007)”many of the overseas prospectors lack such an understanding” or, in any case, believe that the gaps are easier to fill that they actually are.

Problems occur when companies lack information or tend to disregard relevant factors such as negotiation styles, culture, networking, region differentiation, etc.

The article How to succeed in China(2008) exemplify this by the presentation of different cases in which companies ignored or were unaware of some of these factors and therefore failed to enter the market they were seeking.

4.5.1 Network

4.5.1.1 Guanxi (Chinese word for network)
Guanxi translates as relationship or connections, it is described by some managers as the informal connections so essential to gaining approval for or access to just about everything in China (EWK Tsang 1998).

According to Yang (1994) Guanxi can also have the sense of "social connections," dyadic relationships that are based implicitly (rather than explicitly) on mutual interest and benefit. Once Guanxi is established between two people, each can ask a favor of the other with the expectation that the debt incurred will be repaid sometime in the future.

Bluterry and Leung (1999) talk about the importance of Guanxi while negotiating in China; since it will mean to have access to the needed influence to make things happen. It will mean having an influential person in an organization or often in a Government position.

4.5.2 Cultural Challenges

Fang, Tony (1999) specify three basic components of the Chinese Business Culture:

- The PRC condition
- Confucianism
- The Chinese stratagems

The PRC condition refers to the distinctive social force of the Peoples republic of China (PRC), it involves variables such as Chinese politics, China’s socialist planned economic system, legal framework, technology development, great size, backwardness and uneven development, and rapid change (Campbell and Adlington, 1988; Child, 1990, 1994; Hsiao et al., 990; Lockett, 1988; Porter, 1996).

As explained by Farg (1999), the PRC condition is closed link to bureaucracy and centralized decision making.

The foundation of Confucianism thought is harmony, hierarchy, development of moral potential and kinship; they drive the three interpersonal norms (Buttery and Leung 1999):
1. Basic communication patterns
2. Social obligation
3. Relationships amongst different life domains.

Confucianism influences the Chinese style through its basic values such as moral cultivation, importance of interpersonal relationships, family orientation, the respect for age and hierarchy, avoidance of conflict and the concept of face (Fang, Tony 1999).

*The Chinese stratagems*

Fang, Tony (1999) in his article on the Chinese negotiating style, explains stratagems as strategic forces that shape the strategic Chinese negotiating behavior; they assert the superiority of using mental force rather than engaging in pitched battles to cope with adversarial situations and to gain advantages over opponents. Fang has described very detail about Chinese stratagems in his study, and he has made a list about this issue.

**4.5.3 Bureaucracy**

It has been more than 30 years since Chinas market first open to the world; but according to Shao and Herbig (1994) companies still face bewildering bureaucracies in China, dealing with the numerous ministries and the various levels of government can be frustrating.

Even when China is today open to the world markets "foreign trade remains highly regulated, some exports are subject to mandatory quotas; while other good are liable to heavy export tariffs to discourage their sale abroad”, said by Shao and Herbig(1994).

Even when foreign companies need to navigate through bureaucracy, the Chinese market has proven to be worth it, a table of comparative GDP growth rates from 1979 has provided strong evidence for this fact, the table can be found in Page 8 in Reuvid (2008.). And as Shao and Herbig (1994) points out the situation is changing for the better as more nationals are opening their businesses, especially in Southern China and privatization is increasing.
4.5.4 Managerial style

4.5.4.1 Swedish versus Chinese Managerial Style

Chinese managers are more likely to favor cooperative strategies and place little importance on contractual safe wards. When faced with conflicts, Chinese managers tend to use indirect forms of influence that involve the assistance of a third party; and they tend to make less risky decisions (Wang et al. 2003)

4.5.5 Negotiation Strategy

Rubin and Carter (1990) define negotiation as the process or reviewing, planning and analyzing that is used by two parties to reach an acceptable agreement or compromise.

There are two commonly used negotiation strategies, Competition (distributive bargaining) which is associated with game theory; and cooperation (integrative bargaining) associated to social exchange theory. (Fang, 1999)

Specifically, business negotiation behaviors are divided by Dadfar (1988-1990) into technical, commercial and social dimensions; Fang, Tony (1999) goes a step further and uses this methodology to structure the behavioral patterns of the Chinese Business negotiating style into: Legal, political, technical, commercial, social and strategic patterns.

4.5.5.1 Western / Swedish versus Chinese Negotiating Style

The way in which negotiation is regarded by Westerns and Chinese is quite different; Fang, Tony in his article Negotiation: The Chinese Style (2006) describe the Chinese way of doing business as interpersonal-oriented, reciprocal, tactical, and network-embedded; while Westerns are more individualistic and loosely organized (Bluttey, Alan E. and Leung T.K.P.) in their negotiation approach. Gulbro, Robert D. and Herbig, Paul (1999) in their study Cultural Differences encountered by firms when negotiating internationally; build a table in which they show the stages of the negotiation process by firms from different cultures.

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<th>Country</th>
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**Table 1** Stages of negotiation activities by culture (Gulbro et al., 1999)

The table shows big differences between Chinese and westerns in reporting, positioning and compromising. According to the study, Chinese are less willing to compromise than westerns. On the other hand, Chinese will tend to report more frequently to their superiors than westerns; and they will also be more willing to follow and respect positioning inside the organization.

The table presented in this study by Gulbro and Herbig (1999) is based on the Hofstede indices; Hofstede research on the relationship between culture and behavioral differences has been used extensively in a number of papers related to the subject. This study about cultural consequences has taken place from 1980 to 1984. Hofstede study is based on four different attributes: (Hofstede, 1984)

- Individualism versus collectivism
- Uncertainty avoidance
- Power distance
- Masculinity versus feminity.

Furthermore, authors Bluttery and Leung argued that concept such as Guanxi or networking, harmony and hierarchy and Mianzi, which is the Chinese concept of giving face; are of vital importance when doing business in China. Chinese business people will regard highly a western company that haves the right contacts, maintains and understand its hierarchy while negotiating.
Fang, Tony in its study Chinese culture and Chinese Business Negotiating style, argue that the team leader of the western company doing business in China should be old enough and patient, also and since the Chinese government is the Biggest Boss; government support from the west towards the company entering the Chinese market will represent a big advantage, especially when negotiating large and high risk projects.

Bluterry and Leung (1998) conclude that in the west a business deal is largely divorced from other aspects of society and from the negotiators personal and social lives; while in China relationships are much more important than transactions, paying little attention to formal contracts, regarding friendship and trust as the base of doing business.

4.6 The process of assessing information on the market

4.6.1 Marketing Study

We have used the four steps screening for marketing and sites to build the marketing study in China for the Swedish company BIM.

This consists of the delimitation of the current state of the market in order to assess the present and future possibilities of entering the market for a company. This, for example, could be a specific sector of the market that is not targeted or a need that is not meet.

The process of screening potential markets and sites is described by Wild (Wild & Han 2008) in four steps:

- Identifying basic appeal
- Assessing the national business environment
- Measuring the market site potential
- Select the market or site.

Step 1: Identify Basic appeal means according to (Wild and Han 2010) to assess the basic demand for the product and also, to explore the availability of the resources required.

Within assessing the basic demand, the person conducting the study must “find out whether there is a basic demand for the company’s product” (Wild and Han 2010).
Determining availability of resources will mean “to know if the raw materials needed for manufacturing must either be found in the national market or imported” (Wild and Han 2010), for example.

*Step 2: Assess the National Business Environment* refers to the specific characteristics of the country that will be the base of the marketing study. "Countries differ significantly in their cultures, politics, laws and economies; international managers must work to understand these differences” (Wild and Han, 2010).

The factors that international managers should study according to Wild and Han (2010) include:

- Cultural Forces
- Political Forces
  - Government Regulation
  - Government Bureaucracy
  - Political Stability
- Other Forces
  - Cost of transporting materials and goods
  - Country Image

*Step 3: Measure Market potential or Site potential* requires to “undergo further analysis to arrive at a number of manageable number of potential locations” (Wild and Han, 2010). This step means “to explore the factors that further influence the potential suitability of markets and sites for operations” (Wild and Han, 2010).

These factors include:

- Measuring Market Potential
  - Industrialized Markets
  - Emerging Markets
- Measuring site Potential
Step 4: Select the market or Site involves “visiting the potential locations to confirm earlier expectations and to perform a competitors analysis” (Wild and Han, 2010). It includes:

- Field trips
- Competitors analysis

After several interviews with the BIM Company it was possible for us to build a specific marketing screening for BIM, based on company needs as well as combining the model described by Wild and Han (2008).

4.7 Theoretical model

![Diagram of barriers and opportunities for a new entrepreneurial firm]

Figure 2 Barriers and Opportunities for a New Entrepreneurial firm

(No information was given of which type of entry mode the company BIM will be willing to choose. During our interview with Ulf Andersson, BIM manager, he pointed out that the company is currently not ready to decide which entry mode they will choose; it all depends on the investors, which is why we have not included this section in the study)

We have created a model based on the aspects that we have found to be of interest in the literature
in terms of potential barriers and opportunities encounter by newly establishing firm of small to medium size.

We have followed a theoretical model that is a mixture of an International Business Dynamics (Mathews and Zander, 2007) and some of the most relevant and common motives for internationalization such as seeking network, market, resources and efficiency (Dunning 2000).

Chapter 5  Empirical Findings

5.1 From the marketing study made for BIM

5.1.1 Basic Demand on Food

According to data gather in the marketing study for BIM (Appendix section), the amount of foreign restaurants in China is not as big as it would have been expected, only 1500 YUM! restaurants in total (pizza hut and KFC); and 700 Mc Donald’s; which represent the biggest foreign chain in the country.

5.1.1.1 Ecological food

According to the results, ecological food demand in China will be of about 50 to 60 billion Chinese RMB (NYTCN); currently only 1000 out of all Chinese food products are ecological. (NYTCN)

According to our findings, for the year 2005 there were 1839 new certificated enterprises, 5077 kinds of new products certifications, which had a total weight of 63 million tons of products that year. The annual sales of 2005 were of 103 billion Chinese RMB; exports for that year reached 1.62 billion U.S dollars. From 2000 to 2005 annual sales of eco products grew 20.844% per year (51REPORT).

5.1.1.2 Milk
According to Customs statistics in China, from January to September of 2008, imports of dairy products in Guangdong ports were of about 35.400 tons, which was an increment on 2007 of about 1.8%. This increment is worth about 100 million U.S dollars. As a consequence the value of dairy products has increased 20.4% (CUSTOMSGOV).

5.1.2 Gym and training
China has gradually established a fitness industry; health clubs are currently increasing with up to a number of 1000 each year. By 2007 there were about 2,500 health clubs nationwide, and in Beijing specifically there were 465. The Chinese health market by 2007 was worth around 100-150 million dollars. After the 2008 Olympic Games, fitness clubs started to increase massively; the current amount of health clubs in China are currently of more than 3,400 (BIG5).

5.1.3 Nutrition and Health
Chinese food is health-based and diet-oriented. Chinese people attach great importance to food nutrition and health nutrition, food has a reasonable balance, and this is achieved through the allocation of different grains, different fruits, different animals, in five different dishes (YBASK).

The turnover of nutritional products in China almost reaches 50 billion and still keeps increasing with 15%-30% each year.
Consumption patterns are changing from accidental consumption to seasonal or perennial consumption. Consumption purposes are expanding from disease prevention and control to anti-aging, educational, beauty and other demands. The main reason why there is such a big market expansion of nutritional products is the improvement of people's quality of life (39NET).

5.1.4 Alcohol consumption
In 2007, the retail liquor market in Guangdong Province amounted to 20 billion Yuan. Domestic wine (rice and wheat) and imported wine (grape) in the market have equal shares.
Province alcohol Sales: 28 000 tones during 2005-2007, with represents an average growth rate of 30% on sales. Sprits sales account to 1.8 billion Yuan and sales of an approximate of 5300 tons during 2005-2007, which represents an average annual sales growth of 10% (WINESINFO).

5.1.5 Availability of resources
5.1.5.1 Eco products availability

We can take year 2005 as an example of how fast the ecological food industry is growing in China, there were 1839 new certificated enterprises, 5077 kinds of new products certifications, the total number of enterprises that make effective use of green food mark reached 3695, and 9728 kinds in total, which had a total weight of 63 million tons of products that year (51REPORT).

5.1.5.2 Dairy products

According to Customs statistics, from January to September, 2008, imports of dairy products in Guangdong ports were of about 35,400 tons, which was an increment on 2007 of about 1.8%. This increment is worth about 100 million U.S dollars. As a consequence the value of dairy products has increased 20.4% (CUSTOMSGOV).

5.2 From the CEO of FPX's perspective

5.2.1 Johan P. Bång (CEO of FPX)

Johan is an entrepreneur in the Community or Society area, which means that he has an innovative and inspiring nature. Nowadays he is the CEO of Future Position X. He has early experience from international media and marketing, both nationally and internationally. For example he was VD for Radio City 106.7 and manager for Creative Media Lab besides HIG in Gävle. He was one of the founders of World Internet Institute (FPXhem1).

5.2.2 Johan P. Bång (CEO of FPX) answers

According to Johan P. Bång the main reason in terms of opportunity that a newly internationalized firm has to move to China is cheap labor.

When asked what are the hardest challenges that a newly established firm has when moving its business to China, Mr Bång pointed out that according to his experience of four years; it was cultural issues and managerial style issues.

Mr Bång answer on managerial style differences between Chinese and Swedish people center on the fact that Swedish managers tend to be more dynamic in his leadership and wants to have a more open discussion climate in the organization and are also more process oriented in the
leadership and in building business- and market relations, when compared to Chinese managers.

A major difficulty for newly establish firms, according to Mr Bång might be adapting to each province special cultural and public sector structure; since in a way China is not an uniform country it is several different provinces that has to be handled differently.
When asked if standardization of products was necessary in order to be successful in China, Johan answered that that was not the case, according to his experience.

5.3 From the marketing director of FPX’s perspective

5.3.1 Micke Kedbäck (Marketing Developer for FPX)
Micke Kedbäck is responsible for Business Development and International Relations within Future Position X. He has been involved in several new start ups in mainly the Media and IT Sector, among then Mainstation AB, developing one of the world’s first web-radio concepts. Recently he has also established the Movexum Business Incubator, and is MD of the private investor network X-Invest (FPXhem2).

5.3.2 Micke Kedbäck (Marketing Developer for FPX) Answers
According to Micke Kedbäck, cheap labor is still the number one reason for newly internationalized firms to go to China; their number one opportunity.

He pointed out that Market size should be the number one reason; this because of China’s future potential as a market to sell products and services is far greater than its future potential to serve as a country where you produce your products to sale in other (western) markets.

When asked about the hardest challenges or barriers that newly internationalized firms need to conquer in order to succeed in the Chinese market; Micke Kedbäck answered that managerial issues represent the biggest problem.

For Micke Kedbäck the biggest differences between Chinese and Swedish managerial styles are based on companies’ culture differences which he believes affects the managerial style.
He adds that Swedish managers have a style where delegation of responsibility is important; they value the views of each employee.

Chinese managers are more traditional, decisions are made at the top, with clear instructions to the employee; whose task is just to perform his work as instructed.

He pointed out that his description was very simplistic as it is always difficult to generalise. He believe that in the future Chinese culture will probably change, positioning it closer to the Swedish style.

When asked which according to his experience was the *biggest problem* that Swedish firms have when entering the Chinese market, Micke Kedbäck responded that it was the size of the Market.

He explained that with China being a large country and cultures its consumer behaviour, varies between countries versus city, and also between different provinces.

He believes that an appropriate strategy for most companies would probably be to do the market entry province by province, and also to focus on the larger cities.

When asked about the *standardization* of the products to comply with Chinese consumers he believes that is necessary.

### 5.4 From the manager of BIM perspective

#### 5.4.1 Ulf Andersson (CEO of BIM)

Ulf Andersson has been working at McDonald’s for 20 years, at the end of his career he was the largest owner of McDonald’s restaurants in the region of Northern Europe.

Mr. Andersson has been involved in dealing with McDonald’s strategic issues and the brand’s national marketing for Sweden. Today Mr. Andersson acts as a chairman for BIM international (ULF1).

#### 5.4.2 Ulf Andersson (CEO of BIM) Answers
Mr. Andersson believes that the opportunities in China for BIM are bigger than what he had previously anticipated; he thinks that Chinese people is currently making the same mistakes as Europe by fast forwarding their economy but, the difference, he adds, relays in that Chinese have the strength and willingness to make a change.

When asked about the importance of having a network in China, Ulf commented that they were assist by FPX on the matter. According to Mr. Andersson, FPX played the role of a consultant for BIM. BIM made use of the network that FPX has been building for the past 3 years. As Mr. Andersson concluded, “without FPX network BIM Company would not have been able to accomplish the signing of a contract after merely 18 hours of our arrival in Zhuhai”.

Later when asked about the changed that BIM would have to go through in order to adapt to the Chinese consumers demands and expectations, Ulf said that they will have to make a change in order to grasp the Chinese consumers (this in terms of the menu); but not entirely because the brand is Swedish and it is selling Western food, and he added “if we will intent to be Chinese we would fail”.

He added that Chinese people are interested in western food, they want a western brand, but the approach has to be Chinese.

An example was made by Mr. Andersson on the differences between the Chinese consumer in Beijing and Zhuhai; he commented that the Beijing customer was familiarized with the western taste and culture, salad was not such a new experience for them as it was for the Zhuhai customer.

According to Mr. Andersson BIM will begging its establishment in Guangdong province, specifically in Zhuhai City; this because they have the support of FPX’s network there. FPX network has made it possible for BIM to even have meetings with the Zhuhai Governor, which has been of great significance for BIM success.

When asked on cultural differences Ulf Andersson said that they have had really good connections to people and fantastic discussions in Guangdong with partners; but he remarked the importance of realizing that you cannot enter a market, such as China alone. He added that management has been
able to find partners that know the difficulties that the brand will face.

Ulf Andersson believes that there is a huge difference between the way you can do business in China and Sweden; understanding the necessity to work side by side with partners is of great importance; to explain this point he exemplified by adding “how to get all the ingredients and suppliers that we need in order to run our business is something that we need help with”; he concluded “I believe that you can’t enter the Chinese market alone”.

Mr. Andersson remarked the importance of having a Chinese consultant while conducting business in China; he explained the need of having a person that understands the company’s concept and meaning. Not having such a person represents a barrier while doing business in China to Mr. Andersson.

On negotiating styles Ulf Andersson remarks were directed towards the difference between using mother tongue or a second language while negotiating; he believes that language is a huge barrier; which is why, he adds, “is crucial to have people in your team that knows the company and the concept in order to achieve better results”.

When asked about the difficulties of introducing a healthy concept in China, Ulf Andersson said that Chinese realize the problems and think BIM has a really edgy concept; they believe that owning a brand like BIM will be an advantage.

He also commented on a very interesting issue that occur while negotiating in China; he found out that profitability for the food sector in China today is of around 35 % to 40%. When running the numbers for BIM he reached 30%, but he didn’t dear to say that high cipher to the investors and instead he went with only 20%. Investors were astonished and thought it was too little.

On managerial style differences between China and Sweden Ulf Andersson believe that Chinese people will want a manager to tell them what to do, which, he pointed out, is very different from Sweden. A Swedish manager, he added, should listen to its employers; decisions will be found in the form of discussions between managers and employees.
On *availability of resources* Mr. Andersson comment that it represents a big challenge because of how Chinese people regard their own ingredients and this, he believes, is a direct consequence of the Milk scandal.

Ulf Andersson added that possible investors hope that BIM will import everything that it sales; since it will provide a quality sign, Chinese investors don’t believe that the food quality is good enough.

On the way in which BIM will choose to *establish* in China, Ulf Andersson didn’t have a concrete answer, a discussion with the Chinese partner has to take place, but he did comment that it is easier to run a franchise concept.

**Chapter 6 Discussion**

**6.1 Opportunities**

*In this part, we will display our findings to answer the questions that we proposed in the purpose. Several factors are included in our study. The discussion is structured according to the theoretical model.*

**6.1.1 Low cost of labor / production**

Comparing the labor cost with other countries, China has a visible advantage with its low payment to labor. Cheap labour has been found as a prior reason for newly internalized firm to open their market in China in studies such as the one by Dess, Elizabeth (1998) on FDI in China.

Specifically, and during the process of gathering information for the marketing study for BIM we came across information such as the one shown in Table 4, which shows the average hourly compensation costs of manufacturing employees.

In *table 4* we are able to see that for 2006 the cost of labour in China was the lowest compare to the Euro region, Japan, Mexico, Philippines, East Asia and United States; this is evidence that
China still is one of the countries with the lowest labour in the world.

When gathering the results from both interviews made to BIM representatives and FDX representatives; all agreed that this was one of the reasons China was selected as a country to begin the process of internationalization.

And this for us came as no surprise, because both researchers (from the theoretical articles used) and Managers interviewed seem to agree that Chinas low cost of labour is one of the major reasons to begin the process of internationalization and decide to enter the Chinese market.

6.1.2 Market capabilities

6.1.2.1 Fast food Market Sector

The results gather from the marketing study performed for BIM has shown sufficient evidence that China has great potential for investments in the food market sector. First of all, restaurants distribution shown unevenness in mainland China (see table 9 and figure 3 appendixes), some regions have only a few foreign fast food restaurants.

KFC strategy was to establish first in the main cities, but today the company is willing to begin its expansion into smaller cities; this is evidence that in some parts of China, foreign fast food have experience almost no develop at all. Other companies like Mc Donald’s have follow the same strategy, conquering the bigger cities follow by trying to reach now the smaller ones; as a result it is possible see that there is a big chance for foreign investments in the foreign fast food sector in China.

Fast food restaurants, especially big western brands such as McDonalds and KFC have been establishing its restaurants in big cities, and only recently have been trying to change their strategies and open restaurants in smaller cities.

6.1.2.2 Ecological food Market

As presented in the marketing study for BIM, the external supply for ecological food in China is low. Production of ecological food in China is very small (refer to appendix pp-47). This represents
a good opportunity for ecological products since the demand of ecological food has shown to have an optimistic scenario for the Chinese market in the years to come.

6.1.3.2 Ecological Food Industry in the Chinese market

Our study on the ecological food industry in China has shown that ecological food is a new concept in China, but the number of new opened ecological food products has been increasing massively, which has shown that Chinese people are beginning to be more conscious about the way they look.

Nutrition is a major issue for BIM, they have been developing nutritional products for gaining and losing weight; currently the demand for nutritional products in China is enormous, which represents a great opportunity for BIM in the Chinese market.

6.1.3 Availability of resources

6.1.3.1 Eco products availability

Our results shown that the ecological food industry is growing in China, this doesn’t come as a surprise; Chinese people are more aware of what they eat, especially as mention my Mr Andersson (BIM CEO); after the Milk scandal.

Chinese people capabilities have increase, people in China are willing to pay for quality products; and ecological products are in a sense view as safer products for Chinese people.

6.1.3.2 Dairy products

According to Customs statistics, imports of dairy products in Guangdong ports were of about 35.400 tons (CUSTOMSGOV); also the value of the product has seen an increase. All of this can be a result of the Milk scandal; and the fact that Chinese people do not trust this specific product to comply with quality standards; which is why they prefer to import. Ulf Andersson (BIM CEO) discussed this issue, and added that in order for some investors to go ahead with the BIM investment they want the brand to buy all their main supplies from abroad.

6.2 Barriers/ challenges

6.2.1 Networking
During our research we encounter that having a network of Guaxi in China is of extreme importance when entering the market. Not only a brand or company must have access to a network in China, but this network must include some kind of governmental connections.

Ulf Andersson (BIM CEO) commented on the fact that without a network in China it would have not been possible to achieve such great success in such a short period of time. The fact that FPX, who has 3 years of experience in the Chinese market and connections on both the Chinese Government and the Swedish Government; acted as a consultant for BIM; might have been a strong assess for BIM success in China.

6.2.2 Cultural challenges

Adapting to Chinese culture is a very hard thing to do. According to our study, China has developed its own business culture which is deep and very complicated to understand for westerners. Different province and even different regions in China have their own culture. Understanding the difference between each region can be a factor that determines success or failure when entering the Chinese market.

Mr Bång (FPX CEO) made reference to this issue, naming cultural factors one of the major barriers for newly established firms to get access to the Chinese market, specifically “adapting to each province special cultural and public sector structure; since in a way China is not an uniform country it is several different provinces that has to be handled differently”.

Micke Kedbäck (Marketing Developer for FPX) also commented that Chinas culture varies between countries versus cities; pointed out the difference that exists throughout Chinas provinces and how can that influence the success of a firm.

On this matter, Ulf Andersson (BIM CEO) just pointed out the differences between the costumer in Beijing and the one in Zhuhai; Beijing customers seem to be more aware of western culture than those of Zhuhai. This is precisely accurate when looking at the results from the marketing study, when competitors first choose to settle in big cities and then try to expand to smaller ones.

Ulf Andersson also added that in the case of BIM cultural issues weren’t such a barrier while doing
business and he pointed out that this might have been the case because of the strong network that FPX provided for them. For BIM, the connections provided by FPX turn out to be a great asset while doing business in China.

Big cities inhabitants in China are more willing to adapt to other cultures, they are more familiar with western habits and customs.

### 6.2.3 Bureaucracy

Chinese bureaucracy is very difficult to handle for a western company; knowing how to deal with government representatives can be very difficult. Mr Andersson (BIM CEO) commented that in order to be able to do business successfully in China it is totally necessary to employ a person that not only knows Chinese culture but have knowledge on the kind of business the company is addressing.

A consultant company will certainly be able to handle problems related to bureaucracy, especially if they have a strong network in China that includes representatives from the Chinese Government; who will be able to navigate bureaucracy smoothly.

### 6.2.4 Negotiating style

The Chinese negotiating style has been categorized according to Fang (1999): Legal, political, technical, commercial, social and strategic patterns.

Language has been found to be one major barrier while negotiating. It is important for a firm to have someone in the original team that understands the concept and the company profile to make the negotiating process easier.

On this matter, Ulf Andersson added that only having interpreters who do not know the company’s concept and aren’t familiar to the issues that are going to be discuss prior the discussion; represents a great difference while doing business and can jeopardize a business deal.

### 6.2.5 Managerial style

It has been mentioned several times in our study that managerial style has been the biggest
challenge for Swedish newly internalized firm to manage.

Both Mr Bång, Micke Kedbäck and Ulf Andersson pointed out that the biggest barriers while doing business in China were cultural issues that reflected in a way over the managerial styles.

The three managers’ concur in that Swedish managers tend to discuss their solutions or propositions for a problem with their employees, asking their opinion and wanting feedback; while Chinese managers expect their employees to follow the decisions that they make. This can be a source of problems while trying to merge a Swedish company to a Chinese company, for example. Chinese managers will do business in an autocratic way, while Swedish managers will be open for dialogs and will expect to be challenge on the solutions they propose by their employees.

6.2.6 Entry mode
No information was given on which entry mode will BIM pursue; Ulf Andersson answer during the interview that currently the company is not certain on what will it be the way to invest; it will all depend on the investors.

Chapter 7 Conclusion
By conducting this study it has been possible to gather an idea of the major aspects or factors that might represent an opportunity or could jeopardize the success of a newly establish firm while doing business in China.

The low cost of labour in China have been point out to be the number one reason to begin the process of internationalization in the Chinese market. Even when market size was thought to be, at the beginning of this study a source of opportunities for newly internationalized firms, it turn out that all the people interviewed concur in that the vast size of China, in both land and culture; made the gap between province and regions too big.
Market size turn out to be a barrier for doing business in China because of the differences that exists between provinces which make the process of understanding China’s customer yet harder for Western Companies.

On the other hand, networking turn out to be one of the major assess that a newly establish firm can possess when entering the Chinese market, this according to BIM’s experience. Having a well establish network of contacts, that include members of Government in both countries, in the case of BIM, Sweden and China; was a major source of success and make the negotiating process easier.

Cultural issues and managerial style differences between China and Sweden were found to be the major sources of problems when establishing in China. Swedish openness to dialog versus Chinese managerial authority might be a source of problems while entering the Chinese market. Also, having a person or number of persons, that both knows the company’s concept and the Chinese culture and language; can represent a huge advantage while doing business in China. It was found that it is not enough to contact a translator; company’s knowledge and the ability to recognize the company’s competences and capabilities while performing the translation; can be a major asset.

Knowing the difference between both styles and addressing cultural differences in time, can mean the difference in succeeding or not in the Chinese market.

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**Interviews**

Johan P Bång, CEO of FPX. Gävle, Sweden, interviewed 2010-06-13, during half an hour

Micke Kedbäck, senior business developer for FPX, Gävle, Sweden, interviewed 2010-05-25, during half an hour

Shahryar K Scott, initiator of BIM Concept. Sundsvall, Sweden, interviewed 2010-02-22, during 4 hours; interviewed 2010-04-03, during 1 hour
Ulf Undersson, Chairman for BIM. International Gävle, Sweden, interviewed 2010-02-22, during 4 hours: interviewed 2010-05-22, during 2 hours

APPENDIX

SCREENING POTENTIAL MARKETS AND SITES

A Step 1: Identify Basic Appeal

For a potential market this entails determining basic product demand. For a potential site this involves determining the availability of resources required.

1. Determining Basic Demand
• Guangdong Province climate.
  o Zhuhai City Climate
    ▪ Dry season
    ▪ Rain season
• Government bans on a product (such as alcohol)
• China’s government policy on certain health products (does the Government regards coffee as food or medicine? Are nutritional supplements regarded as medicine?)
• Demand on food
  o Demand on ecological food
  o Demand on nutritional supplements
    ▪ Lose weight supplements
    ▪ Gain weight supplements
    ▪ Protein drink
    ▪ Other nutritional products
  o Healthy food demand in the school sector

2. Determining Availability of Resources

4. Raw materials necessary for manufacturing
   a. Local raw materials
      i. Eco products availability
         1. Determining the importance that consumers give to this type of products.
   b. Imported raw materials
      i. Dairy products
      ii. Protein drink
   c. Imports tariffs that apply for food / medicine
   d. Special labels required by government
   e. Quotas that apply for food / medicine
   f. Other trade barriers
5. Labour necessary in order to begin production.
6. Financing of production.

B. Step 2: Assess the National Business Environment
Managers must understand differences in cultures, politics, laws, and economies and incorporate that understanding into market and site selection decisions.

- **Cultural Forces**
  - Food traditions and customs
    - Drinking customs
    - Special festivities
  - Attitude towards healthy food
    - Asses consumer willingness to make healthy choices
  - Attitude towards food supplements
  - Peoples customs when taking food supplement
    - Preference for pills
    - Preference for teas
    - Preference for herbs
  - Changes in the local product in order to fit the local market.
    - Physical changes
    - Intrinsic changes
  - Chinese work ethic.
  - Chinese Social Distribution
    - Status differentiation
  - China alcohol intake
    - Guangdong province alcohol intake
      - Zhuhai City alcohol intake
- **Political and Legal Forces**
  - Government Regulation
    - Imported goods
      - Medicines
  - Asses Chinas attitude toward trade.
    - Investment barriers
    - Investment rule imposing
    - Environmental regulations.
  - Asses Government Bureaucracy
• Rules for engaging with bureaucracy
  • Political Stability
    • Political risk
      • Political risk assessment

3. Economic and Financial Forces
  • Economic study on Economic and Financial conditions
    • Fiscal and monetary policies
      • Inflation
    • Currency and liquidity
  • Other Forces
    • Country’s image
      • Good for some products unfavourable for others
    • Cost of Transporting Materials and Goods
    • Logistics
      • Building a logistic supply chain

C. Step 3 Measurement market or site potential
  • Industry analysis
    o Competitors study
      ▪ Name of the competitors
      ▪ Production volumes of competitors
      ▪ The number of market shares they hold
    o Volume of exports and imports of the products that are going to be produce
      ▪ Possible fees for imports and exports
    o Structure of the wholesale and retail distribution network
    o Background of the market
      ▪ Population
        • Social structure
          o Gender of the household decision maker
            ▪ Impact that the gender of the household decision maker has on the market
          o Product’s income elasticity (the sensitive of demand for a
• Social trends
  • Eco products
  • Health products
  • Health supplements
  ○ Total expenditure of the product in the market
  ○ Retail sales volumes and market prices of the products
  ○ Quality of the products that are to be used locally
  ○ Productivity of local labour
  ○ Productivity of managers
  ○ Local infrastructure
    • Roads
    • Airports
    • Seaports
    • Telecommunication
      • Availability of internet and internet users in the region
  • Future outlook for the market and potential opportunities
  • A comparison with similar and more advance markets such as Hong Kong might be relevant and useful.
    ○ Comparison related to healthy food market
    ○ Comparison related to the use of health supplements

D. Step 4 Select market or site

Deeper competitors’ analysis, this is performed in location.
• Number of competitors in each market.
• Market share of each competitor.
• If the competitor products appeals to a small market segment or to the masses.
• Competitors strategy
  ○ low prices
  ○ Quality.
• If competitors control the channels of distribution.
• If competitors currently have customer loyalty.
• Potential threat by substitute products.
• Potential entry of new competitors.
• If competitors control labor, capital or raw materials.

SCREENING POTENTIAL MARKETS AND SITES (Results for the BIM Company)

A Step 1: Identify Basic Appeal

1. Determining Basic Demand

• Guangdong Province climate.
  ○ Zhuhai City Climate
    ▪ Dry season

October-March (+1 year). The rainfall during this time is less than 100mm. In some years, there is not even rain in a month period. The longest time that the region can be without rain is for up to two months. Every year, the region experiments drought to some extent (ZHMB).

  ▪ Rain season

February- September, is also known as the flood season. The rainfall constitutes 80% of the entire year. The characteristics of the Rain season for this region are: high intensity, long duration, large amount of precipitations. The rain season can be divided into a pre-flood season and post flood season.

The Pre-flood season takes place from April to June, during this time; the probability of intensive rainfall is high. July to September is known to be the post flood season. This season is characterized by a very intensive rainfall.

During the rainy season, the Chinese government pays close attention to flood and typhoon control and prediction (ZHMB2)

• Government bans on a product (such as alcohol)

At (JDZX) the company will be able to find information about National food safety standards for imported food products without Interim administrative licensing requirements.

• China's government policy on certain health products (does the Government regards coffee as food or medicine? Are nutritional supplements regarded as medicine?)

From the sector's perspective, food belongs to the hygiene department, while drugs belong to
the national supervising and monitoring department for food and drugs.

Nutritional products were under the control of hygiene department before 2003, and after 2003, it has been under the control of national supervising and monitoring department for food and drugs for registration issues. On the matter of production and authentication, they are still under the control of hygiene department (BBSFOOD).

- Demand on food

*Fast Food Development*

*Fast Food Development*

In China, fast food has emerged as a solid option for an increasingly wealthy nation in a hurry; consumers can afford to be choosier. Incomes are rising. All the demographics are right for the growth of the fast food industry, says Dirk Bongers, a partner at the Beijing office of financial consultancy firm Price Waterhouse Coopers. “There’s a huge market and it’s not being catered to completely yet” (CIBMAGA).

Chinese are more likely than Americans to eat in a fast food restaurant according to recent figures released by global research agency AC Nielsen: 41 percent go to a fast food restaurant at least once a week, compared to 35 percent of Americans.

Fast food has proven to be a lucrative business for those with the right business model. Economies of scale in purchasing supplies and an in-built cooking process allow food fast food franchises to deliver food at a low cost. Wages are kept low and the largest overhead is typically the royalty paid to the franchisor (CIBMAGA).

Between KFC and the YUM! Franchises, which include Pizza Hut for example; and McDonalds, there are 2100 fast food foreign stores in the whole China (CIBMAGA).

- Demand on ecological food

China's green food market products represents less than 1.000 of the total of food products in China, exports on the other hand account for 1% of the total food products.

On the other hand the Chinese domestic market in the next few years will be of about 50 billion
to 60 billion Chinese RMB in regards to ecological food demand (NYTCN).

- Healthy food Demand on the school sector

Most of the focus in the school food sector is still on the hygiene issues. Most Chinese students don’t regard healthy food as an important issue; most of the students that eat at school are specially concern on the hygiene problem. According to the study, three main issues were found to be focus of complains (CJSH):

1. The school tends to give students leftovers from the day before often.
2. Bugs, hair, sand are often found in the food.
3. The quality of the vegetables and meat is often found to be poor.
   - Demand on nutritional supplements
     - Lose weight supplements
     - Gain weight supplements
     - Protein drink
     - Other nutritional products

2. Determining Availability of Resources

7. Labour

Table 3 shows the current cost of labour for the major regions in China (baike2)

<table>
<thead>
<tr>
<th>Region / City</th>
<th>Labour Cost (RMB/ Month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shen Zhen</td>
<td>810</td>
</tr>
<tr>
<td>Beijing</td>
<td>640</td>
</tr>
<tr>
<td>Shenyang</td>
<td>590</td>
</tr>
<tr>
<td>Haerbin</td>
<td>590</td>
</tr>
<tr>
<td>Shanghai</td>
<td>690</td>
</tr>
</tbody>
</table>

Table 3 Cost of labour in China (baike2)

Table 4 Shows the average hourly compensation costs of manufacturing employees (BLOGSPOT)
8. Raw materials necessary for manufacturing\(^1\)

   a. Local raw materials\(^2\)

      i. Eco products availability

      We can take year 2005 as an example of how fast the ecological food industry is growing in China, there were 1839 new certificated enterprises, 5077 kinds of new products certifications, the total number of enterprises that make effective use of green food mark reached 3695, and 9728 kinds in total, which had a total weight of 63 million tons of products that year. The annual sales of 2005 reached 103 billion Chinese RMB and exports reached 1.62 billion U.S dollars. From 2000 to 2005 annual sales of eco products grew 20.844% per year (51REPORT)

      1. Determining the importance that consumers give to this type of products.

   b. Imported raw materials

      i. Dairy products

      According to Customs statistics, from January to September, 2008, imports of dairy products in Guangdong ports were of about 35.400 tons, which was an increment on 2007 of about 1.8%. This increment is worth about 100 million U.S dollars. As a consequence the value of dairy products has increased 20.4% (CUSTOMSGOV).

\(^1\) No information was giving by BIM in order for us to asses this aspect

\(^2\) No information was giving by BIM in order for us to asses this aspect.
ii. Protein drink

c. Imports tariffs that apply for food / medicine

Information on tariffs for food and medicine are available at (JKCK), for our specific assessment for BIM we included milk and yogurt in table 4 (JKCK1).

<table>
<thead>
<tr>
<th>Items</th>
<th>Imports privilege tariff (%)</th>
<th>Imports normal tariff (%)</th>
<th>VAT (%)</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fat&lt;1% un enriched milk or cream</td>
<td>15</td>
<td>40</td>
<td>17</td>
<td>kg</td>
</tr>
<tr>
<td>Fat 1%-6% un enriched milk or cream</td>
<td>15</td>
<td>40</td>
<td>17</td>
<td>kg</td>
</tr>
<tr>
<td>Fat&gt;6% un enriched milk or cream</td>
<td>15</td>
<td>40</td>
<td>17</td>
<td>kg</td>
</tr>
<tr>
<td>Fat≤ 1.5% solid milk or cream</td>
<td>10</td>
<td>40</td>
<td>17</td>
<td>kg</td>
</tr>
<tr>
<td>Fat&gt;1.5% sugar free solid milk or cream</td>
<td>10</td>
<td>40</td>
<td>17</td>
<td>kg</td>
</tr>
<tr>
<td>Fat&gt;1.5% sugared solid milk and cream</td>
<td>10</td>
<td>40</td>
<td>17</td>
<td>kg</td>
</tr>
<tr>
<td>Concentrated, sugar free fluid milk or cream</td>
<td>10</td>
<td>90</td>
<td>17</td>
<td>kg</td>
</tr>
<tr>
<td>Concentrated, sugared fluid milk or cream</td>
<td>10</td>
<td>90</td>
<td>17</td>
<td>kg</td>
</tr>
<tr>
<td>Yoghurt</td>
<td>10</td>
<td>90</td>
<td>17</td>
<td>kg</td>
</tr>
</tbody>
</table>

Table 4 imported tariffs for Milk Products (JKCK2)

In Table 5 we include the import tariffs for Coffee (JKCK3)

<table>
<thead>
<tr>
<th>Items</th>
<th>Imports privilege tariff (%)</th>
<th>Imports normal tariff (%)</th>
<th>VAT (%)</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caffeine free coffee</td>
<td>8</td>
<td>50</td>
<td>17</td>
<td>kg</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>----------------------------------</td>
<td>------</td>
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<td>---</td>
<td></td>
</tr>
<tr>
<td>without processing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caffeine added coffee without processing</td>
<td>8</td>
<td>50</td>
<td>17 Kg</td>
<td></td>
</tr>
<tr>
<td>Processed caffeine free coffee</td>
<td>15</td>
<td>80</td>
<td>17 Kg</td>
<td></td>
</tr>
<tr>
<td>Processed caffeine added coffee</td>
<td>15</td>
<td>80</td>
<td>17 Kg</td>
<td></td>
</tr>
<tr>
<td>Coffee beans</td>
<td>10</td>
<td>30</td>
<td>17 Kg</td>
<td></td>
</tr>
<tr>
<td>Coffee substitutes containing coffee</td>
<td>30</td>
<td>80</td>
<td>17 Kg</td>
<td></td>
</tr>
</tbody>
</table>

**Table 5** Import tariffs on Coffee (JKCK3)

d. Special labels required by government

**Picture 1** depicts a food production label (BAIKE1) and **Picture 2** depicts a quality and safety labels for food products (BAIKE2); are some examples of different kinds of labels that the Chinese Government require for labeling of imported goods, such as food, food quality and production.

e. Quotas that apply for food / medicine

f. Other trade barriers

9. Labour necessary in order to begin production.

10. Financing of production.

11.

**B. Step 2: Assess the National Business Environment**

Managers must understand differences in cultures, politics, laws, and economies and incorporate that understanding into market and site selection decisions.

- Cultural Forces
  - Food traditions and customs

Chinese food culture has a long and profound history. It is several thousand years old and has become an important component of China's traditional culture. During the long developing, evolving and accumulating process, Chinese people has formed their own unique dietary customs from the perspectives of dietary structure, food production process, food utensils, nutritional health
and dietary aesthetic analysis. With time a unique style of Chinese food culture has been created (YBASK).

1. **Dietary structure**

China has a long history, vast territory, diverse geography, rich climate, and many kinds of plants and animals, which provide a solid material foundation for their dietary structure. There has been a discussion about "rice in the south and wheat in the north", and the tastes differ from north to south as well, "sweet south, salty north, sour east, hot west"(YBASK).

2. **Food production process**

Traditional Chinese dishes are very specified with different methods, common ways of cooking are: boiling, steaming, roasting, stewing, baking, cooking, frying, braising, quick-frying, sliding, halogen, mixing, and so on. The best flavor of Chinese food is accomplish through the harmonization of five different flavors, and the pursuit of the organic combination of color, smell, taste, shape, and arts (YBASK).

3. **Food utensils**

Chopsticks have been the out-standing tool used by Chinese. Chinese food appliances can be categorized by different attributes. Categorizing from use, there are cans, cups, pots, bowls, boxes, urns, steamers, plates, and so on. Categorizing from the materials, there are pottery, porcelain products, metal products, and bamboo products (YBASK).

4. **Health**

Health-based, diet-oriented. Chinese people attach great importance to food nutrition and health nutrition, food has a reasonable balance, and this is achieved through the allocation of different grains, different fruits, different animals, in five different dishes.

The food has different functions in order to achieve a balance between yin and yang (YBASK).

5. **Dietary aesthetic analysis**

Chinese food has been on continuous developing resulting in what is called the "10-peak standard", which are: taste, color, flavor, quality, form, order, device, suitable, environment, interest (YBASK).

- Drinking customs
- Special festivities

Chinese food is different according to each festival. Some important festivals are: the Dragon Boat Festival, The Double Ninth Festival, Chinese New year. For example in the Dragon Boat festival
food such as “Zong zi is a glutinous rice ball, with a filling, wrapped in corn leaves. The fillings can be egg, beans, dates, fruits, sweet potato, walnuts, mushrooms, meat, or a combination of them. They are generally steamed are consumed” (ZHIDAO). Some minorities have their own traditional festivals as well (TIEBA).

- Attitude towards healthy food / choices
  - Asses consumer willingness to make healthy choices

**Gym and training**

According to our findings which are related to a survey that was conducted in China we have found that the major percentage of those actively training are female (53.6%); and those who belong to the age group of between 20 to 25 years old (37.9%) are the most active, follow closely by the age group of those of 20 years old or less (20.9%) and those in the 25-30 years old group (20.3%).

During the last few years, China has gradually establish a fitness industry; health clubs are currently increasing with up to a 1000 each year, specifically health clubs located in Beijing are growing as fast as 30 clubs per year.

By 2007 there were about 2,500 health clubs nationwide, and in Beijing specifically they were 465, which included those under construction. The Chinese health market by 2007 was worth around 100-150 million dollars. After the 2008 Olympic Games, fitness clubs started to increase massively, although no specific collection data has been processed on the matter; the current amount of health clubs in China are currently of more than 3,400 (BIG5).

**Figure 1** (BIG5CHINA) shows the tendency of increment for health clubs establishments in China.

![Health Establishments in China](image-url)
At the beginning of the text, there is a small error: "of food supplements" should be "to food supplements".

**Supplements**

*Best Known Brands and Provinces in which nutritional supplements are found in China*

One of the most recognized brands for losing weight in China is Lv Shou, which is produced in the Guangdong province.

**Table 6 (HI)** shows the top ten nutritional products that can be found in China and their location.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Brand</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gold Partner</td>
<td>Shang hai</td>
</tr>
<tr>
<td>2</td>
<td>Neptunus</td>
<td>Shen Zhen</td>
</tr>
<tr>
<td>3</td>
<td>Only</td>
<td>Shang hai</td>
</tr>
<tr>
<td>4</td>
<td>Join Care</td>
<td>Guang Dong</td>
</tr>
<tr>
<td>5</td>
<td>Read Heart K</td>
<td>Wu Han</td>
</tr>
<tr>
<td>6</td>
<td>Amway</td>
<td>Head office in Beijing</td>
</tr>
<tr>
<td>7</td>
<td>Dong e e jiao</td>
<td>Shan Dong</td>
</tr>
<tr>
<td>8</td>
<td>Jiu Zhi Tang</td>
<td>Hu Nan</td>
</tr>
<tr>
<td>9</td>
<td>Fancl</td>
<td>Tianjin</td>
</tr>
<tr>
<td>10</td>
<td>Yi Li Shen</td>
<td>Liao Ning</td>
</tr>
</tbody>
</table>

**Table 6** Chinese nutritional products and locations (HI)

**Sales Development**

The turnover of nutritional products in China almost reaches 50 billion and still keeps increasing with 15%-30% each year.

Consumption patterns are changing from accidental consumption to seasonal or perennial consumption. Consumption purposes are expanding from disease prevention and control to anti-aging, educational, beauty and other demands. The main reason why there is such a big market expansion of nutritional products is the improvement of people's quality of life (39NET).

**Aim or purpose of the nutritional supplements**

Chinese supplements are not necessary directed to loose or gain weight, so they are not advertized as such to consumers, instead the proposal manufactures make is that of maintaining the nutrition balance of their organism (BAIKE2).
Consumers' social class, age and gender

Many people generally think that the elderly is the biggest buying power for nutritional products. But in a recent survey, it was found that as more and more sub-health groups showing up, nutritional products has turned their target market group to white-collar groups. This implies that the mainstream for consuming nutritional products is tending to be younger, while the diversification of products for this group is increasing (INFO).

This complies with our findings, in which “most of the people who wish to lose weight are women of around 20-30 years old” (FITNESS39).

The fact that nutritional products in China are directed to a white-collar group can explain why, according to another study performed in China, around 80.8% of the population thinks that nutritional products are too expensive (BAIKE3).

Advertisement and marketing

TV advertising is the main way of getting to know nutritional products.

TV is the largest media for consumers to obtain huge sources of information, since it is the most extensive media. TV advertising is very strong in its media-oriented visibility; it has become the most acceptable media advertising way. For the choices of products, TV advertisement will lead the consumers to choose according to the description of the products, and find the meeting point of the product and consumer's demand.

The consumption varies according to the season, winter is the high season and summer is the lowest, even though some consumers believe that such variation is irrelevant (4OA).

- Peoples customs when taking food supplement
  - Preference for pills
  - Preference for teas
  - Preference for herbs
- Changes in the local product in order to fit the local market.
  - Physical changes
  - Intrinsic changes

- Chinese work ethic.

1. General provisions
Social workers inherit Chinas long history and cultural traditions, workers hold the banner of humanitarianism and socialism in order to keep promoting social stability and overall development (EXAMDA).

Social workers should take their job of promoting social solidarity seriously; since it helps regulate social conflicts, solve social problems and the improvement of social relationships (EXAMDA).
1) Passion for social work, dedication, high degree of social responsibility and professionalism
2) Serve people wholeheartedly, to work hard on helping members of the society achieve self-development, self-realization. Respect their origin, race, sex, age, religion, socioeconomic status and contribution to the society (EXAMDA).
3) Respecting, caring and helping people. To protect people's rights of existence, as well as developing efforts. Pay attention on maintenance of privacy and other rights of confidentiality.
4) Maintain close relationship with colleagues, take the initiative to understand their needs, help them to solve problems (EXAMDA).
5) Establish the correct target, holding a caring attitude towards providing effective service on prevention and resolution of difficult problems and welfare requirement.

Keep self clean, honest, without personal benefits (EXAMDA)

- Chinese Social Distribution
  - Status differentiation
- China alcohol intake
  - Guangdong province alcohol intake

In 2007, the retail liquor market in Guangdong Province amounted to 20 billion Yuan. Domestic wine (rice and wheat) and imported wine (grape) in the market have equal shares; each of them is equivalent to 10 billion Yuan. Guangzhou is the city with the largest liquor sales in South China. The city's alcohol consumption is of about 5.8 billion, of which 1.2 billion Yuan correspond to wine sales.

Province alcohol Sales: 28 000 tones during 2005-2007, with represents an average growth rate of 30% on sales.

Sprits sales account to 1.8 billion Yuan and sales of an approximate of 5300 tons during 2005-2007, which represents an average annual sales growth of 10% (WINESINFO).

- Zhuhai City alcohol intake
- Political and Legal Forces
Government Regulation

- **Imported goods**

The Customs inspection of imported goods consists of:

1) Means of transport for imported goods shall allow customs supervision on-site and products should be delivered with the relevant import customs seal.

To check the relevant customs of destination and cargo seal; also the necessary "import transit cargo declaration form" receipt which has to be sent to the customs entry and transit systems for its verification of the import transit cargo (ETOCHINA).

2) Imports of goods are declared by the people in charge of the Customs examination, customs declarations and accompanying documents through the internal link flow to customs control.

3) Customs declarations site regulatory review data and other relevant sealed documents, together with data and electronic data declarations written agreements, should be available at the inspection of goods. The consignee or his agent shall be present since they are responsible for moving, opening, re-sealing of goods, and the confirmation of the inspection results (ETOCHINA).

4) Once Customs have examined the goods there is a line confirmation after the release of the goods. With imports of goods bill of lading the consignee or his agent monitor on-site procedures for handling delivery. If smuggling of illegal goods is suspected, transferring to the relevant authorities might take place (ETOCHINA).

5) Customs may, when they find it appropriate, monitor the transport of imported goods to the customs control areas outside the storage, to further inspection and release (ETOCHINA)

- **Medicines**

Sampling requirements for imported drugs:

The sample required for testing imported drugs is generally three times the amount usually required for a drug manufactured in China. In addition, it is required to leave the remaining samples after testing for future reference (178YY).

Sampling requirements:

(A) For a sample that is unseal, packaging and data should be inspected, also the contract number, name and quantity. After unpacking the sample name and batch number should be checked (178YY).

Attention should be pay to packaging integrity and cleanliness as well as water marks, rottenness, or other inconsistencies that can be present as a consequence of package deterioration.
(B) If the package is opened, and sampled at different positions, the total number of samples should be indicated (178YY).

(C) After sampling, the packaging should be close and assessment of the package number and date of sampling should be preformed (178YY).

- Assess China's attitude toward trade.
  - Investment barriers

The Ministry of Commerce of China released on April 23 its annual report on countries' trade and investment environment for 2009, saying that the international trade and investment environment has deteriorated for Chinese companies due to various barriers since the international financial crisis began.

The report also reflects China's concerns over maintaining a fair international trade and investment environment which was built on WTO rules.

The report says that technical trade barriers, import restrictions and abuse of trade remedy investigations against Chinese products have been increasingly affecting China's foreign economic and trade relations.

According to statistics from the Ministry of Commerce, 93 trade remedy probes were launched in 21 countries and regions in 2008, which involved more than 6 billion USD of Chinese exports. That included 70 anti-dumping cases, 10 safeguard cases and two special safeguard cases.

The report includes information on risks of trade and investment barriers in each country.

The Ministry has also released a monthly report on those barriers since the beginning of this year. The Ministry will provide a disc format of the report for free to companies at large scale trade fares.

The Ministry reiterated China's commitments on respecting and maintaining the WTO-based trade and investment system and developing economic and trade relations with other countries on the principle of reciprocity and common development (CCPI).

- Investment rule imposing

**Prohibition of quantitative restrictions**

Specifics forms of quantitative restrictions are: quotas, import licenses, voluntary export restrictions, the number of foreign exchange controls.

They are three kinds of quantitative restrictions inconsistent with the prohibition of investment measures:
1. Restrictions on import and export products to foreign invested enterprises. Including two forms: a) generally limit the enterprises for local production imported or locally produced and imports of related products; b) provide enterprises the share of exports in local production quantity or value of GDP (EXAMDA).

2. Restrictions on imported products through balancing foreign exchange approach. The specific approach is to require enterprises to balance foreign exchange for the purchase of imported products and foreign exchange earnings of export products (EXAMDA).

3. Restrictions on foreign invested enterprises exporting their products. Specific forms include: a) quantitative restrictions on exports of specific items; b) restrictions on the quantity or value or price of exports; c) provisions on share of quantity or value of exports over the local production (EXAMDA).

   - Environmental regulations.

**CHINA’S ENVIRONMENTAL LAWS AND REGULATIONS**

**Scope:** China’s environmental laws are roughly comparable in scope to US environmental laws. As in the United States, Chinese environmental laws generally follow a focus-specific approach. China has, for example, a Law on the Prevention and Control of Atmospheric Pollution (2000); Law on Prevention and Control of Water Pollution (1996); and Law on the Prevention and Control of Environmental Pollution by Solid Waste (2004). These laws are not nearly as detailed as US laws. They set forth general policy and leave significant areas to be fleshed out by regulations.

**No CERCLA Counterpart:** Most Chinese environmental laws address operational issues. China currently has no analog to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) dealing with historical contamination. As a general proposition, however, those who caused environmental contamination and those who own contaminated property (whether they caused the contamination or not) are responsible for the harm caused by that contamination (SQUIRE).

The systematic cleanup of contaminated sites in China that are not actively causing significant, current, offsite human or environmental harm is years away, but you should be aware of the current liability scheme (SQUIRE).

A purchaser of assets or equity of companies operating in China should conduct due diligence to determine the extent of on-site contamination. A purchaser should also ensure that liability for any
pre-purchase environmental harm is allocated by contract to the seller, or that exposure for environment-related liability is covered by indemnification (SQUIRE).

**The State Environmental Protection Agency (SEPA):** SEPA is the primary environmental regulatory body in China. However, numerous other agencies are overseeing environmental responsibility for certain matters. SEPA has approximately 300 employees, with 200 based in Beijing and the balance in the provinces. SEPA promulgates most national environmental regulations. However, except for the highest profile matters, SEPA is not directly involved in administering these regulations or in issuing permits to regulate air and water emissions and hazardous and solid transportation. These tasks are handled by local Environmental Protection Bureaus, which exist at the provincial, county and township levels. These bureaus, while theoretically taking direction from SEPA, are funded (and thereby controlled) by the local governmental authorities. These local environmental bureaus have the ability to impose stricter requirements than those promulgated nationally (as do the US states), but they cannot impose less stringent requirements. The broad language used in the environmental laws and the dearth of environmental regulation, however, grant considerable discretionary power to these local authorities. The environmental manager used to a high degree of regulatory precision in the United States must be prepared to accept operating in an ambiguous environment in China (SQUIRE).

- Asses Government Bureaucracy (refer to the theory part of this study)
  - Rules for engaging with bureaucracy (refer to the theory part of this study)

- Political Stability
  - Political risk
    - Political risk assessment

**China’s political risk assessment (ZVIDAO)**

1. Shift to the risk of political violence
   a) Increasing of political violence driven by trade protection
   b) Increasing of political violence caused by the issue of labour rights in full swing
   c) Increased moral risks of the politicians, the public and enterprises from the host country
2. Nibble-style expropriation risk have become increasingly prominent
   a) Trade protectionism as a tool for nibble-style expropriation
   b) Motivation combined with corruption nibble-style expropriation
c) Nibble-style expropriation due to changes in policies and regulations from host countries.

3. Transfer of financial crisis countries caused a high risk
4. Default risk concentrated in developing countries
5. Delayed payment of risk cannot be ignored
6. Increased risk of third-country intervention

- **Economic and Financial Forces**
  - Economic study on Economic and Financial conditions
    - Fiscal and monetary policies
      - Inflation

*Table 7* shows China's inflation rate over the years (STATSGOV2)

<table>
<thead>
<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>6.0</td>
<td>2.4</td>
<td>1.9</td>
<td>1.6</td>
<td>2.6</td>
<td>9.3</td>
<td>6.5</td>
<td>7.9</td>
<td>10.8</td>
<td>16.0</td>
<td>4.1</td>
<td>3.4</td>
<td>6.0</td>
</tr>
<tr>
<td>1994</td>
<td>14.9</td>
<td>24.1</td>
<td>17.1</td>
<td>8.3</td>
<td>2.8</td>
<td>-0.6</td>
<td>-1.4</td>
<td>0.4</td>
<td>0.7</td>
<td>-0.8</td>
<td>1.2</td>
<td>3.9</td>
<td>1.8</td>
</tr>
<tr>
<td>2001</td>
<td>2.2</td>
<td>0.0</td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

*Table 7* China's inflation in numbers

*Table 8* China's inflation in a graph (SINA)

For China's inflation at this stage, the state has adopted a series of monetary policies and prudent fiscal policy to be able to ease the inflation rate in China. The most prominent is the performance
of the five rate hikes in 2007, one-year deposit rate was raised from 2.52% to 3.87%, and the
lending rate was raised from 6.12% to 7.29% (SINA2).
  - Currency and liquidity

China's currency liquidity from loose to tight
Since the beginning of this year (2010), the regulation on the scale of credit has cause a lot of
product disposition liquidity in the interbank market. However, since the third week of May, the
liquidity of China's currency market began to tighten. The financing capital in large commercial
banks has decreased significantly; seven-day repurchasing rate has increased from 1.65% to 2%
from the beginning of May (56110).

Significant fluctuations in the currency market interest rate have shown the interbank market
liquidity turned to the level in loose to critical (56110).
  - Other Forces
    - Country’s image
      - Good for some products unfavorable for others
    - Cost of Transporting Materials and Goods
      A list of the cost of different transports (56110type2).
    - Logistics
      - Building a logistic supply chain

C. Step 3 Measurement market or site potential
  - Industry analysis
    - Competitors study

Kentucky Fried Chicken
KFC image in China
From traditional fast food into new fast food
The new image of KFC in China includes a step back from its high calorie and high fat food
content into a more balanced option; which will be obtain “through various cooking methods and
combination of balanced nutrition to create what modern people need in terms of healthy food and
drink” (HENAN).

China Cuisine Association chairman Su Qiucheng pointed out that KFC used their Chinese

---
3 Information on the competitors for BIM was based on the fast food market, the information was obtain from both
Western and Chinese web pages.
experience to summarize, reflect and crystallize into an essence and suggest for others a common course for important public concern. How Western fast food will evolve into new ways also has a mirroring effect on China's fast food industry (HENAN).

*Provinces in which KFC can be found*

Table 9 (TIEBA) shows the provinces and numbers of KFC stores that can be found in China.

<table>
<thead>
<tr>
<th>Province</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>92</td>
</tr>
<tr>
<td>Hebei</td>
<td>22</td>
</tr>
<tr>
<td>Shanxi (陝西)</td>
<td>11</td>
</tr>
<tr>
<td>Shanghai</td>
<td>96</td>
</tr>
<tr>
<td>Anhui</td>
<td>20</td>
</tr>
<tr>
<td>Fujian</td>
<td>48</td>
</tr>
<tr>
<td>Shanxi (陝西)</td>
<td>13</td>
</tr>
<tr>
<td>Guangdong</td>
<td>100+</td>
</tr>
<tr>
<td>Guangxi</td>
<td>18</td>
</tr>
<tr>
<td>Hainan</td>
<td>8</td>
</tr>
<tr>
<td>Chongqing</td>
<td>13</td>
</tr>
<tr>
<td>Sichuan</td>
<td>27</td>
</tr>
<tr>
<td>Guizhou</td>
<td>0</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>12</td>
</tr>
<tr>
<td>Gansu</td>
<td>0</td>
</tr>
<tr>
<td>Xinjiang</td>
<td>0</td>
</tr>
<tr>
<td>Tianjin</td>
<td>39</td>
</tr>
<tr>
<td>Yunnan</td>
<td>8</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>78</td>
</tr>
</tbody>
</table>

Table 9 Distribution of KFC in China (TIEBA)

*KFC Sales Development and the establishment of their business*

Kentucky Fried Chicken opened its first venture in China in 1987 near the Tiananmen Square in Beijing (KNOW1), and the restaurants have spread all over China for more than 20 years to a number of more than 2,000 today (KNOW2).
“In 1994, KFC opened its 9,000th restaurant in the world, in Shanghai. The corporation also announced a $200 million investment to open 200 additional restaurants in 48 cities across China before the end of 1998” (KFC).


After flooding the country's largest urban areas with KFC outlets, the U.S. company is now on an expansion team in the hinterlands, trying to reach smaller cities like Qiandaohu (pop. 45,000); as the American CEO David Novak states "We open over 250 KFC restaurants a year [in China] and expect to do that for many years to come"(NYTIMES).

*KFC health concept in China* (CHINAEX)

One way KFC have chosen to advertise its healthy restructuring and the way its concept is changing for the better, is to compare its Chinese restaurants to the ones located in the West. This campaign aims to evidence that KFC in China is much of a healthy option than that of those located in the west.

The new KFC image in China involves a new fast food positioning meaning that includes (CHINAEX):

- Tasty & Safe
- Balanced Nutrition
- Based in China
- Embodies High Quality
- Healthy Living
- Unlimited Creation

The company has included in a brushier that they handle out in their Chinese restaurants the following information regarding their involvement in creating a healthy option for their Chinese customers (CHINAEX):

The emergence of a worldwide overweight and obesity phenomenon over the last ten-plus years
has made a lot of people very suspicious of “traditional Western fast food.” Over the years, China’s KFC has always paid attention to new movements in the direction of the health food and beverage sphere. It has established a food health inquiry committee, continuously added new menu selections, adjusted the flavor of its food to the tastes of Chinese consumers, strengthened the dissemination of scientific education about food & beverage nutrition, encouraged the young to participate in physical activities, and has attained a noticeable achievement in promoting a healthy food policy (CHINAEX).

Recently KFC has sublimated its overall experiences and learning’s in China, breaking through the “traditional Western fast food” model and beginning the “New Fast Food” movement as its future guiding principle to face the needs of the Chinese market. KFC is willing to be the first to create a “New Fast Food” that matches the needs of human kind, and fits in with the national character of China (CHINAEX).

“Traditional Western Fast Food” and “New Fast Food” comparison

KFC’s “Traditional Western Fast Food” Positioning (CHINAEX)

- Singular Selection, Few Choices
- Mainly Deep Fried
- Very Few Types of Vegetables, Western Tastes Don’t Suit Vegetables
- Selections Unchanged Year Round
- Overeating Encouraged
- Follows the American Model of Food Safety

KFC’s “New Fast Food” Positioning

- Abundant Selection, Chinese-Western Fusion Flavors, Many Choices
- Many Cooking Styles
- Many Types of Vegetables, Modified for Chinese Tastes
- Non-Stop New Selections
- Moderation Encouraged, Balanced Food & Drink
- Created the Chinese Model of Food Safety

This information provided by the Chinese KFC restaurants seems to indicate their wish to try to separate from its initial western image into one in which they seem more involve in their customers health, specially their Chinese customers health.
**The KFC Menu**

**Table 10** (DOUBAN) shows KFC restaurant options for China

<table>
<thead>
<tr>
<th>Main food dishes</th>
<th>Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Orleans Chicken Burger</td>
<td>13.5</td>
</tr>
<tr>
<td>Crispy/spice Chicken Burger</td>
<td>12.5</td>
</tr>
<tr>
<td>Country chicken burger</td>
<td>8</td>
</tr>
<tr>
<td>sea cod fish burger</td>
<td>13.5</td>
</tr>
<tr>
<td>Mexican/Beijing chicken wrap</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pantry</th>
<th>Small</th>
<th>Regular</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn salad</td>
<td>5</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>French Fries</td>
<td>6.5</td>
<td>7.5</td>
<td>9</td>
</tr>
<tr>
<td>Mashed potatoes with chicken extract</td>
<td>3.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>vegetable soup</td>
<td></td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>sweet corn</td>
<td></td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>carrot bread</td>
<td></td>
<td>1.5</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Others</th>
<th>1 piece</th>
<th>4 pieces</th>
<th>6 pieces</th>
</tr>
</thead>
<tbody>
<tr>
<td>deep fried original chicken</td>
<td>7.5</td>
<td>26</td>
<td>36</td>
</tr>
<tr>
<td>portion of two Hot wings</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>portion of two New Orleans baked wings</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chicken pop corn (small/regular/large)</td>
<td>7.5</td>
<td>10.5</td>
<td>14.5</td>
</tr>
<tr>
<td>portion of 6 Chicken blocks</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>portion of codfish sticks</td>
<td>8.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portuguese egg tart</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweet potato egg tart</td>
<td>5.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Desert</th>
<th>Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original ice cream cone</td>
<td>3</td>
</tr>
<tr>
<td>strawberry/chocolate sundae</td>
<td>7</td>
</tr>
<tr>
<td>Cold drinks</td>
<td>Prices</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>top snow coffee</td>
<td>9.5</td>
</tr>
<tr>
<td>Ba jiao juice</td>
<td>7.5</td>
</tr>
<tr>
<td>Jiu Zhen juice</td>
<td>7.5</td>
</tr>
<tr>
<td>Coca cola/ 7up/ Miranda</td>
<td>5</td>
</tr>
<tr>
<td>Nestle cold tea</td>
<td>6</td>
</tr>
<tr>
<td>Nestle Milk</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hot Drinks</th>
<th>Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honey tea</td>
<td>6</td>
</tr>
<tr>
<td>Black tea</td>
<td>5</td>
</tr>
<tr>
<td>Chocolate wheat drink</td>
<td>5</td>
</tr>
<tr>
<td>coffee</td>
<td>5.5</td>
</tr>
<tr>
<td>milk</td>
<td>5</td>
</tr>
<tr>
<td>orange C</td>
<td>5</td>
</tr>
</tbody>
</table>

Table 10 KFC menu in China (DOUBAN)

*Key success factors of KFC in China*

One of KFC main success factors lays in its leadership team, specifically its founding leadership from Taiwan and other parts of Asia. “Members of this pioneering team of KFC in China had accumulated at least 10, if not 15 to 20 years of fast-food industry experience prior to landing in China. Though predominantly Western-educated, being ethnic Chinese, they inherently understood China. Many also came with a background from McDonald’s” (KNOWINS).

This initial team became a huge asset for the success of KFC in China because it provided an intrinsic knowledge of the market.

Another aspect that is relevant for the success of KFC in China is the introduction and launching by the company of new products has enable KFC to capture the Chinese consumers; actually inside China the proportion of KFC restaurants doubles the amount of Mc Donald’s restaurants (KNOWINS).
Chinese are to prefer pork, chicken and beef in that order; which is why KFC have an advantage over Mc Donald’s who sales beef as its main product.  
Also KFC has recognize the increasing appeal of the car culture in China, which is why they have introduce the country’s first drive trough in Beijing, showing the ability to adapt to consumers needs (KNOWINS).

Ajisen Ramen also known as Wei Qian La Mian

Ajisen Ramen brief history

It was originally named World Ramen and was found in Kumamoto, Japan during 1968; the use of Ramen noodles which originated in China 4000 years ago and specifically Tonkutsu soup is what makes the restaurant stand out and its signature taste. Ramen Tonkutsu soup has been recognize by different organizations from China, Japan and Hong Kong as a “provider of healthy and nutritious food”, one of the things that it is said to characterize their Tonkutsu soup is the fact that it contains collagen and so its intake will help to prevent aging (AJISEN1).

Ajisen Ramen Vision and Mission (AJISEN2)

Vision

To introduce Ajisen ramen to all corners of the world

Mission

To offer:

- Top quality noodles to customers
- A safe and welcoming workplace to staff
- Enhanced value to shareholders
- The best ramen for all the world to enjoy

Ajisen Ramen location in China

Ajisen Ramen (AJISEN3), which is a fast food restaurant of Japanese noodles has a total of 423 stores around China, specifically in Beiging, Tiayin, Shanghai, Chong Qing, Hong Kong, Guangdong, Zhejiang, He Bei, Gui Zhou, He Nan, Jianng Su, Si Chuan, Shan Dong, An Hui, Jiang Xi, Hu Nan, Hu Bei, Hai Nan, Guang Xi, Yun Nan, Liao Ning, Shan Xi, Fu Jian (BAIKE4).

Figure 3 (AJISEN4) shows the geographic location of the Ajisen Ramen restaurants around China.
Figure 3 Ajisen Ramen Locations in China

Ajisen Ramen establishment of their restaurants

Ajisen Ramen Restaurants can be found at schools, factories, office buildings, city center, shopping malls, buss stations, train stations and hotels.

Ajisen Ramen image in China

“Let’s stay young and healthy the tasty way” (AJISEN5)

This slogan associates the restaurant wish to promote customers awareness of the beneficial aspects of eating their Tonkotsu soup, and the fact that by containing collagen it will help in the fight against aging, reassuring customers of its healthy components.

Ajisen Ramen Food Nutrition

Ajisen ramen advertizes its noodles soup as a source of several nutritional values, but most importantly HTC or natural collagen that is present in Ajisens Tonkotsu soup, which according to the Food Science and Nutrition Department of China Agricultural University, contains about 15.5% of its total protein content (AJISEN6).

Also the company advertizes the high contain of calcium in their soup base which is of 1,600 mg for a 360 ml bowl; which helps maintain cardiovascular functions regulated and also keeps blood with a good coagulation (AJISEN6).

“Ajisen Tonkotsu soup contains other 43 nutritional substances, including protein, 16 types of amino acids, 22 kinds of fatty acids, as well as vitamins B1 and B2”(AJISEN7).

Ajisen Ramen Sales Development

The Hong Kong-based holder of the Japanese brand's Chinese franchise, Ajisen (China) can't seem to open ramen shops fast enough to meet surging demand. Last year, Ajisen (China) posted
earnings of $16.3 million, compared with $6.6 million a year earlier. Sales, which were just $18 million in 2003, rose by a third, to $81.6 million (BUSINESS1)

The business is also expanding into a manufacturing facility in China that will be able to provide noodles for around 500 Chinese restaurants in the future; the expansion of the Japanese brand into the Chinese market is a consequence of the high competition in Japan, where there are more than 16,000 noodle restaurants (BUSINESS2)

*Ajisen Ramen Menu*

**Table 11 (AJISEN8)** shows the general menu of the Ajisen Ramen restaurants around China

<table>
<thead>
<tr>
<th>Noodles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tender pork Rib Noodles</td>
</tr>
<tr>
<td>Prawn Noodles</td>
</tr>
<tr>
<td>Volcano Noodles</td>
</tr>
<tr>
<td>Ajisen Noodles</td>
</tr>
<tr>
<td>Tender pork Rib &amp; Bamboo shoot Noodles</td>
</tr>
<tr>
<td>Clam Noodles</td>
</tr>
<tr>
<td>Kimchi Noodles</td>
</tr>
<tr>
<td>Spicy Scallop Noodles</td>
</tr>
<tr>
<td>Deep fried pork Noodles</td>
</tr>
<tr>
<td>Bamboo shoot &amp; Roast Pork Noodles</td>
</tr>
<tr>
<td>Spicy Beef Noodles</td>
</tr>
<tr>
<td>Okinawa Style Seafood Noodles</td>
</tr>
<tr>
<td>Hokkaido Style Miso Noodles</td>
</tr>
<tr>
<td>Oily Bean Curd Noodles</td>
</tr>
<tr>
<td>Tomato Beef Noodles</td>
</tr>
<tr>
<td>Ajisen Stir-fried Udon</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rice Set</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deep fried pork chop &amp; rice</td>
</tr>
<tr>
<td>Mushroom &amp; chicken Fried Rice</td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>Japanese Fried rice</td>
</tr>
<tr>
<td>Fried Rice with Grilled Eel</td>
</tr>
<tr>
<td>Chilli Beef fried rice</td>
</tr>
<tr>
<td>Curry pork Chop with rice</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hot Pots</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef with Kimchi in Hot Pot</td>
</tr>
<tr>
<td>Roast Beef Rice in Hot Pot</td>
</tr>
<tr>
<td>Mexican Style Rice in Hot Pot</td>
</tr>
<tr>
<td>Japanese Style Special Congee</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Snacks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese Tasty Wakame</td>
</tr>
<tr>
<td>Japanese Style Hors D'oeuvre</td>
</tr>
<tr>
<td>Japanese Style Tofu</td>
</tr>
<tr>
<td>Japanese Green Alga</td>
</tr>
<tr>
<td>Crab with vegetable Salad</td>
</tr>
<tr>
<td>Special Kimchi</td>
</tr>
<tr>
<td>Japanese Tasty Cucumber</td>
</tr>
<tr>
<td>Crab eggs with Sweet corn Salad</td>
</tr>
<tr>
<td>Crab Salad with Wasabi Sauce</td>
</tr>
<tr>
<td>Fried Yellow Croakers</td>
</tr>
<tr>
<td>Thai Style Deep fried Spring roll</td>
</tr>
<tr>
<td>Fried Pork Chop With Cheese</td>
</tr>
<tr>
<td>Pumpkin Croquette</td>
</tr>
<tr>
<td>Croquette (Potato &amp;Curry)</td>
</tr>
<tr>
<td>Deep Fried Prawns</td>
</tr>
<tr>
<td>Fried Chicken with soy</td>
</tr>
<tr>
<td>Grills</td>
</tr>
<tr>
<td>----------------------------</td>
</tr>
<tr>
<td>Super Spicy Chicken Wing</td>
</tr>
<tr>
<td>Pan-fried Scallop</td>
</tr>
<tr>
<td>Japanese Fried Dumplings</td>
</tr>
<tr>
<td>Fried Beef Dumplings with Hot Chilli</td>
</tr>
<tr>
<td>Beef Enoki Roll</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Skewer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grilled Eel Skewer</td>
</tr>
<tr>
<td>Assorted Skewer</td>
</tr>
<tr>
<td>Tomato &amp; Bacon Skewer</td>
</tr>
<tr>
<td>Roasted Spicy Chicken Wing</td>
</tr>
<tr>
<td>Grilled Octopus with Soy Mayonnaise</td>
</tr>
<tr>
<td>Grilled Cheese &amp; Chicken Wings</td>
</tr>
<tr>
<td>Grilled Pompano</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ice Cream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grapefruit Float</td>
</tr>
<tr>
<td>Cola Float</td>
</tr>
<tr>
<td>Super Lemon Squash</td>
</tr>
<tr>
<td>Chocolate Shake</td>
</tr>
<tr>
<td>Mesona Jelly</td>
</tr>
<tr>
<td>Strawberry Sundae Mesona Jelly</td>
</tr>
<tr>
<td>Green Tea Sundae Mesoba Jelly</td>
</tr>
<tr>
<td>Assorted Ice cream</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Desserts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red bean Ice Drink</td>
</tr>
<tr>
<td>Mixed Fruit Iced Drink</td>
</tr>
<tr>
<td>Japanese Strawberry ice cream</td>
</tr>
</tbody>
</table>
Fried Sweet Potato & Ice cream
Imagawayaki & Chestnut Ice cream

Alcohols
Sake

Special Beverage
Red Berry juice
White Peach Sour Milk Beverage
Mint & Lemon Green Tea
Iced Grapefruit Tea
Orange Juice
Grapefruit and Lemon Tea
Kiwi Juice
Iced Tea
Lemon Cola
Lemon 7 Up
Mango Juice
Mixed Fruits Iced Tea

Table 11 (AJISEN8)

Ajisen Ramen price

The price of a meal in this restaurant varies from 34 to 68 Yuans for person (AJISEN9).

Table 12 (ZHIDAO1) shows the prices for different menu options at Ajisen Ramen restaurant

<table>
<thead>
<tr>
<th>Noodles</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tender pork Rib Noodles</td>
<td>22</td>
</tr>
<tr>
<td>Prawn Noodles</td>
<td>29</td>
</tr>
<tr>
<td>Volcano Noodles</td>
<td>27</td>
</tr>
<tr>
<td>Ajisen Noodles</td>
<td>18</td>
</tr>
<tr>
<td>Tender pork Rib &amp; Bamboo shoot Noodles</td>
<td>32</td>
</tr>
<tr>
<td>Clam Noodles</td>
<td>25</td>
</tr>
<tr>
<td>Menu Item</td>
<td>Price</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Kimchi Noodles</td>
<td>25</td>
</tr>
<tr>
<td>Spicy Scallop Noodles</td>
<td>29</td>
</tr>
<tr>
<td>Deep fried pork Noodles</td>
<td>20</td>
</tr>
<tr>
<td>Bamboo shoot &amp; Roast Pork Noodles</td>
<td>18</td>
</tr>
<tr>
<td>Spicy Beef Noodles</td>
<td>29</td>
</tr>
<tr>
<td>Okinawa Style Seafood Noodles</td>
<td>29</td>
</tr>
<tr>
<td>Hokkaido Style Miso Noodles</td>
<td>missing</td>
</tr>
<tr>
<td>Oily Bean Curd Noodles</td>
<td>/</td>
</tr>
<tr>
<td>Tomato Beef Noodles</td>
<td>/</td>
</tr>
<tr>
<td>Ajisen Stir-fried Udon</td>
<td>25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rice Set</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deep fried pork chop &amp; rice</td>
<td>28</td>
</tr>
<tr>
<td>Mushroom &amp; chicken Fried Rice</td>
<td></td>
</tr>
<tr>
<td>Japanese Fried rice</td>
<td>18</td>
</tr>
<tr>
<td>Fried Rice with Grilled Eel</td>
<td>28</td>
</tr>
<tr>
<td>Chilli Beef fried rice</td>
<td>25</td>
</tr>
<tr>
<td>Curry pork Chop with rice</td>
<td>23</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hot Pots</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef with Kimchi in Hot Pot</td>
<td></td>
</tr>
<tr>
<td>Roast Beef Rice in Hot Pot</td>
<td></td>
</tr>
<tr>
<td>Mexican Style Rice in Hot Pot</td>
<td></td>
</tr>
<tr>
<td>Japanese Style Special Congee</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Snacks</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese Tasty Wakame</td>
<td>15</td>
</tr>
<tr>
<td>Japanese Style Hors Découvre</td>
<td>12</td>
</tr>
<tr>
<td>Japanese Style Tofu</td>
<td>6</td>
</tr>
<tr>
<td>Japanese Green Alga</td>
<td>12</td>
</tr>
<tr>
<td>Food Item</td>
<td>Price</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Crab with vegetable Salad</td>
<td>15</td>
</tr>
<tr>
<td>Special Kimchi</td>
<td>6</td>
</tr>
<tr>
<td>Japanese Tasty Cucumber</td>
<td>9</td>
</tr>
<tr>
<td>Crab eggs with Sweet corn Salad</td>
<td>16</td>
</tr>
<tr>
<td>Crab Salad with Wasabi Sauce</td>
<td>12</td>
</tr>
<tr>
<td>Fried Yellow Croakers</td>
<td></td>
</tr>
<tr>
<td>Thai Style Deep fried Spring roll</td>
<td></td>
</tr>
<tr>
<td>Fried Pork Chop With Cheese</td>
<td></td>
</tr>
<tr>
<td>Pumpkin Croquette</td>
<td></td>
</tr>
<tr>
<td>Croquette (Potato &amp;Curry)</td>
<td></td>
</tr>
<tr>
<td>Deep Fried Prawns</td>
<td></td>
</tr>
<tr>
<td>Fried Chicken with soy</td>
<td>18</td>
</tr>
<tr>
<td>Grills</td>
<td></td>
</tr>
<tr>
<td>Super Spicy Chicken Wing</td>
<td>22</td>
</tr>
<tr>
<td>Pan-fried Scallop</td>
<td></td>
</tr>
<tr>
<td>Japanese Fried Dumplings</td>
<td>8</td>
</tr>
<tr>
<td>Fried Beef Dumplings with Hot Chilli</td>
<td></td>
</tr>
<tr>
<td>Beef Enoki Roll</td>
<td></td>
</tr>
<tr>
<td>Skewer</td>
<td></td>
</tr>
<tr>
<td>Grilled Eel Skewer</td>
<td>19</td>
</tr>
<tr>
<td>Assorted Skewer</td>
<td>28</td>
</tr>
<tr>
<td>Tomato &amp; Bacon Skewer</td>
<td></td>
</tr>
<tr>
<td>Roasted Spicy Chicken Wing</td>
<td>19</td>
</tr>
<tr>
<td>Grilled Octopus with Soy Mayonnaise</td>
<td>22</td>
</tr>
<tr>
<td>Grilled Cheese &amp; Chicken Wings</td>
<td></td>
</tr>
<tr>
<td>Grilled Pompano</td>
<td>19</td>
</tr>
<tr>
<td>Ice Cream</td>
<td></td>
</tr>
<tr>
<td>Desserts</td>
<td>Price</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Red bean Ice Drink</td>
<td>20</td>
</tr>
<tr>
<td>Mixed Fruit Iced Drink</td>
<td>26</td>
</tr>
<tr>
<td>Japanese Strawberry ice cream</td>
<td>22</td>
</tr>
<tr>
<td>Fried Sweet Potato &amp; Ice cream</td>
<td></td>
</tr>
<tr>
<td>Imagawayaki &amp; Chestnut Ice cream</td>
<td>15</td>
</tr>
</tbody>
</table>

Pictures of different dishes at Ajisen Ramen Restaurant can be found at (FLIRK)

**Mc Donald’s**

**Mc Donald's image in China**

Mc Donald’s has established itself as a western restaurant who wishes to introduce Chinese people to a western food experience; which is why even tough Mc Donald’s have evolve and try to capture the Chinese market by adapting its menu to the Asian market “the hamburger and fries Western style is still at the heart of the Chinese menus” (CHINADAILY).

"We do extensive focus group studies of Chinese consumers, and one of the things that Chinese consumers say over and over again is that 'we come to you because you are a Western brand, if we want to rice or congee we can eat at home or in Chinese restaurants, we want to sample the Western brand” (CHINADAILY).

**Mc Donald’s Sales Development**

The first McDonald's to open in China was in Shenzhen during the 1990, after 20 years the Western restaurant chain has been expanding steadily and successfully.

So far, other than the home market - the United States - China is the No 1 growth market for
McDonald's, with 960 restaurants and over 60,000 employees (CHINADAILY). The success of the Shenzhen outlet made Mc Donald’s realize of the necessity of expanding its chain nationwide. In 1992 Mc Donald’s opened the biggest fast food restaurant at Beijing Wangfujing Street.

By the first quarter of 2002, there were 460 McDonald's around China. The figure reached 600 at the end of 2004.

“In early August of 2008, McDonald's reported an 8 percent increase in July global same-store sales, and its Asia-Pacific, Middle East and Africa region saw 7.2 percent growth, driven by extended hours and menu varieties, especially in Australia and China”(CHINADAILY).

**Table 13** (MCDONALDS1) shows the provinces and numbers of McDonald's stores that can be found in China.

<table>
<thead>
<tr>
<th>Province</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>100+</td>
</tr>
<tr>
<td>He Bei</td>
<td>22</td>
</tr>
<tr>
<td>Shan Xi (山)</td>
<td>11</td>
</tr>
<tr>
<td>Shanghai</td>
<td>106</td>
</tr>
<tr>
<td>Zhe Jiang</td>
<td>78</td>
</tr>
<tr>
<td>An Hui</td>
<td>18</td>
</tr>
<tr>
<td>Fu Jian</td>
<td>36</td>
</tr>
<tr>
<td>Shan Xi (陜西)</td>
<td>25</td>
</tr>
<tr>
<td>Guang Dong</td>
<td>146</td>
</tr>
<tr>
<td>Guan Xi</td>
<td>9</td>
</tr>
<tr>
<td>Hai Nan</td>
<td>5</td>
</tr>
<tr>
<td>Chong Qing</td>
<td>8</td>
</tr>
<tr>
<td>Si Chuan</td>
<td>18</td>
</tr>
<tr>
<td>Gui Zhou</td>
<td>3</td>
</tr>
<tr>
<td>Yun Nan</td>
<td>8</td>
</tr>
<tr>
<td>Hei Longjiang</td>
<td>27</td>
</tr>
<tr>
<td>Gaa Su</td>
<td>6</td>
</tr>
<tr>
<td>Xia Jiang</td>
<td>4</td>
</tr>
<tr>
<td>City</td>
<td>Number</td>
</tr>
<tr>
<td>------------</td>
<td>--------</td>
</tr>
<tr>
<td>Tianjin</td>
<td>36</td>
</tr>
<tr>
<td>Yua Naa</td>
<td>8</td>
</tr>
<tr>
<td>He Naa</td>
<td>27</td>
</tr>
</tbody>
</table>

**Table 13** Numbers of McDonalds stores in China (MCDONLADS1)

*Mc Donald’s Menu and Prices*

**Table 14** (ZHDIAO) shows McDonald's restaurant options for China

<table>
<thead>
<tr>
<th>Menu</th>
<th>Small</th>
<th>Regular</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Mac</td>
<td>16</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Tappasaki</td>
<td>17</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>Mc Chicken</td>
<td>13.5</td>
<td>15.5</td>
<td>17.5</td>
</tr>
<tr>
<td>Small Burger</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mc Fish</td>
<td>15</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>King vegetables</td>
<td>17.5</td>
<td>19.5</td>
<td>21.5</td>
</tr>
<tr>
<td>Special codfish</td>
<td>19</td>
<td>21</td>
<td>23</td>
</tr>
<tr>
<td>Codfish with vegetables</td>
<td>16.5</td>
<td>18.5</td>
<td>20.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pantry</th>
<th>Small</th>
<th>Regular</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>French Fries</td>
<td>4.5</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>See food soup</td>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Others**

<table>
<thead>
<tr>
<th>Menu</th>
<th>Small</th>
<th>Regular</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mc Chicken nugget</td>
<td>6(5 pieces)</td>
<td>12(10 pieces)</td>
<td>24(20 pieces)</td>
</tr>
<tr>
<td>MC hot wings</td>
<td>6(2 pieces)</td>
<td>12(4 pieces)</td>
<td>24(9 pieces)</td>
</tr>
<tr>
<td>Chicken wrap</td>
<td>16.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Desert**

<table>
<thead>
<tr>
<th>Menu</th>
<th>Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original ice cream cone</td>
<td>2.5</td>
</tr>
<tr>
<td>Pineapple/strawberry/chocolate sundae</td>
<td>5.5</td>
</tr>
<tr>
<td>Strawberry/chocolate/banana/vanilla milkshake</td>
<td>7(small) 9(Large)</td>
</tr>
</tbody>
</table>
### Mc Donald’s Nutrition Facts

Nutritional facts on the food that the restaurant provides are available online and at the Chinese McDonalds restaurants for hamburgers, deserts and drinks; in recent years McDonalds have been accused to promote unhealthy food habits, especially into the Asian market. The company have fought back assuring their Chinese customers of its commitment of restructuring its menu in order to being able to compel to customers’ needs.

McDonald’s major competitor in China KFC is striving also to find healthier options in its menu in order to satisfy its Chinese consumer’s interests of achieving a healthier lifestyle.

### Mc Donald’s Restaurant Locations in China

Currently they are 837 McDonald’s restaurants across China and the company wishes to expand its business in China for 2010 till opening 175 restaurants trough out the year (CHINADAILY2).

- Background of the market
  - Population

### Social structure

In 2000, the total population of Zhuhai City was 123.56 million, with a household population of 74.78 million. People living in the city were a total of 304,400 households, a population of 93.88 million.

The average family household population is of 3.08 persons. Males represent 61.88 million which

<table>
<thead>
<tr>
<th>Cold drinks</th>
<th>Prices</th>
<th>Prices</th>
<th>Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coca cola/ 7up/ Miranda</td>
<td>3.5</td>
<td>4.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Ice tea</td>
<td>4.5</td>
<td>5.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Milk</td>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hot Drinks</th>
<th>Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black tea</td>
<td>5</td>
</tr>
<tr>
<td>Hot chocolate</td>
<td>7</td>
</tr>
<tr>
<td>Coffee</td>
<td>6(Large)</td>
</tr>
<tr>
<td>Milk tea</td>
<td>7.5(Large)</td>
</tr>
<tr>
<td>Orange Juice</td>
<td>7</td>
</tr>
</tbody>
</table>
accounts for 50.08%; women are 61.68 million, which accounts for 49.92%.

The GDP of the City of Zhuhai is 36.723 billion yuan, with a per capita GDP of 29,513 yuan. The economy development and social outlook of Zhuhai has brought a considerable social change. Zhuhai has established a comprehensive social security and monitoring Tixi women and children, and in 2000 took part in the social status of women survey which was performed nationwide (blog1).

- Gender of the household decision maker
  - Impact that the gender of the household decision maker has on the market

A study of married women between 22 and 54 years old conducted in Zhuhai City determine that the majority of marriages presented a "husband and wife co-decision"; meaning a consulted decision on household matters.

In regards to the family daily expenses, the wife usually decided more than their husbands; up to 46.8% were decided by women; followed by jointly decision 37.5%; and husband decided to only 15.7% (BLOG2).

- Product’s income elasticity (the sensitive of demand for a product relative to change in incomes).
  - Social trends
    - Eco products
    - Health products
    - Health supplements

Best Known Brands and Provinces in which nutritional supplements are found in China

One of the most recognized brands for losing weight in China is Lv Shou, which is produced in the Guangdong province.

**Table 15** (HIBAIUDU) shows the top ten nutritional products that can be found in China and their location.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Brand</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gold Partner</td>
<td>Shang hai</td>
</tr>
<tr>
<td>2</td>
<td>Neptunus</td>
<td>Shen Zhen</td>
</tr>
<tr>
<td>3</td>
<td>Only</td>
<td>Shang hai</td>
</tr>
</tbody>
</table>
Table 15

Aim or purpose of the nutritional supplements

Chinese supplements are not necessary directed to loose or gain weight, so they are not advertized as such to consumers, instead the proposal manufactures make is that of maintaining the nutrition balance of their organism (BAI)

Consumers’ social class, age and gender

Many people generally think that the elderly is the biggest buying power for nutritional products. But in a recent survey, it was found that as more and more sub-health groups showing up, nutritional products has turned their target market group to white-collar groups. This implies that the mainstream for consuming nutritional products is tending to be younger, while the diversification of products for this group is increasing (TJKX).

This complies with our findings, in which “most of the people who wish to lose weight are women of around 20-30 years old” (FITNESS1)

The fact that nutritional products in China are directed to a white-collar group can explain why, according to another study performed in China, around 80.8% of the population thinks that nutritional products are too expensive (BAIKE3).

Advertisement and marketing

TV advertising is the main way of getting to know nutritional products.

TV is the largest media for consumers to obtain huge sources of information, since it is the most extensive media. TV advertising is very strong in its media-oriented visibility; it has become the most acceptable media advertising way. For the choices of products, TV advertisement will lead the consumers to choose according to the description of the products, and find the meeting point of
the product and consumer's demand.

The consumption varies according to the season, winter is the high season and summer is the lowest, even though some consumers believe that such variation is irrelevant (40a).

- Total expenditure of the product in the market
- Retail sales volumes and market prices of the products

**Sales Development**

The turnover of nutritional products in China almost reaches 50 billion and still keeps increasing with 15%-30% each year.

Consumption patterns are changing from accidental consumption to seasonal or perennial consumption. Consumption purposes are expanding from disease prevention and control to anti-aging, educational, beauty and other demands. The main reason why there is such a big market expansion of nutritional products is the improvement of people's quality of life (39net).

- Quality of the products that are to be used locally
- Productivity of local labour
- Productivity of managers
- Local infrastructure
  - Roads
  - Airports
  - Seaports
  - Telecommunication
    - Availability of internet and internet users in the region
- Future outlook for the market and potential opportunities
- A comparison with similar and more advance markets such as Hong Kong might be relevant and useful.
  - Comparison related to healthy food market
  - Comparison related to the use of health supplements

**D. Step 4 Select market or site**
Deeper competitors’ analysis, this is performed at location 4

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(S1REPORT)  http://www.s1report.com/research/detail/9326976.html access 23 of May 2010 at 13:15.
(CUSTOMSGOV)  http://www.customs.gov.cn/publish/portal0/tab7973/info140851.htm access 27 of May 2010 at 14:08.
(JKCK)  http://www.jck.com/tariff/hsagriculture.htm
(JKCK1)  http://www.jck.com/tariff/hsagriculture.htm access 23 of May 2010 at 18:09.
(JKCK2)  http://www.jck.com/tariff/ag04.htm access 24 of May 2010 at 11:10 am.
(JKCK3)  http://www.jck.com/tariff/ag09.htm access 24 of May 2010 at 11:30 am.
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(TIEBA)  http://tieba.baidu.com/?kz=112203303 access on the 26 of May 2010 at 17:06.
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4 Location competitors analysis was not possible to perform (refer to restrictions of the study) which is why we performed a detailed investigation of both Chinese and Western sites.
2010 at 14:07

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(BLOG1) [http://blog.tianya.cn/blogger/post_show.asp?BlogID=942073&PostID=9542165] access on the 20 of May
Interview Questions (Type 1)

Questions for BIM after their experience in China

Background

Do you have any previous experience in the food sector? Please elaborate.

Do you have any previous experience in China, regarding studies or previous work or traveling? Elaborate

Have the reasons to move the company to China continued to be the same after visiting the country? Have you found some other reasons why to move to China?

Social and professional network in China. How it has helped the Brand the presence or absence of these capabilities?
Company
Current grow and turnover of BIM in Sweden
Comparing the BIM concept in Sweden with the one in China; will BIM have to go through a big change in order to adapt to Chinese customers demands and expectations?
Is the change bigger or smaller than you have primarily estimated after your visit to China?
Barriers
Cultural
What are the major cultural differences that you have found might help or interfere with the business?
After your visit do you believe that cultural barriers/language barriers play a big role in doing business in China?
Did you find any inconvenience when introducing the healthy concept in China? Reflections on the issue.
Bureaucracy /state control.
Have you encounter any state control problem regarding limitation / control of information when doing business in China? If so has it affected your business activities? How?
Negotiating style
What do you believe is the biggest problem when negotiating with Chinese people?
Networking (Guanxi Wang).
Have you been able to build a network in China? If so, has it helped the brand? If not, how do you think it has affected the brand?
Managerial Style
What are in your opinion the biggest differences between Chinese and Swedish managerial style?
And how do you think it can affect the brand when doing business in China? Positive / negative and why?

**Opportunities**

Low cost labor / Low cost of production / western trends
After your visit to China do you believe, as mentioned before, that western assimilation plays a big role in the success of the BIM brand? How so?
Availability of Resources
What are the major difficulties and capabilities / opportunities that you have found after your visit
to China in terms of availability of resources? Will you need to import some of the equipment to be
able to warranty the quality of the products?

Are the imports bigger or smaller than you have thought before your trip to China? Why?

Big market capabilities
After your visit to China, what do you believe are the current capabilities of BIM for the Chinese market?

Have you disregard any previous capabilities of the brand after the visit? Why?

In which way have the visit change your previous thoughts regarding BIMs opportunities in the market? In a positive way? Negative way?

What was the reaction after the introduction of the brand?

Potential establishment of the brand / entry modes

Franchises / ventures / privately own.

How will the brand choose to establish itself in China? Why?

What do you believe is the next step for the brand in order to gain hold of the Chinese customers?

After your visit did the way in which you engaged business changed? Will that change in any way some of the aspects of your entry strategy?

Will you consider other areas of expansion after your visit?

What are right now the advantages that the brand can provide the Chinese market?

Do you believe after your trip to China that in order to be successful you must standardize the BIM brand? Why?

**Interview Questions (Type 2)**

**General Interview directed to FPX consultant and CEO with experience on the Chinese market.**

Background

Please tell us about your background.

Do you have any experience in the food sector?

Yes / No

Years of experience: N/A

Title in the organization: N/A
Have you had any previous experience regarding China?
Yes / No
Years of experience:
Study experience / travelling experience / business Experience

**Opportunity**
What is, in your experience, the most common reason to move a business or company to China?
Please mark one option
Cheap labour/ Availability of resources / Efficiency / Economies of Scale / Market size.

**Barriers / Challenges**
What is, according to your experience, the hardest challenge that a company might face when entering the Chinese market?
Cultural issues / Language issues / bureaucracy / Networking issues / Negotiating Style issues/
managerial style issues

In your opinion, name the biggest differences between a Swedish manager and a Chinese manager.

According to your experience, name one major difficulty that a company might face when entering the Chinese market.

Do you believe that in order to be successful in China a brand or business should achieve standardization in order to comply with the Chinese market?

**Result from Micke Kedbäck**

*Background*
Please tell us about your background.
Based in Bangkok I represent mainly Swedish companies and organisations that want to introduce their companies to the Chinese, Thai and Vietnamese Markets.
I have worked for several years with business development and marketing, within Sweden; but in recent years mostly internationally.
Do you have any experience in the food sector?
Yes / No
Years of experience: N/A
Title in the organization: N/A
Have you had any previous experience regarding China?
Yes / No
Years of experience: 4
Study experience / travelling experience / business Experience

*Opportunity*

What is, in your experience, the most common reason to move a business or company to China?
Please mark one option
Cheap labour/ Availability of resources / Efficiency / Economies of Scale / Market size

My belief is that cheap labour is still the number one reason, but that Market size should be the number one reason. China’s future potential as a market to sell products and services is far greater than its future potential to serve as a country where you produce your products for sale in other (western) markets.

*Barriers / Challenges*

What is, according to your experience, the hardest challenge that a company might face when entering the Chinese market?
Cultural issues / Language issues / bureaucracy / Networking issues / Negotiating Style issues/ managerial style issues.

In your opinion, name the biggest differences between a Swedish manager and a Chinese manager.

It is mainly a company culture difference which also affects the managerial style. Swedish managers have a style where delegation of responsibility is important and also value the views of
the employee more.
A Chinese manager would be more traditional, meaning that decisions are made at the top, with clear instructions to the employee; whose task is just to perform his work as instructed.

This description above is however very simplistic and it is always difficult to generalise.
A future trend would probably be a change in culture on the Chinese side, positioning it closer to the Swedish style.

According to your experience, name one major difficulty that a company might face when entering the Chinese market.

The size of the Market. China is a large country and culture and consumer behaviour, varies between countries versus city, and also between different provinces. An appropriate strategy for most companies would probably be to do the market entry province by province, and also to focus on the larger cities.

Do you believe that in order to be successful in China a brand or business should achieve standardization in order to comply with the Chinese market?
Yes / No (if this question means that adaption and changes of products is needed to fit the needs of the Chinese consumer)

**Result from Johan P Bang**

*Background*

Please tell us about your background.
I have 20 years of broad experience from marketing, Company management and building and handling different types of organizations. Both from starting up my own companies as well as setting up projects and organizations to deliver results on short time. Another part of my experience is from holding courses and classes in marketing, e-business, CRM and IT-strategies both on University level and internal courses at companies. I have been working international for over 10 years with design and technical projects and research on the impact of Digital communication technologies and Internet applications as well as geographic Information Systems.
Do you have any experience in the food sector?
Yes

Years of experience: 3
Title in the organization: International market manager

Have you had any previous experience regarding China?
Yes

Years of experience: 4
travelling experience / business Experience

What is, in your experience, the most common reason to move a business or company to China?
Please mark one option
Cheap labour

What is, according to your experience, the hardest challenge that a company might face when entering the Chinese market?

Cultural issues / managerial style issues
In your opinion, name the biggest differences between a Swedish manager and a Chinese manager
A Swedish manager is more dynamic in his leadership and wants to have a more open discussion climate in the organisation and is also more process oriented in the leadership and in building business- and market relations.

According to your experience, name one major difficulty that a company might face when entering the Chinese market
- Adopting to each province special cultural and public sector structure. China is not a country in that sense it is several different provinces that has to be handled out of each unique situation.

Do you believe that in order to be successful in China a brand or business should achieve standardization in order to comply with the Chinese market?
No

Result from Ulf Andersson
Questions for BIM after their experience in China

Background

Do you have any previous experience in the food sector? Please elaborate.
I owned several Mc Donald’s restaurants; also I was member on the board of Mc Donald’s. I worked 8 years for Mc Donald’s solving strategic issues for the Nordic Countries.
Do you have any previous experience in China, regarding studies or previous work or traveling? Elaborate
No, I did not have any previous experience in China.
Have the reasons to move the company to China continued to be the same after visiting the country?
Have you found some other reasons why to move to China?
The opportunities are bigger that I have expected, they are absolutely bigger, it is a huge market.
Under other reasons I will have to say that people is friendlier that what I have expected. China is currently doing the same mistakes that Europe and EEUU, they are fast forwarding their economy; but the difference is that they have a strength and willingness to make a change; that was the thing that surprised me the most.
The Chinese mentality is focusing on what to do now to have a better future? They don’t look back, they look forward. I am impress about this, China is a fantastic market.
Social and professional network in China. How it has helped the Brand the presence or absence of these capabilities?
I didn’t have any network, we were lucky to travel with the Swedish Company FPX, which played the role of a consultant for us (BIM). I believe that without the help of FPX it would have been impossible to do business in the way we did in China.
During my first visit (September 2009), I was in Zhuhai for 18 hours, during that time it was possible for me to sign a deal. This would have been impossible if not for the previous networking that FPX have been building for the past 3 years.

Company

Current grow and turnover of BIM in Sweden.
I am not quite familiar with the numbers related to the BIM business in Sweden; I am familiar with the international aspect of the brand.
Comparing the BIM concept in Sweden with the one in China; will BIM have to go through a big
change in order to adapt to Chinese customers demands and expectations?

Yes and no.

BIM is a leading fast food healthy concept in Sweden, but in China it is 10-15 years behind. Salad is for example, our biggest seller in Sweden. In comparison in China the concept of eating salad is not that common so I don’t see it as our biggest seller, for the moment. We have to make a change in order to grasp the Chinese customer.

But no because we are selling western food, it is a Swedish brand, is a world brand made for a world market. If we will intent to be Chinese we would fail.

Chinese people are interested in western food, they want a western brand, but the approach has to be Chinese. During a recent trip to China we were able to provide a testing of BIM food to possible investors, this was an excellent way to see which food might be successful and which might not be, and also which locations might be more up to the BIM concept and which would not.

For example, the testing was made in both Beijing and Zuhai. WE realize that the Beijing customer was familiarized with the western taste and culture, the salad was not such a new experience for them as it was for the Zuhai customer.

Is the change bigger or smaller than you have primarily estimated after your visit to China?

The average is almost what we expected.

We will begging with Guangdong province because we already have a network there, we have contacts of Gävleborgs Province in the City of Zuhai. All of this has been thanks to the fact that FPX have been in Zuhai since 2006, this made it possible for us to even have meetings with the Zuhai Governor, which put us in a very special position.

**Barriers**

*Cultural*

What are the major cultural differences that you have found might help or interfere with the business?

I really don’t know what to answer; I think we have had really good connections to people and fantastic discussions in Guangdong with our partners there. It is important to realize that you cannot enter a market alone; we have found partners that know the difficulties that we will face. These people are really egger to star working with the concept.
There is a huge difference in the way you do business in China and Sweden; you have to understand that to work with partners is totally necessary, things like how to get all the ingredients and suppliers that we need in order to run our business is something that we need help with. I believe that you can’t enter the Chinese market alone.

After your visit do you believe that cultural barriers/language barriers play a big role in doing business in China?
Yes. I will never go there without a Chinese consultant. We did it in Beijing; we had an interpreter that didn’t understand the concept and the meaning. You need a person that understands the concept of the company, which works side by side with the company and knows how to articulate words in Chinese.

Negotiating styles varies when you talk in you second language, language is a huge barrier; which is why it is crucial to have people in your team that knows the company and the concept in order to achieve better results.

Did you find any inconvenience when introducing the healthy concept in China? Reflections on the issue.

No, I was surprised about that.
China is playing it fast forward; during my presentation I talked about pollution, specifically water pollution, people realize that this is happening. I believe that Chinese have the willingness to make a change; people are really listening and they realize the problems.

During my visit to China, specifically in Beijing I saw a huge amount of fat people, Chinese realize the problems and think that BIM has a really edgy concept; they believe that owning a brand like BIM will be an advantage.

Profitability in China is around 35 to 40% of in the food sector. When I run the numbers I reached 30%, but I didn’t dear to say that to the investors and instead I went with only 20%. Investors were astonished and thought it was too little.

**Bureaucracy /state control.**

Have you encounter any state control problem regarding limitation / control of information when doing business in China? If so has it affected your business activities? How?
No, not really. As I mentioned before I have been very lucky to count with a network that have facilitated the company’s entrance to the Chinese market.
Negotiating style

What do you believe is the biggest problem when negotiating with Chinese people? I believe the language is one of the biggest barriers, and the only one I experienced thanks to the fact that I have good contacts and networking that help me through the businesses ordeals.

Networking (Guanxi Wang)

Have you been able to build a network in China? If so, has it helped the brand? If not, how do you think it has affected the brand? I think I have answered that before. I believe it is crucial to have and build a network in China.

Managerial Style

What are in your opinion the biggest differences between Chinese and Swedish managerial style? And how do you think it can affect the brand when doing business in China? Positive /negative and why?

I don’t have a good answer to those questions. At this point we haven’t met any problem in that area, because we are currently negotiating with high hierarchy people. But in my experience I believe that Chinese people will want a manager to tell them what to do, which is very different from Sweden. A Swedish manager should listen to its employers, decisions will be found in the form of discussions between managers and employees; this represents a huge difference when comparing with other countries.

Opportunities

Low cost labor / Low cost of production / western trends

After your visit to China do you believe, as mentioned before, that western assimilation plays a big role in the success of the BIM brand? How so?

Availability of Resources

What are the major difficulties and capabilities / opportunities that you have found after your visit to China in terms of availability of resources? Will you need to import some of the equipment to be able to warrant the quality of the products?

This represents a big challenge because of how Chinese people regard their own ingredients, and this is a direct consequence of the Milk scandal.

Some of the people that we have meet hope that we will import everything that we sale; since it
will provide a quality sign, they don’t believe that the food quality is good enough.  
This represented a big surprise for me, since during my visit to China I went to a farmers market and saw really good quality products.

Are the imports bigger or smaller than you have thought before your trip to China? Why?

We need to import the equipment from Sweden, not all of it, about 70%. We might not have to do that because it turns out that most of the suppliers for the equipments produce in China. The problem might be to buy the equipment specifically in Zhuhai.

Big market capabilities

After your visit to China, what do you believe are the current capabilities of BIM for the Chinese market? Have you disregard any previous capabilities of the brand after the visit? Why?

We realize from the first moment, things that what sale well in Sweden will not sale well in China. As today we don’t know which will be the hero product in China.

In which way have the visit change your previous thoughts regarding BIMs opportunities in the market? In a positive way? Negative way?

In a positive way, in our first trip after just 18 hours of being in China we already had 3 possible investors.

*Potential establishment of the brand / entry modes*

*Franchises / ventures / privately own.*

How will the brand choose to establish itself in China? Why?

We don’t know. We will have a discussion with the Chinese partner, from now I think its 50%-50% is easier to run a franchise concept.

But there is a fantastic profit if you are the owner because of the 30% profitability, but it all depends on the Chinese partner.

After your visit did the way in which you engaged business changed? Will that change in any way some of the aspects of your entry strategy?

No, we have a plan. We just have to find the right partner and the right people to put in contact with the brand in the right market. It all depends on finding the right partner. You have to find the right people in order to be successful.

Will you consider other areas of expansion after your visit?

We have a plan; we know that we cannot get into the whole Chinese market. We have chosen to
establish in Zhuhai because of the possibilities that the city has, a bridge that connects the city with Hong Kong will provide new customers in the future.