

Export Policy Plan

--- J&S Furniture Trading

Setting up a flagship store in Holland

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EXECUTIVE SUMMARY

J&S Furniture Trading BV (J&S) is a newly established company that sells Chinese classic style furniture in the Netherlands. Investing 500,000 euros on J&S, the parent company - Wan Shi Fa Co., Ltd. also acquired a furniture manufacturing company to supply products. In 2008, J&S is going to open a flagship store named MingStyle in Holland. The objective of this paper is to advise J&S on what the new market is and in which ways the company enters the Dutch market.

The paper firstly describes the company mission statement in addition to its goals and objectives. The mission of J&S is to serve its customers' needs by providing Chinese classic style furniture and services of superior quality to create unique home decoration styles. J&S also add values to such products by incorporating an ancient Chinese aesthetic value and an oriental luxurious lifestyle. To fulfill the mission, J&S set goals to enter the Dutch market and create the brand - MingStyle that provides high-quality products and services.

The second stage is to analyze the current situation from three distinctive aspects: the market overview, the internal analysis of the company and the external factors that influence the market. The *Trend Magazine* indicated that Dutch customers spent around 400 euros per capita on furniture products in 2006. At present the Dutch furniture market has attracted several multinational companies to enter and the competition is severe. Many retail shops are currently offering almost the same DIY style products that appeal many end users. Nevertheless, there are still some customers who desire different or unique products, such as fine classic style furniture. MingStyle then has a chance to enter the Dutch market, presenting its Chinese classic style products.

The company internal analysis shows that good product quality, diverse product varieties and fast product delivery from China to Holland are the three biggest

strengths of J&S. Thanks to the good relationship with the supplier, J&S can purchase products at an advantageous price and confirm the order at any time. Meanwhile, as a newly established company, J&S has several weaknesses, such as insufficient sales crews, limited brand recognition in the market and depending on outsourcing transportation service providers too much.

The external analysis begins with the DSTEP analysis – demographic, economic, social, technologic, and political situations of the Netherlands. Industry analysis, competitors' description and customers' motives are another three major aspects to study. The findings of the internal and external analysis are summarized in the SWOT analysis by a confrontation matrix that not only figures out the key bottlenecks but also suggests remedy strategies for weaknesses and external threats.

So far, all previous analyses have served as the basis of the marketing strategies. Segmentation, targeting, and positioning are then used to identify who the customers of the MingStyle store are and what image the store should establish. The consumer market of MingStyle has been segmented by several variables, namely demographic, psychographic and behavioral factors. The main target market for MingStyle is subsequently identified as a group of Dutch people who have college education, or whose ages are above 35 years old, or whose household income reaches at least the middle level – 38,000 euros per year (further analysis referred to section 3.2). Besides, the Dutch people who prefer a cultural-oriented lifestyle or like to attend various occasional events can also be identified as the target customers of MingStyle. The positioning framework of MingStyle is described as “durable elegant oriental style furniture that you may customize with your own aesthetic perception”. A differentiation strategy is therefore selected in order to convince customers that the MingStyle's Chinese classic furniture is not merely practical-use products valued by money but pieces of art concentrated on human wisdom and creativity.

In the marketing programme section, various marketing tactics are recommended in

terms of 4 Ps – product, price, promotion and place. MingStyle has two product lines available: finished products and customized products. Finished products are entirely pre-produced in China and displayed in the store's showroom. Customized products differ in the concept - consumers are able to customize their own furniture by choosing favorable components available. Customers can buy both lines of products in the flagship store or through the online ordering system. In the meantime, MingStyle plans to promote itself using various channels, such as advertising, attending trade fairs, publishing brochures, establishing the company website and sponsoring.

In the last few chapters, a financial projection, an implementation plan and the evaluation methods are provided to make this plan complete. Moreover, the conclusion section at the end of this report concludes the whole research findings of the author.

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INTRODUCTION

Today, products made in China can be found almost everywhere in the world. For many people, a label of 'made in China' sometimes means purchasing products at a relatively low price. During my five-year stay in Holland, when seeing Chinese goods sold at an extremely low price, I feel uncomfortable and want to do something different. In 2005, I undertook a sales job in a furniture shop and found the Chinese classic style furniture.

Chinese classic style furniture has the potential to be a high-end product because of its real-wood material, handcraft carvings on the furniture surface and its cultural-related aesthetic value. In the past, former Chinese emperors and nobles required low-class craftsmen, generation by generation, to perfect the practical usage of the furniture. From the early 15th century to the end of 19th century, the art and technique to produce furniture reached the peak. The furniture which adopts the popular style of that period of time is named Chinese Ming Qing Style furniture. Today, more than 90 percent of the Chinese classic style furniture uses the Ming Qing Style. (Li, 2004, p.24)

In October 2006, I expressed my idea - to sell Chinese classic style in Europe- to the family business – Wan Shi Fa Co., Ltd. and gained the support soon. Wan Shi Fa Co., Ltd. acquired a furniture manufacturing company in February 2007 and invested 500,000 euros as the start-up capital. A subsidiary company - J&S Furniture Trading BV, which aims to sell high-end Chinese classic style furniture in the Dutch market by opening a store named MingStyle, was subsequently established.

This paper will be used as the marketing plan to promote this furniture brand – *MingStyle*. The central question is thereby:

How can J&S Furniture Trading BV market Chinese classic style furniture through its flagship store - MingStyle in the Dutch market?

Several sub-questions have been developed to broaden the scope of the central question.

- 1) What are the factors that affect furniture consumption?
- 2) What features does MingStyle's Chinese classic style furniture present?
- 3) How can MingStyle identify its target customers?
- 4) What are the main features of the products that potential customers demand most?
- 5) What is the current situation of the Dutch furniture market? And who are the major competitors?
- 6) How can MingStyle segment the market and which market segment should MingStyle target?
- 7) How can MingStyle position itself in the Dutch market?
- 8) What is the realistic price strategy?
- 9) Through which channels can MingStyle promote its products as well as its reputation?
- 10) How can the investment of 500,000 euros be utilized?

1. COMPANY DESCRIPTION

Company Name: *J&S Furniture Trading BV*

Established Year: *2007*

Registered Capital: *18,000 Euros*

Registered Place: *The Hague, The Netherlands*

Main Business: *Selling Chinese classic style furniture in the Netherlands by setting up a flagship store, named "MingStyle"*

1.1 COMPANY INFORMATION

Established in April 2007, J&S Furniture Trading BV (J&S) is the subsidiary company of Wan Shi Fa Co, Ltd. (Wan Shi Fa) that runs diverse businesses and achieved around 90 million RMB (around 9 million euros) turnover in 2006. The parent company - Wan Shi Fa Co., Ltd. acquired a furniture company in Suzhou City (100 kilometers from Shanghai) in February 2007. Such acquired furniture company has more than thirty years' professional experience in manufacturing Chinese classic style furniture, and has distributed sales network in 11 provinces alongside the Chinese east coastline. Two months after the acquisition, Wan Shi Fa invested 500,000 euros for J&S.

Europe is the biggest furniture consuming market in the world (Zhang, 2007 p.20). European people have shown strong passions in enjoying various arts and cultures. Especially, when Chinese economy grows enormously, Chinese culture will be respected by more and more Europeans. Chinese classic style furniture is a kind of product that not only provides the practical usage for daily life, but also reflects the traditional Chinese aesthetic perception. Therefore, J&S chose Europe as its first overseas target market. As the doorstep to Europe, the Netherlands, which occupies a prime geographic location – Port of Rotterdam and provides beneficial policies for foreign companies, is the very place for J&S to find the breakthrough.

Currently, J&S is managed by two Chinese who study and live in the Netherlands. All financial works are taken by a contracted accountant from Ernst & Young. Figure 1-1 depicts the company structure.

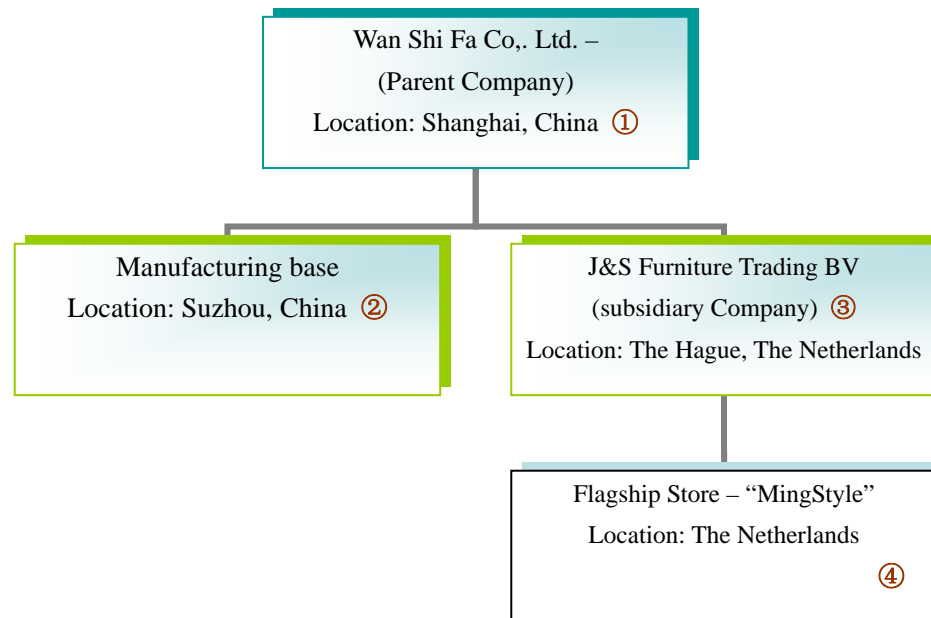


Figure 1-1: J&S Company Structure

Notes:

- ① Wan Shi Fa Co., Ltd.: The parent company is responsible for balancing the communication between subsidiary companies and completing product export procedures in China.
- ② Manufacturing base in Suzhou: The main task of the Suzhou factory is to produce high quality Chinese classic style furniture.
- ③ J&S: J&S aims to establish and run the MingStyle store, in addition to collecting the information of the Dutch market.
- ④ The flagship store "MingStyle": The store MingStyle, directly administrated by J&S, will sell all kinds of Chinese classic style furniture to Dutch customers.

1.2 MISSION

The purpose of J&S is to honorably serve the needs of its customers by providing Chinese classic style furniture of superior quality to create a unique home decoration style. J&S will also add values to such products by incorporating the state-of-the-art aesthetic values and the oriental luxurious lifestyle of the Chinese Ming Qing dynasties (1368BC to 1840BC).

1.3 GOALS & OBJECTIVES

Goals:

- Market entry to the Netherlands
- Building a strong brand image – a brand providing high-quality products and services

Objectives:

- Opening the flagship store “MingStyle” in 2008
- Recruiting two or three experienced sales personnel in 2008
- Surviving in the Dutch market for the first two years, and earning profits in the beginning of the third year
- Participating in at least one selected cultural event every year
- Contracting an inland transportation company no later than September 2008
- Making company brochures and product catalogs both in English and Dutch
- Establishing an online ordering system on the company website

2. SITUATION ANALYSIS

2.1 MARKET OVERVIEW AND DEMAND

The Dutch expenditure brief 2005 showed that a Dutch household used 3.6% of its total expenditure in furniture and soft furnishings in 2005, and furniture products are always considered as durable consuming products by local consumers. (CBS, 2005) *The Trends Magazine* indicated that the average expenditure on furniture products for the Dutch people was around 400 euros per capita in 2006 (Markhoff, 2007, p.17). The population of the Netherlands currently reaches 16,380,690 (by the end of August 2007), which consists of a huge furniture market worth 6.4 billion euros (calculated by 400 times 16,380,690). The Dutch market has attracted several international giants to compete, including some global industry leaders. The competition of this market is severe. Many retail shops offer almost the same DIY style products that appeal many end users in the market. Nevertheless, there are still parts of customers who desire different or unique products, such as fine classic style furniture. Due to this reason, MingStyle has an opportunity to present its elegant Chinese classic style furniture in the Dutch market.

Generally speaking, 70% of customers buy furniture due to their individual taste changing or the income increase, and 30% of customers purchase due to a new marriage or previous household furniture damage. (Zhang, 2005, p.9) The following factors affect furniture demand.

- a) The macro economy environment, the growth rate of the GNP, the unemployment rate, the number of new houses building and so on;
- b) Interest rate. High interest rate attracts more savings, resulting in low furniture demand.
- c) Population structure changing
- d) Distribution of wealth. The furniture demand in a country whose wealth is relatively evenly distributed is higher than that of concentrated distributed wealth countries.

2.2 INTERNAL ANALYSIS

This section analyzes the strengths and weaknesses of J&S.

Strengths:

- A good relationship with suppliers. Under the same parent company, J&S has a close relationship with the Suzhou manufacturing base in China. The Suzhou factory can provide an advantageous price and enough product supply whenever J&S needs.
- High product quality. A patented technology (proved by the Chinese Patent Bureau in February 2006) is used to consolidate the assembly of the furniture components. All carvings and motions on the furniture surface are hand-made by skillful craftsmen.
- Diverse product options. The products that J&S purchases from the Chinese manufacturing base can be classified as more than 30 kinds and 1,000 items. There are also five different colors available for customers to choose.
- A close connection with local Chinese communities in the Netherlands. Recently, local overseas Chinese communities have organized various cultural activities in which Dutch residents would like to participate. On the one hand, J&S can attract the attention of overseas Chinese and make them as the potential customers. On the other hand, J&S can promote the brand MingStyle through such Chinese cultural activities.
- A rapid transportation time. Products can be delivered to the nearest port within three hours from the Chinese manufacturing base that is 100 kilometers away from the Shanghai Port. The fastest shipping from Shanghai to Rotterdam takes 21 days.

Weaknesses:

- J&S has insufficient salespeople. So far, only two full-time employees have taken all daily work of the company. It is important for the MingStyle store to recruit more experienced salespeople.

- The brand – MingStyle is not recognized by Dutch customers. The first flagship store – MingStyle is about to open at the beginning of 2008. Dutch customers have no chance to know the brand beforehand.
- J&S is highly depending on outsourcing an inland transportation company in the Netherlands. J&S is not able to organize a team that delivers ordered goods to specific places in the first year of operation. Delivery is an essential service for a furniture shop. Therefore, J&S has to find a Dutch inland logistics company to transport goods within the country.

2.3 EXTERNAL ANALYSIS

2.3.1 DESTEP ANALYSIS

Demographic

The total population in the Netherlands is around 17 million (a detailed figure can be found in table2-2). In the first six months of 2007, the number of people living in the Netherlands grew by nearly 15 thousand. The population growth is chiefly due to a decrease in emigration and a simultaneous increase in immigration. According to the latest figures published by Statistics Netherlands, the most substantial population growth was recorded in the provinces of North Holland and Utrecht. Household consumption has grown continuously since the beginning of 2005. The average number of people in a Dutch family is 2.3 and its total average income is 38,700 euros, of which 24,800 euros is the disposal income.

Population: age, marital status on 1 January,2007						
Sex	Total men and women					Men
Subjects	<u>Total population</u>	<u>Never married</u>	<u>Married</u>	<u>Widowed</u>	<u>Divorced</u>	<u>Total population</u>
Age	<i>Absolute</i>					
Total population (all ages)	16357992	7543236	6927736	871565	1015455	8088514
0 to 10 years	1972878	1972878				1008972
10 to 20 years	1984225	1983077	1133	-	15	1015181
20 to 30 years	1955512	1662406	278401	407	14298	983534
30 to 40 years	2363624	986978	1233766	4630	138250	1187960
40 to 50 years	2545593	514995	1709610	21262	299726	1286067
50 to 60 years	2243270	230286	1648951	69027	295006	1130465
60 to 70 years	1632030	92686	1216948	150653	171743	810127
70 to 80 years	1060018	60134	647598	280641	71645	471365
80 to 90 years	520015	32939	182357	282626	22093	177217
90 years or older	80827	6857	8972	62319	2679	17626

Table 2-1 Population; age, marital status, date from CBS. www.cbs.nl

Economic

The Netherlands has a prosperous and open economy, which depends heavily on the international trade (> 50% of the total GDP). In 2006, the GDP per capita was \$28,600 while the inflation rate was 2.1%. (CBS, 2006) Over half of Dutch imports and exports are

composed of food, chemical products and machinery.

All companies registered in the Netherlands are equally treated and protected by the Dutch laws. 19.6% Value added tax (VAT) and 25% income tax for product sales are the two main taxes J&S needs to cover. As the daughter company of Wan Shi Fa, J&S can allocate its profits as the dividend of the mother company. It is a normal way to avoid high rate tax charges.

Social/Cultural

The Dutch enjoy home improvements very much and always decorate their home with abundant plants and flowers. They see their home as the most private and comfortable place. As the macro-economy is more favorable and the purchasing power of household is increasing, Dutch people are seeking unique furniture products making their home different. These consumers will no longer tolerate shoddy products and poor services. They want companies to be more aware and responsive. In recent years, Statistics Netherlands shows that more and more people are taking cultural activities and many have been fascinated in oriental cultures. Every year, the Chinese New Year is celebrated in The Hague, Rotterdam, and Amsterdam by local Chinese communities with the participation of municipal officials. The first Confucius school was established in The Hague. A new Chinese trading centre was built in Beverwijk, etc. All these indicate the eastern culture is hot in the Netherlands and provide a good opportunity for J&S to introduce its oriental classic style furniture.

Technological

In recent years, the technology development speed in the furniture industry is low and has a limited impact on furniture manufacture, distribution and sale. However, as the weather conditions in Holland are different from those in China, the wood surface of furniture needs to be treated specially in case of cracks.

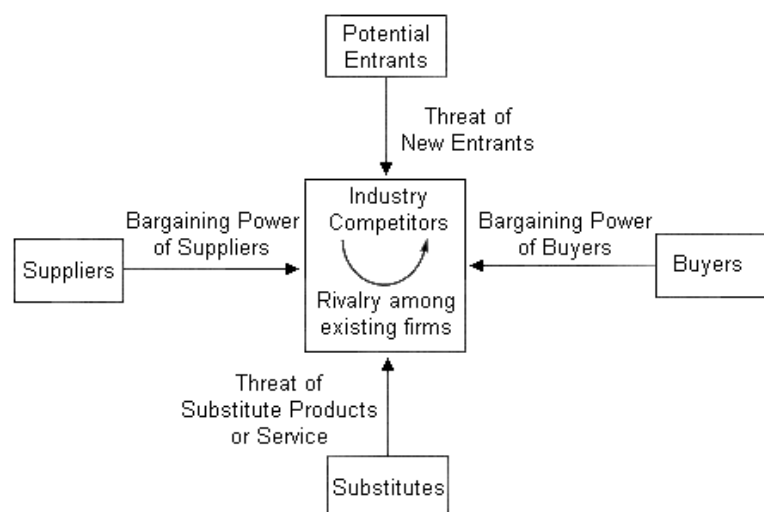
Political

A B.V. registration capital starts from 18,000 euro. The business has to deal with four types of taxes, which are VAT, income tax, salary tax and corporation tax. For a start-up company, part of the mentioned tax above can be reduced or exempted. In 2007, the tax allowance was increased, which is good news for J&S.

Other good news is that the government issued more building permits this year than last year. As a result, residential and non-residential buildings recorded turnover increases of more than 13 and nearly 10 percent in the first quarter and the second quarter of 2007 respectively. In 2006, the number of building permits issued increased by 16 percent relative to 2005 (date from Statistics Netherlands). As mentioned in the previous chapter, the increase of building construction will stimulate furniture demand.

2.3.2 INDUSTRY ANALYSIS

Industry analysis is an important step to know more about the external environment factors influencing the development of MingStyle. In this section, the Porter's five forces model is used to process a systematic analysis of the classic style furniture situation in the Netherlands.



Graphic 2-2: The Porter's Model – 5 forces model

Threat of New Entrants (+/-): There are a few Chinese companies that can make Chinese classic style furniture. As it concerned the DESTEP analysis part, the Dutch furniture industry has been growing steadily in recent years. It is likely for some European companies to purchase the same kind of products from China and sell in their own stores. But for new business entrants, abundant starting capitals, adept Chinese classic furniture maintenance know-how and sufficient international logistics experience are three vital factors that do affect results. Hence, the entry level of the business is average.

Threat of Bargaining Power of Suppliers (-): The power of suppliers is low because J&S has a good relationship with its Chinese supplier that is owned by the same mother company.

Threat of Bargaining Power of Buyers (+): The bargaining power of buyers is high because Dutch buyers can choose different furniture styles in the current market, such as modern European style, Nordic style, oriental style, etc. Comparatively new in the market, Chinese classic furniture is only one of the above mentioned choices.

Threat of substitutes (-): The core product of J&S is the Chinese classic Style furniture. The product sales are dependent on the customers' preference. When customers' tastes shift, they will show interests in other kinds accordingly. However, China as the one of the four ancient nations, embraces rich and splendid cultures, which may catch the attention of customers for a long time. So the threat of substitutes needs slightly to be noticed.

Intensity of Rivalry (+/-): Currently J&S is not necessarily facing fierce intensity of rivalry. There are only three specialized companies selling Chinese classic furniture in the Netherlands: one in The Hague, the other two in Amsterdam. All of them can be considered as equally sized competitors or even smaller ones. However, the total number of furniture stores is quite big. These furniture stores use their own brand names and are located throughout the country.

Analysis Conclusion: Selling Chinese classic furniture is not so hot in the Netherlands at this moment, yet the level of attractiveness is gradually increasing. The business entry level is average. The biggest pressure – demand shortage, will take place if customers show declining interests in the Chinese culture. J&S now has a relatively nice position in a less vying market. Furthermore, J&S needs to research how to maintain customers by revealing the charm of Chinese classic style furniture.

2.3.3 COMPETITORS

Within this section, three major competitors are evaluated in terms of several selected variables, such as the product price, services, shopping environments and the brand image. Each variable is scored ranging from one to five. One means very bad performance, while five stands for very good performance.

Company Name Comparable Variables	Orientique	Ethnic Chic	Scheel & Melkonian (S&M)
Product Price	4	3	3
Product Diversity	3	1	4
Shopping Environments	4	3	4
Services	3	2	3
Brand Image	3	2	4
Accessibility	4	4	4
Total Score	21	15	22

Table 2-3: Competitors Analysis

Explanations of each comparison variable can be summarized as follows:

- a) *Product Price:* Orientique provides a more favorable price than the other two competitors. The average product price of Orientique is around 1,150 euros, and more than 60% of its product prices range from 600 euros to 2,500 euros. Prices of the

same or similar kind of products in Ethnic Chic and S&M are relatively higher from 4 percent to 10 percent.

- b) *Product Diversity*: Ethnic Chic scores very low in this aspect, for it limits the product scope in silk products and wooden cabinets. Orientique and S&M have similar product lines: wooden furniture sets of classic style, lamps and lanterns, ancient Chinese calligraphies and paintings, and small decoration accessories.
- c) *Shopping Environment*: Three stores all score good in this category. They have comparably pleasant and comfortable shopping environments and all adopt classic Chinese style indoor decoration.
- d) *Services*: There is no big difference in service provided by three stores. A three-year guarantee, delivery service and professional consultancy are three major available services. Ensuring product delivery no later than three working days after orders, Orientique and S&M perform better in product delivery, whereas Ethnic Chic normally sends products one week after customers' ordering.
- e) *Brand Image*: Being the first in the industry, S&M is the best-known brand in the Netherlands. Orientique follows S&M, and scores the second. On the one hand, Orientique created a solid relationship with local communities in The Hague, for example many local overseas Chinese living in the city turned to be regular customers. On the other hand, Orientique obtained the backing of the Dutch tourist authority and became a recommended tourist shop in The Hague. Ethnic Chic has a stable image of selling fine silk products and wooden cabinets; however its specialized product range also limits the customers' impression.
- f) *Accessibility*: All three stores are situated in the central areas of the big cities. Ethnic Chic and S&M are in Amsterdam, and Orientique is located in the Hague China Town. All three shops face a parking problem. Customers need to pay high parking costs if they drive from other cities.

To sum up, S&M has the best quality by scoring the highest overall points. Orientique follows as the second because of lacking somewhat fame. Ethnic Chic still survives in the

market, though it has a comparably less satisfactory performance. At the moment, there are not many product lines in the market and the three shops all provide similar goods and services. Prices of similar products are relatively close, with differences in less than 15 percent. In addition, all stores have to face a parking problem due to their city central location.

2.3.4 CONSUMER ANALYSIS

To exactly map the potential consumers of MingStyle is an important task. The 6 Ws questions of Ferrel are adopted to find the right group of consumer in the next content.

Who are our potential customers?

According to Web Magazine, young households (up to age 35) spend a large proportion of income on education, leisure and transport, while households of the over-65s spend a lot on housing. Households in which the main breadwinner was middle-aged (45–64 years) showed the highest spending in absolute terms.

According to the above reasons and taking other demographic factors into consideration, we define our potential customers as a group of Dutch people who have college education, or whose ages are above 35 years old, or whose household income reaches at least middle level – 38,000 euros per year (further analysis referred to section 3.2).

What are our potential customers doing with our products?

Customers purchase our products for the following use:

- practical usage: The furniture that MingStyle sells is made of real wood, and solid enough to be used for very long time.
- creating an oriental/Chinese style atmosphere at home
- enjoying state-of-the-art furniture craftsmanship: MingStyle Furniture has fine carvings and skeleton designs on its surface. In other words, the furniture can be

recognized as pieces of art and brings people feelings of enjoyment.

Where do our potential customers buy our products?

Our products are only available in the MingStyle store. Moreover, customers are able to look at various products on store's website that also provides a possibility for online sales.

When do our potential customers buy our products?

Customers buy MingStyle in such occasions: (1) when they buy a new house; (2) when they want to re-decorate their home or replace old furniture; (3) when they want to enhance or alter a home atmosphere.

Why do our potential customers not choose for our products?

Consumers can choose many kinds of products that are assured of fine and superb quality in the MingStyle store. Furthermore, MingStyle customers can obtain some after sales services offered by the store, such as one year extra guarantee, quick delivery service, etc.

Why do not potential customers buy our products?

Some potential customers may think the price MingStyle offers is relatively more expensive than that of some low-priced furniture shops, such as IKEA and Blokker. These consumers normally pay less attention to the fine material and craftsmanship of MingStyle furniture - they consider product price as the first priority during their purchase. In addition, distinctive customer preferences can be another reason to explain why some customers will not buy our products. For instance, some consumers may dislike the colors of MingStyle furniture, which appear darker because most Chinese classic style furniture is made of real wood and maintains the original color of lignum.

Conclusion: MingStyle's potential customers are Dutch people with an above average income level, who are fascinating with Chinese or oriental cultures. There are three major reasons for customers to buy MingStyle's products: (1) for practical usage; (2) for creating or enhancing an oriental or Chinese cultural atmosphere at home; (3) and for appreciating the fine craftsmanship and design of the MingStyle furniture. Consumers can buy

MingStyle products in its flagship, or order interesting products from the website. Nevertheless some customers may not choose MingStyle furniture due to the high product price or personal preference. In the following table 2-4, the buyer motives are defined with a ranking scale from one to four. (One means the least influential factor, four means the highest.)

Buyers' Motives	Ranking
Product Functions	2
Price	3
Cultural / Aesthetic Appreciation	4
Brand Image	1

Table 2-4: Degree of Buyers Motives

2.4 SWOT ANALYSIS

Strengths and Weaknesses

Strength	Weakness
S1 Good relationship with supplier	W1 Limited sales personnel
S2 Good product quality and diverse product varieties	W2 Less brand recognition
S3 Products containing cultural factors	W3 Depending on outsourcing inland logistics companies too much
S4 Good relationship with local overseas Chinese communities	

Opportunities and Threats

Opportunities	Threats
O1 Growth interest/demand of customers	T1 Chance of substitute products
O2 Less saturation of Chinese/Oriental furniture market	T2 Chance of big companies to enter the same market segment
O3 Economic recovery	T3 Increase price of raw materials
O4 Underestimation of Chinese currency	

Confrontation Matrix

	Strengths	Weaknesses
	S1 Good relationship with supplier	W1 Limited sales personnel
	S2 Good product quality and diverse product varieties	W2 Less brand recognition
	S3 Products containing cultural factors	W3 Depending on outsourcing inland logistics companies too much
	S4 Good relationship with local overseas Chinese communities	
Opportunities	SO-strategies	WO-strategies
O1 Growth interest/demand of customers	SO1 Expand company size by recruiting more staff to meet the growing demand.	WO1 Enroll experienced sales persons to enable company to have enough human resource.
O2 Less saturation of Chinese/Oriental furniture market	SO2 Maintain the high quality of products and implementing promotions to seize the leading position in the current market that is less competitive.	WO2 Use diverse promotion in short time to increase the brand recognition before the market becomes crowds.
O3 Economic recovery	SO3 Keep providing diverse products to simulate the purchase	WO3 Develop own inland transportation team in the near

	appetite of customers.	future. Or find more substitute outsourcing providers.
O4 Underestimation of Chinese currency	SO4 Inform customers that the value of MingStyle's products have the potential to increase in the future, because of the undervaluing of the Chinese currency now.	
Threats	ST-strategies	WT-strategies
T1 Chance of substitute products	ST1 Strictly control the product quality. Provide more suggestion to the Chinese supplier in order to help to enhance the know-how of producing and maintaining products.	WT1 Improve the website and stimulate the interests of customers in online shopping. Besides, add a BBS part to the website on which customers can discuss together about the appreciation feelings towards MingStyle furniture. It can create the senses of belonging of customers to some extent.
T2 Chance of big companies to enter the same market segment	ST2 MingStyle needs to keep ahead of competitors with its unique products.	WT2 Decrease threats of potential competitors by developing a flexible product accessible store and providing special services.
T3 Increase price of raw materials	ST3 Keep noticing the changing of the raw material market. Stock enough raw materials in advance.	WT3 Make a more cost-effective approach by decreasing the expenditure of transportation.

3. PRODUCT-MARKET FOCUS

It is nearly impossible for MingStyle to serve all customers in the Netherlands, for the customers are too numerous and diverse in buying demands. The main objective of this chapter is to identify MingStyle's market segments, target patterns of segmentation, and sketch the market position.

3.1 MARKET SEGMENTS

A clear and effective market segmentation analysis is the first step to illustrate and divide the current market into different sub-groups. In this section, the consumer market of MingStyle is segmented in terms of major variables, namely demographic, psychographic and behavioral factors, which are referred to Kotler's table of segmentation variables for consumer markets. (Kotler, 2003, p. 287).

Demographic

In demographic segmentation, the market is mainly divided by age, income and education level. All divided classes of demographic variables are illustrated in the table 3-1.

Demographic Variables	Divided Classes
Age	< 35 years old 35-45 years old > 45 years old
Household Income	< 38,000 Euro per year 38,000 – 80,000 Euro per year > 80,000 Euro per year
Education	High school graduate or less Some college College graduate

Table 3-1: Division of Demographic Variables

As mentioned in section 2.3.1, young households (up to age 35) spend a large proportion of income on education, leisure and transport, while households of the over-65s spend a lot on housing. Households in which the main breadwinner was middle-aged (45–64 years)

showed the highest spending in absolute terms. Targeting Dutch people over 35-year old is a wise choice for MingStyle.

MingStyle's target customers are college-educated people, over 35 year-old and have at least a middle-level household income (over 38,000 euros every year). Besides, MingStyle serves its customers in the whole Dutch market.

Psychographic

Lifestyle is an important criterion to illustrate the market with regard to human psychology. In general, people's lifestyle can be classified as culture-oriented, sport-oriented, and outdoor-oriented. Different groups of people have their own habits and preferences in purchasing furniture and its related products, although some sub-groups of people may partly share the preferences. MingStyle defines its customers who show interests in the Chinese culture and who fascinate in oriental aesthetics; in other words, the culture-oriented life style is a vital sign to for MingStyle to identify the market.

Behavioral

According to Kotler, in behavioral segmentation, buyers are divided into groups on the basis of their knowledge of, attitude toward, use of, or response to a product. In this case, MingStyle identifies the customers' needs by analyzing behavioral variables, such as occasions, benefits, buyer-readiness stage and attitude.

- **Occasions:** Nowadays, several typical Chinese festivals – the Chinese New Year Celebration (early spring of the year), the Mid-Autumn Festival (late September), are celebrated in large scale in some important Dutch cities, such as Amsterdam, The Hague, Rotterdam, Utrecht and Eindhoven. These special celebrations obtain large media exposure and attract many local Dutch residents to attend. Taking advantage of these occasions, MingStyle can promote the company image and its products to the public.

- **Benefits:** Customers can also be classified according to the benefits they seek. For a furniture buyer, product quality, price and service are the common concerns. Then, the benefits of customers can be identified as the following three segments: (1) premium products and quality service; (2) branded products and reliable service; (3) and low price. For MingStyle, the first two benefits segments are worth exploring.
- **Buyer-Readiness Stage:** The Chinese classic furniture market can find different groups of people in different stages of readiness to buy the products. The extent to buyer readiness may be classified from low to high as: unawareness, some awareness, some knowledge, interest, desire and intention to buy. In the current market, people who have some awareness and knowledge about Chinese classic style furniture occupy the dominant proportion.
- **Attitude:** So far four attitude groups can be found in the market: enthusiastic, positive, indifferent, and negative. MingStyle's tasks are to make enthusiastic customers become loyal and regular buyers, to enhance the positive perception of customers to be enthusiastic, to draw more attention of people who are indifferent about the products, and try to change the negative attitudes of some persons.

3.2 MARKET TARGETING

A market specialization is considered to be the most appropriate pattern to set a target market according to the company's resources and the current situation. Mingstyle needs to provide diverse products – all kinds of Chinese classic style furniture and accessories, for serving the only target market segment in the Netherlands for the coming five years. Figure 3-2 shows the pattern of target market selection.

	M1	M2	M3	
	Target market			
P1				P=Product M=Market
P2				
P3				

Figure 3-2: Market Specialization Pattern of Target Market Selection (Kolter, 2003, p.299)

The main target market for MingStyle is identified as the group of the Dutch people who have college education, or whose ages are above 35 years old, or whose household income reaches at least middle level – 38,000 euros per year. Besides, the Dutch people who prefer a cultural-oriented lifestyle or like to attend various occasional events can also be identified as the target customers of MingStyle.

3.3 POSITIONING

With the consideration of the positioning framework of value disciplines, superior product/service quality and elegant designs are the priorities for MingStyle. The company should aim to become the best in these disciplines while also providing another discipline - product customization as an extra service.

The value proposition of MingStyle (showed in figure 3-3) can be concluded as “durable elegant oriental style furniture that you may customize with your own aesthetic perception”.

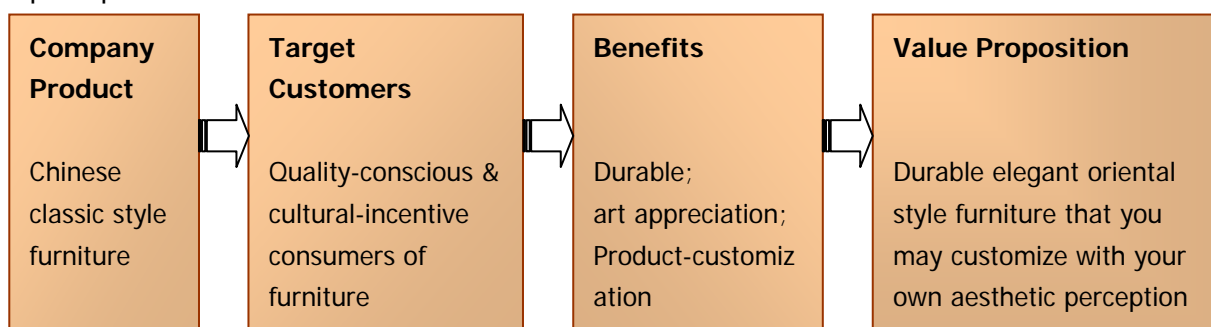


Figure 3-3: Value Proposition and Marketing Tasks

3.4 STRATEGY

From Porter's three generic strategies - overall cost leadership, differentiation and focus (Kolter, 2003, p.106), differentiation can be used as the suitable strategy for MingStyle. This strategy is commonly used when a business concentrates on achieving a superior performance in an important customer benefit area valued by a large part of the market.

For J&S, choosing a differentiation strategy to expend its business internationally sometimes means a high potential risk. Most Dutch people have the perception of buying Chinese- or Asian-made products at a cheaper price. Currently, S&M and Orientique (the other two major competitors of MingStyle) both provide an inexpensive price. If the cost leadership strategy is used, MingStyle will be a common furniture store that provides cheap and durable furniture. MingStyle may lose its best competitive advantages: superior product quality and fine art designs. On the one hand, providing low price products means low profits, which will damage the company's financial situation in the long term. On the other hand, as more and more European companies have established manufacturing bases in China, having low price products is not that difficult due to production in scale. Therefore, it is not wise for MingStyle to stake its business in price competition by sacrificing its products' largest augmented value – art appreciation and fine craftsmanship. The biggest task then is to convince customers that MingStyle's Chinese classic style furniture is a piece of art concentrated human wisdom and creativity and that it is not only a practical-use product valued by money. Although, it is extremely hard to change the perception of customers, high risks mean high profits. As long as MingStyle succeeds in this point, it will consolidate its position in the Dutch market and get a satisfactory reward. Various differentiation measures will be stated in the next chapter.

4. MARKETING PROGRAMME (MARKETING MIX)

The marketing-mix planning in this section is to formulate an offering to meet MingStyle's target customer demands.

4.1 PRODUCT STRATEGY

Product classification

In a furniture retail store like MingStyle, numerous of products will be displayed or stored. It is hardly to manage goods without a sophisticated system. For MingStyle, the first step is to classify product categories by their functions (see Table 4-1).

<i>Cabinets (9)</i>	Wardrobes & Closets	Bookcases & Display Showcases	Kitchen Cabinets
	End Cabinets	Money Chests	Medicine Cabinets
	Buffet Sideboards	Low Cabinets	Dressing Tables
<i>Tables and Desks (8)</i>	End Tables	Game Tables	Coffee Tables
	Kang Tables	Altar Tables	Music Tables
	Dinning Tables	Desks	
<i>Chairs (6)</i>	Chairs for Single	Chairs for Double and More	Folding Chairs
	Rocking Chairs	Stools	Benches
<i>Beds (3)</i>	Framing Beds	Opium Beds	Single Beds (Day Beds)
<i>Trunks (3)</i>	Wedding Trunks	Wooden Trunks	Leather Trunks
<i>Stands and Racks (4)</i>	Vase Stands	Wash Stands	Candlesticks
	Clothing Racks		
<i>Screens and Panels (3)</i>	Doors Panels	Windows Panels	Screens
<i>Accessories (10)</i>	Wooden Carvings	Basket and Buckets	Boxes
	Plates	Lamps	Rugs
	Stone Ware	Ceramics	Brassware
	Calligraphies and Paintings		

Table 4-1: Products classification of MingStyle

According to table 4-1, MingStyle has totally 8 categories and 36 different kinds of products that meet diverse practical demands of customers, such as body rest, home illumination, storage, dining, display, and so on.

Product lines

MingStyle offers two product lines: finished products and customized products. Finished products that adopt Chinese traditional furniture designs are entirely pre-produced in the Chinese manufacturing base and transported to the Netherlands. The finished product line covers products of all 36 kinds. Some finished products are selected as display samples in the MingStyle store. Picture 4-2 shows the presentation of MingStyle's finished products.



Picture 4-2: Sample Furniture Display of MingStyle

The customized product line has a different concept. Furniture components are firstly produced in the Chinese factory, and transported together with finished products to Holland. Then, consumers can customize their own furniture by choosing any favorable components available, with the assistance of MingStyle's professional consultants or through the online order system. After customers make orders, technicians will complete the final products with all demanded components using a patented technology that makes the assembled furniture more firmly and solidly. After the assembled furniture is painted – the last producing step, it will be delivered to the place customers appoint. No longer than 18 working days are needed for customers to get a customized product. Table 4-3 lists the production process, the order process, and some added values of two product lines.

Product Line	Finished Product Line	Customized Product Line
Production Process	<ul style="list-style-type: none"> - All components are made and assembled in China. - Products are pre-designed according to the Chinese classic furniture tradition. 	<ul style="list-style-type: none"> - Components are made in China but assembled in the Netherlands. - Customers decide the furniture design.
Order Process	<u>Order in Store:</u> Step 1: Customers see real products in	<u>Order in Store:</u> Step 1: Customers tell specific demands to

	<p>the MingStyle store.</p> <p>Step 2: Customers choose a favorable product and make an order.</p> <p>Step 3: Customers finish the payment.</p> <p>Step 4: MingStyle delivers the chosen product within two working days.</p> <p><u>Order from Internet:</u></p> <p>Step 1: Customers choose favorable goods on the website.</p> <p>Step 2: Customers make an order and pay through i-deal or credit card.</p> <p>Step 3: MingStyle delivers the chosen product within two working days after the payment.</p>	<p>professional consultants working in the MingStyle store.</p> <p>Step 2: Customers are able to change recommended products with their own favorable components and outside painting colors.</p> <p>Step 3: Customers can view the final product simulated by the computer program.</p> <p>Step 4: Customers make an order and finish the payment.</p> <p>Step 5: The customized product is made by senior technicians no longer than 16 working days.</p> <p>Step 6: Customers receive the ordered product within two working days.</p> <p><u>Order from Internet:</u></p> <p>Step 1: Customers customize a product by choosing their own favorable components and outside painting colors through the online order program.</p> <p>Step 2: Customers make an order and pay through i-deal or credit card.</p> <p>Step 3: The customized product is made by senior technicians no longer than 15 working days after the payment.</p> <p>Step 4: Customers receive the ordered product within two working days.</p>
Percentage of total products	70%	30%
Added Values	<ul style="list-style-type: none"> - Art appreciation - Experience in respecting historic heritages - Long-time durable usage 	<ul style="list-style-type: none"> - Satisfaction feeling to integrate personal esthetic views with historic art appreciation - Long-time durable usage

Table 4-3: Characteristics of MingStyle's Two Product Lines

Quality

Quality is not just a catchword at MingStyle. All parts of its furniture are carefully controlled for high quality and aesthetic consideration before the final product starts to be assembled.

Each piece of furniture is subjected to a rigorous test for solidness and safety. MingStyle ensures its products in compliance with the EU safety standards for all end users.

Services

MingStyle pays a special attention to keeping its customers satisfied with the services, namely telephone counseling service, repair service, free delivery service (provided when the overall purchase is over 100 euros), and a three-year warranty. The staff involved in providing these services are specialists with profound knowledge of product specifications and maintenance procedures. MingStyle's furniture experts will be all located in the flagship store.

4.2 PRICE STRATEGY

Prices are decided to maximize the profits of the company. Basically, MingStyle's product prices are 10 to 15 percent higher than those of the competitors. The premium price, together with the high product quality and services, delivers a luxury and high-end brand image of MingStyle. Besides, MingStyle's product prices will increase around 10 percent each year. A price list of the year 2008 is listed as follows (excluding the VAT %).

Price Range of Finished Product Line (euros):

Cabinets	1100 ~ 6800
Tables and Desks	300 ~ 4000
Chairs	150 ~ 950
Beds	4000 ~ 15000
Trunks	600 ~ 1200
Stands and Racks	350 ~ 3550
Screens and Panels	650 ~ 2100
Accessories	100 ~ 4500

Price of Customized Product Line:

It is quite difficult to calculate the exact price for a customized product, for the price varies within a big range when customers choose components made of different materials. Generally speaking, the price of customized furniture may start from 250 euros or exceed 6000 euros.

4.3 PROMOTION STRATEGY

MingStyle will promote itself and its products through advertising, events, brochures, the company website and sponsorship.

Brochure

MingStyle will make a product catalog explaining product functions and giving information about the company itself. This brochure is designed and made by a professional advertising company. Contact information, i.e. the address, the telephone numbers and the website, and comments from some famous contemporary furniture designers are also included. This brochure is to be published every six months.

Company website

The Internet nowadays is a common way to promote a company or a product. A good company website should provide broad information about the company, products and services, customer advantages, publicities and so on. The MingStyle website provides all this information and also includes the online order program by which customers can choose available favorable components or colors to customize their furniture. The Internet payment also facilitates a fast deal. 1000 euros is needed for the yearly maintenance of the company website.

Furniture magazine

Launched in 1991, Elle Wonen is one of the most popular furniture magazines in the Netherlands. With more than 180,000 subscribers throughout the country, Elle Wonen is a

good choice for MingStyle to make an agreement with for advertisement. Most of the readers of Elle Wonen are matching the profiles of MingStyle's target customers. Meanwhile, Elle Wonen provides ads opportunities both in its magazine and on its website (<http://www.ellewonen.nl>). MingStyle will sign a two-year contract with Elle Wonen and advertise 20 times.

Trade fairs

Trade fairs provide a major opportunity for a company to present itself in front of potential customers and the public. Huishoud Beurs, held from 9 to 17 February each year in Amsterdam RAI, is a good choice for MingStyle. According to the statistics reported by Huishoud Beurs 2007, around 39 thousand visitors came to the fair and 12 percent of the total visitors bought goods. MingStyle can rent a 35 square meters showroom to display its products. The total rent for the nine-day presentation will be 8,085 euros (231 euros per square meter for rent), excluding VAT.

Sponsorship

Sponsoring various cultural events is another method to promote the corporate image. There are a few China-related occasions held in the Netherlands, such as the Chinese New Year Celebration (CNY) in The Hague, the Chinese Artworks Presentation (CAP) in Amsterdam, the Dutch-Chinese Business Matching (DBM) in Rotterdam. Such cultural or business events attract the participation of many Dutch residents and obtain large media exposure. Being a sponsor of any mentioned event will increase the opportunity for MingStyle to be recognized by the public. The budget for sponsorship is 3,500 euros each year.

4.4 PLACE (DISTRIBUTION) STRATEGY

All products are currently sold in the MingStyle store, and no other dealers are authorized. In the long-term, franchising will be considered as a possible model. The first flagship

store will be opened in the Hague centre in February 2008. The store has the capacity of 1,800 square meters and was previously used to be another furniture shop. The place has three stories: basement for storage, the other two for products display. The online selling is also provided by MingStyle. Customers can order finished products or customized furniture through such special ordering system.

All finished products, components and accessories will be produced in the Chinese manufacturing base and transported to the Netherlands by ship. It takes around 25 days for goods to reach the Port of Rotterdam after loaded in the Shanghai Port. Gils International Logistics (Gils) is the partner company that takes the responsibility to make custom clearance and transport goods to the MingStyle store. MingStyle decides to sign a two-year contract with Gils which is then the outsourcing inland transportation service provider. Gils charges 30 euros as the average cost for each delivery within the Netherlands. Thanks to the outsourcing transportation service contract, MingStyle can ensure customers to receive products within two working days after the payment.

5. IMPLEMENTATION PLAN

An implementation plan shows how the company can turn all plans into results. Table 5-1 schedules the implementation plan for MingStyle for the next two years.

Time	Activities
Jan 08	a). finishing website building; b). making 1 st vol. brochure; c). 1 st ads on Elle Wonen
Feb 08	a). the flagship store open; b). attending Huishoud Beurs 2008; c). 2 nd ads on Elle Wonen; d). sponsoring the Chinese New Year Celebration (CNY) 2008 in The Hague; e). website maintenance
Mar 08 ~ Apr 08	a). 3 rd & 4 th ads on Elle Wonen; b). website maintenance c). changing products display in the store showroom
May 08	a). 5 th ads on Elle Wonen; b). website maintenance; c). attending the Chinese Enterprise Summit (CES) 2008 (The Hague) in order to find potential franchisees
Jun 08 ~ Jul 08 (low season)	a). 6 th ads on Elle Wonen; b). website maintenance
Aug 08	a). website maintenance; b). making 2 nd vol. brochure
Sep 08 ~ Oct 08	a). 7 th & 8 th ads on Elle Wonen; b). website maintenance; c). changing products display in the store showroom; d). attending Euro-China business meeting (ECBM) 2008 (Rotterdam), in order to find potential franchisees
Nov 08 ~ Dec 08 (high season)	a). 9 th & 10 th ads on Elle Wonen; b). website maintenance; c). sponsoring Chinese Artworks Presentation (CAP) 2008 (Amsterdam)
Jan 09 ~ Feb 09	a). 11 th & 12 th ads on Elle Wonen; b). website maintenance; c). making 3 rd vol. brochure; d). sponsoring CNY 2009 in The Hague; e). changing products display in the store showroom
Mar 09	a). 13 th ads on Elle Wonen; b). website maintenance; c). expecting the first franchising store open
Apr 09 ~ May 09	a). 14 th & 15 th ads on Elle Wonen; b). website maintenance; c). attending CES 2009 (The Hague) in order to find potential franchisees
Jun 09 ~ Jul 09 (low season)	a). 16 th ads on Elle Wonen; b). website maintenance; c). making 4 th vol. brochure; d). changing products display in the store showroom
Aug 09 ~ Sep 09	a). 17 th ads on Elle Wonen; b). website maintenance; c). attending ECBM 2009 (Rotterdam), in order to find potential franchisees
Oct 09	a). 18 th ads on Elle Wonen; b). website maintenance; c). expecting 2 nd franchising store open
Nov 09 ~ Dec 09 (high season)	a). 19 th & 20 th ads on Elle Wonen; b). website maintenance; c). sponsoring CAP 2009 (Amsterdam); d). changing products display in the store showroom

Table 5-1: Schedule of MingStyle's Activities 2008~2009

6. FINANCIAL PLANS

Brief financial plans for MingStyle in 2008 and 2009 are arranged in the following tables.

Break-even Analysis

Table 6-1 details MingStyle's break-even analysis, including the monthly sales break-even point. Break-even calculations assume a 50% gross margin. The following table presents the situation in 2008.

Break-even Analysis (Euros)

Monthly Units Break-even	22.2
Monthly Revenue Break-even	44412.7

Assumptions:

Average Per-Unit Revenue	1400
Average Per-Unit Variable Cost	350
Estimated Monthly Fixed Cost	23316.7

Table 6-1: Monthly Break-even Analysis of MingStyle

Projected Profit and Loss

MingStyle will turn to be profitable in the second quarter of the second year's operation. MingStyle also anticipates its high gross margin's declining from 68% to 63%. Annual estimates of profits and losses are detailed in table 6-2. The sales are predicted on the basis of monthly furniture sales as: 39,000 euros on average per month in 2008; 58,000 euros on average per month in 2009.

Some explanations are listed for the better understanding of the following table.

- a). The direct cost of sales is quite low because MingStyle has its own manufacturing base that can help to make the production cost-effective.
- b). The payroll plus the payroll taxes occupy more than 35% of the total operating expenses and become the biggest payout for MingStyle. The extremely high salary standard in the Netherlands is the main reason for this.

- c). Marketing expenditures are the same for the consecutive two years. The charges of ads on Elle Wonen ads exceed half of the annual marketing costs.
- d). Thanks to the subsidy from the Hague Municipal Government, MingStyle only needs to pay 6000 euros for the monthly rent. The advantageous low rent helps the store to survive in the beginning period.

Projected Profit and Loss (Euros)		
	FY 2008	FY 2009
Sales	456000	696000
Total Cost of Sales	144000	254400
Gross Margin	312000	441600
Gross Margin %	68.42%	63.45%
Expenses:		
Payroll	102960	98400
Sales and Marketing and Other Expenses	31500	31500
Overhead Costs	14160	18160
Rent	72000	72000
Payroll Taxes	55440	60000
Other	3500	4500
Total Operating Expenses	279560	280960
Profit Before Interest and Taxes	32440	160640
Taxes Incurred	91200	139200
Net Profit	-58760	21440
Net Profit/Sales	-12.89%	3.08%

Table 6-2: Projected Profit and Loss of MingStyle 2008 - 2009

Notes:

- i. The sales are predicted on the basis of monthly furniture sales as: 39,000 euros on average per month in 2008; 58,000 euros on average per month in 2009.
- ii. The total costs of sales are calculated as the FOB price (FOB price from the Shanghai Port) of products plus the cost occurring during the international transportation from Shanghai port to the MingStyle store in The Hague.
- iii. J&S needs to pay 13,200 euros every month for the total gross salary in 2008 & 2009. The payroll tax is calculated as 35 percent of the total gross salary.
- iv. The marketing expenses are the aggregate costs of all marketing programmes each year. The marketing costs in 2008 equal those in 2009. The marketing

expenditures in FY 2008 include: 10 times (actually paying 7.5 times each year) 1/24 page ads on Elle Wonen ($270 \times 7.5 = 2025$ euros), sponsor chargers (3,500 euros per year), the web maintenance (1000 euros per year), two times company brochure making (500 euros per year), 4 times showroom change costs ($500 \times 4 = 2000$ euros), the Huishoud Beurs attendance chargers (8085 euros per year) and other expenditures.

- v. The rent is calculated as 6,000 euros a month thanks to the subsidy. J&S can get the subsidy because the Hague Municipal Government considers that the Chinese classic style furniture is a business that can benefit the Hague city by introducing one extra cultural programme.
- vi. The taxes incurred in J&S case is calculated as the 20 percent of the total sales.

7. EVALUATION AND CONTROL

An annual sales target has been set for MingStyle. The actual sales will be compared with the target set before. The sales may increase or decrease depending on the performance of MingStyle. Accordingly, MingStyle needs to check whether the company will carry on planned activities in right ways every two months and must evaluate the sales figures every quarter.

8. CONCLUSION

J&S Furniture Trading BV is a new company providing the Chinese classic style furniture and is going to open a flagship store named MingStyle soon. In the beginning of this paper, an array of sub questions are posed to help to broaden the scope of the central question - how can J&S Furniture Trading BV market the Chinese classic style furniture through its flagship store - MingStyle in the Dutch market? In this conclusion section, answers to each sub question and the central question are then summarized.

1). What are the factors that affect furniture consumption?

The answer is delivered by the analysis in section 2.1 – the market overview and demand. Four major factors affect furniture consumption: (1) the macro economy environment; (2) interest rate; (3) changing population structure; (4) the distribution of wealth.

2). What features does MingStyle's Chinese classic style furniture present?

Mingstyle's Chinese classic style furniture has three types of characteristics: made of real-wood, with hand-craft carvings on furniture surface and an ancient Chinese cultural aesthetic value. In the section 4.1 – product strategy, more detail analysis is provided.

3).How can MingStyle identify its target customers?

Section 2.3.4 – consumer analysis and section 3.2 – market targeting both indicate how MingStyle can identify its target customers. The main target customers for MingStyle are the Dutch people who have college education, or whose ages are above 35 years old, or whose household income reaches at least the middle level – 38,000 euros per year. Besides, the Dutch people who prefer a cultural-oriented lifestyle or like occasional events can be included as the target customers of MingStyle.

4). What are the main features of the products that potential customers demand most?

The answer is given by the analysis in section 2.3.4 – consumer analysis. There are three major characteristics: (1) practical usage; (2) creating an oriental/Chinese decoration style at home; (3) enjoying the state-of-the art furniture craftsmanship.

5). What is the current situation of the Dutch furniture market? And who are the major competitors?

Section 2.1 answers this question. By the end of August 2007, the Dutch furniture market was worth 6.4 billion euros according to Statistics Netherlands. The market is huge and attracts a few multinational giants to compete.

The second part of this question is answered by the findings in the section 2.3.3 – competitors. There are only a few stores in the Netherlands selling the Chinese classic style furniture. Orientique, Ethnic Chic and Scheel & Melkonian are the three biggest shops providing the same kind of products as MingStyle.

6). How can MingStyle segment the market and which segment market should MingStyle target?

The consumer market of MingStyle is segmented by demographic, psychographic and behavioral variables. In demographic segmentation, the market is mainly divided by age, income and education level. Lifestyle is an important criterion to illustrate the market with regard to human psychology. In behavioral segmentation, buyers are divided into groups in terms of variables, such as occasions, benefits, buyer-readiness stage and attitude. The section 3.1 – market segments figures out the detail principals to segment the market.

7). How can MingStyle position itself in the Dutch market?

Contents in the section 3.3 figure out the position of MingStyle in the Dutch market. The value proposition of MingStyle is “durable elegant oriental style furniture that you may customize with your own aesthetic perception”.

8). What is the realistic price strategy?

MingStyle sets product prices 10 to 15 percent higher than those of the competitors. The premier price, along with the high product quality and service, delivers a luxury and high-end brand image of MingStyle. Besides, MingStyle's products prices will increase around 10 percent every year. A detailed price list of 2008 for MingStyle products is

provided in the section 4.2 – price strategy.

9). Through which channels can MingStyle promote its products as well as its reputation? MingStyle will promote itself and its products through advertising, event, brochure, company website and sponsorship. The section 4.3 – promotion strategy explains detailed activities of each channel.

10). How can the investment of 500,000 euros be utilized?

The expenditures of MingStyle are mainly composed of the direct sales cost, the marketing spending, the overhead costs, and the employee payrolls. A profit and loss table of the financial year 2008 and 2009 is listed in the section 6 – financial plans.

Now, the answer to the central question can be concluded as follows:

First, MingStyle needs to define its target customers - a group of the Dutch people who have college education, or whose ages are above 35 years old, or whose household income reaches at least the middle level – 38,000 euros per year. The target customers enjoy a cultural-oriented lifestyle and like various occasional events. Premium quality, branded products and reliable services are three main concerns that influence the buying process of the target customers

After clarifying the target customers, MingStyle must choose a proper market position and strategy. MingStyle use "durable, elegant, customized" to be the core of the position. As concerned the general strategy, the differentiation is used to achieve the superior performance in the important customer benefit area. Subsequently, 4P strategies are carefully composed as follows:

Product: MingStyle provides two product lines and sells totally eight categories and 36 different kinds of products. Finished products are fully pre-made in China while customized products are assembled by various components that are pre-made in the Chinese factory.

Consumers can customize their own furniture by choosing any favorable components available, with the assistance of MingStyle's professional consultants or through the online ordering service.

Price: MingStyle sets product prices 10 to 15 percent higher than those of the competitors. The premium price, together with the high product quality and services, delivers a luxury and high-end brand image of MingStyle.

Promotion: MingStyle will use different channels to promote itself and its products such as advertising, event, brochure, company website and sponsorship.

Place: MingStyle only sells its products in its own store, and no other dealers are authorized at the moment. In the long-term, franchising will be considered as a possible model. Besides, customers can also order finished products or customize furniture through the online ordering system.

To realize the strategies, some detailed activities are arranged in a timetable for 24 months. The main activities include: (1) 20 times Elle Wonen ads; (2) the website maintenance; (3) four times company brochure making; (4) display changing in the store showroom once a quarter; (5) attending the household event – Huishoud Beurs 2008 & 2009; (6) sponsoring the CNY 2008 & 2009 in The Hague; (7) sponsoring the CAP 2008 & 2009 in Amsterdam; (8) attending the CES 2008 & 2009 in The Hague; (9) attending ECBM in Rotterdam.

Furthermore, a careful control of the company's financial situation is an important concern to achieve J&S's goals and objectives. The sales are predicted to be 39,000 euros on average per month in 2008 and 58,000 euros in 2009. The payroll along with the payroll taxes and the direct costs of sales are the major expenditures of J&S. All in all, J&S is expected to earn profits in the second quarter of the year 2009. Selling Chinese traditional furniture in the Dutch market can bring profits to J&S and this business is worth trying.

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Appendix—main competitors' contact information

Orientique BV

Address: Wagenstraat 79,

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