

Feasibility Study on New Financial Services

**Research for China Europe Education
and Research Foundation**

Thesis by

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Preface

This is the final version of my master thesis submitted to the University of Twente for the degree of Master of Science in Business Administration. The project was supervised by: Dr. ir. S.J. de Boer and Prof. dr. ir. E.J. de Bruijn from the University of Twente. I would like to thank our supervisors for their excellent support, feedback and guidance.

This report describes the outcome of a research done for the China Europe Education and Research Foundation. At the moment, this foundation offers a wide range of services to Chinese students who are going to study abroad. The China Europe Education and Research Foundation mainly focuses on sending students to United States, Canada, United Kingdom, the Netherlands, Australia, New Zealand, Denmark, Sweden and Norway. It wants to extend its current package of services by offering financial services as an intermediary between Chinese students and foreign banks in China. This report will describe which financial services are feasible for the China Europe Education and Research Foundation to offer to its customers.

This report was written together with Peter Glandrup. We did most of the research for this report together. However, regulations dictate that the responsibility for this report is divided among us. Wouter de Kruijf was responsible for chapter 2; New Service Development models, chapter 3 and chapter 6. Peter Glandrup was responsible for chapter 2; feasibility studies and idea generation, chapter 4 and chapter 5. Chapter 7 could not be assigned to either one of us, since this is a concluding chapter, which brings the results of all previous chapters together.

We owe thanks to many persons for their invaluable contributions to this report. Most notable are our supervisors and Ranger Wang, Crystal Sun, Liu Jun Song and Jack Jia from the China Europe Education and Research Foundation. Furthermore, I would like to thank our family and friends for their constant support during our research.

Wouter Ferdinand de Kruijf

Enschede, February 2008

Executive Summary

The China Europe Education and Research Foundation was founded in 1997 in the Netherlands. The company mainly operates in China, with offices in Beijing and Shanghai. The primary focus of this company is assisting Chinese students who want to study abroad. The students are assisted in getting a visa and university admittance and can choose between a variety of other services. China Europe Education and Research Foundation wants to expand the package of services offered to the students with financial services. The objective of this research is therefore to find new financial services which are feasible for the China Europe Education and Research Foundation to offer to their customers.

Five ideas for new financial services were generated using both information on other companies or institutions that offer financial services to students and input from managers and current customers of the China Europe Education and Research Foundation. These ideas are: assisting students in paying their tuition fee, arranging a foreign bank account, arranging a foreign credit card, arranging a Chinese bank account at a foreign bank and assisting the students in getting a bank statement for their visa application. Since the company cannot offer financial services itself, the help of banks in China was needed. The China Europe Education and Research Foundation will act as an intermediary between its customers and the banks.

Assistance with transferring tuition fee, arranging a Chinese bank account and assistance with acquiring a bank statement proved to be feasible services for the China Europe Education and Research Foundation to offer to its customers. Foreign bank accounts can only be arranged for students travelling to Australia, New Zealand, the United Kingdom and Canada. No banks were willing to offer a foreign credit card to the students, making this service not feasible for the China Europe Education and Research Foundation to offer.

The benefits of offering the services mainly lie in new marketing opportunities the banks provide. Banks will provide new marketing channels and will increase the reputation of the company. Offering these financial services and working together with banks should attract more customers. The costs of offering these services are very limited.

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Chapter 1. Introduction

1.1. Background

The China-Europe Education and Research Foundation (CHEER) is the principal of this graduation assignment. CHEER offers a wide range of services. The company is divided in five departments:

- **Overseas Studies:** Offering services as intermediary between Chinese students wanting to study abroad and foreign educational institutions. It selects, recruits and trains Chinese students wanting to study abroad and assists them in many aspects of their stay abroad. The department also selects and contacts suitable foreign educational institutions for the students.
- **Education Investment:** Offering consultancy services to foreign educational institutions wanting to get a foothold on the Chinese market. It is also trying to introduce the European Logistics Association (ELA) logistics certification system to Chinese logistics professionals and to those who want to enter the logistics industry.
- **International Forums:** Organising international forums for Chinese and foreign secondary schools and universities and for the logistics industry.
- **International Summer Camps and Scholarship:** Organising summer camps for foreign students and promoting international summer camps for Chinese students.
- **Awards and Charity:** Fund raising activities for poverty-stricken Chinese students and handing out scholarships and awards to outstanding students.

The graduation assignment is carried out for the Overseas Studies department of CHEER at the Beijing office of CHEER. The Overseas Studies department wants to expand the current services offered to Chinese students studying abroad and create a 'Total Student Service'. CHEER wants to offer Chinese students a variety of financial services which they can use when they are staying abroad. It wants to act as an intermediary between students and the financial sector and wants to charge the financial sector a fee for the services offered.

China entered the World Trade Organisation in December 2001. China, therefore, had to relax its restrictions to foreign banks. Since December 2006 foreign banks are allowed to enter the Chinese market under strict government restriction and can offer services directly to Chinese citizens. At the moment, foreign banks hold a very small part of the Chinese financial sector.¹ Many foreign banks are expanding or seeking opportunities to expand in the fast growing Chinese market. The intermediation of CHEER might help the foreign banks to achieve their goals. In principle, this research focuses on services provided by foreign banks in China.

This brings us to the following objective of this research:

The objective of the research is to develop ideas for new financial services that CHEER can offer as an intermediary between Chinese students and foreign banks in China and determine the feasibility of these new financial services.

¹ Foreign banks own about 2% of the assets in the Chinese banking system according to Finance Vice-Minister Li Yong at a World Bank meeting in Singapore on Sept 16th 2006.

1.2. Problem Formulation

Based upon the described background and meetings with the Chief Executive Officer (CEO) of CHEER the objective on the previous page was derived. This objective leads to a problem formulation. But before the problem formulation is stated, it might be worthwhile to sum up the key points of the objective:

- At the moment, CHEER offers no financial services to students going abroad. Therefore, the first task of this study is to develop ideas for new financial services, which might be offered to the students and which can be provided by the Chinese financial sector. In the end, the new financial services should be part of a ‘total package’ of services offered to the students.
- Foreign banks in China have a hard time marketing and selling their products to Chinese citizens. These banks have often stated that they perceive China as a market in which they want to grow and they have ample resources to offer financial products which are of value to Chinese students studying abroad. For this reason and because most Chinese banks do not have offices in the destination countries of Chinese students, the principal of this study has decided that this research should primarily focus on services from foreign banks in the Chinese financial sector.
- The newly developed financial services need to be assessed on their feasibility. Therefore, a major part of this research will consist of a so-called ‘feasibility study’. For this feasibility study, feasibility criteria have to be set up. These criteria will be derived from literature

This leads us to the following problem formulation:

Which financial services are feasible for CHEER to offer as an intermediary between Chinese students that are going to study abroad and foreign banks in China?

Feasible new financial services can be included in a ‘Total Student Service’ and thus can expand the service that CHEER offers to its customers.

1.3. Research Questions

Since the problem formulation cannot be answered directly and consists of several parts, it is split up in several research questions. The order of these research questions is modelled after New Service Development theory. In chapter 2, these theories are discussed.

- Which models and theories can be used to structure this feasibility study on new financial services?
- What are the characteristics, strategic objective, mission and goals of CHEER?
- Which new financial services might be possible to offer to the customers of CHEER?
 - What kind of financial services are being offered to students around the globe?
 - What ideas do the department managers have for new financial services?
 - What ideas do customers of CHEER have for new financial services?
- Which financial services do Chinese students going abroad want?
 - What present information (data) does CHEER have on their students?
 - In which new financial services are the customers of CHEER interested?

- Which financial services can be offered to the students going abroad?
 - Which services are the banks willing to offer to the customers of CHEER?
- Which new financial services are feasible for CHEER to offer as an intermediary between Chinese students and the Chinese financial sector?
 - What are the different services that CHEER might offer?
 - How are these services evaluated using feasibility criteria?
 - Which new financial services are feasible to offer?

Each research question is answered in a separate chapter.

1.4. Research Approach

This research consists of the development of ideas for new financial services and testing the feasibility of these ideas. For the ideas and the feasibility study, we collected data in Beijing. Collected data can be divided in two categories: primary and secondary data. Primary data consist of the data that is collected specifically for this research, while secondary data is data that was collected for another purpose, which we were able to use in this research.

For the first research question, models and theories needed to structure a feasibility study were collected. These theories and models provided information for the guideline for the structure of the research.

To answer the next question, information was needed about CHEER and its strategy. This information was partly already available on written documents. Because this data is was not specific enough and some data was not available, managers were interviewed to collect primary data on this subject.

For the next research question both primary and secondary data was needed. First, we examined which financial services are present for students around the world and which can be used by CHEER. The collected secondary data on financial services offered to students around the world gives an indication on which services would be applicable for CHEER. Data was gathered from direct competitors of CHEER as well as financial institutions that offer services to students. Also, internal available secondary data on competitors, such as competitor analyses, is utilized.

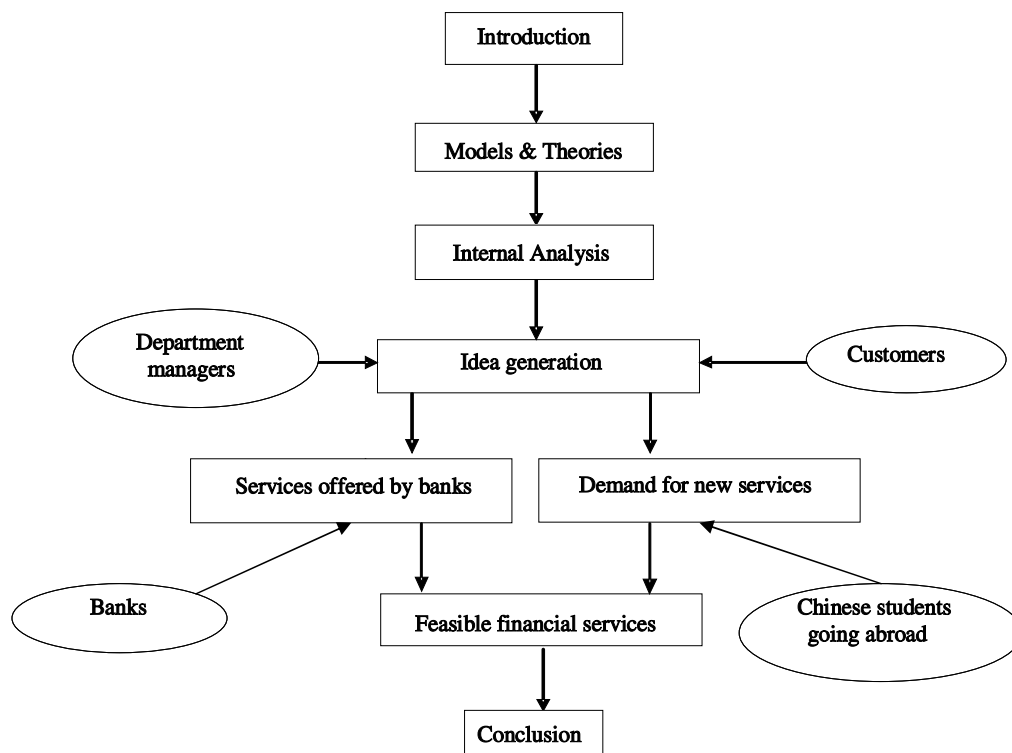
The next step is to collect data on what CHEER and the managers want. Managers involved in the project or working for CHEER were asked to give ideas on financial services that CHEER might be able to offer. By collecting this primary data through face to face interviews, concrete ideas for new financial services were created. Costumers of CHEER were also asked to participate in this research, to determine their ideas on new financial services that they would like to see CHEER offer.

After this, we started collecting data on the students needs. Secondary data available from earlier research was supplemented with primary data to give a complete answer to this question. The available internal secondary data consist of questionnaires held by CHEER to determine students' needs. New questionnaires on the needs of students regarding possible financial services were distributed to determine if there is a demand for these new services. This primary data source helped to define the needs of the students and helped to determine which financial services might be feasible for CHEER to offer.

Primary data from the Chinese financial sector (foreign banks) was needed to determine which new financial services can be supplied by banks to CHEER and the students. For this, meetings were held with bank representatives. Data gathered in previous stages of the research was used for these meetings. The information gathered during these interviews is a key factor in determining if the financial services are viable to offer.

To test the feasibility of the new financial services all the data of the previous parts of the research was combined. The feasibility criteria combined with the data of the other parts of the research allowed us to assess which new financial services are feasible for CHEER to offer.

1.5. Structure of the Research



Chapter 2. Models and Theories

2.1. Introduction

This chapter will give an overview of the models and theories used in this research. The chapter will mainly focus on two kinds of models: models and theories on New Service Development, which are used to structure this research and models and theories on feasibility studies. The main goal of a feasibility study is to assess the economic viability of the proposed service. The outcome of the feasibility study will indicate how to proceed with the proposed service. The models and theories on feasibility studies will be used to set up criteria to determine whether or not certain services are feasible for CHEER to offer.

2.2. New Service Development

This research is basically about new financial services that CHEER can develop. Therefore, we looked at literature on New Service Development (NSD). NSD literature stems from New Product Development (NPD) literature. Both NPD and NSD models often describe the steps taken (phases) in the development of a new product or services. The model below (figure 2) from Booz, Allen and Hamilton (1982) is a good example of a basic NPD model.

Figure 2.1. NPD Model

1. Develop a business strategy (long-term strategic direction)
2. Develop a new product strategy (a plan that outlines the type of new products to be developed)
3. Idea generation (formal process for soliciting ideas for new products)
4. Concept development and evaluation (refining and developing the concept of new products)
5. Business analysis (determining the profitability and feasibility of the new service)
6. Product development and testing (developing and testing prototypes)
7. Market testing (limited testing of both the product and the marketing mix variables)
8. Commercialization (full-scale introduction to the public)

Source: Booz-Allen and Hamilton (1982)

Figure 2.2. NSD Model Bowers

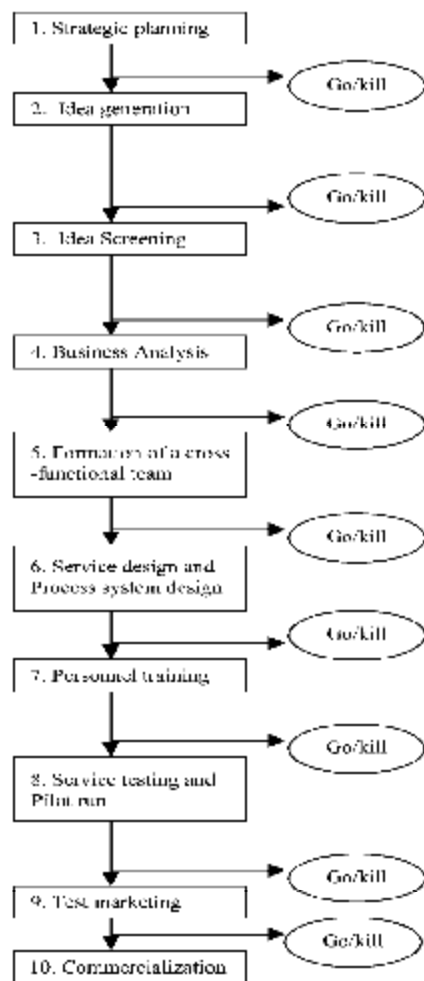
1. Develop a business strategy (long-term strategic direction for the hospital)
2. Develop a new services strategy (a plan that outlines the type of new services to be developed)
3. Idea generation (formal process for soliciting ideas for new services)
4. Concept development and evaluation (refining and expanding the concept of the new service)
5. Business analysis (determining the profitability and feasibility of the new service)
6. Service development and evaluation (establishing standards of performance for the new service)
7. Market testing (testing of the marketing mix variables and the service itself)
8. Commercialization (introduction to the public)

Source: Bowers (1987)

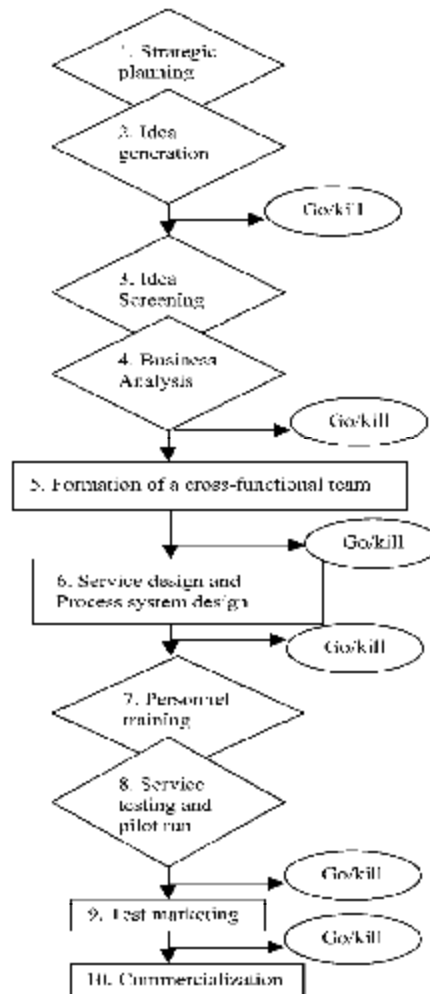
One of the first NSD models was developed by Bowers (1987) and was an adaptation of the NPD model of Booz, Allen and Hamilton (1982). The model of Bowers (1987) can be seen above in figure 2.

The two models do not differ a lot from each other, as one can clearly see. This in contrast to the article of Cowell (1988) in which the author shows some basic differences in the development of product and services. According to Cowell (1988) distinctive features of services (compared to products) are intangibility, inseparability, heterogeneity, perishability and ownership. We therefore have chosen for the more NSD-specific and encompassing model of Alam and Perry (2002).

Figure 2.3. NSD Models Alam & Perry
Linear model of development process



Parallel model of development process



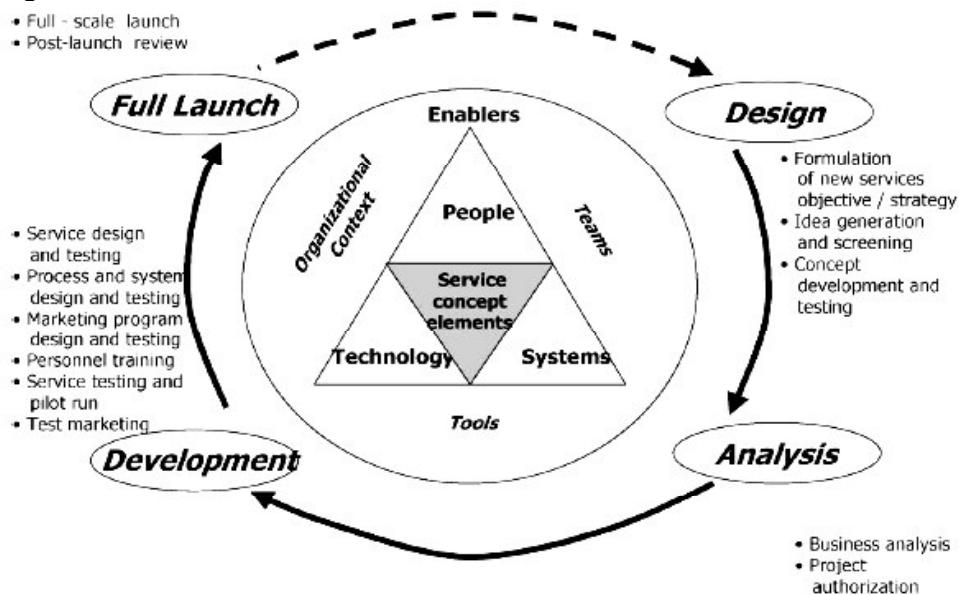
Key: *Rectangle box:* sequential stages; *diamond box:* overlapping/parallel stages
Source: Alam & Perry (2002)

Since this model is more recent, it might be better adapted to current circumstances within the economy and companies than, for instance, the model of Bowers (1987). The model is very encompassing, as it describes ten phases in the development of new services. Other models often describe fewer phases (for instance, the model of Edvardsson 1997 only describes four phases). Finally, Alam and Perry (2002) also give much attention to the input of customers throughout the NSD process. This customer input is very important in our research, since we

need input of both the Chinese students and the Chinese financial sector to be able to develop suitable new financial services. The model of Alam and Perry (2002) distinguishes between a linear and a parallel development process. Since a linear development process is more suitable for formal and larger companies, we prefer this development process for our research. However, time constraints and the availability of data resources have forced us to carry out certain phases of this research at the same time, instead of sequential.

Johnston et al (2000) combine the development process with the facilitating capabilities and surroundings. In this model, the facilitating capabilities can be found with the people, technology and the systems. The organisational context, tools and teams have an impact on the three capabilities. The additional insights from Johnston et al (2000) compared to the model of Alam and Perry (2002) can be used for the feasibility study (mentioned in 2.4). The model of Johnston et al (2002) combines the NSD structure with focus parts (mainly on organizational capabilities) of a feasibility study.

Figure 2.4. NSD Model of Johnston et al



Source: Menor et al (2002)

The model of Alam and Perry (2002) will be used as a guideline for the structure of our research. This model was chosen because it is more encompassing and up to date than other models and because of the customer input throughout the model, which we consider to be an important factor for the possible feasibility of new services. In our research we do not need to develop and implement a complete new product. We only generate new potential financial services and assess their feasibility. Therefore, only the first four steps of the model of Alam and Perry (2002) will be used: Strategic planning, Idea generation, Idea Screening and Business Analysis. Within these four steps, we will be able to assess CHEER (strategic planning), generate new potential financial services (idea generation and idea screening phase) and test them on feasibility (business analysis phase). The research questions mentioned in chapter 1 are structured using these four phases.

2.3. Idea Generation

The effectiveness of a new service development program depends on the quality of the ideas that are produced. Idea generation is also one of the most difficult steps in the process of New Service Development. It is the most important step in the process, because the next steps cannot take place without ideas. (Sowrey, 1989)

An idea generation phase will start with a process of rational and creative thinking. Available literature and media should be reviewed to get a broad sense on what subjects the idea generation phase should focus on. After this, primary data (ideas) should be generated. In this research, a series of interviews with managers will be held. The managers will be asked to use brainstorming techniques to come up with ideas for new financial services. This will be done with an individual manager involved in the project or working within CHEER. (Saunders et al., 1997).

The reason for working with individuals is that China is a collective country (Hofstede, 2005) Managers might tend to behave in group-roles to avoid loss of face due to deviant behaviour. Chinese students (customers of CHEER) will also be interviewed using the same techniques as with the managers. Somewhat more guidance might be needed due to the fact that most students have less knowledge on available financial services.

The following five rules, which are also used in this research, are a framework for most idea generation procedures currently in use:

1. No criticism is allowed during the sessions
2. A large quantity of ideas is wanted
3. Seemingly-crazy ideas are quite welcome
4. Keep all ideas short and snappy
5. Try to combine and improve on of the ideas of others

(Cross, 2000, pp. 50)

The Delphi technique will be used as an additional approach to refine the generated ideas. The Delphi technique is a method for obtaining forecasts from a panel of independent experts over two or more rounds. The managers of CHEER are considered to be experts², since they have specific market and customer knowledge needed for this research. Managers will be asked to predict which options are most applicable. After each round, an anonymous summary of the managers' forecasts and the reasoning behind these forecasts will be distributed among the managers. If consensus is not reached, the process continues, to gradually work towards a consensus. When managers' forecasts change little between rounds and an agreement is reached, the process is stopped and the final round forecasts are combined by averaging. (Rowe et al., 1999)

2.4. Feasibility Study

A feasibility study is a well-known and frequently used study to determine whether an organisation has the capabilities and resources to create and sell a new product or service and whether the products or service generates enough funds for the company. More detailed, a feasibility study identifies problems and opportunities, determines objectives, defines successful outcomes and assesses the range of costs and benefits associated with the new product or service. The content of feasibility studies often differs, since the studies are

² Experts are often referred to as people who have a prolonged or intense experience through practice and education in a particular field.

adapted to the needs of the company and authors, the specific product or service and the environment in which the product or service is introduced. A universal framework is hard to find since this framework would often be too general (and thus vague) to apply to a specific situation. In 2.2 the model of Johnston et al (2002) is introduced. This NSD model shows a couple of factors were a feasibility study should focus on. For this research, the model for a feasibility study from is used, since this model only focuses on feasibility studies and uses more detailed feasibility criteria than the model of Johnston et al (2002). The goal of the model of Barringer and Ireland (2005) is to analyze whether business ideas are viable or, in other words, feasible. The model focuses on four subjects when evaluating feasibility: Product or service feasibility, industry and market feasibility, the organizational feasibility and financial feasibility. These four subjects are discussed below. We have added the subject legal feasibility, since Chinese law might not allow CHEER to offer certain financial services.

Product or Service Feasibility (Technical Feasibility)

This part of the feasibility study evaluates whether or not the company is technically able to produce the new product or service. Since CHEER will not be producing the new services on its own, our research will mainly focus on the question whether or not banks are willing and able to supply the new services to the customers of CHEER, with CHEER as an intermediary.

Industry and Market Feasibility

The next part of the feasibility study is mainly for assessing the environment of the company and its new product or service. More detailed, whether or not there is a large enough demand for the new services. To measure the demand, the needs of the customers of CHEER will need be studied.

Organizational Feasibility

After assessing the market potential and opportunities, one should evaluate whether the company itself has the capabilities and resources to 'produce' and market the potential product or service. An internal analysis is made on subjects such as: managerial skills, organization structure, available employees and technological and other kinds of knowledge.

Financial Feasibility

In the end of the model, financial issues are investigated to evaluate the costs and benefits of the new project. The following costs should be looked into: starting costs (funding), operating costs and project termination costs. Benefits are generated from the sale of the products and services and perhaps from additional income associated with the project.

Legal Feasibility

Next to the four subjects of Barringer and Ireland (2005), legal feasibility is also looked into, since there are concerns about this subject (for example, is CHEER allowed to offer financial services to Chinese citizens, while not being a bank?).

The new financial services are only feasible if all above mentioned feasibility criteria are met. For certain subjects (for instance industry and market feasibility) it might be possible to compare the feasibility of different services (the degree of feasibility might be scaled). For other subjects (for instance legal feasibility), this might not be the case.

2.5. Conclusion

In chapter 1 four research questions are given (with the sub-questions). The models described in this chapter will be used to give an answer to these research questions. The structure of this research follows the first four steps of the New Service Development model of Alam and Perry (2002), because this is the most encompassing and up to date model and because the model allows for customer input, which is important for this research. The other models will fit in the four different stages of the NSD model. These models will aid us in developing new financial services and testing them on feasibility.

Chapter 3. Internal analysis

3.1. Introduction

This chapter will introduce the principal company for which this study was done. The following research question will be answered in this chapter: 'What are the characteristics, strategic objective, mission and goals of CHEER?'. The market in which CHEER operates will also be discussed briefly. Because of the limited availability of internal documents as well as external market information, the information given in this chapter is not very detailed. In addition, sometimes the opinions of the managers of CHEER differ from those of external sources.

3.2. CHEER

China Europe Education and Research Foundation (CHEER) was founded in 1995 in the Netherlands. The company mainly focuses on offering services to educational institutions in Europe and China. At the moment, CHEER has offices in the Netherlands, the United Kingdom and two in China (Beijing and Shanghai). As mentioned in the introduction of this paper, CHEER is divided in several divisions: Overseas Studies, Education Investment, International Forums, International Summer Camps and Scholarships and Awards and Charity.

Our research focuses on the Overseas Studies department of CHEER and has little to do with the other departments. The Overseas Studies department is often called Century Bole, since this department of CHEER was created with the acquisition of the Chinese study abroad agency company Century Bole by CHEER. Since Chinese law does not allow foreign companies (such as CHEER) to operate as a study abroad agent on the Chinese market, CHEER uses the licenses (and often name) of Century Bole when it operates as an agent on the Chinese market.

3.3. Century Bole

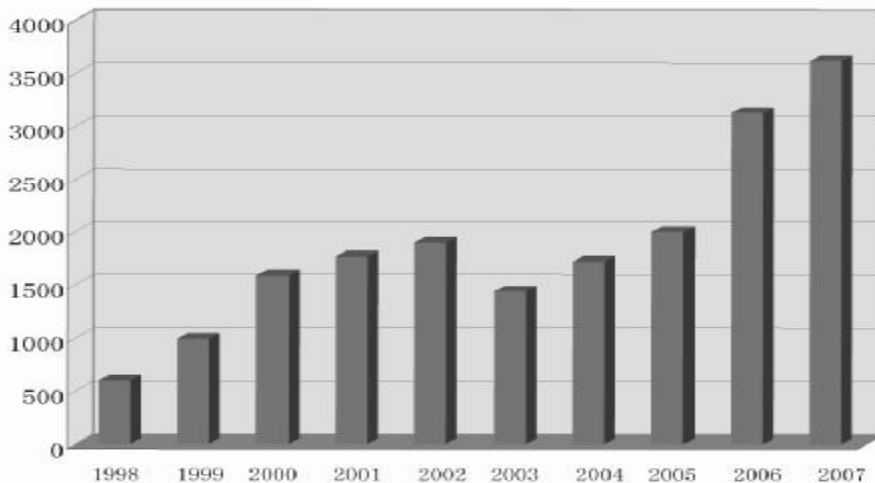
The core service of the Overseas Study Department/Century Bole (CB) is to provide mainland Chinese students with comprehensive and high quality counselling, assistance with applying for admission and visa and pre-departure and post-arrival services. CB helps students apply for high school and university preparation programs as well as bachelor and master programs. CB mainly focuses on sending students to the following destination countries: United States, Canada, United Kingdom, the Netherlands, Australia, New Zealand, Denmark, Sweden and Norway.

The Services that CB provides are:

- **Counselling:** Once a student is allocated to a counsellor, the counsellor listens to and assesses the student's particular situation. Based on the student's geographic preference, academic background and future career goals, the counsellor recommends a study plan.
- **Application Process:** CB has developed relationships with educational institutions abroad and has a thorough understanding of their admission procedures. CB helps the students fill in the admission forms. The application forms are then checked by an employee in the destination country.
- **Visa Service:** After receiving an offer, the visa service counsellors explain the visa application process to the students. The counsellors give detailed information about financial and documentary requirements as well as relevant visa regulations.

- Pre-Departure Service: CB also provides information about the destination country, booking plane tickets and other relevant issues.
- Overseas Service: CB has offices in the Netherlands and the United Kingdom, which can contact Chinese embassies to request help in case of an emergency and assist with visa application of visiting relatives and friends.

Figure 3.1. Number of Customers in CB (1998-2006)



Note: The data for 2007 is based on prediction.

3.4. Goals, Objectives and Strategy

CB as well as CHEER are both professional organizations, meaning their primary goal is to provide returns to the shareholders. Since profit and shareholder value often move together (especially with non-listed companies), the short term goal for CB and CHEER is to increase profit. Furthermore, CB states in internal documents³ that "It is Century Bole's goal to be the leading comprehensive supplier of professional services for people who are willing to study, travel or live abroad". To achieve this goal, CB will focus on the following objectives:

- To be the best provider of traditional intermediary services in China
- Develop financial support programs so that talented people with little money also have the chance to study abroad
- Help Chinese students prepare for their study overseas
- Help Chinese students to be successful in their career after graduation from colleges and universities overseas
- To be the intermediary of culture and education between foreign countries and China

There are no other internal documents on the goals and objectives of Century Bole. From interviews with managers of CB it became clear that CB is trying to achieve a higher profit by attracting more customers and earning more money per customer.

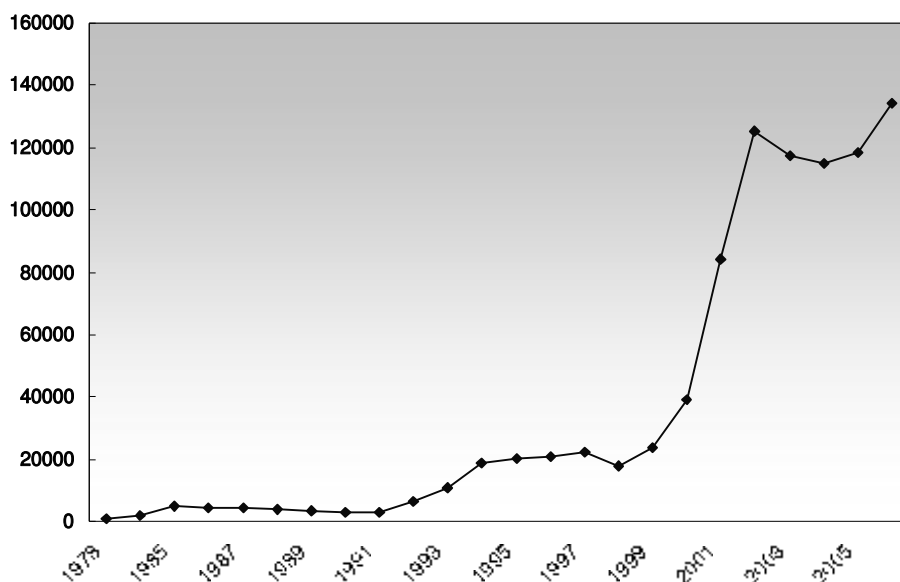
³ Century Bole wrote a business plan for an investor, this business plan is classified, the name of this business plan includes the name of the investor and thus cannot be referred to.

Although no central strategic guideline is available, the strategy is focused on three subjects. This was derived from interviews with managers and internal documents. First of all, CB wants to improve its reputation, since the reputation of the overall industry as well as the reputation of CB is quite low (according to the managers of CB). Next, CB is trying to improve and expand its contacts with both universities abroad and Chinese high schools to facilitate the recruitment and placement of the students. Finally, an important aspect of CB's strategy focused on differentiating CB from its competitors. The main way in which CB tries to do this is by offering the students more services. Examples of this are the prep school that CHEER/CB set up mainly to increase English proficiency of the Chinese students or the financial services which are studied in this research.

3.5. Market Overview

The graph below shows the number of Chinese students that went abroad to study for the years 1978 to 2006. Especially in the end of the last century, this number increased a lot. After 2001 the number dropped, mainly because of stricter visa regulation for the United States after 9/11. For 2004 onwards, the number of students going abroad is increasing again.

Figure 3.2. Number of Students Going Abroad (1978-2006)



Source: Chinese National Bureau of Statistics & Ministry of Education

In 2006, almost 140,000 Chinese students went abroad for educational purposes. According to CHEER/CB roughly 1/3 of these students used the services of an agency. CHEER/CB expects that the growth of the number of students going abroad for the following years will be similar to the growth between 2004 and 2006.

The Netherlands Education Support Office in Beijing, however, paints a different picture: "The maturing of the study abroad market and the levelling off of the number of students going abroad in recent years has had a severe impact on most recruitment agencies. Most have seen their businesses shrink considerably and many are out of business. Only the strong

agencies and the ones offering good services with added value for reasonable service fees are likely to survive in the future.” (NESO, 2005, p.12)

Since it is not known how many students exactly use study abroad agencies, it is hard to say anything about the development of the market of study abroad agencies.

In China, 398 study abroad agencies are approved by the Chinese Ministry of Education. Most of them have a small market share. Below four study abroad agencies are shortly described. Together with CHEER/CB, they form the biggest five study abroad agencies in China. The information on the four study abroad agencies was collected from a competitor analysis done by the strategy department of CHEER and from the websites of the agencies.

Beijing OZ Enrolment Center of International Education

The Beijing OZ Enrolment Center of International Education is the biggest study abroad agency in China. CB estimates that it has a 15% market share⁴. The company concentrates on building up relations with universities abroad. Beijing OZ Enrolment Center of International Education is rapidly expanding and has offices in eleven Chinese provinces, the United Kingdom, Canada and Australia. The services it offers are: language training, a preparation program (to train Chinese students in skills needed for studying abroad), assistance with university and visa application, emigration assistance and career consulting.

Beijing JJJ Overseas Education

Beijing JJJ Overseas Education is the second biggest study abroad agency with an estimated market share of 10%. This company also concentrates on relations with universities abroad. It has been shrinking the last couple of years and now has offices in three Chinese provinces. The company does, however, has support offices in fifteen other countries. Beijing JJJ Overseas Education offers students language training, assistance with university and visa application, emigration assistance and career consulting.

EduGlobal China

The exact market share for EduGlobal China is unknown, but CB estimates that this is the third biggest study abroad agency in China. The company mainly focuses on sending student to Australia and Canada. EduGlobal China works together with study abroad agencies in those countries. It has offices in nine Chinese provinces and has been expanding the last couple of years. The company only offers assistance with university and visa application. For Australia, these services are free of charge.

Chinese Service Center for Scholarly Exchange

The market share of the Chinese Service Center for Scholarly Exchange is unknown, CB estimates it to be close to the market share of EduGlobal. This study abroad agency works together with the Chinese government. It has offices in twenty-three Chinese provinces. The company does not have any connections with foreign universities. It offers the students the following services: a preparation program (to train Chinese students in skills needed for studying abroad), assistance with university and visa application, emigration assistance and career consulting

⁴ Market share: Number of customers / Total number of people using agencies. To compare: estimated market share CB: 6%.

3.6. Conclusion

In the chapter, a broad overview of CHEER and especially of CB is given. At the moment, CHEER/CB mainly offers assistance with university and visa application to its customers. The strategy of CHEER/CB focussed on improving the reputation of the company, improving and expanding its contacts with universities and high schools and differentiating itself from its competitors (to ultimately become the leading company in the study-abroad agency market). Offering financial services to its customers is one of the possible methods which CHEER/CB can use to differentiate itself from its competitors. Three of the four biggest competitors of CHEER/CB already offer more services than CHEER/CB offer. The four biggest competitors of CHEER/CB all have more offices in China.

Chapter 4. Idea Generation

4.1. Introduction

Idea generation is the second stage of New Service Development. This stage starts with the conceptualizing of a list of new service ideas. Generating ideas to solve a problem or find a solution is not a precise technique. Different methods can be used to try to find a solution for a research problem. For this stage three main sources are used namely: competitors⁵, department managers and students (customers). The goal of the idea generation phase is to develop new ideas for new financial services. The following research question will be answered: *"Which new financial services might be possible to offer to the customers of CHEER/CB?"*.

In this chapter we took in consideration that people in collectivist cultures, such as the Chinese culture, use indirect and face-saving communication more than people in individualist cultures. "Many observers have emphasized the importance of saving face in collectivist cultures (Hu, 1944; Ho, 1976). Moral persons behave as their roles, in-group members, and society stipulate. If the individual deviates from such ideal behaviour, there is loss of face, not only for the individual, but also for the whole in-group." (Triandis et al., 2006, p.154) Therefore only individual interview with both the managers and the students were held. By doing so collective behaviour during the interviews was avoided as much as possible.

4.2. Desk Study

Searching for appropriate information and looking at competitors is the first stage of the idea generating process. All information available on relevant topic was reviewed. Taking a close look at competitors and similar companies around the world was an important initial step. This gave direction to the search for ideas for new financial services.

For this part of the research a desk study was conducted, a small analysis of the services of the competitors and an analysis of similar businesses around the world was made. Most of the information was gathered by searching the internet homepages of companies and using search engines for relevant information. Internal documents of CHEER/CB were used as a source of information on the competitors.

First, information on other agencies based in China and the rest of world was studied. Some of these agencies offer services like loans⁶. These loans are often offered to students by study abroad agencies, which function as an intermediary for banks. This can be in cooperation with foreign banks, but most of the time it is done in cooperation with Chinese Banks. Other agencies are working together with foreign banks to offer overseas student accounts⁷. These accounts are being set up in China for students who are going to study abroad. In this case, the agency also acts as an intermediary. Insurances were also offered by some agencies, but as with the other services, the agencies acted as an intermediary for an insurance company. It is not clear if the agencies gain a direct profit from these activities.

⁵ Among competitors we share competitors at all levels such as universities, banks and companies which offer similar services.

⁶ For example: Chamberlain educational service centre (<http://www.chamberlain-edu.com>) and Dadi overseas Studies Service Centre (<http://www.dadi.com.hk>)

⁷ For example: New Oriental Beijing (<http://www.neworiental.org/Portal0/default.htm>)

Universities in countries like Canada and the United States, for example, also provide some financial services⁸. Usually, these services comprise of a student account, credit card, insurances and loans. These services are only offered to students who attend these universities. Most of these services are only available for permanent residents of the country the bank is situated in. Some of these services, like a student account, however, are offered to international students. Sometimes credit cards are also available for international students (this depends on the local bank rules).

4.3. Interviews with Managers

The next step was to see if the company's employees had similar ideas as were found during the desk study. For this a series of idea generation-techniques, as mentioned in chapter 2, are used. These are tools to create new ideas which can solve a problem. The success of these techniques depends on creativity of the persons rather than on the technique itself. During the creative sessions set rules had to be followed to ensure creativity without any influences. So influence from us had to be as low as possible in the beginning to ensure maximum output from the managers

Gathering ideas from managers was an important part of the research. To create feasible ideas department managers had to be involved. They are in direct contact with the costumers and have market knowledge. To involve them into the idea-generation process, semi structured face to face interviews were organized and conducted. It was explained to the managers that we wanted to create ideas for new financial service together with them. If managers were out of ideas, ideas from other managers or earlier stages were given to them to think about and discuss.

The managers of all big departments were invited for personal interviews. The department managers included in this research are those of the Australian, Dutch, United Kingdom, Canadian and the United States department.

Below, short summary of the interviews with the managers are given:

USA Department

The manager of the USA department told us that the students he offers services to do not need help in getting a foreign bank account or an insurance. In the United States most universities help their students with bank accounts and insurances. The students might be interested in better ways of transferring money from China to the United States and do need help with transferring the tuition fee to the universities. The manager and employees of the USA department get a lot of questions about transferring tuition fees. At the moment, the USA department has some problems in solving this issue. Next to the current services and possible new financial services, the manager of the USA department also mentions that CHEER/CB might help the students by assisting them in getting a bank statement from a foreign bank for visa application. According to the manager of the USA department, most students will get help from their university when applying for a credit card, after they arrive in the United States. Therefore, he sees no need for CHEER/CB to arrange this in the future.

⁸ For example: Colorado State University and (<http://www.csucssa.org/>) and Indiana University (<http://www.indiana.edu>)

Australian Department

The manager of the Australian department stated that getting a visa is the most important for the students wanting to go to Australia. To get a visa, the students need to show that they have a certain amount of money. This can be their own/families money or money from a loan from a bank. At the moment, if the students want a loan, they are already being referred to a Chinese bank by the staff of the Australian department. The manager thinks that most foreign banks would probably not be interested in supplying a loan to Chinese students, but if they do provide a loan, students might be interested. CHEER/CB should consider helping the students to get a bank statement for their visa, according to the manager of the Australian department. There might be a demand from students for assistance in finding a job after graduation. The manager does, however, indicate that he has not received any questions from students concerning future jobs. Students might also be interested in a foreign bank account, arranged by CHEER/CB, prior to their departure. Some student face difficulties in acquiring a bank account when they arrive in Australia. A service from CHEER/CB providing a foreign bank account would be beneficial and interesting for these students. A credit card for the students might be an option but the manager is uncertain about this. He states that quite a large number of students already have a credit card before they go abroad.

Canadian Department

The biggest problem the students have, according to the manager of the Canadian department, is paying their tuition fee to Canadian universities and transferring money from China to Canada. The manager sees opportunities in these fields for CHEER/CB. Students might also be interested in a statement from a foreign bank when applying for their visa. The students are often helped by their home stay families with most other financial issues. Most students going to Canada start in a home stay environment. Therefore, arranging a foreign bank account before departing does not seem necessary, according to the manager of the Canadian department. Most foreign students get a personal credit card when studying in Canada (from a Canadian bank). This is a type of credit card that can only be used if a certain amount of money is put into an account. CHEER/CB does not need to arrange a credit card for the students, according to the manager of the Canadian department.

Dutch Department

The Dutch department manager does not think the students need a lot of additional assistance with financial issues. She indicates that most students arrange their own financial needs when arriving in Holland. Almost no questions concerning financial matters are being asked by students. Assistance in getting a statement from a foreign bank, however, might be an interesting option. The manager of the Dutch department states that there have been some questions from students concerning a bank statement. Some Dutch universities might be more eager to accept bank statement from foreign banks according to the manager of the Dutch department. It is also indicated by the manager that students also might need and want help in finding a part-time job in the Netherlands.

UK department

According to the manager of the UK department the students need both help with transferring their tuition fee to universities and better possibilities to transfer money from China to the United Kingdom. The manager indicates that they have been receiving some questions concerning this matter. He would like CHEER/CB to do something with this in the near future. Students might also be interested in a bank statement from a foreign bank, which they need for their visa application. A foreign bank account before departure could also be desirable, however, the manager of the UK department indicates he is not sure if there is a

demand for this. The same goes for a credit card from a foreign bank. Next to this, students might also be interested in assistance in getting a job after they graduate. The manager from the UK department states that many students have difficulties in finding a job after their graduation and he sees potential for CHEER/CB to offer assistance with finding a job.

4.4. Interviews with Students

To create ideas from the companies point view as well as from the customer's point of view, brainstorming during in-depth interviews was used. Student (customers and potential customers visiting CHEER/CB) were asked during an interview to think about their future financial situation abroad and give solutions and ideas. Through this, more knowledge about customer needs was gathered.

The students using the services of CHEER/CB will be the end user of the new service. Their ideas might differ from those of managers or the ideas generated from the desk study. The students came to CHEER/CB for a pre-interview training and were then asked if they wanted to participate in this research. The interviews were set up in a similar way as for the managers. Somewhat more guidance was given due to the fact that relevant knowledge of the students was lower than that of the managers.

Only students going to the Netherlands were used for these interviews. The reason for this is that they were more available due to the pre-interview training they intended. After the end of the training they were asked to participate in this research.

When the students were being interviewed several problems were encountered. It came to our attention that most students going abroad do not have a clear view about their financial needs during their stay abroad. They often had not yet looked into these matters and thought that these matters would not give any problems. Therefore more direction had to be given to the students during the interview than was intended. The options found in prior research were given to the students and were discussed. Most students had the intention to open a local bank account in their country of destination, but all thought of opening it after arrival. They were told of the possible option of opening a foreign bank account in China, which sounded interesting to most students. But not all students thought of such an account being necessary, because they already had a Chinese account which could be used in country of destination. This is also the case with a foreign credit card. Most Chinese students intend to use their Chinese credit card, which, according to them, can also be used abroad. Most of the students also do not think that they will get a foreign credit card. The students did mention the option of opening a bank account in China at a foreign bank, thus opening a Chinese account at a foreign bank. They indicated that they thought that this might help them with opening an account abroad. The students did not yet know how to pay the tuition fee. Often, they told us that their parents will do this, if needed, together with CHEER/CB. The possible assistance with paying the tuition fee by CHEER/CB was considered to be helpful. But the parents of the students will probably make the decision. The option of a bank statement was considered to be helpful, but again they were not sure if they needed it.

Most Chinese students do not have a clear picture of what to expect concerning their financial needs when studying abroad. Not many new ideas were generated, most were only revised ideas from an earlier stage. Other facts like culture differences and students looking up to the interviewers may also have had some affect on the outcome of the interviews. The students do however have clear opinions about the ideas generated in the earlier stages, these opinions and ideas are used in the later stages.

4.5. Initial Ideas Generated

The gathered data from the idea generation sessions gave a range of ideas which can be tested on feasibility in this research. The main ideas that came out of the idea generation stage are:

1. A foreign bank account; This is a bank account at a bank in the country of destination of the students. This account will be set up before departure, in China, at CHEER/CB. There are several banks which offer this service in China.
2. A foreign credit card; This is a credit card at a bank in the country of destination of the students. This credit card will be arranged before departure, in China, at CHEER/CB. There no banks who offer this service at the moment. But this service is available in many countries of destination.
3. Paying tuition fee; CHEER/CB will help the students and their parents to transfer the tuition fee to the universities abroad.
4. Chinese Bank account; This will be a Chinese bank account at a foreign bank. CHEER/CB will help the students to set up a bank account at a foreign bank in China.
5. Banks statement; CHEER/CB will help the students to get a bank statement necessary for their application for a VISA applications and sometimes, university application.
6. Loan at a foreign bank; CHEER/CB will act as an intermediary and assist students in applying for a loan at a foreign Bank in China.
7. Insurances; Arrangements will be made by CHEER/CB to provide the students with the necessary insurances for the students when staying abroad. CHEER/CB will have to act as an intermediary and offer these services together with insurance companies.
8. Job service; CHEER/CB will start a job office which offers job to students who finished their education and return back to China.

These ideas will be refined with the help of the Delphi technique to create a set of ideas that all managers support.

4.6. Delphi Technique

The purpose of the Delphi technique in this research is to get information and judgments from the managers of CHEER/CB to facilitate planning and decision-making in our idea generation process. This method was chosen because it takes advantage of participants' creativity as well as it gives aid to the effects of group involvement and interaction. By using the Delphi technique consensus will be created among the managers on the ideas developed in the earlier stages of idea generation phase.

In the earlier stages ideas on new financial service were generated. Each manager was to engage in individual brainstorming to generate as many ideas as possible. This stage was monitored and guided if necessary. This led to the following ideas; a foreign bank account, a foreign credit card, paying tuition fee, Chinese bank account, banks statement, loan, insurance and a job service. No attempts were made to evaluate or justify these ideas at that point in the process. These were the highly dominant ideas that emerged from idea generation stage. The approach which was used for evaluating the ideas is the Nominal Group Technique for "voting." With this approach each member is asked to identify the top three ideas and assign three points to the most promising idea, 2 points to the next most promising, and 1 points to the third -best idea. (Dunham, 1996) The ideas were then ranked on the total number of points received. The managers were asked to take all strong and weak points of each option into careful consideration before assigning points. The managers' forecasts had changed little between the last two rounds and an agreement was reached. The process was stopped and the final round forecasts are shown in the graph below. The rankings the department managers gave have equal weights because no criteria for weights could be set up. The relative number

of customers the departments have differ a lot each year and the most experienced managers did not necessarily work for the biggest departments.

Figure 4.1. Ranking of the Ideas

	USA	Australia	Canada	Holland	UK	Total	Rank
Idea #5BS	4	3	4	4		15	1*
Idea #1FB	1	4	1	3	3	12	2*
Idea #3PTF	3	1	3		1	9	3*
Idea #2FCC				1	4	5	4*
Idea #4CBA	2		2			4	5*
Idea #6LOAN		2				2	6
Idea #7INS				2		2	6
Idea #8 JS					2	2	6

It was decided not to follow up on the following ideas; loans for students (idea 6), insurances for students (idea 7) and a job service (idea 8). The managers were asked to elaborate on the ideas which did not make it through the evaluation process. The loan option was not realistic for most departments. All but the Australian department indicated that a loan was not applicable for their students because the money from a loan cannot be used for visa application. To receive a visa, students from these departments must show that they have their own money, a loan in this situation does not work. Insurances arranged by CHEER/CB were not chosen because most managers indicated that these would be arranged by universities or that the universities would help the students to arrange this. The job service was seen as attractive by some, but this option would probably also be the most time consuming, according to the managers. The managers indicated that the other options were more like extra service whereas the job-service would need at least a whole new department to manage it. Therefore, most managers judged this option as being unattractive for CHEER/CB.

4.7. Conclusion

In this chapter, three information sources are used to generate ideas for new financial services. The information sources are other companies or institutions offering financial services to students, the managers of CHEER/CB and customers of CHEER/CB. The top five ideas are: foreign bank account, a foreign credit card, paying tuition fee, Chinese bank account at a foreign bank and a bank statement. These ideas were ranked highest among the managers and the managers considered these options to be feasible. These five ideas will be tested on their feasibility.

Chapter 5. Student Questionnaire

5.1. Introduction

In the idea generation phase students were interviewed to generate ideas for new financial services. In-depth interviews were used for this phase. The idea generation phase produced several ideas for new financial services. These potential new financial services now have to be evaluated on their feasibility. One part of this evaluation is to test whether there is a market for the new financial services. In other words, to test whether the students are interested in 'receiving' such services from CHEER/CB. To do so, a questionnaire was held among customer of CHEER/CB. This questionnaire was set up in such a way that it would help to answer the following research question: "Which financial services do Chinese students going abroad want?" Before reviewing the results of the questionnaire, other secondary internal data from CHEER/CB will be discussed.

5.2. CHEER/CB Research

Alongside with the research we were conducting at CHEER/CB, there also was a research on financial services that Chinese banks might offer. For this research, CHEER/CB also wanted to gather information on their customers. CHEER/CB had set up its own questionnaire, which was distributed in March 2007, at the time our questionnaires were distributed.

There were a few differences between the two questionnaires. The respondents which filled in the questionnaires did not have the same level of knowledge on their future situation abroad and services that might be helpful to them. For the questionnaire of CHEER/CB, students and parents were interviewed who came to CHEER/CB for the first time. The respondents had little knowledge about their financial options and their future situation abroad. Our questionnaire, on the other hand, was given to students who were more informed and came for a pre-departure interview or English lessons at CHEER/CB. The questionnaire of CHEER/CB also focused on services from Chinese banks whereas our questionnaire focused on services from foreign banks. This might cause differences between the results of the two questionnaires.

The research of CHEER/CB focused mainly on student needs for a student bank account and a student credit card. Both students and their parents were interviewed in a face to face meeting at the office of CHEER/CB. For this research 10 students and 10 parents were interviewed.

The questionnaire from CHEER/CB showed that only a few students and parents knew of the possibility of opening a student account. Only 11% of the people being interviewed knew of the existence of this service. When asked if they might be interested in this service, 30% of the people responded positive. More than 60% of the respondents were not sure if they would need or use a student bank account.

The questions on the credit card give a whole different result. Most interviewed people knew of the possibility of getting a credit card. 11% of these persons indicated that they thought that a credit card would not be useful abroad. Another 18% commented that they already had a credit card and that they see no reasons for a new credit card arranged by CHEER/CB. When asked if they would want to acquire a credit card before going abroad, 18% responded positive. The remaining 60% of the students and parents were still inconclusive if they wanted to acquire a credit card before going abroad.

This research by CHEER/CB shows that there is some interest in the financial services provided by banks. But most students are still unsure and seem to be uninformed about most services. This research cannot be used to judge whether the idea generated are feasible, because of the differences in the providers of the services (foreign banks vs. Chinese banks) and the low amount of knowledge the interviewed people had about their future situation. Therefore a second questionnaire was set up, focusing on foreign banks and the services they might be able to provide.

5.3. Financial Service Questionnaire

To assess the interest of the students in new financial services from foreign banks, a questionnaire for the students was set up. In the questionnaire, the students were asked whether they would be interested in the financial services generated in the idea generation phase. Questionnaires are a valuable method of collecting a wide range of information from a large number of respondents. Questionnaires have the advantage that they have standardized answers, which makes it easy to compile data. The questionnaires were translated in Chinese, because some respondents were not able to read and completely understand English questions.

The questionnaire was used in a face to face interview. The questionnaire sheets were given to the department managers, which handed the questionnaire to the students visiting their departments. By doing so, we had to rely on the students which came to CHEER/CB and thus were available for the enquiry. This method does not permit any control over the representativeness of the sample. But it is justified because we only want the students coming to CHEER/CB to be included in our research⁹ (Babbie, 2004). The students were questioned by the managers or employees from the departments involved. The managers or employees also cleared out uncertainties concerning the questionnaire if present. All student coming to CHEER/CB in the period of May 2007 until July 2007 who were willing to participate, were asked to fill out the questionnaire. This was done to ensure that we would have a high number of respondents. The total number of respondents in the end was 54. A number larger than 30 was desired this because of Stutley (2003), who advises that a minimum number of 30 for statistical analyses provides an useful rule of thumb for the smallest number in each category within your overall sample (Saunders et al, 1997). With the 54 respondent for this enquiry a certain amount of certainty of the outcome can be assured. However, the sample size of 54 is lower than the 322 respondents needed for a 95% level of certainty (Saunders et al 1997). As mentioned before, the students all had been to CHEER/CB before the questionnaire or had contact with an employees of CHEER/CB before they were questioned. So, students had a considerable amount of knowledge about their future situation and possible services available to them in China or in their country of destination.

The questionnaire was designed to determine if there was a need or demand for the ideas created in the earlier stages of this research. Students were asked to answer a number of questions on these financial services. As stated before, Chinese people are very collective therefore we chose to interview the students one by one to avoid collective behaviour (Hofstede, 2005). Questions were kept as simple as possible to avoid loss of face for the students and ensure that all questions would be understood. If students would not understand a question, they might try to answer the question anyway to avoid loss of face.

⁹ We are looking to expand the current service package offered to the customers of CHEER/CB and not to offer a complete new services on its own.

The first question asked was about a bank statement for their visa application. Most students, 51%, indicated that they were not sure if they needed this. The students responded that this service might be needed but were unsure about this at the moment. An additional 34% responded that they would like to make use of this service if CHEER/CB would offer this. They said that this would make it easier for them to get a visa and admittance to a foreign university. Only 15% responded with a direct “no”, saying that they did not need this as they can arrange a bank statement themselves.

When asked if they would be interested in a foreign bank account before departure, 61% of the students responded positive. They would find it beneficial if they would be able to acquire a foreign bank account before they go abroad. Some students replied that they would prefer setting up a bank account in a familiar setting (China) rather than after arrival in a new environment. Another 30% of the students were not sure if they wanted or needed this bank account and thus this service. Only 9% indicated instantaneously that they would not find this account beneficial and that there was no need for such a service.

43% of the respondents indicated that they would want a credit card from a foreign bank. Many of these students thought that a foreign credit card will be better than a local (Chinese) credit card abroad. 31% of the students were not interested in a credit card from a foreign bank. When asked for the reason behind this, most of these students said that they already possessed a credit card or that they were uncertain of the benefits of a foreign credit card. The other 26% of the respondent indicated that they were still not sure whether or not they would need this service from CHEER/CB.

Most students would find it helpful if CHEER/CB assisted them with the payment of their tuition fee to a foreign university. 72% indicated that assistance with transferring their tuition fee would be considered a service they might use in the future. Some of the students were not sure if they would need help transferring their tuition fee, about 15% responded that they were not sure if they needed this service. They thought they or their parent would be able to do it themselves, but, if this fails, they might need help. The other students indicated that they would need no help with this matter, they or their parents would arrange this themselves and they would not need the help of CHEER/CB.

31% of the students indicated that they would like to have help getting Chinese bank account from a foreign bank in China, if this needed. They responded that a Chinese bank account at a foreign bank might help when applying for an account abroad. A group of 46% respondents was still unsure if they might need or want this service in the future. Many of them did not see many differences between a “normal” Chinese bank account and a Chinese bank account from a foreign bank. The other 23% of the student responded that they would not need a Chinese bank account from a foreign bank.

Figure 5.1. Outcome Financial Service Questionnaire

Service	YES	NO	NOT SURE
Tuition Fee	72%	15%	13%
Foreign Bank Account	61%	30%	9%
Foreign Credit Card	43%	31%	26%
Bank statement	34%	15%	51%
Chinese bank account Foreign bank	31%	23%	46%

5.4. Conclusion

The questionnaire done by CHEER/CB showed that there is a reasonable amount of interest in financial services, but that most students do not have a clear picture about their future stay abroad. Therefore, we conducted our own questionnaire and asked students who were in a more advanced stage of their preparation, and thus better informed, to fill in our questionnaire. Figure 5.1. shows the results of our questionnaire, which was filled in by 54 students visiting CHEER/CB. A lot of students are still not sure whether or not they want a certain financial service from CHEER/CB, especially with the bank statement and Chinese bank account at a foreign bank. The results do, however, show that there is a reasonable amount of interest in the five financial services, ranging from 31% to 72%.

Chapter 6. Foreign Banks

6.1. Introduction

This chapter will answer the fifth research question: 'Which financial services can be offered to the students going abroad?' and will therefore focus on the foreign banks in Beijing and the possibilities of cooperation between these banks and CHEER/CB. After a short introduction on foreign banks in China, we will show the selection process of the foreign banks. Then, a short report on the meetings with the banks will be given. In the end of the chapter, a table with an overview of the possible options for cooperation with foreign banks will be given, together with a conclusion of this chapter.

6.2. Foreign Banks in China

For more than a century, there have been foreign banks in China (for instance, the ABN-Amro bank started a branch in China in 1903). In 2001 China entered the WTO. This meant that China had to give foreign banks unlimited access before 2007. Formally this happened in December 2006 (foreign banks can offer full banking services to all kinds of customers throughout China) (WTO, 2001). Our conversations with the banks showed that foreign banks do not face cooperation from the Chinese government. James M. Zimmerman, an attorney with Squire, Sanders & Dempsey in Beijing says: "China is in compliance with its basic WTO commitments, but it has created regulatory and procedural barriers that hinder full access" (Bremner and Roberts, 2006, p.1). The barriers increase the costs of entering the Chinese markets and offering full banking services to such an amount, that it is not economically viable for most foreign banks to offer full banking services in China.

Since China is a large and upcoming market for banks, in which growth opportunities are available, many foreign banks have offices in China. They do not, however, offer full banking services. Most banks, with the exception of CitiBank and the Hongkong and Shanghai Banking Corporation (HSBC) focus on specific segments of the Chinese market. The banks often focus on business-to-business services and asset management of wealthy private customers. Some banks, for instance Australia New Zealand Bank (ANZ) use their offices in China to promote banking services in their domestic market(s). Other foreign banks cooperate with Chinese banks and refer private customers to their Chinese partner. For instance, Internationale Nederlanden Groep (ING Bank) refers all private customers to the Bank of Beijing.

6.3. Selection of Banks

Before we arranged meetings with the banks, we had to select which banks to contact. Obviously, some foreign banks in Beijing can be excluded from our research because of the nature of our research (finding new financial services that are feasible to offers the customers of CHEER/CB). We first selected all foreign banks that (a) have an office in Beijing and (b) offer services in at least one of the destination countries of students using CHEER/CB. This left us with twenty foreign banks. Of these twenty foreign banks, we selected the banks that (a) offer services to private customers in China or (b) can make arrangements for services offered in at least one of the destination countries of the Chinese students using CHEER/CB and (c) offer services in the destination countries to students. After this selection round, ten banks remained.

6.4. Contact with the banks

After the selection process, we started contacting the banks. Most of the time, we first made an appointment with an employee and then visited the banks. Some banks were visited without an appointment. We came in contact with all of the ten selected banks.

In a typical appointment with a bank employee, we would first tell something about CHEER/CB and the services it offers. After this, the bank employee would be asked for ideas about possibilities for cooperation. Finally, we tried to find out whether the bank was willing and able to offer the services generated in the idea generation phase. Below, the outcome of our meetings with the banks is discussed.

Algemene Bank Nederland – Amsterdamsche-Rotterdamsche Bank (ABN-Amro Bank)

The ABN-Amro bank in Beijing is a Chinese bank owned by the Dutch ABN-Amro bank. The Chinese ABN-Amro bank and the Dutch ABN-Amro bank do cooperate (for instance with marketing or guaranteeing dept), but they do not have access to the bank accounts of each other's customers. Therefore, ABN-Amro in China is not able to open an account in the Netherlands. Furthermore, in China ABN-Amro only serves customers with wealth management products. At the moment, the only option of cooperation between ABN-Amro China and CHEER/CB is that ABN-Amro can provide bank statements for visa applications. In the future (probably during next year) ABN-Amro will expand their services offered and might offer banking services to ordinary Chinese customers.

Australia New Zealand Banking Group (ANZ Bank)

A contract was set up between the ANZ bank and CHEER/CB (the contract is not yet signed by both parties). ANZ bank can set up an Australian or New Zealand bank account for Chinese students that have not yet travelled abroad. Money can be deposited on the bank account, but if the student wants to withdraw money from the bank account, the account needs to be activated abroad (by showing a passport). Parents can transfer money to the students account by using their bank account at a Chinese bank (the amount of money transferred is limited by the Chinese government). A credit card cannot be obtained in China, but might be obtained when staying abroad. The student cannot use the ANZ Bank to transfer the tuition fee to their university, because the ANZ Bank does not offer services to private customers in China. The ANZ Bank can give a bank statement for visa application, but only on the foreign student account. For every student sent by CHEER/CB to the ANZ Bank, CHEER/CB receives 100 RMB. ANZ Bank is willing to partner up with CHEER/CB in joint marketing. ANZ Bank will provide marketing for CHEER/CB (for instance by offering their customers promotion folders of CHEER/CB) and CHEER/CB might provide marketing for ANZ Bank (for instance, by allowing them to give guest lectures). CHEER/CB can use the logo of the ANZ bank on the website (after confirmation).

Bank of America NT & SA

Bank of America does not offer private accounts to people in China. It does offer student accounts in the United States, but only to US citizens. Chinese students studying in the United States cannot open a student account at the Bank of America.

JP Morgan Chase & Co

JP Morgan Chase bank does not offer private accounts to people in China, nor does it offer students accounts to Chinese students studying in the United States (student accounts are only for US citizens).

CitiBank

The Chinese CitiBank is a Chinese bank owned by Citigroup. There are ties between the Chinese CitiBank and the American CitiBank, but Chinese students cannot open an American bank account at the CitiBank in China. The CitiBank does offer full services in China, so students can open a Chinese bank account at this bank. According to an employee of the CitiBank, there are no advantages in opening a private account at the CitiBank in China compared to opening a private account at a Chinese Bank. The opening procedure of a bank account is even somewhat more complicated than the opening procedure at a Chinese bank. Students can get a bank statement for their visa application at the Citibank.

Commonwealth Bank of Australia

Commonwealth Bank of Australia does not have a license to offer accounts to private customers in China and thus Chinese citizens cannot open a Chinese bank account at this bank. The bank does not arrange bank statements for visa application in China. Chinese students going abroad can open an Australian bank account at this bank prior to their departure, this can be done online. Money can be deposited on this account, but no money can be withdrawn before activation abroad. When activating the accounts, students will receive their debit card.

Internationale Nederlanden Groep (ING Bank)

The ING Bank does not offer services to private customers in China (they refer all private customers to the Bank of Beijing). The ING Bank does not offer student accounts anywhere. A subsidiary of the ING Bank, the Postbank, does offer student accounts in the Netherlands, but Chinese students cannot open a student account before they arrive in the Netherlands.

Bank of New York

Bank of New York does not offer private accounts to people in China. It does also not offer student accounts to Chinese students in the United States (student accounts are only for US citizens).

Bank of Montreal (BMO)

At the moment, BMO does not offer services to private customers in China (BMO does not have a license to do business in China). Therefore, students cannot get a Chinese bank account at BMO. BMO can open a Canadian student account for a student in China. The students can deposit money on this account, but they cannot withdraw from this account until they have activated it in Canada. A credit card can only be obtained in Canada. The students will first have to put money on their account if they wish to use this card. There is a Chinese speaking person available in the BMO offices in all major Canadian cities. The BMO can provide a bank statement for the visa application of the Chinese students. BMO wants to partner up with CHEER/CB and engage in joint marketing. BMO offer to give lectures to Chinese students using CHEER/CB (at least five students are required). The lectures will be on life and financial issues in Canada and will be given by Chinese persons that already studied in Canada. After confirmation, CHEER/CB can use the logo of BMO on their website. Since BMO does not have many private customers in China, there are limited other (joint) marketing possibilities at the moment.

The Hongkong and Shanghai Banking Corporation (HSBC Bank)

The HSBC is one of the few foreign banks that offers full banking services in China. Chinese people (including students) can open a bank account at the HSBC in China. Chinese students going abroad can open an international student account online before their departure. The students get an account number on which they can deposit money. The account needs to be activated when the students arrive abroad. The HSBC is also setting up an international joint student-parent account. Parents will have full access to the joint account and can deposit money on it. For students the account will be similar to a local account in the foreign country. Students and parents can get a debit card of this account. Depending on the amount of money on the account, a credit card might be issued in the future, but this option is not available at the moment. The HSBC can provide bank statements for visa applications. The HSBC is willing to allow CHEER/CB to put an advertisement in the brochure they give to premium customers. This brochure contains advertisements of a variety of Chinese companies. The companies should give a discount to the HSBC customers (that show the brochure). The HSBC does not charge money for placing an advertisement in their brochure.

Table 6.1. Cooperation with Banks

		Banks					
		ABN-Amro	ANZ	CitiBank	CBA	BMO	HSBC
Service	Paying Tuition Fee			X			X
	Chinese Account			X			X
	Foreign Account		X		X	X	X
	Foreign Credit Card						
	Bank Statement	X	X	X		X	X
	Marketing Options		X			X	X
	Joint Marketing		X			X	
	Fee for CHEER/CB		X				

Bank of America NT & SA, JP Morgan Chase & Co, ING Bank and Bank of New York are not included in this table, since no possibilities of cooperation between these banks and CHEER/CB exist.

6.5. Conclusion

In this chapter, we explored the possible options for cooperation between CHEER/CB and foreign banks in China, by making contact with these banks. Table 6.1 shows the results of our meetings with the banks and answers the fifth research question. There are opportunities for cooperation with several foreign banks in China.

Chapter 7. Feasibility of Options

7.1. Introduction

In this chapter the generated ideas for new financial services will be tested on their feasibility. First, the ideas will be briefly discussed. After this, the ideas will be evaluated using the five feasibility criteria. In the end of this chapter, the feasible new financial services will be compared with each other.

7.2. Options

The idea generation phase (chapter 4) generated five ideas for new financial services that CHEER/CB might offer as an intermediary between banks and students. The first idea is that CHEER/CB will arrange bank account in the destination country of the student, before the student travels to that country. This will ensure that the student will have access to money immediately when the student lands and thus that the student will have less to worry about when arriving abroad. The second idea was to not only arrange a bank account for the student, but also a foreign credit card (preferably a credit card in combination with the account of the first idea). This credit card would make paying abroad easier for the student (especially in those countries which have a lot of limitations on debit cards, for instance the United States). Many students also have trouble paying their tuition fee, simply because they have little experience with international payments or because of government regulations. Therefore, the third idea generated is that CHEER/CB will assist the students in paying their tuition fee. The fourth idea is that CHEER/CB will help the students in getting a Chinese bank account at a foreign bank in China. This account will be similar to a Chinese bank account from a Chinese bank, but will have some benefits associated with the reputation of the bank (payment from such accounts might be accepted more easily abroad) and the fact that the bank offering the account might also have offices in the destination country (this might make it easier to deal with problems with the Chinese bank account abroad). Finally, students need a bank statement to arrange student visa. Bank statements from foreign banks are often preferred by the embassies in Beijing.

7.3. Feasibility Criteria

The idea generation phase generated five new financial services which CHEER/CB might offer to the students. Below, these five ideas will be evaluated on their feasibility using the five criteria mentioned in chapter 2.4. In 'Technical Feasibility' we will discuss whether or not the banks are willing and able to offer the financial services to the customers of CHEER/CB. After this we will look at any legal limitation preventing CHEER/CB from offering these services. In 'Organizational Feasibility' the organization (CHEER/CB) and its capabilities will be discussed. After this, we will look at whether or not there is a demand for the new financial services. Finally, we will discuss the financial feasibility of the services in terms of financial costs and financial benefits.

Technical Feasibility

Chapter 6 describes which services the banks are willing to offer to the customers of CHEER/CB (using CHEER/CB as an intermediary). CHEER/CB will not be 'producing' any part of these services and will just act as an intermediary. Therefore, we deem new financial services to be technically feasible if banks are willing to supply them to CHEER/CB and its customers.

The ANZ bank, Commonwealth Bank of Australia, Bank of Montreal and the HSBC were all willing to arrange foreign bank accounts in the destination countries of the students. There are two limitations to these services. First, the four banks can only arrange domestic bank accounts in Australia, New Zealand, Canada and the United Kingdom. Students going to, for example, the Netherlands and the United States cannot use these services. These students might be offered an international HSBC student account, however this account will not be of much use to them (and they will be inclined to get a domestic account as soon as they arrive abroad, leaving the HSBC account unused). The second limitation is that no money can be withdrawn from the bank accounts before the accounts are activated in the destination countries. The students, therefore, still have to go to a local bank in the destination countries, decreasing the value of the services (the students are only partly helped with arranging an account). None of the banks were willing to offer a credit card for these foreign accounts in advance. Credit cards might be acquired when staying abroad, but this depends on the local credit card rules of the bank. Offering foreign credit cards to the students is thus not feasible to offer. Therefore, offering a foreign credit card will not be evaluated using the other feasibility criteria.

Most foreign banks in China do not offer services to Chinese students. Those banks cannot assist the students with paying the tuition fees to a foreign university. The HSBC and CitiBank, however, do offer Chinese bank accounts to Chinese students. These accounts can be used to transfer the tuition fee to the foreign university. Therefore, both assistance in paying tuition fee as well as assistance in getting a Chinese bank account at a foreign bank are technically feasible. However, for the students the value of a Chinese bank account at a foreign bank is limited to some reputational benefits and perhaps some additional assistance abroad, as mentioned in 7.2.

ABN-Amro bank, ANZ bank, CitiBank, Bank of Montreal and the HSBC can arrange a bank statement for visa for the students. All students can use these services even if they go to a country in which these five banks do not have any offices, since the reputation of these banks will ensure that the embassies of these countries will approve these bank statements. These services are therefore technically feasible.

Legal Feasibility

All services will be offered as an intermediary between the students and the banks. CHEER/CB does not offer its own financial services and only refers its customers to the banks. The banks themselves have checked whether there any legal limitations to offering these services (with CHEER/CB as an intermediary) exist and found none. In case of the contract with the ANZ bank, in which CHEER/CB would get money from the ANZ Bank per referred customer, the ANZ bank also did not find any legal problems.

The Chinese government has limited the amount of Chinese currency a Chinese citizen can exchange to a foreign currency to 50.000 USD per year. The amount of money that Chinese students (or their parents) can transfer abroad is limited to the same amount, since all international money transfers from China by Chinese citizens include the exchange of Chinese currency to a foreign currency. Students willing to transfer more money, for instance for the tuition fee of an expensive American university, can ask the Chinese government for a higher transfer limit. CHEER/CB and the banks cannot do much to assist the students with this request.

Organizational Feasibility

Offering any one of the proposed new financial services or all the new financial services together will have a similar effect on the organization. The organization itself does not 'produce' the new financial services, it only refers customers to the banks. The only real change that needs to be made in the organizations is that one or more people need to be made responsible for the contact and business with the banks. This task comprises of frequent meetings with banks employees to ensure a stable or progressing relationship with the bank, to keep up-to-date with the services the banks offers and the possibilities that the students have at the banks, to make arrangements for lectures from the bank employees for the students (applies to Bank of Montreal and ANZ bank), to adapt the advertisements of both parties to changing circumstances (applies to the HSBC and ANZ bank) and to make sure both parties agree on payments (applies to the 100 RMB per student at the ANZ bank).

This new task of keeping in contact with the banks can be given to one person or can be divided among the department managers. After assessing the organization we propose this task to be divided among the department managers, because:

- At the moment, there is no employee of CHEER/CB who has the time to completely manage this task. Hiring a new employee for this task will increase the cost of offering the new financial services.
- Giving this task to one specialized person will increase the distance information has to travel between the banks and the customers, decreasing the efficiency of the organization (new meetings between the specialized person and the departments have to be arranged).
- The increase in efficiency of the organization because of economies of scale (specialization) that one person might accomplish is limited, since circumstances in the destination countries are quite different (different departments need different services and banks).
- The department managers have direct insight in the needs of the students using the services of their department.
- The department should be able to spare a couple of hours a month from their current tasks to do this new task.

Before the task is given to the department managers they need to be instructed by the upper management (the branch manager, the CEO of CHEER or the CEO of CB) on their tasks, responsibilities and the value of these new services for both the students and the company. The marketing department should deliver marketing materials to the department managers or directly to the banks. This should not be a big task, since these marketing materials are already available for different marketing channels.

Market Feasibility

The survey in chapter 5 shows the interest of the students going abroad in the five new financial services generated in the idea generation phase. Table 5.1 shows the percentage of students that are interested, not sure or not interested in the five services. Since no founded prediction of the future behaviour of the students in the 'not sure' category can be made, only the percentages for the answers 'Yes' and 'No' will be considered in this research. Therefore, the estimated interest for a service will be calculated as follows: $\text{Percentage 'Yes' / (Percentage 'Yes' + Percentage 'No')} * 100\%$. The estimated interest for the services is: foreign bank account: 67%; credit card: 58%; tuition fee: 83%; Chinese bank account: 57% and bank statement: 69%. The interest for the foreign bank account and the tuition fee payment is quite high, while the interest in the other services is somewhat lower. Since there

is a reasonable amount of interest in all five services, we would say that there is a large enough market for these services (especially when taking the low costs of offering these services in consideration, as can be seen below in 'Financial Feasibility').

Remember, only 54 students filled in the questionnaire. Because of the size of the sample, real interest in the services might differ somewhat from the percentages showed in chapter five. Furthermore, students might react different when confronted with the real choice of opting for a service instead of filling in a questionnaire. Since both negative adjustment (it is probably easier for the students to say that they want a product in a questionnaire than to really take it) and positive adjustment (the employees of CHEER/CB might convince the students of the value of the product) exist, no general adjustments to the test results can be made.

Another indication for the fact that there is a market for these services can be found at the competitors of CHEER/CB. These agencies have been offering similar financial services (for instance New Oriental Education & Technology Group, a study abroad agency, cooperates with the Bank of Montreal to offer a foreign bank account to their customers), often for more than a year now. It is unlikely that these agencies offer these services if few of their customers were interested in these services.

Financial Feasibility

Offering any one of the services or offering all the services has the same financial impact on CHEER/CB. All the costs are made when offering the first services and no additional costs are expected when offering the other services. The same applies to the benefits of offering the new financial services. The costs that had CHEER/CB for this study should not be included in an investment decision, since these are sunk costs¹⁰.

The initial investment for offering these services should be very low and only comprised of the cost of the instruction given by the upper management to the department managers on their new tasks and responsibilities. If contracts with banks are made (for instance, a contract was made for the ANZ bank) the costs of the time spend on making and reviewing these contracts by upper management and lawyers, should also be included in the initial investment costs.

The operational costs of the services are mostly comprised of the hours that the department managers spend on the new financial services. These costs can partly be calculated by looking at the salary of the managers for those hours, but there might also be opportunity costs¹¹ of the time not spend on their current tasks. Additional costs of the marketing department (making ads for the banks) should also be considered.

In the case of the ANZ bank deal, CHEER/CB would get 100 RMB per referred customer. In 2006, 376 students were send to Australia and New Zealand. If 67% (taken from our survey test results showed in figure 5.1) of these students would be willing to go to the ANZ bank for an account, CHEER/CB would annually get $100\text{RMB} * 376 * 0,67 = 25.192 \text{ RMB}$. Of

¹⁰ Sunk costs: costs to the company that have already occurred and cannot be recovered. Considering these costs in an investment decision would make no sense, since all options (investing and not investing) will have these sunk costs.

¹¹ The opportunity costs are, in this case, the value of the time of the managers spend on the most valuable forgone alternative on which they could have spend their time. Probably, this will mean that because of the time spend on these services, managers might not be able to attract as much new customers as they would have when spending their 'normal' amount of time on attracting customers.

course, this estimated number will increase for the coming years, since CHEER/CB expects to send more students to Australia and New Zealand in the future. Only with the ANZ bank deal are there direct benefits for CHEER/CB when offering financial services.

The direct benefits of offering the new financial services should be low compared to the indirect benefits of offering these services. Offering these new financial services should attract more customers to CHEER/CB, because of the increased range of services CHEER/CB offers, the reputational benefit to CHEER/CB when it partners up with a foreign bank and the additional marketing channels offered by the banks (this only applies to the HSBC bank, the ANZ bank and the Bank of Montreal). Since we assume CHEER/CB is making a profit per customer, this should increase the profit of CHEER/CB. Due to the lack of data on the market, the competitors and CHEER/CB, no realistic estimation of an increase in customers can be made.

Table 7.1. Feasible Services

	Services				
	Foreign bank account	Credit card	Assistance paying tuition fee	Chinese bank account	Bank statement (visa)
Technical feasibility (banks offering the services)	ANZ, CBA, BMO, HSBC	None	CitiBank, HSBC	CitiBank, HSBC	ABN-Amro, ANZ, CitiBank, BMO, HSBC
Legal feasibility	Yes		Yes	Yes	Yes
Organizational feasibility	Yes		Yes	Yes	Yes
Market feasibility (estimated percentage of interest)	67%	58%	83%	57%	69%
Financial feasibility	Yes		Yes	Yes	Yes
Feasible	Partly¹	No	Yes	Yes	Yes

¹ Only feasible for students going to the following countries: Australia, New Zealand, United Kingdom and Canada (approximately 60% of all customers).

7.4. Conclusion

In this chapter we looked at five different aspects of the feasibility of the new financial services generated in the idea generation phase. Table 7.1 shows an overview of the feasibility of the new services. Assistance with paying tuition fee, a Chinese bank account at a foreign bank and a bank statement from a foreign bank have proven to be feasible. A foreign bank account (prior to departure) is only feasible for a couple of countries. A credit card from a foreign bank is not feasible, since no foreign banks are willing to offer such a credit card.

Chapter 8. Conclusion

8.1. Results

The goal of this research paper is to investigate whether or not certain new financial services are feasible for CHEER/CB to offer to their customers (Chinese students that are going to study abroad). Since CHEER/CB is not a bank and not able to offer financial services itself, banks were needed to provide the services. The problem formulation of this paper is:

Which financial services are feasible for CHEER to offer as an intermediary between Chinese students that are going to study abroad and foreign banks in China?

First, five ideas were generated in an idea generation phase. For this phase, information on other companies or institutions providing financial services to students was used together with input from the department managers and some customers of CHEER/CB. The feasibility of five generated ideas was tested using five feasibility criteria: technical feasibility, legal feasibility, organizational feasibility, market feasibility and financial feasibility. Assistance with transferring the tuition fee, arranging a Chinese bank account at a foreign bank and assistance in getting a bank statement from a foreign bank are feasible options for CHEER/CB to offer to their customers. Arranging a foreign bank account before the departure is only feasible for students travelling to Australia, New Zealand, the United Kingdom, the United States and Canada. Arranging a credit card for the foreign bank account proved not to be a feasible option.

8.2. Reflection on Paper

The objective of this research was to generate new ideas for financial services and review their feasibility. This research generated five ideas for new services of which four (one partly) are feasible to offer to the customers of CHEER/CB. From this we can conclude that the objective of the research was met.

However, this feasibility study is not as detailed as intended. For instance, it does not contain a numerical overview (costs and benefits) of the feasible options, there is no estimation of the increase in customers the feasible options will generate and no calculation of the possible price for the new services is given. The primary reason for this level of detail is a lack of data. For a more detailed research more data is needed on: the study-abroad market (including more data on competitors), the parents of the students going abroad (since they play an important role in the decision process) and CHEER/CB itself (costs of employees, profit margins and revenue per customers). This data could not be collected because no secondary data was available and we had not enough time and assistance (for instance to translate documents) to collect primary data.

This research is structured after New Service Development theories. These theories allow for a research with sequential and parallel steps. Before starting with the research, sequential steps were the preferred option, since this would increase the level of overview within the research and would allow us to use the results of a finished phase in the research in another phase. However, research for chapter five (student interviews) and chapter six (banks) was conducted in the same time period, because the research on chapter five took longer than anticipated. This made part of our research process parallel, which did not have a negative effect on the quality of this research paper.

The idea generation phase and the student survey phase both took longer than anticipated. Generating ideas took longer because managers and (potential) customers were not always available and because managers and students sometimes were hesitant to give their opinion on new financial services. The student survey took longer because of the limited availability of students during the months of this research. These delays prolonged our research, but did not influence the outcome of this research.

8.3. Personal Reflection

Before leaving to China I assumed that we would be able to do more than only answer the research questions described in chapter 1. I thought we could make deals with foreign banks in China and thus start with the implementation of the financial services. Furthermore, I thought we could also finish a part of the business plan for the feasible financial services. Both these objectives could not be reached because of the delays in our research and the fact that CHEER was hesitant to make deals with banks. The objective of this paper was reached, although the level of detail of this paper was less than I had expected, due to the limited information available.

There were two major difficulties we faced when doing the research for this paper in China. First, very little information on CHEER/CB and financial services was available to us in China. Part of the information we attained through own research, which delayed the research for other parts of the paper. The other part of the information we never were able to attain, decreasing the level of detail of this paper. The second major difficulty were the foreign banks in China. Most foreign banks were not interested in offering services to Chinese students and other banks could not arrange services for Chinese students abroad. This left us with a small amount of banks which we could do business with.

The employees of CHEER really tried to be helpful to us. They could, however, often not help us because they did not have access to the information we wanted. This had two reasons. First, little information on CHEER/CB and its market is available at all. Second, information was not shared between departments and managers. Therefore, we had to get the information from many different sources within the company.

The organisation of CHEER/CB is very hierarchical. Managers we interviewed were often afraid of saying something which contradicted the statements of their supervisor. Most employees also very much focussed on their own tasks and did not want to get involved in new projects.

The first month in China, we faced a lot of problems with CHEER/CB about our tasks. The employees of CHEER/CB thought we were there to help them when in fact we were in China for our research on new financial services. This led to confusion and delays in our research. At our first day with CHEER/CB, we should have made the reason of our stay in China clear to all managers involved.

For me this was the first experience with doing a research for a company. I learned that communication is very important in a company. I thought most people would know of our research, while they did not. I should have been more clear in my plans and communicate them more to the people involved. Employees also tend to focus on their own task and often do not want to get involved in other projects. If you want help from somebody, you really have to go to that person and get it. A mere email will not suffice.

I also learned a lot about Chinese (business) culture and how big culture differences can be. I was really surprised about the amount of time spend on socialising before doing business. Trust is very important in China and hard to attain. Without trust it is very hard to negotiate on a formal contract in China.

8.4. Recommendations

New Financial Services

CHEER/CB should offer all four feasible students as soon as possible. Competitors of CHEER/CB are already offering similar financial services and CHEER/CB cannot afford to stay behind. Furthermore, the number of Chinese students willing to study abroad is rising, but this does not mean that the market for study abroad agencies will grow. Foreign universities are increasing their support to Chinese students and are making it easier for Chinese students to enrol and arrange their foreign stay. CHEER/CB should therefore improve the value of the services offered to make sure that students continue to buy their services.

Before introducing the new financial services to its customers, CHEER/CB should write a business plan. At the reflection, we spoke about additional data for this feasibility research. This data (especially on the study abroad market and CHEER/CB itself) is needed for a thorough business plan. The more data collected, the more detailed and precise estimates for the future and thus, less risk.

The costs of offering the new services are quite low and should not increase the price students pay for the services of CHEER/CB. Although students seem to find reputation of the agency and quality of the offered services most important, price setting is still a valuable method of competing with other agencies. Students can choose between several high-reputation agencies and thus will also focus on the price of the services. CHEER/CB should make sure that its package of services is competitively priced.

The benefit to CHEER/CB in offering financial services mainly lies within the marketing field. Indirectly, there is money to be made, but directly there is not (except for the deal made with the ANZ bank). The benefits in the marketing field are threefold:

- Offering additional services will distinguish CHEER/CB from its competitors and will provide CHEER/CB with a competitive advantage (if CHEER/CB's competitors do not offer similar services). Chinese students are often unsure about their stay and study abroad and are inclined to choose for the agency which offers the most services (or, the agency which arranges the biggest part of their foreign stay and study).
- Some banks (HSBC bank, ANZ bank and Bank of Montreal) are willing to engage in a strategic alliance and symbiotic marketing with CHEER/CB and provide CHEER/CB with new marketing channels¹². These banks are willing to offer their customers advertisements of CHEER/CB. The banks mainly offer services to wealthy Chinese citizens which are the main target group for CHEER/CB's advertisement (Chinese students that use a study abroad agency often have wealthy parents). Furthermore, the

¹² Symbiotic marketing is defined as "an alliance of resources or programs between two or more independent organizations to increase the market potential of each" (Adler 1966, p. 60).

Chinese customers of foreign banks in China might be more internationally orientated and more inclined to send their children abroad than other Chinese citizens.

- CHEER/CB can use the logo of the foreign banks on their website and other marketing channels. This will be beneficial to CHEER/CB, since the company's reputation will increase if it associates itself with well-known foreign banks. The banks might also benefit from this arrangement due to increased marketing exposure. Since the reputation of many companies in the study abroad market is quite low, it is important for CHEER/CB to increase its reputation (see chapter 3).

Banks

Several banks can be used to offer the four feasible services. For the assistance with paying the tuition fee and the Chinese bank account at a foreign bank, the services of the HSBC and the CitiBank can be used. Since the HSBC offers CHEER/CB marketing channels, has more offices in China and was more enthusiastic about working together with CHEER/CB, we would advise to use HSBC for these services.

A number of banks can be used to provide bank statements for the visa application of the students (ABN-Amro bank, HSBC Bank, CitiBank, Bank of Montreal and ANZ Bank). Bank statements of all of these banks are accepted in the visa application for all the destination countries of the students. It might be easier for CHEER/CB only to use HSBC for bank statements, since the other two services (previous paragraph) are also arranged at the HSBC bank.

For arranging the foreign bank account for students going to Australia and New Zealand three banks can be used (HSBC, ANZ bank and Commonwealth Bank of Australia). Because of the offered marketing channels and the fee per student, we would advise to use the ANZ bank to offer this service to the students. For students going to Canada, two banks can be used (HSBC and Bank of Montreal). Bank of Montreal offers more services to the students (lectures about Canada before departure, Chinese speaking staff in Canada and more offices in Canada). Therefore, Bank of Montreal should be chosen to offer the foreign bank account to the students going to Canada. For students travelling to the United Kingdom, only a foreign bank account at the HSBC can be arranged. We would not advise arranging a foreign bank account at the HSBC for students travelling to the United States and the Netherlands, because of the limited value the account would have for these students.

Some foreign banks will expand their services in China in the future (for instance, the ABN-Amro bank and the ANZ bank are in the process of getting approval from the Chinese government to offer full banking services to Chinese citizens). CHEER/CB should continue to monitor foreign banks in China and keep in contact with them. Cooperation with these banks might be possible in the future.

Other Recommendations

Cooperation with Chinese banks might also be a good alternative for CHEER/CB. These banks might provide the students with credit cards which can be valuable abroad. These would probably be credit cards linked to a joint student-parent account). Some students might prefer Chinese banks to foreign banks because of the trust they have in Chinese banks. CHEER/CB might also use the extensive marketing channels these banks have in China.

Many students want CHEER/CB to help them with paying their tuition fee. An account at the HSBC and the CitiBank can be used for this. However, some department managers preferred

a corporate account with credit card to transfer the tuition fee of the students. This corporate account can be arranged at some foreign bank in China. These banks, however, require a high minimum amount of deposits on the account and charge high fees. Chinese banks might also be able to offer a corporate account to CHEER/CB. When using this corporate account, CHEER/CB will have exchange rate risk for the time between receiving the tuition fee from the student and paying the tuition fee to the university.

We advise the strategic department to cooperate with the department managers in developing financial services further. Department managers can offer valuable information to the strategy department about the customers of CHEER/CB. When a deal is made with a bank, the department managers will have to cooperate with the banks. This fact also makes it recommendable to involve the department managers in the negotiation with the banks.

CHEER/CB should look for other services it can offer to its customers. Some of CHEER/CB's competitors are, for instance, offering language programs to their customers. Additional services should attract more students to CHEER/CB. The services might also increase the profit CHEER/CB makes per student.

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