

**Market Penetration of Ecoplay’s Recycling Water System in China**

**Research project**

Student Name: Shijun Shen

Student Number: 07047800

Supervisor: B. A. M. M. Kuijpers

**Executive Summary**

Half of the geographical areas in Mainland China are currently facing problems of water shortage and water pollution. Both the Chinese government and its private sectors are striving to find viable solutions for this very issue. However, with the enormous population base in China and its fast-growing economy, the amount of domestic sewage and industrial wastewater produced per year has escalated the situation. Ecoplay believes that having a grey water recycling solution would help address this problem. Therefore, introducing grey water recycling system into the Chinese market is equally beneficial to the Chinese eco-system and to Ecoplay’s future business expansion.

Essentially in this report, an overview of the current situation of the Chinese water resource is provided. The main topic of this project focuses on answering below research question:

How can Ecoplay and Longchuang cooperate with KV Connections to find a win-win solution for transferring technology to economize and recycle water in the major cities of China?

And the sub-questions are:

1. What are the advantages for Ecoplay to penetrate the Chinese market?
2. What is the current situation of the Chinese market and what would be the opportunities and threats for the cooperation between Ecoplay and Longchuang Company?
3. What are the most significant factors for Ecoplay to make a strategic business plan?
4. What are the most appropriate strategies for Ecoplay to penetrate the Chinese market?

As a project-based research report, research methods adopted are to be explained in the related chapters. Desk research mainly focuses on the public documents from the Internet and Media. Field research mainly emphasizes on face-face and telecom-based interviews with involved parties. Following with existing competitor analysis of wastewater processing related products in China, in-depth insights will be given as the ground of final recommendation to Ecoplay.

The PEST analysis delivers a series of findings, which contributes to the infrastructure of the strategy formulation process. Political and economic wise and incentive policies from both Chinese and the Dutch government encourages bilateral trade in water management. From a technical point of view, Ecoplay’s solution has upper hand compared to the competition technology and quality wise.

The six steps are proposed in the recommendations are:

1. Conducting specific research on the local culture, geography and the competitors before venturing into Chinese market.
2. Operating a pilot scheme - Gauge market response first
3. Attending Chinese trade fairs
4. Defining the niche market for the product
5. Choosing right pricing strategy
6. Promotion of the solution/product

In all, the six steps recommendations are comprehensive strategies for Ecoplay to venture into the Chinese market with their grey water recycling system.

Tableof content

1 Introduction 6

1.1 Background and Research Objectives 6

1.2 Company description 7

1.2.1 Ecoplay 7

1.2.2 Longchuang Company 7

1.2.3 KV Connections BV 7

1.3 Statement of the Problem 8

1.4 The Cooperation Responsibilities of The Parties Involved 9

1.5 Research Methods 10

2 Internal Analysis 11

2.1 Products and Process 11

2.1.1 Main product 11

2.1.2 Benefits of the products 12

2.2 Conclusion 13

3 External Analysis 15

3.1 PESTE Analysis 15

3.1.1 Political factors 15

3.1.2 Economic factors 17

3.1.3 Social factors 22

3.1.4 Technological factor 25

3.1.5 Environmental factor 27

3.2 Market Analysis 30

3.2.1 Imported water recycling technology from Europe 30

3.2.2 Chinese recycling water technology in Chinese market 31

3.2.3 Competitor analysis 32

3.3 Summary 36

4 SWOT Analysis 38

4.1 Internal Factor Analysis Summary (IFAS) 40

4.2 External Factor Analysis Summary (EFAS) 41

4.3 Strategic Factor Analysis Summary Matrix (SFAS) 42

4.4 Summary 43

5 Strategic Planning 44

5.1 Marketing Segmentation and Targeting 44

5.1.1 Segmentation 44

5.1.2 Targeting group 45

5.2 Brand image 46

5.2.1 Niche market 46

5.2.2 Advertisement 46

5.3 Promoting the product 48

5.3.1 Positioning statement 48

5.3.2 Sales promotion 49

5.3.3 Strategic pricing strategies 49

5.4 Research and Development 49

5.4.1 Innovation 49

5.4.2 High-skilled employees 50

5.4.3 R&D center 50

6 Conclusion 51

7 Recommendation 53

8. Reference 56

# 1 Introduction

## 1.1 Background and Research Objectives

For a long time, China has been facing a crisis regarding water decontamination and water supply issues. Since 1998, finding clean and stable water resources have been increasingly hard to come by and have become a challenge for many cities in China. Urban inhabitants draw 70% of their drinking water from groundwater sources; in rural areas, 700 million citizens have no access to safe water (Turner, 2006). However, the most severe problem in China is wastewater. Factories and citizens have discharged considerable amount of unrefined sewage and pollution into the rivers and lakes—53.7 billion tons in 2006 alone, according to the World Bank (Water Resources, 2006).

When KV Connections BV, a Dutch-based agency, learned about the situation of China’s water crisis and realized the main obstacle was that China was lack of high-tech mature water management. It purposed to act as an intermediary company between Ecoplay, the company that holds the patent for its grey water recycling technology, and Chinese water companies. KV Connections BV selected Longchuang Company to act as the manufacturer and distributor based in Beijing for Ecoplay’s solution to utilize bath water as a resource to recycle water and reclaim heat. The grey water recycling unit recycles water is wasted from shower and the flushing of toilets in a household thereby reducing water usage by 30% for each household. Longchuang Company is very eager to cooperate with Ecoplay and to have the privilege of being the first to introduce this technology into the Chinese market. Moreover, the estimation on the amount of potential partners in China is promising. For the technology can be applied in households and companies alike, regardless the scale.

Subsidy provided by Dutch incentive policy grants Ecoplay with easier access to the Chinese market with a pilot unit as a test run. Afterwards, the project will go on full swing with the sole purpose of saving water resource, recycling water in main cities in China and broadening the opportunities in different markets between China and the Netherlands. The result of this project could prove to be profitable for the stakeholders involved.

## Company description

### 1.2.1 Ecoplay

Founded by Don Platteel in The Hague, The Netherlands in 2005, Ecoplay was established as a company manufacturing and distributing residential micro grey water management systems.

Over the years, Ecoplay has expanded its business internationally venturing onto the UK and Spain markets. Currently, after evaluating a potential partner- Longchuang Company, investigating the efficiency of water management system has become an additional expertise along side with their technical expertise. (Ecoplay, 2013)

### 1.2.2 Longchuang Company

Beijing Longchuang solar energy company, established in 2001, is a technology-based company, focusing on enhancing solar energy usage in innovative operation system. It investigates a set of eco-bath system including water supplying, heat recycling and water treatment, with an objective of saving heat energy, reducing water consumption and decreasing the economic costs greatly.

The technology from Longchuang Company collects heat produced by showering. This recycling system uses heat-recycling technology, extracting 18-degree heat from wastewater. It will result in 30 KWH of energy could be recycled for each ton of ground water. (Company, 2013)

### 1.2.3 KV Connections BV

KV Connections BV is established in 1990 in The Hague, the Netherlands. With an intermediary nature of its business model, KV Connections BV can be considered as a broker or a business agency expertise in interim management, international business development and project management. A little over two decades’ experience, KV Connections BV has built exclusive partnerships in Europe and Asia. The founder Nando van Ketwich has 45 years of international experience and an extensive relationship between numerous companies, organizations and governments, which become a valuable business network.

The mission of KV Connections BV is to create business ventures through mutual understanding between Asia and Europe.

KV Connections BV has participated in numerous projects in Chinese market for almost 20 years serving as agent, consultant, project manager and financial advisor. In addition to their interests in the renewable energy sector, KV Connections BV has been involved in and excelled in many other sectors ranging from security and safety, land reclamation management, fish and food, china inroads, trade development and financial support and training etc. Most of the customers are from western medium-sized enterprises who are interested in venturing into the Chinese market.

By far, KV Connections has numerous successful experiences in cooperation with multinational corporates like Shell, Heineken, Philips, etc. KV Connectins is able to open door to absorb adequate personnel in diverse sectors. (KV Connections, 2013)

## 1.3 Statement of the Problem

In order to complete the project properly, the central question has been formulated as:

How can Ecoplay and Longchuang cooperate with KV Connections to find a win-win solution for transferring technology for economizing and recycling water in the main cities of China?

There are four sub-questions following below are taken into consideration:

1. What are the advantages for Ecoplay to penetrate the Chinese market?
2. What is the current situation in Chinese market and what would be the opportunities and threats for the cooperation between Ecoplay and Longchuang Company?
3. What are the most significant factors for Ecoplay to make a strategic business plan?
4. What are the most appropriate strategies for Ecoplay to enter the Chinese market?

## 1.4 The Cooperation Responsibilities of The Parties Involved

Responsibilities defined for the involved three companies are different, due to their different roles played.

* All parties agree to aim for a long-term cooperation.

A. Ecoplay is responsible for providing technical support to the Chinese partner company for the manufacturing of the grey water-recycling unit in China.

B. Ecoplay ought to share the technology with the Chinese Partner Company.

C. One pilot unit, provided by Ecoplay, should be set up as a demo in China.

* All parties ought to contribute to the promotion of the solution in China.
* Ecoplay has the responsibility in assisting Longchuang Company in venturing into the Dutch market and provide them with the necessary technical support.
* Longchuang Company ought to provide full disclosure on all existing statistics regarding Chinese water resources.
* Longchuang Company ought to provide full disclosure of information related to current promotion trends and consumer insights in China.
* KV Connections is responsible for managing and drafting any of the legal documentation required such as a pro forma.

## 1.5 Research Methods

To ensure a comprehensive analysis, research methods have been carefully selected. Desk research, face-to-face interviews and telecom interviews with experts from the field of water management have been conducted to gain perspective on the subject. The primary research consists of desk research based on public documents from the Internet, Media governmental documentation and research reports from each party and relevant water exports. Interviews with key people of the involved parties have been the method to reach a in-depth research. Managers and employees from Ecoplay, Longchuang Company and KV Connections are the main sources of secondary research since they obtain knowledge and expertise that are only known by the industry insiders.

# 2 Internal Analysis

Ecoplay, Longchuang Company and KV Connections are companies with different business models and operation asserts. In this case, each plays different role in successfully building the partnership.

Ecoplay could be considered as the supplier in the cooperation, as Ecoplay will be supplying the technical expertise.

Longchuang Company acts as a manufacturer and distributor in China, Beijing in particular. Moreover, it cooperates with KV Connections to promote this product. KV Connections will act as an intermediary between Ecoplay and Longchuang Company.

## 2.1 Products and Process

To develop a business strategy, a comprehensive understanding of the product is necessary . Knowing the products’ competitive advantages will increase the chance for the companies to achieve their goals by adopting appropriate strategies. Further, differentiation strategies should be put forward as well to gain more competitive advantages. More information about the products and the operating procedure would be further explained in the following paragraphs.

### 2.1.1 Main product

The grey water-recycling system, as an innovation in the field, was applied for a patent, and afterwards it was granted. This patented system from Ecoplay collects bath and shower water, which is able to save up to 30% for each household. When the system captures water from bath and shower, the heavier impurities would sink to the bottom and the lighter impurities would be removed from the upper water layer. Meanwhile, it filters soap scum and hair from water so that the filtered water can be stored in a storage tank. This system can be used for two toilets even in different floors. It does not only save water but also retrieves shower heat for other use. During the process, the system stores the extracted energy for heating the water for the next use of the shower or bath.If the toilets are not flushed within 24 hours after a period, (e.g. When the house is empty) the system purges any retained water. Furthermore, it cleans the system and prevents retained water becoming stale so that the system draws in a minimal amount of fresh mains water to allow toilet flushing. When the power cuts off, it will cause all stored water to be drained off immediately. This system is embedded in the back of the toilet; so there will be no affects aesthetically. (Ecoplay, 2010)

### 2.1.2 Benefits of the products

* Economizing 30% of tap water in each residence (Ecoplay, 2010)

Approximate 30% of shower usage could be recycled as toilet usage. The system consumes little electricity to complete the whole process.

* Saving energy (Ecoplay, 2010)

Ecoplay invents a heat reclaiming system that can be incorporated with the water-recycling system, which reclaims the heat from shower wastewater to the shower water supply. This system can be separately installed and eventually return 50% of heat.

* Easy installation (Ecoplay, 2010)

The system is a ready-to-use modular system, and it is easy and quick to install. It only requires a small space behind the toilet.

* Safety (Ecoplay, 2010)

The system uses a special safe tube, which is patented as well. Unlike normal water tubing, this special safe tube ensures reused water never gets in contact with drinking water because it detects a disconnection within the standard water flow.

* Suitable for sustainable building (Ecoplay, 2010)

As sustainability getting praised and sought after, sustainable building is also becoming eminent. When the system decreasing water and energy wastage, it also reduces load on the sewage system. Additionally, the system is composed of recycled and reusable components and materials.

## 2.2 Conclusion

After examining related internal factors of Ecoplay, strengths and weaknesses of Ecoplay can be clearly concluded. With a new insight of the project, figuring out the distinctive competitive advantage of the product would be conducive for building the final recommendation.

**Strengths:**

1. Compatible for buildings in different size.

* Low cost, high efficiency, economizing resources
* Suitable for commercial use: hotels and bathhouses etc. Private use: households.

1. Economizing 30% of tap water in each household.

* Reusing shower water for toilets.

1. Safety

* Closed system separating from the tap water.

1. Installed easily

* Due to the ready-to-use modular system, a mechanic can deliver and install the system within two hours.

1. Saving energy

* The heat reclaiming system is integrated with the recycling water system, reclaiming 50% heat from the shower water.

**Weakness:**

1. The product has not been put into the test on Chinese Market.
2. Promoting obstacles in terms of culture differences and other geographical related reasons.

* Lack of consumer awareness of the product or in the company.

1. Undiversified in business scope.

* Only recycling water and reclaiming heat.

1. Insufficient capital.

# 3 External Analysis

***One of the sub-questions in this report is: What are the advantages for Ecoplay to penetrate the Chinese market? It is the topic of Chapter 3, which consists the PESTE analysis and the market analysis.***

## 3.1 PESTE Analysis

The PESTE analysis stands for political, economic, social, technological and environmental factors that are important elements emphasize on analyzing the macro-environment in both China and the Netherlands.

### 3.1.1 Political factors

* Chinese policy regarding water resources

China is a water-scarce country. The water resource per capita in China accounts for only a quarter of the world average. Although China has experienced the research and practice of renewable water usage for more than 10 years, it still has been developing and progressing tardily in the field. In the report of the 17th CPC National Congress, the General Secretary Jintao Hu pointed out that “developing and promoting conservation, implementing applicable advanced technology in recycling, substitution and pollution controlling, moreover the development of cleaning energy and renewable energy, protection of land, investigating rational energies and resources utilization system and improving the efficiency of the usage of energy and resource are the main development directions in the near future.” (CEEC, 2012)

Understanding the critical condition regarding the Chinese water resources and environment, the concept of reusing wastewater is highly desirable. To address this technical problem solutions from other developed countries are being imported.

Another concept to take into account is that the utilization of reclaimed water should play a central role in balancing and saving water resources. Besides, a fundamental national policy in the Chinese water resources management system states that the development and implementation of water recycling systems has been made mandatory in different cities in China and these would be incorporated into the overall scheme of urban development. Additionally, a reform related to the national water tax system developed by the Chinese government delivers a more systematic and scientific water price standards, which benefits all the enterprises in China to a certain extent. In short, China has already developed a great consciousness towards to the water crisis and is trying to seek the best methods to manage and sustain the existing resources. (Xu, 2013)

* Dutch trade policy

The Netherlands and China are both member states of the WTO. As the beneficiaries, both countries are able to liberalize their international trade. However in the meanwhile, under the supervision of the WTO, they also need to obey the principles of the trading system: (Hoekman, 2001)

* Non-discrimination
* Reciprocity
* Binding and enforceable commitments
* Transparency

To further develop the effectiveness and efficiency of the national economy, the Netherlands protocols a number of development policies with clear choices:

* A shift from social to economic sectors, from aid to investment
* An emphasis on self-reliance, not creating unwanted dependence
* Public-private partnerships instead of market distortion
* Less fragmentation: fewer themes and fewer partner countries
* Better alignment with Dutch expertise and interests
* Less dependence on government financing from NGOs active in development cooperation. (Government, 2012)

Besides, the Dutch Ministry of Foreign Affairs offers grant programs to the countries that they have bilateral development relationships with. The new fund initiated by the Dutch Ministry of Foreign Affairs emphasizes on economic empowerment, which involves a water element. (Programs, 2012)

The Dutch government is devoting itself to promote effective and efficient cooperation with other countries, and the bilateral trade between the Netherlands and China has been developed since 1984. The Netherlands is the third largest trade partner of China from the EU. With the help of Dutch government, it is very simple and convenient for Dutch enterprises to build business relationship with Chinese enterprises. (LKL, 2012)

### 3.1.2 Economic factors

The economic factor is a significant element influencing the success of bilateral trading. During the previous years, China’s economy has enjoyed a great development with a stable growth rate. The average income and living standards of Chinese people has been improved dramatically. The report, “the economic growth report of China 2012”, points out that the long-term economic growth rate of the Chinese economy would be slightly slowdown. Nevertheless it still can be able to maintain a relatively high economic growth rate of approximate 8%. Compared with other countries, China is still in the stage of rapid economic growth process. The report concludes that China has a great potential in terms of its economic development, the economic gap regarding the per capita level between China and developed countries will be continuously dwindle in the near future. (Jing C. , 2012)

As the capital city of China, Beijing develops relatively stable compared with other cities in China. The economic growth in Beijing is more extensive instead of intensive. However, the three most serious issues have become the catalyst for sustainable development of Beijing, which are excessive expansions of the population, a severe shortage of natural resources, and atmospheric pollution. (Daniu, 2005)

A new opportunity, the local government of Beijing recently discovered the circular economy. The circular economy is the core of efficient utilization and recycling of resources, which corresponds to the concept of sustainable development as well as the economic growth model. It will lead to low consumptions, low emissions and high efficiency of resource utilization. In the near future, China aims to establish a relatively completed legal system, policy system and technological innovation system for the further development of circular economy. And furthermore Beijing will speed up the adjustment and the optimization of the urban spatial structure as well as the economic structure. (Vince, 2011)

Benefited from the economic globalization, China has continually developed the business with other countries. Based on the foundation of equality and mutual benefits, China zealously builds trade cooperation with other countries. Since China joined the WTO in 2001, the vitality of Chinese foreign trade has been strengthened greatly, which is the most active and fastest growing part of the Chinese economy; in the meantime, China has turned to be one of the largest trading nations in the world. Due to the rapid and steady development of foreign trade, China has successfully promoted its modernization and also created respectable contribution to the prosperity and progress of the world economy. (WTO, 2013)

From the Chinese customs statistics, the Chinese import and export trade is increasing rapidly from 1980 to 2012, which is illustrated by Bar chart 3.1. In 1980, the total trade of import and export was 38.1 billion dollars; satisfactorily, the total amount of international trade was jumped to 2.974 trillion dollars in 2012, as a result of the healthy development of import and export cooperating with other countries. (Government of China, 2011)

Bar chart 3.1

Table 3.1 shows the fundamentally reformed trade structure. In the 1980s, China had succeeded in transiting the export commodity structure from mainly focusing on primary products to industrial goods. And in the 1990s, it realized the transition from textile production to mechanical and electrical production. When it came to the new century, the proportion of exporting high-tech products had been ascending speedily; besides, the total sum of import and export contributed by foreign-invested enterprises and private enterprises exceeded that contributed by the Chinese state-owned enterprises. (State Department, 2011)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Table 3.1 | 1980 | | 1990 | | 2000 | | 2010 | |
| Sum(100million $) | Proportion  (%) | Sum(100million $) | Proportion  (%) | Sum(100million $) | Proportion  (%) | Sum(100million $) | Proportion  (%) |
| The total amount of export products | 181.2 | 100.0 | 620.9 | 100.0 | 2492.1 | 100.0 | 15777.5 | 100.0 |
| **Primary products** | **91.1** | **50.3** | **158.9** | **25.6** | **254.6** | **10.2** | **817.2** | **5.2** |
| **Industrial products** | **90.1** | **49.7** | **461.8** | **74.4** | **2237.5** | **89.8** | **14962.2** | **94.8** |
| **Sub-products from industry** | | | | | | | | |
| Chemical products | 11.2 | 6.2 | 37.3 | 6.0 | 121.0 | 4.9 | 875.9 | 5.6 |
| Finished goods depended on raw material allocation | 40.0 | 22.1 | 125.8 | 20.3 | 425.5 | 17.1 | 2491.5 | 15.8 |
| Machinery and transport equipment | 8.4 | 4.7 | 55.9 | 9.0 | 826.8 | 33.1 | 7803.3 | 49.5 |
| Miscellaneous manufactured products | 28.4 | 15.7 | 126.9 | 20.4 | 862.8 | 34.6 | 3776.8 | 23.9 |
| Other uncategorized finished goods | 2.1 | 1.2 | 116.3 | 18.7 | 2.2 | 0.1 | 14.7 | 0.1 |

Along with the rapid economic growth, the number of China’s import and export trading partners has been increasing voluminously during the past decades. The top ten trading partner countries are shown in the pie chart 3.1 with the specific proportions.

Pie chart 3.1



From the view geographic relationship, the main import and export trading partners are located in Asia (Japan 10%, ASEAN 10%, Hong Kong 8%, Korea 7%, Taiwan 5%, and India 2%), which are followed by the European Union (16%). (State Department, 2011)

In spite of relatively small national territory area geographically, the healthy development of Dutch international trading still created an incredible contribution to the early Dutch prosperity, and also helped the Netherlands win an unshakable spot among the developed countries in the world. In addition, the high-level openness (total sum of imports and exports of goods and services) of Dutch international trading surpassed 100% of GDP during the period from 2006 to 2009, which has lead the country to become the most open and foreign trade-oriented country. Moreover, the superiority of the geographical condition also adds a great advantage for the Dutch international trades. Rotterdam, the port city of the Netherlands has the biggest harbor in the Europe. And the customs statistics shows the total sum of exporting goods and services is far more than importing goods and services, and the biggest export country of the Netherlands is China during the last decade. (World Bank, 2012)

Table 3.2 indicates the Dutch economy has been standing stable even under the condition of world financial crisis. In 2009, the Dutch international business declined slightly, however it pulled back in 2010. Thanks to the high technology industries and services, the Netherlands plays an important role in the world economy. (World Bank, 2012)

Table 3.2

| **Foreign Trade Indicators** | **2006** | **2007** | **2008** | **2009** | **2010** |
| --- | --- | --- | --- | --- | --- |
| Imports of Goods (million USD) | 416,832 | 492,616 | 580,937 | 443,153 | 516,732 |
| Exports of Goods (million USD) | 463,629 | 550,755 | 637,918 | 497,891 | 571,900 |
| Imports of Services (million USD) | 86,008 | 97,393 | 111,273 | 107,522 | 108,891 |
| Exports of Services (million USD) | 94,510 | 109,084 | 123,037 | 111,352 | 111,258 |
|  |  |  |  |  |  |

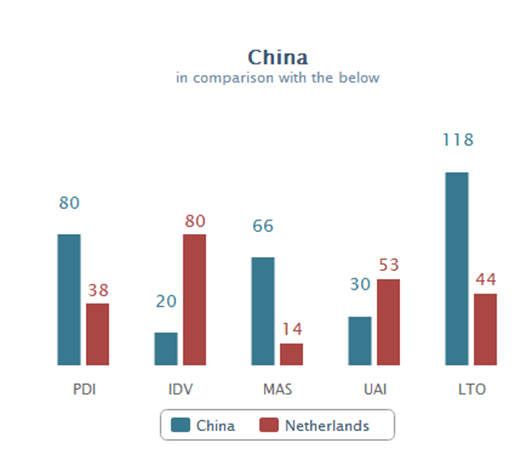
Table 3.3 shows the main export trading countries of the Netherlands are the countries in the Europe; China still exists in the main export countries of the Netherlands even it occupied only 1.0% of the total export trading of the Netherlands. The main export products to China are mechanical and electrical products, metal products and chemical products. (World Bank, 2012)

Table 3.3

| **Main Customers (% of Exports)** | **2008** |
| --- | --- |
| Germany | 24.5% |
| Belgium | 11.6% |
| United Kingdom | 9.1% |
| France | 8.7% |
| Italy | 5.3% |
| United States | 4.5% |
| Spain | 3.4% |
| Sweden | 1.7% |
| Denmark | 1.4% |
| Switzerland | 1.3% |
| Austria | 1.3% |
| Czech Republic | 1.2% |
| China | 1.0% |
| Turkey | 1.0% |
| Finland | 1.0% |
| Norway | 0.8% |
| Other partners | 40.8% |

### 3.1.3 Social factors

Chinese society is greatly affected by Confucianism – the dominated ideology in China. To clearly analyze Chinese social culture, the Hofstede model could be adopted. Bar chart 3.2 illustrates the comparison of Chinese and Dutch Hofsyede’s five dimensions’ scores. A better understanding of Chinese society would be delivered by the following specific comparison. (Hofstede, 2013)



Bar Chart 3.2

* **PDI (Power Distance)**

China scores 80 and the Netherlands scores 38.

In the Netherlands, people are treated relatively equal in the society without big gap between superior and subordinates, senior and junior. However, it is acceptable in China that inequalities amongst people could exist. The society is hierarchical with the strong superior-subordinate relationships. Chinese people particularly emphasize on family, and any group would be treated as families. Therefore, companies in China are just like families in China. Employees need to show their loyal and obedient to their leaders, leaders need to take care of their employees; meanwhile leaders have more decision-making power, and subordinates are not allowed to criticize or object.

* **IDV (Individualism/Collectivism)**

China scores only 20 and the Netherlands scores 80.

Dutch society is individualist society. People in the Netherlands prefer to care more about themselves and maybe also their direct relatives. Nevertheless, in China, every individual is belonging to groups, including family, school, company, government, nation, etc. China is a highly collectivist society. Different people might be treated differently, and the main reason is in-group considerations. Personal relationship, which is called “Guanxi” by Chinese, is a significant concern when Chinese people are doing business. People who are with closer relationships with the leader can enjoy the preferential treatment.

* **MAS (Masculinity / Femininity)**

China scores 66 and the Netherlands scores 14.

Dutch society is a feminine society. In the Netherlands, people do things, which they like to do , and what they do are mostly for the goal of life-quality. On the contrary, Chinese society is characterized as a masculine society, which is driven by success. Most people want to be the best and always fight for their goals. They are hard- working, and are willing to sacrifice family and leisure to get more time for their work. Ranking is important for Chinese people.

* **UAI (Uncertainty Avoidance)**

China scores 30, and the Netherlands scores 53.

In this aspect, the gap between China and the Netherlands is not that wide, while China still gets the lower score, which is only 30. In the Netherlands, people prefer to use a direct style to talk about things without paving a way. In China, uncertainty is regarded as inherent factor that occurs in daily life, and people are not anxious and with low stress. Chinese people feel comfortable with ambiguity and chaos, just like what they talk and what they write. They love using ambiguous languages, which is hard to understand for western people. However, on the other hand, Chinese people are entrepreneurial and also adaptable.

* **LTO (Long term orientation)**

China scores 118, and the Netherlands scores 44.

In terms of LTO, China scores high at 118. Confucianism significantly influences such situation. Chinese society is searching for virtue all the time, which can be interpreted as a pragmatic LTO perspective. Firstly, thrift is an important virtue for Chinese, and secondly Chinese people would like to invest in the long-term business project, because they love things whose value could be increasing as time goes by, such as real estate. Another important point is Chinese people believe “rule-by-man” rather than “rule-of-law”. Therefore, the way of thinking they adopt mostly is “full or no confidence” rather than “probabilistic way”.

To sum up, after analyzing the gaps between China and the Netherlands: Dutch people need to particularly be mindful about the IDV and the UAI when it comes to dealing with the Chinese. The personal relationship is a key factor of the success or not for a project. In order to avoid unnecessary dispute between bilateral relationships, Dutch people need to use to and accept the Chinese ambiguous way of communicating.

About the MAS, Dutch and Chinese are a perfect match when they cooperate to do business, under the condition that one is in the feminine society and another one is in the masculine society.

The current Chinese political climate further encourages the development of sustainable solutions and products for the Chinese market. When the products have been adapted to meet the requirements of the Chinese market, it means their value would be increased as time goes by, and the cooperation business could be a long term.

### 3.1.4 Technological factor

According to the classification of sewage sources, sewage disposal can be divided into industrial sewage disposal and ordinary sewage disposal. There are numerous methods regarding to the sewage treatment in China, including physical, chemical, and biological methods. Nevertheless, due to the lack of advanced technology, the existing technical products for the sewage treatment in China are mostly costly but less effective. Till now, Chinese people still cannot directly drink tap water.

China adopts the integrated membrane bioreactor for ordinary sewage treatment by combining the primary treatment of sewage (graticule mesh interception), the secondary treatment of sewage (separation of biodegradable membrane), and the third treatment of sewage (sterilization) process as whole equipment. After the whole treating process is done, sewage can be reused for daily life. (Tian, 2012)

The current technology in China allows Chinese people to reuse wastewater as “clean water” but not drinking water; therefore, a great number of Chinese enterprises devise water purifier to purify the tap water to get the drinking water for customers. There are two types of the water purifiers emerged in the Chinese market, one is progressive gradual tightening water purifier, and the other one is self-cleaning water purifier.

The progressive gradual tightening water purifier is the most popular product of this category existing in the Chinese market. The internal pipeline of the progressive gradual tightening water purifier is filled with PP cotton, granular activated carbon, compressed charcoal, RO reverse osmosis membrane, ultrafiltration membrane and after-activated carbon, which are placed successively end-to-end. And the internal pipeline is the only path for unclean water; inevitably the materials deposited in the internal filter would get dirty after being used for a period, therefore, those materials regularly require manual replacement in order to ensure the optimized operation. (Yi, 2012)

The self-cleaning water purifier was introduced in recent years, which is more advanced than the progressive gradual tightening water purifier. The self-cleaning water purifier is designed with two channels, one is for washing water, and another one is for purifying water. As the ordinary domestic water, the washing water goes through the machine, especially the membrane filter, besides, the flowing water can be utilized to discharge the trapped dirty material at the moments of turning on or turning off the tap, thereby achieving the objective of cleaning the machine timely. The structure of the self-cleaning water purifier is simple but reliable, which eliminates secondary pollution from the machine itself, and it achieves the purpose of the sub-quality water supplying. (Jing M. , 2012)

So far, China does not have the technology to achieve both goals of recycling water and purifying water. Under the advocation of circular economy and the serious crisis of water shortage, China will give the priority to the utilization of recycling water with a great amount of investment in developing more advanced technology.

### 3.1.5 Environmental factor

Chinese community accepts the concept of recycling water resources along with the “circular economy”. According with the economic growth mode of sustainable development, the circular economy is in accordance with natural resources and environmental capacity, which is based on the efficient use and recycling of resources. Furthermore, the circular economy is not only the principle of reduction, reuse, reclamation, but also the basic characteristic of low consumption, low emission and high efficiency. (Xinhua, 2008)

Generally, the basic focus of China in the current situation is to protect its resources; and at the same time, it must maintain a high economic growth. Neither of these two objectives can be neglected, because they are the guarantees of the sustainable development and the stability of China. The trend of water recycling in China to achieve a sustainable water supply through either adapting, developing and finally implementing technological innovations in the field of water recycling.

* **Artificial damage of water resource**

In recent years, water pollution accidents have been occurring frequently in China. Based on an analysis from 2001 to 2004, the count of water pollution accidents occurred in China is around three thousand, among which most are caused by the companies’ illegal sewage discharge. In November 2005, Jilin Petrochemical company chemical industry exploded, which resulted in serious pollution in parts of Songhua River that severely impair living conditions of residents living near the river. In December 2005, an enterprise in Guangdong province discharged excessive cadmium wastewater, which endangered ten million residents not able to drink the water from rivers. In January 2006, Xia Harbor, located in Zhuzhou, Hunan Province, caused cadmium pollution in parts of Xiangjiang River because of the improper water conservancy construction. (Lv, 2012)

* **Geographical distribution of water shortage**

The northern region of China is facing the issues of long-term drought and water shortage. To keep the pace of the economic and social development, people in the northern region have been over-exploiting ground water all the time. Consequently, rivers are dried up, desertification is accelerated, ecological environment is deteriorated, and people’s production and life are endangered. Recently, a number of northern cities in China have sounded alarms to warn people regarding to the emergence of water shortage; even in some undeveloped places, certain residents have been drinking contaminated water already for a long period that seriously threaten their health.

Further, the Northwest of China is another arid region. This area occupies 44% of the total land area of China, while in the aspect of water resources, Northwest of China only takes 8%, and the current water shortage in Northwest of China is around fifty billion cubic meters. (Huan, 2012)

* **Water shortage chart of China**



From the graph above, the zonation of the Chinese water resource can be identified apparently. In general, the trend of water yield in China is on the decline from the southern China in the northern China. The blue areas are the regions that enjoy the highest water flow which center in the seaboard of the southeast of China, including Zhejiang, Fujian, Guangzhou and Taiwan. Additionally, some small parts of Guangxi, Yunnan, and Tibet also belong to this area. The line that divides the relatively high flow area and transition area, starts from Huaihe River which is treated as the basic line that Chinese people divide the south and north according to. The area south of Huaihe River is the relatively high water flow area with plenty of surface water. However, the northern China is divided into three areas. The green part is transition band that is along the Yellow River; moreover, the east of this part is close to the sea. The yellow and pink parts of the graph are located in the west north of China with only little surface water.

Overall, there is a water shortage in over 50% of China. Chinese government has to deal with this problem by constituting relevant laws and regulations, treating wastewater from industries strictly, and taking precautions against floods and other natural calamities.

## Market Analysis

Marketing analysis for this project is largely concentrated on consumer analysis and it is surging needs on water recycling system. Consumer awareness toward to the concept of wastewater recycling and the acceptance of a foreign product are to be emphasized while conducting the analysis.

Other than that, as a part of marketing analysis, competitor analysis should scour through all the domestic water recycling technologies as well as imported technologies from Europe that might pose a challenge to Ecoplay. Eventually, the conclusion drew from marketing analysis will be a substantial component in the final recommendation.

### 3.2.1 Imported water recycling technology from Europe

Chinese Minister of Water Resources and the Danish Minister of the Environment on behalf of EU jointly built a CEWP (China Europe Water Platform) on March 14th 2012, in order to ameliorate the situation of water pollution and water shortage. Such collaboration between China and EU acts as a solid foundation of settling water issues. (WWF, 2012)

From the ranking of Cleantech Global Innovation authorized by WWF (World Wide Fund for Nature) and Cleantech Group, the top four countries are Denmark, Israel, Sweden and Finland. (WWF, 2012)

With the above mentioned, it is obvious that EU countries are experts in the field of water management. In Denmark, there are many companies investing in high-tech and innovative products such as Primozone, a water recycle technology which cleans and recycles water with ozone for less energy consumption. Ovivo is one of the world-leaders in the field of offering sustainable methods of water management for industries and municipalities. (Environment Experts, 2012)

However, even there are a great number of water treatment companies in European countries, while only a few of them export their technologies into the Chinese market.

In comparison with technical transfers in other industry in China, water recycling related imported technology is the area that is not yet to be taken seriously as a business opportunity yet.

Weile appliance Co. Ltd produces a hot water circling system. They adopt a German advanced ball bearing system, which could lower the noise 20 decibels than normal. Besides, this company configures a high-end manufacture line with another German technology- SXR-3. (Weile, 2012)

**The advantages of Weile system are:**

1. Hot water comes out immediately when turning on the tap, no waiting time needed.

* It economizes water from waiting cold turning to hot.

1. Setting water temperature according to the needs.

* The system will automatically start when the temperature is lower than the setting.

1. Setting working-hours according to the needs.

* It can set nine periods, including delayed control.

1. Remote controlling system.

* The distance of remote controlling is up to 1.5 km. Within 500 meters, it can controlled through the wall.

### 3.2.2 Chinese recycling water technology in Chinese market

In recent years, China has experienced a long way in improving the ability to recycle wastewater. Compared with other developed countries, China is lagged behind in the field of recycling water. A scientist named Ligong Li had successfully invented a recycling water system for residence, and this invention system won him six patent awards in China. (Xin, 2008)

This system is similar to the system of Ecoplay. He designed a special water-saving washbasin, which is segmented into two parts. One part of the segments is for greasy and contained detergent water, the other one is for available wastewater, such as water used for washing vegetables, and bathing water. All the wastewater is collected in one collector. Through a filter and an identifier beneath the washing machine, dirt and impurities can automatically be eliminated so that the relatively clean water can be kept. The water is pumped to the water storage tank where the bacterium is sterilized. This water storage tank is designed specially for the household environment; it can store 300 liters in total. The recycled water is turbid but contains fewer bacteria than tap water. It still contains some chlorine, which makes the water not suited for consumption. Nonetheless, it could be used for flushing the toilet, mopping the floor etc. Total cost of system installation is only 800 yuan, and it can save up to 50% of the average water usage. (Xin, 2008)

However, this system has never been put into production and not properly promoted to be popularized in the Chinese market. Till now, there is only partial equipment that can be rented per month. One main advantage of the system is the lack of a strategic planning which cannot support the long-term development. (Qianyuan, 2007)

### 3.2.3 Competitor analysis

Due to the later entrance, Ecoplay’s system will face numerous of competitors that have already obtained plenty of customer loyalty and have already established mature business operations in China. By judging the Chinese market, there are some products that are similar to Ecoplay’s products, which should be taken into account for the strategic planning. These products are listed as follows:

* The progressive gradual tightening water purifier- main competitors are Midea, Haier and Angel
* The self-cleaning water purifier
* Hot water circling system
* Chinese recycling water systemTable 3.4

|  |  |  |  |
| --- | --- | --- | --- |
| **Company name** | **Products** | **Advantages** | **Disadvantages** |
| Midea  Angel  Haier | The progressive gradual tightening water purifier | 1. Multilayer, strong filtration and sterilization 2. Executing cold and hot water | 1. Requires regularly manual changing of the filter material. 2. Manually adding the water into the purifier. |
| Zingy | The self-cleaning water purifier | 1. Self-cleaning 2. Supplying quality water. 3. Low cost | 1. Confusing customers by two channels 2. Limited functions |
| Weile | Hot water circling system | 1. Capable of immediate dispensing of hot water, economize water from waiting cold turning to hot. 2. Setting temperature 3. Setting working hours 4. Remote controlling the system | 1. Limited functions |
| Ligong Li | Chinese recycling water system | 1. Recycling wastewater variously 2. Low cost 3. Saving up to 50% water | 1. Complex installation 2. No guarantee 3. Difficult to purchase 4. Cheap low quality materials |
| Ecoplay | Ecoplay’s recycling water system | 1. Saving up to 30% water 2. Relevant low cost 3. High quality of purifying 4. Heat recycling 5. Full automatic system 6. Suitable for various customers | 1. Single wastewater source (From shower) 2. Processed water only used for flushing toilets |

Haier is a Chinese multinational offering consumer electronics and home appliances. It has the world’s largest market share in white goods and earns a good corporate image in China. Along with its corporate image, it would be the biggest competitor for Ecoplay. (Haier, 2013)

Midea is another competitor that should not be overlooked. It is the second biggest worldwide household appliance manufacturer in terms of sales. Haier and Midea are both magnates in manufacturing household appliances products. Nevertheless, they are not experts in the section of energy recycling, which could be the breakthrough point for Ecoplay to exceed them. After analyzing two biggest competitors, the rest of the competitors should be continuously monitored and evaluated as well. Table 3.4 will compare the advantages and disadvantages of all the products produced by Ecoplay and its competitors. A comprehensive grading from 1 to 10 is given in table 3.5 based on success factors. (Midea, 2012)

Table 3.5

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Company | | **Ecoplay** | | | **Haier, Midea** | | **Zingy** | | **Weile** | | **Ligong Li** | |
| Key Success Factors | Weighting  (1-10) | Recycling water system | | | The progressive gradual tightening water purifier | | The self-cleaning water purifier | | Hot water circling system | | Chinese recycling water system | |
| Rating  (1-10) | | Score | Rating  (1-10) | Score | Rating  (1-10) | Score | Rating  (1-10) | Score | Rating  (1-10) | Score |
| Technology know-how | 1 | 8 | | 8 | 1 | 1 | 3 | 21 | 5 | 5 | 7 | 7 |
| Customer services | 2 | 5 | | 10 | 5 | 10 | 4 | 8 | 5 | 10 | 1 | 2 |
| High quality products | 1 | 8 | | 8 | 2 | 2 | 4 | 4 | 6 | 6 | 1 | 1 |
| Brand image | 1 | 1 | | 1 | 4 | 4 | 4 | 4 | 3 | 3 | 1 | 1 |
| Vertical integration | 2 | 4 | | 8 | 6 | 12 | 5 | 10 | 5 | 10 | 1 | 2 |
| Price | 3 | 5 | | 15 | 7 | 21 | 5 | 15 | 5 | 15 | 1 | 3 |
| Total |  | | 50 | | 50 | | 62 | | 49 | | 16 | |

From the analysis shown in table 3.5, the recycling water system has a relatively high score comparing with competitors, which means it has a big opportunity to expand into the Chinese market.

## 3.3 Summary

The external analysis contributes to drawing a blueprint of the future business for the project. Through the analysis of the political, economic, social, technological and environmental aspects, a cohesive view towards current circumstances is gradually formulated. After reviewing the domestic water recycling market, competitor status and market demands, prospective market entrance for Ecoplay might be forecasted. External opportunities and threats for Ecoplay can be listed as follows:

**Opportunities:**

1. Big market with an urgent need for sustainable water supply solution.

* Severe water pollution, water shortage and water management issues demand solutions.
* The concept of “circular economy” and the statement of CEWP has driven Chinese government at all levels to enact incentive policy to encourage related business.

1. Growing market of hotels, households etc. in China

* High demand and increasing numbers of customers

1. Growing import of China
2. Chance of grant supports from the Dutch government

* The Dutch government promotes the effective and efficient bilateral trade between the Netherlands and China.

**Threats:**

1. Numerous competitors in the market

* Various water recycling systems exist in the Chinese market pose as competitors
* Competitors from different countries entering the Chinese market
* Various suppliers in China

1. Cultural differences between the Netherlands and China

* IDV (Individualism/Collectivism) and UAI. ( Uncertainty Avoidance)
* Business norms disparity

1. Impacts of financial crisis

* Unstable economic condition
* Inflation

# 4 SWOT Analysis

***One of the sub- question in this report is: What is the current situation in Chinese market and what would be the strengths, weaknesses, opportunities and threats of the cooperation between Ecoplay and Longchuang Company?***

|  |  |
| --- | --- |
| Strengths | Weakness |
| 1. Suitable for sustainable residence from different types and sizes. 2. Saving 30% of the tap water in each household. 3. Safety. 4. Easy installation. 5. Saving energy. | 1. New entrant with lack of experience to join Chinese market. 2. Lack of brand recognition, difficult to promote. 3. Focusing on specific factors instead of massive functions. 4. Lack of capital. |
| Opportunities | Threats |
| 1. Big market with an urgent need for sustainable water supply solution 2. Growing market of hotels and households. 3. Growing imports in China. 4. Chance of the grant support from the Dutch government. | 1. Numerous competitors in the market. 2. Cultural differences between the Netherlands and China. 3. Impacts from the financial crisis. |

The table 4.2- tables 4.3 clearly indicate the success rates of the internal factors, external factors, and strategic factors of this project. Every score of each element is derived from the previous analysis. The total score of the weight of the internal factor is 1; the range of rating is from 1 to 5. The standard of rating score is:

Table 4.1

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Outstanding | Above average | Average | Below average | Poor |
| 4.5- 5.0 | 3.5- 4.0 | 2.5- 3.0 | 1.5- 2.0 | 1.0 |

\*If the result is above the average level, the project is viable.

## 4.1 Internal Factor Analysis Summary (IFAS)

Table 4.2

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Internal  Factors | Weight | Rating | | Weighted  Score | | Comments | | |
| Strengths | | | | | | | | | | |
| 1. Suitable for sustainable residence from different types and sizes. | 0,05 | 5 | | 0.25 | | Low cost, high efficiency in a wide range of applications. | | |
| 1. Economizing 30% of the tap water in each household. | 0.15 | 4 | | 0.6 | | Reusing shower water for maximum two toilets. | | |
| 1. Safety. | 0.15 | 4 | | 0.6 | | Guaranteed in technical and material portions. | | |
| 1. Easily installed. | 0.05 | 2 | | 0.1 | | Ready-to-use modular system. | | |
| 1. Saving energy. | 0.1 | 2 | | 0.2 | | Reclaim 50% heat from shower supply. | | |
| Weaknesses | | | | | | | | | | |
| 1. New entrant with lack of experience in the Chinese market. | 0.15 | | 5 | | 0.75 | | First time to join Asian market. | | |
| 1. Lack of reputation, difficult to promote. | 0.15 | | 5 | | 0.75 | | Lack of customers’ trust | | |
| 1. Focusing on specific factors instead of massive functions. | 0.1 | | 2 | | 0.2 | | Merely recycling water and reclaiming heat. | | |
| 1. Lack of capital. | 0.1 | | 3 | | 0.3 | |  | | |
| Total | **1** | |  | | **3.75** | | |  | | |

## 4.2 External Factor Analysis Summary (EFAS)

Table 4.3

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| External  factors | Weight | Rating | Weighted score | Comments |
| Opportunities | | | | |
| 1. Big market with an urgent need for sustainable water supply solution | 0.15 | 3 | 0.45 | Severe water pollution, water shortage and water management issues create demands of the solutions.  The concept of “circular economy” and the statement of CEWP has driven Chinese government at all levels to enact incentive policy to encourage related business. |
| 1. Growing market of hotels and households | 0.15 | 5 | 0.75 | Increasing numbers of customers and high demand in the current Chinese situation |
| 1. Growing imports in China | 0.2 | 5 | 1.0 | Increasing business cooperation between China and other countries. |
| 1. Chance of the grant support from the Dutch government | 0.1 | 4 | 0.4 | The Dutch government promotes effective and efficient bilateral trade between the Netherlands and China. |
| Threats | | | | |
| 1. Numerous competitors in the market. | 0.2 | 5 | 0.6 | Various water recycling systems exist in the Chinese market pose as competitors  Competitors from different countries entering the Chinese market  Various suppliers in China |
| 1. Cultural differences between the Netherlands and China | 0.1 | 5 | 0.3 | Especially in IDV and UAI sections from social factors. |
| 1. Impacts of financial crisis | 0.1 | 3 | 0.3 | Unstable economic condition |
| Total | 1 |  | 3.8 |  |

## 4.3 Strategic Factor Analysis Summary Matrix (SFAS)

Table 4.3

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Strategic factors** | **Weight** | **Rating** | **Weighted score** | **Duration** |
| **S1**.Saving 30% of the tap water in each household. | 0.15 | 3 | 0.45 | Short |
| **S2**. Safety. | 0.05 | 3 | 0.15 | Short |
| **S3.**Saving energy. | 0.1 | 2 | 0.2 | Short |
| W1. New entrant with lack of experience in the Chinese market. | 0.15 | 4 | 0.6 | Long |
| **W2**. Lack of reputation, difficult to promote. | 0.05 | 3 | 0.15 | Long |
| **O1**.Big market with the force of Chinese water shortage situation. | 0.1 | 5 | 0.5 | Intern |
| **O2**. Growing market of hotels and dwells. | 0.15 | 5 | 0.75 | Long |
| **O3**.Chance of the grant support from the Dutch government. | 0.05 | 3 | 0.15 | Intern |
| **T1**.Numerous competitors in the market. | 0.15 | 4 | 0.6 | Long |
| **T2.** Cultural differences | 0.05 | 4 | 0.2 | Long |
| **Total** | **1** |  | **3.75** |  |

## 4.4 Summary

After analyzing of each element in the internal and external aspects, it is easy to catch the overview of the strengths and the weaknesses from the internal analysis. And the opportunities and the threats from the external analysis can be analyzed easily as well. With the evaluation of IFAS and EFAS, the total score of them are above average. Meanwhile, the SFAS is an in-depth analysis of both internal and external portions. Successfully joining into the Chinese market is a long way to go, building a good brand image in China is important and helpful for promoting products. The focus should be on promoting the advantages and keep investing in the development to remove any shortcomings and implement new features.

The huge Chinese market size offers opportunities but also presents some obstacles for entering into. With the grant support from the Dutch government and political condition that advocate cooperation with China and the Netherlands, this project is more capable to be succeeded. Full market research and strategic analysis can be dissected after the SWOT analysis.

# 5 Strategic Planning

***One of the sub-question in this report is: What are the most appropriate strategies for Ecoplay to enter the Chinese market?***

In this Chapter, market entry strategy will be defined, which guides further resource allocation and will be used as a guideline for Ecoplay to pursue success in the new market. There are three main elements being concluded during strategic analysis:

1. Brand image
2. Promoting the product
3. Research and development

A number of decision–making tools and techniques have been developed to facilitate strategic planning. As the first step, market segmentation and targeting will be analyzed and set up.

## 5.1 Marketing Segmentation and Targeting

### 5.1.1 Segmentation

Geographically, China is a huge country, stretching approximately 5,026 kilometers across the East Asia. And the demographics of China are identified by a large population, over 1344 million. It has a vast potential demand for Ecoplay’s water recycling system. However, the population density and distribution varies greatly. It is therefore vitally important to segment the market. (Niu, 2012)

*- Demographic segmentation*

Chinese population: 1.3 billion

* Huge market with vast potential demand

Beijing’s population: 80 million

* Primary targeted city due to its high population density and water shortage

*- Geographic segmentation*

Nation: China

Cities: 1. Beijing

* High population density
* Capital city of China

2. Shanghai (further option)

* High population density
* Chinese economic center

3. Shenzhen (further option)

* First special economic zone
* City for immigrants

*- Psychographic segmentation*

1. People who have environmental protection consciousness.
2. Companies that consume large amounts of water, such as bathhouses.
3. People who have no preference for big brand names .

4 People who are economically concerned long term

### 5.1.2 Targeting group

The main targeting group of Ecoplay’s grey water recycling system is defined as Beijing residents. Meanwhile, Ecoplay would need to form partnerships with property developers who install the system into apartment buildings. It can be an efficient way to attract home-buyers and help increase the awareness of environment protection. In a long run it will alleviate the water shortage problem in Beijing.

In addition, companies, such as bathhouses and foot massage stores are considered as the secondary target group. The city Beijing has witnessed a boom of bath-centers, spas and hot spring clubs in the past 10 years. Some of them are very large, encompassing a hundred thousand square meters. This industry has been developed with little attention on ecological impacts, which leads to massive overuse of water, Last but not least, China is known for being the world’s factory. Therefore, production facilities are ranked as the third main target group, especially those producing their products with big amounts of water.

## 5.2 Brand image

### 5.2.1 Niche market

In chapter 3.2.3 competitor analysis is conducted, there are two major competitors, Haier and Midea. Both of them are big well-known brands; it would be extremely difficult to directly compete with them in their “territories” as they possess well established customer base, their brands have been rooted in customers’ mind. Moreover, their established advantages with local producer and supplier cannot be overtaken in a short term. Consequently, it is suggested for Ecoplay to focus on, the suburban district, in the area close to the fourth and fifth ring roads, Exclusive shops are to be set up in these regions. And the system is to be introduced face to face with customers. To gain customer confidence and raise brand image, building up a demo system inside the exclusive shops and setting up an after-sell service department in each exclusive shop are parts of the operational strategies.

Besides, what will make Ecoplay’s system stand out in the market and differentiate itself from the competition is the core technology. Haier and Midea have wide product ranges, focusing on different areas whereas Ecoplay’s system is highly specialized in recycling water and reclaiming heat. Opportunity is expected to rise in the niche market.

### 5.2.2 Advertisement

At the introduction stage, A proper selection of mass media to the market can help build brand identity on the competitive market.

.

There are four methods of advertisements which are considered for Ecoplay’s water recycling system to establish brand image, which include:

1. Setting up a pilot in the exhibition center in M. Macalline

* M. Macalline is a hypermarket built in 1986, which is the first option of buying furniture for Chinese people.

1. Newspapers

* Reading the newspapers everyday is a traditional habit of Chinese people. Advertising on newspaper can effectively reach out mass audiences, which can be one of the fastest methods to gain brand exposure. In addition, comparing with TV advertisement, newspaper advertisement costs less and it has a unique advantage, social mobility. Some newspapers are given free at the metro stations in the morning and evening. Depending on the popularity and distribution coverage, newspaper is the most appropriate selection to deliver an advertisement to the public. It is recommended to use the best-selling Beijing Evening and reference news.

1. Online advertisement

* To cooperate with famous Chinese video-sharing websites like Youku and Tudou is another option delivering the advertisement. Those websites, can be considered as the Chinese equivalents of YouTube, normally play advertisements before videos. It might also be necessary to build an official Chinese website, linking to popular Chinese online forums, such as Douban and Tianya.

1. TV commercial advertisement

From a cost perspective, using TV commercial advertisements may not be the best option. Yet on the other hand, TV advertisement has the ability to truly convey the message, using sight and sound to influence viewers to the largest extent. As China’s population consists of a large proportion of middle ages and seniors because of the one child policy, TV advertisement can help the company reach a targeted population, which online advertisement hardly does. The content of advertisements could be the same used in both video-sharing websites and TV.

## 5.3 Promoting the product

### 5.3.1 Positioning statement

* Differentiation

Regarding to be identified from other similar products in China, the advantages of the system unit can be summed up by the following factors:

1. Considerable functions including water recycling and heat reclaiming system.
2. Being installed separately on water recycling unit and heat reclaiming unit in order to satisfy customers’ different requirements.
3. Using ready-to-use modular system, easy and quick to install
4. Introducing foreign technology
5. Using the special safe tube in the system, safer than the normal water tube
6. Unmatchable in the Chinese market regarding to the system’s maturity of technical support and distribution channel

* Positioning statement

The system joining in China is a revolution to punch Chinese market and encourage Chinese people having the awareness to protect the environment. It helps save water in the daily life.

In order to pursue high position and customers’ satisfaction and disburden, keeping investigating innovative technologies and giving maximum respect for the environment and customers are the main goals of running this project.

### 5.3.2 Sales promotion

Price-pack deal

* Offering special price for business partners, to build potential long-term co-operative partners, such as property developers, installing the system in each apartment building.

Price deal

* Offering temporarily different discounts for companies and online shoppers.

### 5.3.3 Strategic pricing strategies

**Price leadership:**

The system could monopolize the Chinese market with the functions of recycling water and reclaiming heat because there is no comparable product on the market. Because this the system could dictate the price setting in the market.

**Penetration pricing:**

In order to establish brand image in the Chinese market, forest a relatively low price point in order to attract customers and build a customer base. The price can be raised after securing a solid market share.

**Price discrimination:**

Setting different prices in different segmentations in the market is a valid strategy according to the different targeting groups.

## 5.4 Research and Development

### 5.4.1 Innovation

The features of this system are not comprehensive, it will be substituted when time goes by. In order to avoid being replaced, improving the quality and using high-end technology will be necessary for the long-term development. Building up an innovative and adaptive corporate culture needs to be added into the missions of the companies- Ecoplay and the Longchuang Company. And to create an atmosphere of keeping investigating innovative products is a motive for sustainable development in the Chinese market.

Investing 10% of the annual revenue in improving the system and investigating the high technology would be capable of staying stable in the new market.

### 5.4.2 High-skilled employees

As a capital city in China, there are many high-tech talents with higher education in Beijing. It could be a good choice for Ecoplay to co-operate with agencies to look for the talents with experiences in this specific area and employ them.

Besides, Ecoplay and Longchuang Company can co-operate with universities in Beijing, sponsor some outstanding students for their education and offer these students chances to have internships.

In order to make the company and its products stronger and stand stable in the market, cultivating potential talents and grabbing existing talents are very important for long-term business.

### 5.4.3 R&D center

After having a strong team for investigating innovative and high-end technical products, it is important to have R&D center. Despite the system is quite sophisticated, there is always room for improvement. With the concept of innovation, convenient for daily life and protecting the environment, the R&D center specifically figures out the multi-functional, high-end technical and low cost products, such as increasing efficiency water usage (currently it is saving 30%), and adding more functions to the system (e.g. Recycling not only shower water but also kitchen water; and re-using recycled water in more functional areas such as gardening).

# 6 Conclusion

***The central question of this report is: How can Ecoplay and Longchuang cooperate with KV Connections to find a win-win solution for transferring technology for economizing and recycling water in the main cities of China?***

Certain opportunities and threats are inevitably going to be present upon venturing into a new market. Even though, this project is in the planning stage, it can make a significant contribution to the Chinese water conditions.

Ecoplay, KV Connections BV and Longchuang Solar Energy Company are making efforts to materialize this project. It could facilitate saving water in people’s daily life. The mechanism and positive effects of this project has also been explained. In fact, this project invents a system that could collect used water from the shower. And then it filters wastes in collected water, so that this deposited water can have second use to flush toilets and recover shower heat.

Comparing with Chinese existing competitors, the advantages of Ecoplay’s system are prominent. By function, Ecoplay’s system stands out from its competitors, it gathers water recycling system and heat recycling system, which are more thoughtful and practical; by quality, it has guaranteed that customers can buy it with more confidence comparing with the DIY similar products made by the Chinese scientist.

Due to the political factor and the economic conditions, it creates a good atmosphere for the bilateral business relationship between China and the Netherlands. The Dutch Ministry of Foreign Affairs offers grant programs for the countries that have a bilateral development relationship with the Netherlands. The local government of Beijing encourages advocating the circular economy that is corresponding to the idea of the Ecoplay’s recycling water.

Entering into the Chinese market promises to be a profitable undertaking and China is to be considered a gateway for Ecoplay to broaden its business in Asia. On the other hand Ecoplay and its partners need to be weary to be substituted in this fast paced high-tech developing world as this specific market is relatively new.

In order to make this project a success, full cooperation and a completed market research are necessary. Ecoplay, co-operating with KV Connections and Longchuang Company, is capable to handle the new challenge- stepping into the Chinese market and getting a solid market share.

# 7 Recommendation

**Recommendation 1:**

**To research specifically on culture, geography and competitors before joining into Chinese market**

When a company wants to join into a new market in a different region, it is advisable to conduct a comprehensive research on the cultural differences, distribution of resource-condition in territory (in this case it is water resources) and relevant competitors emerging in the market.

Dutch people need to accept the Chinese ambiguous way to communicating in order to blend into the Chinese society. Bilateral relationship needs to be loyal to each other and be based on mutual respect.

With the graph of distribution of water resources in China, it is clear to see where the most severe region in China is. And comparing with the trend of economic development, choosing Beijing as the initial proving ground to join into the Chinese market will be a good choice. For the further expansion, Shenzhen is next in line as one of the five special economic zones in China, is lacks water resources as well. And business opportunities could be found easier in Shanghai which is a major financial center in China.

After analyzing Chinese emerged markets, there is one similar product that may compete with the system, however, this product is not being sold publicly, and therefore it is not considered as a real competitor. With other competitors, building a good brand image is indispensable in the condition of other competitors are holding high portion of market shares, such as Haier and Midea.

In conclusion, outstanding research of the above elements is helpful to overcome the stumbling blocks on the path of successful entering into Chinese market.

**Recommendation 2:**

**Gauge market response first- operate a pilot scheme**

Seeing that there are always uncertainties when venturing into a new market, a test-run is conducive to minimize the risks. A pilot is considered to set up in M. Macalline in Beijing where plenty of customers visit everyday. Introducing the system, making a questionnaire for audiences and receiving feedbacks from them will be substantial methods to collect information about customers’ reaction about the system.

After analyzing and concluding the feedbacks from the audiences, to find a method that could satisfy Chinese customers’ requests and classify the interested groups, then identify the target group for the market are the next steps for preparing to enter into the Chinese market.

**Recommendation 3:**

**Partake in some Chinese trade fairs**

There are big numbers of trade fairs offering yearly in China, normally, they were divided into different areas. For the recycling water system, there are two relevant trade fairs: AWE (appliance world expo) and CIK&B (Chinese international kitchen and bathroom appliances& technology expo). Those exhibitions are held twice annually in different cities in China, and provide valuable opportunities for traders and buyers. In order to access the Chinese market successfully and expand the business into the whole Chinese market in the future, participating in those exhibitions will gain brand exposure and hopefully find potential business partners in different regions in China.

**Recommendation 4:**

**Defining the niche market for the system**

This system should appeal to people who have the environmental awareness,. By addressing the water shortage problem fundamentally, the system is mainly applied to residents in Beijing, which people use the amount of water regularly in their daily life. Co-operating with property developers to install the system in apartment buildings can be a suitable method to gain awareness of protecting the environment for home-buyers. Also, company sized customers are taken into consideration, like bathhouses and factories etc. in Beijing. Opening an online-shop is a promotional method to gain brand image as well.

**Recommendation 5:**

**Choosing right pricing strategy**

At the beginning of joining into the Chinese market, the pricing strategy is variable; finding out a suitable pricing strategy is necessary. In this case, to lower the price at the beginning, after gaining appropriate market share, to raise the price will be capable.

Setting different prices for different targeting groups, meanwhile, offering some special seasonal price temporarily can be a good strategy to attract customers.

**Recommendation 6:**

**Promotion**

Advertising on newspapers and some Chinese online forums are economical and effective ways to promote brand exposure.

Besides, designing a Chinese official website for the system and making a link from the website of Longchuang Company is another way to promote the product.

In order to have effective communications with customers and earn corporate image in public, creating the accounts of QQ, Wangwang and Weibo, which are popular social network applications in China is applicable. They are free of charge and easy ways to afford help and response questions from customers.

# 8. Reference

CEEC. (2012). *Promoting the use recycled water and promoting water recycling.* From CEEC: http://chinaeec.org/html/fenhui/dffh/2012/0330/347.html

Company, L. (2013). *company description.* From Offical website of Longchuang Company: http://www.bjlcsun.com/article\_content.aspx?id=135

Daniu. (2005). *Environment problems in China.* From Xnhua: http://economy.enorth.com.cn/system/2012/06/30/009549819.shtml

Ecoplay. (2010). *benefits.* From Offical website of Ecoplay: http://ecoplay.nl/en/what-are-the-benefits/

Ecoplay. (2010). *benefits.* From Offical website of Ecoplay: http://ecoplay.nl/en/what-are-the-benefits/

Ecoplay. (2010). *benefits.* Retrieved from Offical website of Ecoplay: http://ecoplay.nl/en/what-are-the-benefits/

Ecoplay. (2010). *benefits.* Retrieved from Offical of Ecoplay: http://ecoplay.nl/en/what-are-the-benefits/

Ecoplay. (2010). *How does Ecoplay work?* Retrieved 2012 from Ecoplay: http://ecoplay.nl/en/how-does-the-ecoplay-system-work/

Ecoplay. (2010). *What are the benefits?* Retrieved 2013 from Ecoplay: http://ecoplay.nl/en/what-are-the-benefits/

Ecoplay. (2013). *The system.* From Offical website of Ecoplay: http://ecoplay.nl/en/what-is-ecoplay/

Environment Experts. (2012). *Water recycling companies*. From Environment experts: http://www.environmental-expert.com/water-wastewater/water-recycling/companies/location-europe/order-recommended

Government of China. (2011). *Chinese trading.* From Offical website of Chinese government: http://www.gov.cn/zwgk/2011-12/07/content\_2013475.htm

Government, D. (2012). *the development policy of the Netherlands.* From Offical website of Government of the Netherlands: http://www.government.nl/issues/development-cooperation/the-development-policy-of-the-netherlands

Haier. (2013). *description of Haier*. From Offical website of Haier: http://midea.com/zh/app/pressreleasecategory/269

Hoekman, B. (2001). *The WTO.* From functions and basic principles: http://www.terry.uga.edu/~eornelas/Econ4040/WTO-basics.pdf

Hofstede. (2013). *China.* From The Hofstede centre: http://geert-hofstede.com/china.html

Huan, L. (2012). *Northern China is one of the most water shortage region in the world.* From Chinese water: http://news.h2o-china.com/html/2001/03/1964984618527\_1.shtml

Jing, C. (2012). *The economic growth report of China.* From enorth: http://economy.enorth.com.cn/system/2012/06/30/009549819.shtml

Jing, M. (2012). *Self-cleaning water purifier.* From Baike: http://baike.baidu.com/view/6721785.htm

KV Connections. (2013). *about us.* From Offical website of KV Connections BV: http://www.kvconnections.com/?c=1&l=0

LKL. (2012). *relations with Europe.* From country studies: http://www.country-studies.com/china/relations-with-europe.html

Lv, Z. (2012). *Situation of Chinese water.* From Hinature: http://www.hinature.cn/Nature/what\_we\_care/003/Water\_Resources/China\_water.shtml

Midea. (2012). *description of Midea*. From Offical website of Midea: http://midea.com/zh/app/pressreleasecategory/269

Niu. (2012). Retrieved from Baike: http://baike.baidu.com/view/61891.htm

Programs, G. (2012). *Grant Programs.* From Offical website of the government of the Netherlands: http://www.government.nl/issues/development-cooperation/grant-programmes

Qianyuan. (2007). *Development of patented inventions*. From Qianyuan: http://search.qianyan.biz/patent.do?q=%C0%EE%C1%A2%B9%A6

State Department. (2011). *Chinese foreign trade.* From Offical website of Chinese government: http://www.gov.cn/zwgk/2011-12/07/content\_2013475.htm

State Department. (2011). *Chinese foreign trade.* From Offical website of Chinese government: http://www.gov.cn/zwgk/2011-12/07/content\_2013475.htm

Tian, C. (2012). *sewage treatment.* From Baike: http://baike.baidu.com/view/641843.htm

Vince. (2011). *SWOT analysis of the tranformation of Beijing economic development.* From http://www.chinaacc.com/new/287\_296\_201105/04wa10486062.shtml

Weile. (2012). *Weile hot water circling system*. From China herostart: http://china.herostart.com/selloffer/shenyankeji\_5560119.html

World Bank. (2012). *trade policy and regulations in the Netherlands.* From globle trade: http://www.globaltrade.net/f/business/Netherlands/Trade-Policy.html

World Bank. (2012). *Trade policy and regulations in the Netherlands.* From Globle trade: http://www.globaltrade.net/f/business/Netherlands/Trade-Policy.html

World Bank. (2012). *Trade policy and regulations in the Netherlands.* Retrieved from global trade: http://www.globaltrade.net/f/business/Netherlands/Trade-Policy.html

WTO. (2013). *China and the WTO.* From Offical website of WTO: http://www.wto.org/english/thewto\_e/countries\_e/china\_e.htm

WWF. (2012). *Denmark is the top one country in Cleantech Global.* From WWF: http://www.wwfchina.org/climatesolver/general/11.html

WWF. (2012). *Denmark is the top one country in Cleantech Global Innovation area.* From WWF: http://www.wwfchina.org/climatesolver/general/11.html

Xin, X. (2008). *The recycling water system from Ligong Li*. Retrieved from 19Lou: http://www.19lou.com/forum-175-thread-10960268-1-1.html

Xin, X. (2008). *The recycling water system from Ligong Li*. From 19lou: http://www.19lou.com/forum-175-thread-10960268-1-1.html

Xinhua. (2008). *Regulations about circular economy.* From China: http://www.china.com.cn/policy/txt/2008-08/30/content\_16359917.htm

Xu, M. (2013). *Water resource policy.* From caijing: http://comments.caijing.com.cn/2013-03-11/112578370.html

Yi, S. (2012). *Water Purifier.* From Baike: http://baike.baidu.com/view/296942.htm