



Survival in the Netherlands' Consumer Market

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For the master program of Business Administration, track International Management at the University of Twente, I did this final thesis. The idea came from the rapid development of the Chinese companies in the Netherlands' consumer market. The main content of my thesis is to find out why Chinese companies enter the European consumer markets, what strategies they apply, and to make clear the similarities and differences among different kinds of Chinese enterprise.

I would like to thank Dr. Ir. Srip de Boer for his dedicated help and advices during my graduation period. And I would also like to thank all the people who provided help to my thesis.

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EXECUTIVE SUMMARY

During the last 20 years, the World economy and World trade have been developing at an unimaginable speed, and China definitely is one of the most impressive developing countries that contribute to this growth. Under the Chinese trade promoting policies, more and more Chinese companies begin to do business overseas and to sell their products to all over the world. Among these target markets, the European Union market is potentially the most important market for Chinese companies. The Netherlands, as the “Gateway” to the whole EU, provides access to a consumer market that inevitably becomes the most competitive and attractive market that Chinese companies could potentially enter. The main purpose of this research is to find out the reasons why Chinese companies enter the Netherlands, what kinds of factors they consider and what strategies they apply in the Dutch consumer market.

Literature study reveals four main subjective reasons for international expansion that could be the motives of Chinese companies entering the Netherland. These are Increasing Sales/Finding New Markets, Cushion the Economic Cycle, Minimise Competition and Access Advancing Technology. Each case company is analysed based on these reasons to find out the main motives for entering the Dutch Market.

Marco environmental analysis is concluded to characterise the business environment in the Netherlands, as well as the current (trading) relationship between China and the Netherlands. These issues reflect the objective reasons and motives for entering the Netherlands.

→Firstly the political-issues are addressed. The investment environment in the Netherlands is encouraging and supporting foreign companies to do business locally. And there are many favourable tax and investment policies providing a stable business environment as well. However, comparatively low working efficiency of the Dutch government and unfamiliarity with the Dutch policies provide Chinese companies with difficulties and challenges.

→Secondly, the economic-issues analysis is conducted in order to get a better idea about the general situation of national development and market infrastructure. Results show that the Netherlands has a mature and advanced economic system, as well as a unique geographical advantage. But the increasing walkouts of public transportation in recent years also bring some inconvenience to the Chinese companies.

→Thirdly the social-issues analysis is addressed. The Netherlands has a workforce with a highly educated and technical background. The immigration policies are liberal. However, the local labour market protection of the Dutch government and the cultural differences give Chinese companies more challenges to cope with.



→Last but not least, the technological-issues analysis reveals that the technical environment and development of the Netherlands is quite mature and well developed. The Netherlands is a nice and important market for Chinese companies to develop business because of the good market infrastructure and favourable business environment.

In the case analysis part, the companies' characteristics and current achievements are introduced first. The factors these companies care most about and the main strategies they are using become clear in the External and Internal Factors influencing the Entry Mode Decision table. Because of the representative functions that these cases have, it can be said that most of the Chinese companies who have entered or are going to enter the Netherlands are attracted by the potential sales ability and mature market regulation in the Netherlands, as well as its unique geographical business position. The majority of the Chinese companies are taking direct/indirect export or setting branch office as entry strategies to enter Dutch market.

The cross case analysis part shows clearly the differences and similarities between the factors considered and entry strategies. The motives for the Chinese companies are almost similar to each other; only the priority varies from company to company because of the characteristics of each company. Strategies that Chinese companies use also prefer low commitment and low risk. Only a few large-scale companies are taking direct investment or acquisition as entry strategy.

This research functions as a reference for those who are planning to penetrate the Dutch consumer market and provide a better view about how to choose the right entry mode for a new overseas market.



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CHAPTER 1 INTRODUCTION

1.1 Backgrounds and Objectives

During recent years, the economy and trade relationship between China and the Netherlands is developing rapidly, and the Netherlands has become the second biggest trade partner of China since 2003 in the European Union. In the Chinese government economic report of 2006, the bilateral trading volume has reached 34.51 billion US dollars, which grew by 19.8% compared to 2005¹. According to the Netherlands Central Statistical Administration (CBS)'s report, the value of the import products from China has reached over 20 billion euro in 2006, which takes over 10% of the total import volume of the Netherlands. And China has become the 4th biggest trade partner of the Netherlands.

Besides, there is a stable and impressive mutual-supplement relationship of the Holland-China trading. And there is a great potential for substantial growth of the bilateral economics and trade cooperation. By the end of year 2006, the total amount of China-Holland trading took up less than 18% of China-European Union trading. Meanwhile, the accounts of the Netherlands imported from China took less than 5% of its total amount, which indicates that there is potential for China-Holland trade development. (See the following bar chart)

China-the Netherlands Trade

In billion US dollar

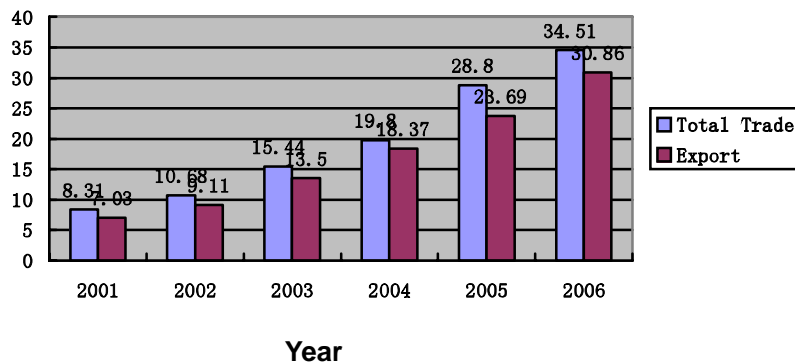


Chart 1.1 China & Netherlands Trade Figure

Source: <http://www.fmprc.gov.cn/chn/wib/zzip/xos/gjib/1852/default.htm>

Not only do China and the Netherlands have a bright economic development, but also there is a stable political relation, which is good for mutual trading. In the sixth Chinese- European Union leaders meeting, leaders have drawn the

¹ <http://www.fmprc.gov.cn/chn/wib/zzip/xos/gjib/1852/default.htm>
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blue map for the China-EU economics and trade relations' development of the next five years and reached the goals for the next ten years. During the four years so far, there is over 20 million US dollars direct and indirect investment in the Netherlands from China, and there are over 100 companies from China having business or built factories in the Netherlands².

The information above leads to the expectation that in the future there will be more and more Chinese company eager to develop business in the Netherlands. As a result, the overall purpose of the final assignment is to generate knowledge and insights into the very interesting phenomenon of Chinese companies appearing on the European consumer market. The objective then reads: to enhance the insights with regard to the strategies that Chinese companies employ to enter the Netherlands consumer market, which is treated as a focus country within Europe.

1.2 Problem Formulation

The China-Netherlands trading relationship has experienced more than 40 years; during this period, many Chinese enterprises have succeeded in doing business in the Netherlands, the so-called "Gateway" of the EU, and will expand their business to other European Union countries. However, there are some companies not doing quite well, and they want to know why and how to improve, besides, there are still many Chinese companies willing to do business in the Netherlands and they want to know how to enter and how to lower the risk. In order to provide Chinese companies some more clear and comparable advice, three successful Chinese firms that have already formed successful business models in Netherlands are picked to analyze and make a comparison, and find out their similarities and differences. So the problem statement is as follow:

Why do Chinese companies enter the Netherlands consumer markets and what entry strategies do they apply?

1.3 Research Questions

By comparing and analyzing the activities and behavior of companies, I try to provide some scientific and precise information and recommendations to other agencies.

In recent years, the quick development of trading relationships between China and the Netherlands made me motivated to obtain knowledge about the current business situations of Chinese companies for my report. So first of all, I would like to know the current issues and background information, which mainly is any former report or article that is relative to analyze the trading phenomenon between China and Netherlands or the Consumer market of the

² http://chinaeconomy.ce.cn/no16/newsmore/200706/21/t20070621_199964.shtml
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Netherlands from the newspapers or magazines. As known to all, the truth only can be found out by using the right theoretical tool from the phenomenon. Then I must learn more about the literature and theoretical models in order to use a framework and tools to analyze them. After that, there is no doubt that the research targets should be chosen to analyze and definitely these companies should have business in the Netherlands' consumer market and typically well known. Statements must be proven by the data or the objective facts. So then come to the data collection, I must use proper research methods such as interview or searching on the internet to get the data to analyze the cases, find out each company's entry strategies and what factors could influence them to make decision. Last but not least, it comes to the comparison part. The most important part of this thesis is to select the typical cases and make a precise comparison. Therefore, it is obvious to have the following five research questions.

Research questions

1. *What are the macro environmental reasons for the attractiveness of the Netherlands for Chinese companies?*
2. *What framework is appropriate to analyze the strategies and reasons of Chinese companies entering the Dutch consumer market?*
3. *What cases are selected for application of the framework and how are these cases analyzed?*
4. *What results emerge from the application of the framework on the selected cases?*
5. *What general findings can be concluded based on the cross case analysis?*

1.4 Research Approach

This part specifies which research methods, sources, and research instruments are used to obtain the answers to the research questions. Theories have to be found specifically for this project. The goal of this assignment is to identify what kind of entry or market strategies the companies use and the differences among them. Therefore, it is obvious that the foreign entry models and market entry strategies are needed to better know the practical situation of the three companies. For another side, PEST-analysis are also used to better know the Netherlands' market conditions and environment of investment, which is useful to investigate the reasons why the Chinese companies choose to enter the Netherlands' consumers' market.

For the first two research questions, I will have no choice but only to find the information through Internet and relevant books, as well as searching in the library periodicals. For the third question, firstly, I will identify those companies that have already entered the consumer market through the second-hand information on the Internet. And then choose some typical and famous ones as cases, as well as detailed development description of each company. In order to answer the fourth question, I will use every relevant information that search



from the Internet and other channels, as well as some feedback emails from the companies to make a detailed analysis by applying the chosen theoretical framework, which focused on the strategies that they took and the factors that influence the decisions of making strategies. Finally the comparison and recommendations are drawn on the similarities and differences of different companies in the same market, as well as the most popular entry strategies that are used.



CHAPTER 2 THEORETICAL FRAMEWORK

After the research problem is formulated, a decision has to be made on how to approach the research. This chapter presents a short description of the models and theories to be applied in this research, which are used to address the two main components of the problem statement: “why” and “what strategies” that Chinese companies consider and use in the Netherlands consumer market.

2.1 Reasons for International Expansion

It is necessary to analyze the strategic reasons and motives for international expansion of Chinese companies in order to make clear what really attracts or motivates Chinese companies to enter the Netherlands consumer market. The motives and reasons for international expansion are³:

→Increasing Sales/Finding New Markets

The larger the market, the greater the potential for sales. By expanding internationally the business, the companies are able to increase their sales. New markets may also be developed when domestic markets are saturated. Besides, product life cycle can be in different phases in different countries, therefore it allows the business to extend its product's life cycle.

→Cushion the Economic Cycle

By spreading sales across countries, the companies are able to make their business less exposed to changes in demand in any market. Because of the different development levels among countries' consumer market and purchasing habits, the companies can minimize the risk of market saturation.

→Minimise Competition

By operating in numerous markets, companies are capable to become less vulnerable to competition of the market, which also means that a large wealthy market will be able to provide more sales opportunities.

→Access Advancing Technology

By international expansion, the companies can have more opportunities to learn and master the advancing technologies such as IT-tech, transportation methods and international managing experience, which are considered as powerful competitive tools. Besides, because the cost of developing technology has increased, it has led to more strategic alliances being formed between companies, which also drive the companies going internationally.

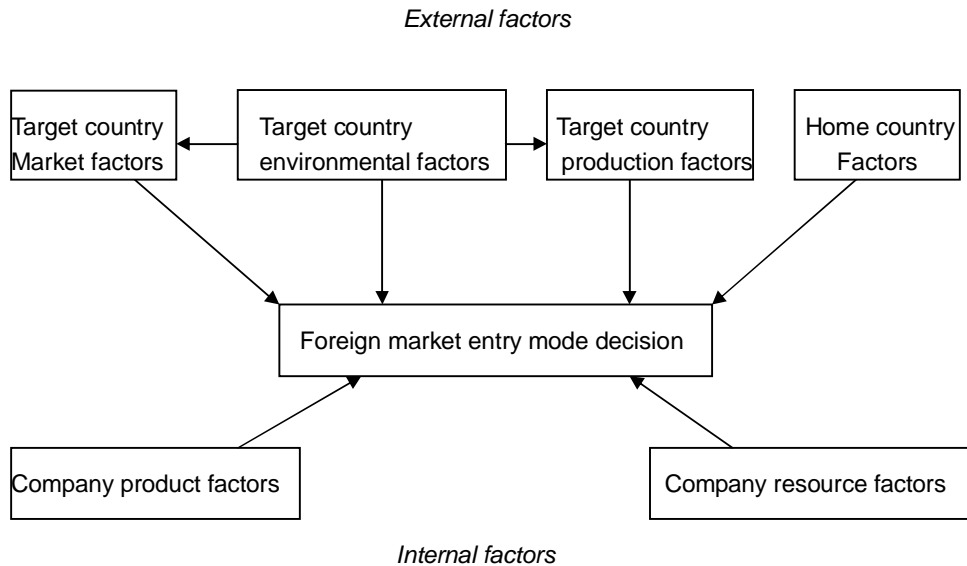
2.2 Foreign Market Entry Factors

A company's choice of its entry mode for a given target country is the net result of several, often conflicting, forces. The variety of forces and the needs to anticipate their direction over a future planning period combine to make the entry mode decision a complex process with numerous trade offs among

³ http://www.boredofstudies.org/wiki/index.php?title=Reasons_for_Expansion



alternative entry modes⁴. And a general review of the external and internal factors that influence the choice of entry mode is made by Root (2002) as follow:



*Figure 2.1 External and Internal factors of entry modes
Source: Root (2002)*

To answer “what strategies” based on the practical factors that are faced by Chinese companies; I will use Table 2.1 as the major tool to research the cases. It summarizes the influence of external and internal factors on the choice of entry mode. Since each company has already made a decision about its entry strategies, a tick will be used as a mark for each influencing factor in the table. Each company will have one core entry strategy and the research results are based on the general conclusion and judgment according to the collected information about each company, as well as working experience and conversations. In this way I can make clear what strategies each company is using and why these companies chose them.

⁴ Page 8, Franklin D. Root (2002). *Entry Strategies for International Markets*. United States: Jossey-Bass
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GENERALLY FAVORS EXTERNAL FACTORS (FOREIGN COUNTRY)	INDIRECT AND AGENT EXPORTING	LICENSING	BRANCH/ SUBSIDIARY EXPORTING	EQUITY INVESTMENT/ PRODUCTION	SERVICE CONTRACTS
Low sales potential	✓	✓			
High sales potential			✓	✓	
Atomistic competition	✓		✓		
Oligopolistic competition				✓	
Poor marketing infrastructure			✓		
Good marketing infrastructure	✓				
Low production cost				✓	
High production cost	✓		✓		
Restrictive import policies		✓		✓	✓
Liberal import policies	✓		✓		
Restrictive investment policies	✓	✓	✓		✓
Liberal investment policies				✓	
Small geographical distance	✓		✓		
Great geographical distance		✓		✓	✓
Dynamic economy				✓	
Stagnant economy	✓	✓			✓
Restrictive exchange controls	✓	✓			✓
Liberal exchange controls				✓	
Exchange rate depreciation				✓	
Exchange rate appreciation	✓		✓		
Small cultural distance			✓	✓	
Great cultural distance	✓	✓			✓
Low political risk			✓	✓	
High political risk	✓	✓			✓
External factors (Home country)					
Large market				✓	
Small market	✓		✓		
Atomistic competition	✓		✓		
Oligopolistic competition				✓	
Low production cost	✓		✓		
High production cost		✓		✓	✓
Strong export promotion	✓		✓		
Restrictions on investment abroad	✓	✓			



Internal factors					
Differentiated products	✓		✓		
Standard products				✓	
Service-intensive products			✓	✓	
Service products		✓		✓	✓
Technology-intensive products		✓			
Low product adaptation	✓				
High product adaptation		✓	✓	✓	
Limited resources	✓	✓			
Substantial resources			✓	✓	
Low commitment	✓	✓			✓
High commitment			✓	✓	

Table 2.1 External and Internal Factors Influencing the Entry Mode Decision

Source: Franklin D. Root (2002)

2.3 Foreign Entry Modes and Strategies

An international market entry mode is an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management, or other resources into a foreign country. Export Entry Modes, Contractual Entry Modes and Investment Entry Modes are the main three distinctive entry modes for international companies from a management perspective (Root, 2002, Page5-7). Each mode is made of several strategies and can be combined with each other to use according to practical situation. For example, Export Entry Modes includes indirect export and direct branch/subsidiary; Licensing and Service contracts belong to Contractual Entry Modes. I will elaborate the five generally favorable entry strategies from these modes mentioned in table 2.1.

→Indirect and agent exporting is the marketing and direct sale of domestically produced goods in another country and its products are manufactured outside the target country and subsequently transferred to it. Indirect and agent exporting involves with middlemen or agent to do the exporting.

→Licensing essentially permits a company in the target country to use the industrial property of the licensor for a defined period of time. And the property usually is intangible, such as trademarks, patents, and production techniques. The licensee pays a fee in exchange for the rights to use the intangible property and possibly for technical assistance.

→Branch/Subsidiary Exporting is that company owns its operating units to do the business in the target country, which therefore requires investment in marketing institutions located in the target market.

→Equity investment production involves ownership by an international company of manufacturing plants or other production units in the target country. In terms of the production stage, subsidiaries may arrange all the way from



simple assembly plants that depend on imports of intermediate products from Parents Company to plants that undertake the full manufacture of a product. In terms of ownership and management control, foreign production affiliates may be classified as sole ventures with full ownership and control by the parent company.

→Service contract is agreement whereby a contractor supplies time, effort, and/or expertise instead of a good (tangible product). It involves the transfer of services directly to foreign entities in return for monetary compensation or products manufacture with those services.

2.4 Conclusion

The theory presented provides a sound basis for analyzing the specific situation of market entry of Chinese firms in the setting of the Netherlands. By detailing the specific situation for the various categories, an analysis can be made of the current situation. I will make clear what the main objectives and reasons are that each selected Chinese company considered before going internationally first, and then I will find out what main factors are considered and what strategies and modes are chosen relatively.



CHAPTER 3 MARCO ENVIRONMENT ANALYSIS

The marco environmental reasons for attractiveness of the Dutch consumer market should refer to the current trading relationship between China and the Netherlands, as well as the whole EU, and the business environment in the Netherlands. Since China became the member of WTO, especially after year 2000, China has played a more and more important part in the world financial and trading system. And the trading relationship between China and European Union is one of the most significant parts among it. In fact, EU is now China No.1 trade partner, the 4th largest source of foreign direct investment and the largest source of cumulative technology transfer.

China-EU Trade
In billion US dollar

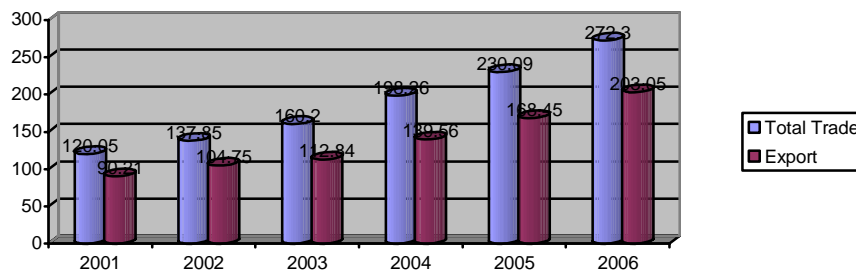


Chart 3.1 Sources: Eurostat

According to the chart 1.1 and chart 2.1, the total of trade between China and the Netherlands and the whole EU in 2006 was 272.3 billion US dollars, which grew by 20% compared with previous year. The export of China has kept increasing over the past 6 years. The problem is why the Netherlands, as well as the EU is so attractive that there are more and more Chinese companies willing to do business. The answer to this question is partly found by using the PEST analysis. This analysis is good at describing the relevant macro-environmental issues, which have impact on the situation of Chinese companies' business in the Netherlands.

3.1 Political Issues

The Netherlands is world-famous for its economic, investment policy and commercial laws opening degree, in which there is no national boundary and no local demarcating line in the international trade. The Netherlands' economy is intensely internationalization-oriented, its trade investment policy is the most open one in the world, and the government provides many kinds of subsidies to encourage and support foreign companies to enter Holland. Foreign



companies can invest in all kinds of industries having the same legal right as local companies, except for a few state-owned and non-government monopolizing fields. There is no foreign investment examining agency in the Netherlands and no discriminating rules in the company laws and the government encouraging measures of entering, emerging and reinvesting of capital market. Besides, the most special part of the Dutch legal system is that it is equal to both local and foreign companies, even the companies that are founded according to the foreign countries' laws. There is no limitation in hiring foreign manager and other specialized talents who have unique skills⁵.

Another side, the Netherlands has well-operated commercial finance and taxation system. The taxing environment in the Netherlands is favourable and attractive all due to its relative low tax rate, the widespread tax revenue treaty network, the regulation of bonded warehouse and the possibility of tax clearance in advance in the EU. The legal organization is also always highly praised, which is due to its business laws that take laws letter as main body, assisted with legal principle theories. Last but not least, the right of private ownership and property is strongly protected. Besides the patent, the private ownership right of industry and commerce is also protected according to the fair competition principle.

However, also some negative points about the political issues have to be mentioned. Firstly, the comparative low governmental working efficiency brings more challenges for Chinese companies. "Guan Xi", meaning relationship is very important in Chinese businessmen's mind; however, business is only business in the Netherlands and money sometimes is not the key issue that matters most, which makes most of Chinese companies uncomfortable to do business. Furthermore, most Chinese companies are not familiar with the details about local regulation and policies, and it may cause problems when conflicts occur. To sum up, the Netherlands provides a nice and stable political environment for Chinese companies to do business in the consumer market.

3.2 Economic Issues

The Netherlands, which has superior geographical position, is located in the cross point between North Atlantic Ocean route and the exit sailing channel of the Europe. It faces the North Sea, close to the core part of the Europe continent and it is definitely so-called the "gate" of the whole Europe. The Netherlands is playing a crucial part in the economic and trading development and owning a huge amount of consuming people, which occupies the half of the European Union market⁶. By the end of June 2007, the GDP of the Netherlands is currently ranked 13th in the world, and it is the eighth in imports

⁵ http://chinaeconomy.ce.cn/no16/newsmore/200706/21/t20070621_199964.shtml

⁶ http://www.buyusa.gov/netherlands/en/export_to_netherlands.html



of goods and services from the United States⁷. The Netherlands has the world-leading technologies and managerial experience in petroleum chemical industry, the electronics industry, the machine manufacture, the shipping, the finance, the environmental protection, the agriculture and the food industry. So far, the Netherlands is one of the main foreign investment countries, which have the most attractive and comfortable business environment in the world.

Besides, the Netherlands has advanced and developed transportation and communication infrastructure. Rotterdam and Amsterdam, the two best ports in the EU, have transported over 400 million tons of total turnover quantity of the goods per year, which undertakes about 45% of the total transportation quantity in the west Europe⁸. And Schiphol, the third largest airport in the whole Europe, occupies the third of freight transportation and the fourth of passenger transportation ability position in the Europe. The Netherlands has world-leading level in many fields of the industries. And most world famous producers and suppliers are doing active business in them, such as the automobile spare parts, the medical equipments, the raw materials and the high performance textile fiber, especially in the chemical, the electronic and the food processing industry, which have a good reputation around the whole world. As a result, many Top 500 enterprises prefer to base in Holland, like Shell, Philips, Unilever, and Akzo Nobel.

In the nutshell, the Netherlands always is the first choice of the multinational companies to explore their business in the Europe relying on its advantageous geographical position, the highly developed infrastructure, the mature transporting network, as well as the advanced logistic service. The strong commercial atmosphere, the powerful government support, the highly effective customs operation, as well as the advanced technological support, make Holland the most favorable economic environment for doing business among all the Europe countries.

3.3 Social Issues

The Netherlands is a modernizing international society and has high quality of living for people. Holland has a long and colorful history; her special culture has become so open that it is suitable for foreign people. Since several centuries, the Netherlands has already accepted massive immigrants, in which the inhabitants of capital Amsterdam come from more than 200 different countries. The Dutch person has already got used to living with foreign people all over the world harmoniously; especially know how to maintain good cooperating relations at work. So the Dutch person's internationalizing feeling and the colorful social environment are quite good to the foreign investors to display all sorts of business activities and hire the local people. As a result, the

⁷ <http://hzc.hunancom.gov.cn/hzzn/1701.htm>

⁸ <http://www.fjlt.gov.cn/show.aspx?id=2586&cid=16>



Netherlands has become the ideal business place for most of the multinational enterprises. The stable political environment, the international field of vision, the favoring commercial policy and the centuries-old trading traditions have provided equal development opportunities for both local and foreign companies. And many operating agencies of multinational companies, like EU headquarter, distribution center, technical and service support center, research and development center and so on are set up in the Netherlands. These enable foreign companies to march into the local market more efficiently and effectively.

Besides, the Netherlands has high quality labor force⁹. The majority of the Dutch citizens have received high education or job training and master one or two foreign languages; what's more, they are qualified with the complex skills that are needed in the high-tech economy. The Netherlands is the most popular English speaking country in the EU and quite a few people are able to speak German, French etc. And that is one of the most important reasons why many multinational companies have and will have set up their headquarters in Holland.

However, due to the negative and a bit high layoff rate of the Netherlands per year, the government has some local protection policies to limit the Chinese companies to hire the Chinese employees; besides, the culture differences also give Chinese companies difficulties to fulfill the local management. It is obvious that different value concepts and attitude toward life of both local employees and Chinese employees may cause some internal managerial problems.

In a word, the Netherlands provides peaceful and developing economic environment for Chinese companies, as well as other foreign companies to display business locally.

3.4 Technological Issues

The Netherlands has become one of the most developed and maturing communication and IT technologies around the whole Europe, which thanks to the rapid technological process and government support in both fields. Consumers in the Netherlands are now able to enjoy a variety of communication methods coupled with an increased range of services, such as network and wireless network operation. The industry has evolved the past previous limits that confined services to voice related ones, which makes the computer and based IT and telecom technologies become the part of the normal life. For those reasons, it is quite easy and efficient to operate Internet trading among companies in different countries. In addition, the consumers'

⁹ <http://hzc.hunancom.gov.cn/hzzn/1701.htm>



market is operating well and has complete constitutions, which provide a good competing business environment for foreign companies to market their own brands and have their own distribution channels.

Another side, the Netherlands has advanced technical knowledge, which is the window of exploring new technologies and academic tradition in the whole Europe and always maintains world-leading level in environment, energy, food processing, telecom, life science and material technology etc. Besides, there are many world famous institutes of higher education and technology, most of which have already built up cooperating partnership with many enterprises and colleges in China. Recent years, there are more and more Chinese students coming to Holland to further education, which also provide more advantages for the Chinese companies to display business locally. Nevertheless, the high technical requirements and constructions also raise the entry level for some typical Chinese companies, who sell tech-intensive products. And every Chinese company must pass the technical and quality test of the Netherlands in order to get the entry license.

To sum up, the Netherlands is playing the key part in EU economy development and provides the most convenient business and investing environment for all the multinational companies. Now, there are more and more ambitious and competitive Chinese companies who have international vision and are ready to step forward to the Netherlands market, as well as Western Europe. And the Netherlands is no doubt the ideal place.

3.5 Conclusion

By using the PEST analysis, a general description about marco environment of the Netherlands has been made based on the four main aspects. The main reasons for the attractiveness of the Netherlands for Chinese companies can be concluded from four main issues although the analysis also revealed some negative aspects:

- a). The Netherlands provides a stable political and social environment for international companies. And it also has completed legal system to protect the interest of foreign companies. Last but not least, the Netherlands has favorable taxation policies for foreign entities.
- b). The Netherlands plays a key role in the European economy development. It has maintained a stable economic growth in recent years and takes up leading position in many industries around the world. It also provide powerful and efficient supply chain service and transportation infrastructure for foreign companies.
- c). The Netherlands provides a well-developed multi-culture and modernizing society for international enterprises, as well as language environment. It also has huge amount of high skilled and well-educated labor force.



d). The Netherlands creates a nice E-economy environment and has accessed to a mature telecommunication and IT technologies, which guarantees a efficient and effective business operating surrounding for foreign companies. Its completed exporting and trading control system and regulation also enable multinational companies to set up their headquarter in the Netherlands.

The Netherlands provides an attractive business environment for Chinese companies in political, economic, social and technological aspects. I will use these results in the cross case analysis part.



CHAPTER 4 CASE STUDIES

4.1 Case selection

This chapter will elaborate on the relevant criteria for selecting the companies used for the case study, as well as the results of the selection. The main objective of this project is to analyze what entry strategies Chinese companies' use in the Netherlands consumer market. The fact is that there are many Chinese companies entering the Netherlands and it is impossible to analyze all of them. Besides, there are only a few channels for first hand information about the companies available. As a result, a limited number of companies will be selected that will all be representatives in different fields and doing business successfully in the Netherlands consumer market. The criteria are as follow:

CRITERIA OF CASES SELECTION
1. The case companies should sell products in the Dutch consumer market.
2. The case companies should have entered or already conduct business in the Netherlands and intend to keep doing business there.
3. The case companies should be representative of and influential in each relative industry in China.
4. The case companies should be known globally or broadcasted by local media and own their own overseas website.

Table 4.1 Criteria of Cases Selection

The reason for Criteria 1 and 2 are clear, which is required according to the problem statements. But mentioning about setting up Criteria 3 and 4, I actually have to consider the limitation of practical research methods and resources. Due to the limited ways to get first hand information about the Chinese companies, I have to limit the amount of the case companies. The selected case companies must be influencing and representative in each industry or have gained success in China market for years and in this case, there should be enough secondary information related to the international behavior of these companies. Criteria 3 and 4 were set up in order to realize this.

After careful selection following the criteria, there are five company cases that have been selected, which are Huawei Technologies Company B.V., China Qingdao Haier Company, Li Ning, Land Wind Automobiles Company and Lenovo Company. The reasons why these five companies have been chosen will be explained in Chapter 5.



4.2 Data collection

Because of the limitation for getting direct information to analyze the cases, the main research methods that I take to collect the data is through the Internet, companies' annual reports, magazines and newspapers. The main method to get the answer about each company's decision is by concluding and deducing the information from the news and annual reports on the Internet. The research about Huawei is different from others because I have been able to do research within the company, and gain first hand information through the daily work and conversations with the managers and colleagues. However, there is no interview due to the regulations of Huawei information security, and I was only able to have conversations with the colleagues to get information for my research.

4.3 Processing data

As mentioned in Chapter 3, each company will have factors that correspond to factors in the entry strategy table; a tick will be marked representing the strategy they chose with the relevant factors. This section will provide the method of how I processed these data and how to arrive at the results.

I am using the method of "thinking back", which means I will firstly conclude for each case company what entry strategy it uses, based on the collected information. Take Huawei as an example: all the collected information shows that Huawei has a branch office in the Netherlands, which is taking care of business locally. Besides I have taken an internship in Huawei, confirming that the entry strategy is Branch/Subsidiary Exporting. So I came to the result that ticks should be marked in the Branch/Subsidiary Exporting column.

Next, using table 3.1, I consider the factors in this column and select the ones that are applicable based on the analysis of four current issues in Chapter 2, as well as the analysis of selected companies. Mentioning the applicable external factors, it should be considered all the same by the selected five companies except the priority of these factors because I only focus on the Dutch consumer market. For the applicable internal factors, I will identify them according to the description of each company and collected information. Because table 3.1 provides a limited set of factors for each entry strategy, it is possible that other factors also play a role. For example, there is only one matching entry strategy for "Good marketing infrastructure", which is Indirect and Agent Exporting. However, Huawei, Haier, Li Ning and Lenovo are not choosing that entry strategy. Therefore, also other factors not marked "✓" in the column concerned in table 3.1 have been considered and included where applicable. Actually, these five companies have chosen their particular suitable entry strategy, which means that each company has made a decision to ignore some factors and choose the most beneficial entry strategy. As a result, the mark in each case's table represents the actual situation at present.



As a final step, I will identify the five most important factors, top-5, for each particular case in order to make a clear comparison and identify the similarities and differences. And I will specify the order according to the three main information resources: internship experience, collected information and consequence. Take Huawei as an example, because I have worked in it for over six months, and I am familiar with its business developing history and model. For instance, the main reason why Huawei entered the Dutch market is the great sales potential according to its General Manager's saying. As a result, high sales potential is definitely chosen as one of the top-5 factors. Besides, most of Huawei's projects are connected with the Dutch government, so that low political risk is also required. The other factors can also be concluded in the same way.



CHAPTER 5 CASE ANALYSIS

In this part five typical and well-known Chinese companies have been chosen to complete my research. I will analyze the business history of each company first and then find out what different market strategies they choose according to their business situation.

5.1 Huawei Technologies B.V.

5.1.1 Introduction

Huawei Technologies Company is a new and ambitious multi-national telecommunications solution provider and has been operating in Europe for the past seven years, which includes an office in Amsterdam. By the end of 2006, the global sales turnover had reached over 11 billion US dollars, in which the overseas sales accounted for about 65% of that total. On December 8, 2005, Huawei had signed a contract worth 200 million euros with Telfort, a Dutch mobile provider, for a WCDMA project¹⁰. Later that same year on November, Huawei had officially signed a global purchase frame agreement with Vodafone from the United Kingdom, which is the largest mobile communication operator in the world. All the information indicates that Huawei has successfully set up a profitable business model in the Netherlands and will continue to expand its market share in the coming years.

In order to increase the sales of their telecom products and market share, they had to take business from the US and European equipment manufacturers. Huawei entered the international market early in 1995. During the first two years in the Netherlands, Huawei had already achieved many successes in the Dutch telecom market. There are several milestones showing the rapid development of Huawei¹¹.

→ On December 8th 2004 Huawei became the only 3G-network supplier of Telfort and built up a long-term partnership.

→ On June 2005, Huawei beat all the competition to win the CWDM/DWDM contract for KPN. The network would eventually cover the whole of the Netherlands including over 2000 network elements and using in excess of 2,200 kilometers of fiber optic cables.

→ On February 2005, Huawei won the KPN core network contract for mobile communications division, which was called Dragon. Huawei beat its rivals, including Ericsson and Nokia by proving its high quality of technical services and highly competitive pricing.

→ At the end of 2006, Huawei wins the contract to replace Siemens SDH with Huawei NGSDH equipment for Vodafone NL B.V..

¹⁰ <http://tech.sina.com.cn/t/2005-02-28/1403537602.shtml>

¹¹ <http://finance.sina.com.cn/110/2004-06-18/378.html>



5.1.2 Strategies and Factors

Huawei has built up its branch office in the Netherlands for more than two years and gained great achievements after beating many powerful multinational companies. Those successes are all benefiting from the right and appropriate marketing strategies and accurate market analysis. According to all the collected information, I have concluded the following table Huawei to provide a clear and detailed view about how it fulfilled its business plan under such factors.

<i>Generally Favors</i> <i>External Factors</i> <i>(Foreign country)</i>	Indirect and Agent Exporting	Licensing	Branch/ Subsidiary Exporting	Equity Investment/ Production	Service Contracts
High sales potential			✓		
Atomistic competition			✗		
Good marketing infrastructure			✗		
High production cost			✗		
Liberal import policies			✓		
Liberal investment policies			✗		
Small geographical distance			✗		
Dynamic economy			✗		
Liberal exchange controls			✗		
Exchange rate appreciation			✗		
Small cultural distance			✗		
Low political risk			✓		
External factors <i>(Home country)</i>					
Small market			✗		
Atomistic competition			✗		
Low production cost			✗		
Strong export promotion			✗		
Internal factors					
Differentiated products			✗		
Service-intensive products			✓		
High product adaptation			✓		
Substantial resources			✗		
High commitment			✗		

Table 5.1 Huawei Entry Mode Decision



As seen from the table, Huawei mainly takes branch export as the “tools” in the Netherlands. The top-5 important factors that Huawei considered when entering the Netherlands are **high sales potential, liberal import policies, low political risk, service-intensive products and high product adaptation**. As a successful telecom company it has become the leader among all the Chinese telecom operators, Huawei has gained out-standing achievements and formatted a mature and developed business model because of its world-leading service solution and high quality of network building technology. The greatest advantage of Huawei products and solutions is the competitive price and a good combination of advanced telecom technologies and complete system of after sales service. So far, the technical gap between Huawei and other telecom vendors are getting smaller, so the total and complete service becomes more and more important as a market tool, which Huawei is able to provide the customers. High market potential and favorable business policies enable Huawei to fully take advantage to win the market; what’s more, the strong export promotion policies in China also make Huawei more competitive through reduced cost. As a result, Huawei insisted on building a branch office in the Netherlands, although it is a considerable distance from China. So far, Huawei has become the main telecom supplier and third main operator relying on its outstanding technologies and quality of project delivery, as well as the high efficiency of service delivery. In the next five years, Huawei will continue its aggressive marketing strategies and become a market leader.

5.2 Haier

5.2.1 Introduction

Haier, a world-famous international company supplying electrical appliances, is one of the few Chinese companies that entered the Top 300 companies in the world. Its total net income of sales in 2006 was over 10 billion US dollars and its overseas turnover reached 1 billion US dollars. On April 1 2005, Haier built its first subsidiary company in the Netherlands. Haier has entered the overseas IT market with full preparation aimed at seeking a global development strategy and adapting in order to make its IT business keep pace with its electrical appliance business. So far, Haier has sold its electronic products in Media Markt, which is a Europe wide consumer electronic products supermarket. Haier is equipped with a design & research center in Lyon and Amsterdam, as well as a sales center in Milan.

5.2.2 Strategies and Factors

As we know, Haier is a mature and world-famous producer of white family electrical equipment. It has become the biggest supplier of white electronic equipment in China for more than 5 years. In order to increase sales and minimize the competition, Haier has entered the global market much earlier than other competitors in China. Haier’s international expansion strategy has always been identical to its home based strategy, which is a local integration of



production, logistics and research, which means that not only does Haier want to be Chinese Haier, but also it wants to be a global one. Favorable price plus good brand awareness should be the basic requirements to support its overseas policies.

<i>Generally Favors</i> <i>External Factors</i> <i>(Foreign country)</i>	Indirect and Agent Exporting	Licensing	Branch/ Subsidiary Exporting	Equity Investment/ Production	Service Contracts
High sales potential				√	
Oligopolistic competition				∩	
Good marketing infrastructure				∩	
Low production cost				∩	
Liberal import policies				∩	
Liberal investment policies				√	
Great geographical distance				∩	
Dynamic economy				∩	
Liberal exchange controls				√	
Exchange rate appreciation				∩	
Great cultural distance				∩	
Low political risk				√	
External factors <i>(Home country)</i>					
Large market				∩	
Atomistic competition				∩	
Low production cost				∩	
Strong export promotion				∩	
Internal factors					
Standard products				∩	
Technology-intensive products				∩	
High product adaptation				√	
Substantial resources				∩	
High commitment				∩	

Table 5.2 Haier Entry Mode Decision

According to the table, the top-5 factors for Haier are **high sales potential, liberal investment policies, liberal exchange control, low political risk and high product adaptation**. The reasons are that the well-developed Dutch consumer market and favorable investment policies are matching the



characteristic and demand of Haier's products. Haier has formatted a mature business development system of internationalization for years, the core strategy of which is to become a local enterprise with an international brand image. The Netherlands is positioned well in Europe both geographically and with the correct skill sets, to provide an ideal environment for Haier to display direct investment. However, the reasons why Haier still insisted on building up factory and research center in the Netherlands with the high production costs are that it will be much easier for Haier to avoid the non-tariff barrier in the European market effectively. Haier can also improve its international market responding ability, which will all correspond with its internationalization strategy. As a result, Haier is going to keep its strategies local-oriented and maintain its sales, production and service quality. Obviously, there will be more and more Haier products appearing in the Netherlands consumer market in the next few years.

5.3 Li Ning

5.3.1 Introduction

Li Ning Sports Stuff & Equipment Company, established in 1990, has now had some great achievements in the international sports consumer market and become a professional sports stuff company, which owns three main series: clothes, shoes and equipments. Nowadays, with the accomplishment of production line and categories of products, Li Ning has played a leading role in the Chinese sports industry. By the end of year 2006, Li Ning had gained over 0.3 billion US dollars of gross sales, which grew 29.8% more than the same period of year 2005. What's more, the sales amount of the independent brands of Li Ning has risen by 35.7% more than last year¹².

As a matter of fact, Li Ning has already been preparing to enter the international market for a long time. In 2001, Li Ning opened its first overseas flagship store in Spain. On September 2002, Li Ning became the unique sponsor of Spain women's basketball team in the 14th session of world women's basketball championship. In addition, Li Ning has kept enlarging its influence and scale in the world sports market and speeded up its brand internationalization in the last three years, such as sponsoring the French gymnastic team and Czechoslovakia gymnastics team. In year 2006, Li Ning signed up Shaq O'Neal, the most dominant center player in the NBA, which was a new step in advancing its brand image and awareness. What's more, Li Ning opened its first shop in Maastricht in the Netherlands at the beginning of 2007 and will eventually open another 20 shops throughout the Netherlands, Belgium and Luxemburg over next five years. 2007 can be seen as its infant year in the Dutch consumer market, but it is well prepared for the challenges.

¹² http://www.clib.com.cn/info/LinelInfo_Show.aspx?ID=38085&SortID=99&ParentID=664
Survival in the Netherlands' Consumer Market 30



5.3.2 Strategies and Factors

Li Ning's business development is a little bit different from Huawei and Haier, because products belong to quick-selling category meaning that good brand awareness and reputation, as well as rational price are the most important properties for Li Ning. Now let's take a look at how Li Ning acted in the Dutch consumer market.

<i>Generally Favors</i> <i>External Factors</i> <i>(Foreign country)</i>	Indirect and Agent Exporting	Licensing	Branch/ Subsidiary Exporting	Equity Investment/ Production	Service Contracts
High sales potential			✓		
Atomistic competition			✗		
High production cost			✗		
Liberal import policies			✓		
Liberal investment policies			✗		
Small geographical distance			✗		
Dynamic economy			✗		
Liberal exchange controls			✗		
Exchange rate appreciation			✗		
Small cultural distance			✓		
High political risk			✗		
External factors <i>(Home country)</i>					
Large market			✗		
Atomistic competition			✗		
Low production cost			✓		
Strong export promotion			✗		
Internal factors					
Standard products			✗		
Service-intensive products			✗		
High product adaptation			✓		
Substantial resources			✗		
Low commitment			✗		

Table 5.3 Li Ning Entry Mode Decision



For Li Ning case, the top-5 important factors are **high sales potential, liberal import policies, small cultural distance, low production cost and high product adaptation**. Market potential is the necessary condition for quick-selling products companies like Li Ning, and market atomistic competition may provide a regular and peaceful business environment for Li Ning and it may also reduce the entry barriers. Besides, the Dutch customers have extremely active attitude on sports with great passion, which just matched the brand spirit and company culture of Li Ning and made its products easily accepted by the Dutch consumers. With the out-standing international reputation of Li Ning, once Li Ning's products and business culture are well accepted by the local people, then it is only a matter of time to take up the market. So far, to open Li Ning captain shops directly in big cities are the main entry tools, which also matches its overseas strategies of covering the market as more as possible. Meanwhile Li Ning combined cheap-price and appropriate-promotion with entry strategy to settle down in the market because it can get very low producing cost in China. However, Li Ning must keep its eyes on the supply chain management, as well as the potential risk of losing money at the beginning, because a well operated logistic channel is very important for a quick-selling products company and the Dutch customers have high standards in selecting the sports stuff, price is not only the factor to influence the buying behavior. As a result, Li Ning must have a long-term plan and enough patience on doing business locally. Once Li Ning is getting more and more attention from the people all around the world, it is able to become a real world famous sports stuff supplier.

5.4 Land Wind (China Jiang Ling Automobile Company)

5.4.1 Introduction

As one of the successful Chinese local independent automobile brands, Land Wind is only in its five years of existence but has been the first Chinese Brand in the European market. Since July 2005, 200 Land Wind SUV were exported to the EU, meaning that China could also export technology extensive products to all over the world and not only clothes and family electronic appliances. Only three months later, there were 500 more Land Wind exporting to the EU again. Until year 2007, Land Wind has reached the exporting amount of over 20,000 SUV¹³ to the Europe market.

The European market is still considered as the most difficult one to take business for the Chinese local vehicle companies because of its high standard technical requirements. However, Land wind is not frightened to give up the march and has enough confidence about its product quality and technological power. So after a market research, Land Wind has found that its SUV is a brand new style of car in the European market. Taking the Netherlands as an

¹³ <http://auto.sina.com.cn/news/2005-06-06/1156120103.shtml>



example, Land Wind noticed that this is one of the richest countries in the world where people have great preference for leisure life quality. At present, there is more than 5% of SUV in the total automobiles amount of about € 9 million in Holland and the percentage will keep rising in the future¹⁴. So the attractive and promising market situation gave Land Wind great confidence to display business locally and winning some certain part of the market. So far, Land Wind has passed the GCC and SASO standard licensing for the automobiles, which means it moved away the biggest barriers in the Dutch market and concentrate on quality improving and marketing operations. Another side, Land Wind's direct agent in the EU, Peter Bijvelds, is one of the most famous automobiles dealers in the Netherlands that was founded in 1965 and it has nice market reputation and operating experience. So in order to take full charge with the sales of Land Wind's SUV, Peter Bijvelds has set up the LWME LTD Company for local sales in Belgium to completely take charge of the marketing issues, monitor every sales detail and deal with customers' feedbacks.

5.4.2 Strategies and Factors

The Dutch automobile consumer market is one of the most difficult markets to enter for automobile companies in Europe, because it has set up quite a few strict technical standards and different examining systems for automobiles, which increasing the amount and difficulties of barriers for the exporters. However, during the last 20 years of economical reforms in China, there are more and more Chinese automobile companies are able to sell cars in the Dutch market or other countries in the EU. More and more customers have accepted the automobiles made in China. Land Wind is definitely one of the successful companies that has passed the entire technical test especially the security test in the EU and survived in the Dutch market. Clear target market setting of the products with its own advantages makes Land Wind gain profit with the minim cost. Now we are going to take a look at which factors and strategies Land Wind considers and uses in the Netherlands under the following table.

¹⁴ <http://news.chinacars.com/dbxnb/cq/196888.shtml>



<i>Generally Favors</i> <i>External Factors</i> <i>(Foreign country)</i>	Indirect and Agent Exporting	Licensing	Branch/ Subsidiary Exporting	Equity Investment/ Production	Service Contracts
High sales potential	✓				
Atomistic competition	✓				
Good marketing infrastructure	✓				
High production cost	✓				
Liberal import policies	✓				
Liberal investment policies	✓				
Great geographical distance	✓				
Dynamic economy	✓				
Liberal exchange controls	✓				
Exchange rate appreciation	✓				
Great cultural distance	✓				
Low political risk	✓				
External factors (Home country)					
Small market	✓				
Atomistic competition	✓				
Low production cost	✓				
Strong export promotion	✓				
Internal factors					
Differentiated products	✓				
High product adaptation	✓				
Limited resources	✓				
Low commitment	✓				

Table 5.4 Land Wind Entry Mode Decision

The top-5 key factors for Land Wind are **good marketing infrastructure, liberal import policies, low production cost, strong export promotion and low commitment**. A good market infrastructure can provide a benign competitive business environment for Land Wind; however, Land Wind has to consider the high labor and production cost in the Netherlands, besides, the high automobile's technological demands in the Dutch consumer market also force Land Wind to take indirect exporting in order to save time and reduce the risk of losing money. However, the favorable business environment and import policies in the Netherlands still attract Land Wind to enter it, and Land Wind can also count on low price due to the cheap labor force and production cost in



China. So far, Land Wind is having good sales in the Netherlands and it is now cooperating with a local agent to export after it gets the automobile license of the EU, which is more familiar with the Dutch vehicle consumer market. However, there are many other significant reasons to be considered when buying an automobile besides quality and price, such as design, environmental issues and so on. As a result, Land Wind should take more actions to improve the products in order to gain the market share.

5.5 Lenovo

5.5.1 Introduction

As one of the key leaders in computer technological production and innovation in the world, Lenovo is designing and manufacturing high-quality PC products and providing value-added professional services. Lenovo has affected the life of millions of Chinese for the last 20 years by providing the high-tech PC products and service, and it has created a new computer science era for China. For example, the pioneering Lenovo Chinese Character Card designed by Lenovo is able to translate English operating software into Chinese characters, and obtained the breakthroughs like PCs with one-button access. On May 2005, the Lenovo has annexed the IBM's Personal Computing Division and Laptop production line, which made it the leader in the global PC-production market. After that, Lenovo and IBM have formed a strategic alliance aiming to provide the best-in-class experience for enterprise customers, which can give customers fitting access to IBM's world-class customer service organization and global financing offerings. With the benefit of such alliance, Lenovo is able to take advantage of IBM's mature and well-developed worldwide distribution and sales network to sell the product in many other countries, which can globally increase its competitive ability¹⁵.

After the success of purchasing the IBM personal computing production part, Lenovo has launched the second overseas important purchase action, which target is in Europe. According to the "Finance and Economics" magazine report on Aug 20th 2007, Lenovo has been carrying on the negotiation of purchasing the European computer company Packard Bell with an independent third party, and already signed the discussing purchasing memorandum of possibility, which was also been proved by Packard Bell. Packard Bell has successfully infiltrated the European electric appliance chain store, the supermarket chain store, all sorts of networks shopping platform, as well as nearly all the retail channels. Once the purchase success reached, Lenovo will become the fourth biggest PC producer in the west European market¹⁶.

¹⁵ <http://inc.icxo.com/read.jsp?aid=4903&uid=2818>

¹⁶ <http://www.cnetnews.com.cn/2007/0820/460543.shtml>



5.5.2 Strategies and Factors

As mentioned, the European PC consumer market is quite mature and well developed, including the Netherlands'. In order to take over the market with less time and money, Lenovo has no choice but through acquisition building its own sales and logistic channel. Now we can take a look at more details about which factors that it really considered most:

<i>Generally Favors</i> <i>External Factors</i> <i>(Foreign country)</i>	Indirect and Agent Exporting	Licensing	Branch/ Subsidiary Exporting	Equity Investment/ Production	Service Contracts
High sales potential				✓	
Good marketing infrastructure				✓	
High production cost				✓	
Liberal import policies				✓	
Liberal investment policies				✓	
Small geographical distance				✓	
Dynamic economy				✓	
Liberal exchange controls				✓	
Exchange rate appreciation				✓	
Low political risk				✓	
External factors <i>(Home country)</i>					
Large market				✓	
Oligopolistic competition				✓	
Low production cost				✓	
Strong export promotion				✓	
Internal factors					
Standard products				✓	
Technology-intensive products				✓	
High product adaptation				✓	
Substantial resources				✓	
Low commitment				✓	

Table 5.5 China Lenovo Entry Mode Decision

The top-5 significant factors for Lenovo are **high sales potential, liberal investment policies, low political risk, standard product and high product adaptation**. The Netherlands can provide the best business environment including favorable and liberal investment policies and a stable society that



have been mentioned in Chapter 2, and these are all good to take investment. Besides, Lenovo has owned world famous brand and mature production line, which enable it to fulfill the marketing locally. After successfully obtaining great achievement in North America and Asian market, Lenovo is more confident to perform well in the Netherlands consumer market, as well as in the whole Europe. However, its biggest competitor Acer is still taking up a large amount of the PC market in the Netherlands consumer market. In order to reach the scale to catch with Acer, Lenovo was eager to make acquisition with Packard Bell and to gain more and more market. With the help of the exciting brand awareness and functions in the multi-media field in the Netherlands, Lenovo may become the biggest PC supplier in EU. Besides, Lenovo can also enlarge its global reputation through the 2008 Beijing Olympic Games. Lenovo is now becoming one of the global sponsoring partners of Olympic Committee. And there is no doubt that Lenovo will keep up exploring and developing in the Netherlands, as well as the whole West European PC consumer market.

5.6 Conclusion

The five companies started their business on Dutch consumer market strategically. And they all took careful consideration externally and internally with several important factors and made a particular suitable entry strategy based on the practical situation they met. Each company has determined the most appropriate entry strategy although it was not matching with some factors compared to Table 3.1. By building the table 6.1 and 6.2, it is clearer to identify the most important and common factors that Chinese companies should consider and which kinds of entry strategy are used frequently.



CHAPTER 6 CROSS CASE ANALYSIS

6.1 Similarities & Differences

Now I will try to find out the substantial operating roles or regulation among these selected companies in order to provide common issues, which can be referred to by other Chinese companies. The following table is formed based on the tables from 5.1 to 5.5, and the column of “the most important factors” in the following table are combined with the five cases’ top-5 factors, which is concluded all the Top-5 factors of each case.

Most Important Factors	<i>Huawei</i>	<i>Haier</i>	<i>Li Ning</i>	<i>Land Wind</i>	<i>Lenovo</i>
High sales potential	✓	✓	✓		✓
Good marketing infrastructure				✓	
Liberal import policies	✓		✓	✓	
Liberal investment policies		✓			✓
Liberal exchange controls		✓			
Small cultural distance			✓		
Low political risk	✓	✓			✓
External factors (Home country)					
Low production cost			✓	✓	
Strong export promotion				✓	
Internal factors					
Standard products					✓
Service-intensive products	✓				
High product adaptation	✓	✓	✓		✓
Low commitment				✓	

Table 6.1 Factors Analysis

Strategies	<i>Huawei</i>	<i>Haier</i>	<i>Li Ning</i>	<i>Land Wind</i>	<i>Lenovo</i>
Indirect and Agent Exporting				✓	
Licensing					
Branch/Subsidiary Exporting	✓		✓		
Equity Investment/Production		✓			✓
Service Contracts					

Table 6.2 Strategies Analysis



6.1.1 Similarities

As shown clearly on the Table 6.1 and Table 6.2, most Chinese companies that entered the Dutch consumer market are considering almost the same external factors, which are the important strategic position of the Netherlands and the high sales potential market. The five selected case companies did not prefer to use licensing or service contract as entry strategies, which also may indicate a general fact among most of Chinese companies. The Netherlands' consumer market has been so mature, liberal and favorable that many Chinese local enterprises have treated it as an important part of global enlarging strategies. These five chosen companies have already gained great success in each field in China due to their market strategies and advanced technologies, and they all having the unchangeable trend to expand into the world market. However, they are all very careful to approach a hostile market, especially an experienced and competitive market because they quite worry about meeting consequences of following wrong strategies. According to the table, these five companies are all considering the similar factors internally and externally, such as high sales potential, liberal import policies, low political risk and high product adaptation. Only Huawei and Land Wind should care more about the technologies licensing due to the function of products and local barriers, as well as limitation.

On the other hand, most of the big scale Chinese companies prefer doing business through branch exports and direct investment because these two options are less risky, more profitable according to the national and local business policies and also could be managed more effectively. Furthermore, for the technical-intensive companies such as Huawei, Land Wind and Haier, they must keep improving products quality to pass the import barriers so that they can sell their qualified products in local consumer market. However, only few Chinese companies that have strong financial support and also prefer market share more than sales are willing to choose direct investment.

6.1.2 Differences

As shown in the Table 6.1 and Table 6.2, the factors that influenced Chinese companies to enter the Netherlands consumer market are similar to each other; only one or two cases should care more items and factors than others because of the scale and financial ability of the companies, as well as the functions of products. However, companies from different fields did have small differences on deciding what the priority factors were. So far, for example, technical enterprises, like Huawei, Lenovo, those which have strong financial support and clear internationalization expansion plan, are likely to have a local branch office in order to better control the operational business. In that case, they will consider more the market infrastructure and sales potential at long term because the profit circle will not be short. And the number of these types of Chinese companies is quite small but representative. While like Li Ling, Land



Wind, those that provide quick-sales products, may pay more attention to the short term sales, especially those companies that have a contract with local agent. And the majority of the Chinese exporting companies decide to enter the Netherlands market because of the liberal currency exchange policies and import policies. Besides, the high profit space is also one of the key factors that attract them to enter based on the advantage of low production cost. While talking about the differences of strategies Chinese companies mainly operate in the Netherlands consumer market, it can be concluded from several sides:

→ First of all, strategies vary from the type of company (field, sector, industry). Companies like Huawei and Lenovo, which are mainly relying on their products' technical advances and out-standing service quality, prefer to take branch export to operate business. While companies like Li Ning and Haier, with products more related to the people's life, would like to direct invest on the foreign market because they have already got an experienced brand operation and promotion system to support the standard products surviving in the Netherlands.

→ Secondly, the middle and small-sized Chinese companies would like to choose export agent as entry strategy, in other words they export the products from China through a Dutch dealer to sell their products, such as Land Wind and many other daily necessity companies. While big-sized Chinese firms choose direct investment, take acquisition with local or neighbor countries' factories in order to set up their own production line and spare transport cost. It is much easier for those companies to manage the whole business circle. Such as Haier and Lenovo, they have completed and mature internationalization process of products and brand building, as well as a huge marketing and sales team all around the world. Although it may take several years to gain profit, these companies are more like a local enterprise and have a long-term goal.

→ Last but not least, Huawei Company is a special case among these Chinese companies. Because not only an advancing telecom technologies and service, it has also provided more related products, such as wireless setup, mobile and mobile data cards in the Dutch consumer market. It means that market pressure that Huawei meets is much more huge and important than any other Chinese companies. So that Huawei chose to set up branch office combined with service contract rather than direct investment, which is different with other big sized Chinese companies. Although Huawei only has two categories products in the consumer market, its technologies has helped KPN (the biggest telecom operator in the Netherlands) to cover 2/3 area of cell phone and fix phone user in the Netherlands. In a nutshell, the biggest difference between Huawei and other Chinese companies in the market strategies is that Huawei is taking technology leading as the main core of its



international strategy, while many others are taking marketing-leading strategy.

6.2 Striking issues

There are two case companies, which are Huawei and Li Ning providing good business examples for other Chinese companies, which have taken or will take business in foreign countries. The two companies' internationalization processes are well combined with Eastern and Western management philosophy and experience. The entry marketing strategies are matched with both internal development and foreign market requirements.

6.2.1 Huawei

As mentioned in Chapter 5, Huawei is quite an ambitious telecom company in China, which has become the most powerful and influential operator in China telecom market since it was built up only 20 years ago. Now Huawei even is able to beat Ericsson and Siemens in the Netherlands and become the world third telecom operator and the global WCDMA equipment provider of Vodafone. From the very beginning, Huawei has insisted in one core surviving rules: technology is basic stone for Huawei to survive. When other Chinese companies were fighting in the market by reducing the price, lowering the cost or cut off the employees, Huawei keeps stable investment on product and technology research; so far, Huawei owns more than 8,000 patents and has partnership with many multinational telecom operators, such as Ericsson, Siemens, 3com etc in research area. Especially in year 2004, Huawei was named by the Olympic Committee to be the only telecom equipment supplier for Athena Olympic Games, which was the first time that the Committee selected the supplier without an international tryout.

Besides, Huawei is the only company who used more than one entry strategy among the five companies. Two sides actually determined the reasons, one is to reach the market requirement and the other is to match the product requirement in the Dutch consumer market. Huawei's internationalization actually is a natural trend: advanced technologies, cheaper price, and efficient service after sales, are three "weapons" become the core entry strategies of Huawei. Because Huawei is monitoring the whole process which is from technologies to equipments and from installing, testing to maintaining for the international buyers. So that Huawei has to set up their branch office in foreign countries, which opens its international process step by step. Also the same as in the Netherlands, now Huawei is fulfilling the Core Network installing contract with KPN. After eight years of rough experience in overseas market, Huawei has now gained great faith in the international telecom market. In a word, Huawei entered the Dutch market from the strategic level, and control the whole process while most other Chinese companies only can enter it from the terminal level, which is mostly relying on price advantage.



6.2.2 *Li Ning*

For Li Ning case, it is selected because it is the best example of how a local daily products company grows up to be a multinational company step by step. Li Ning gives many other middle-small scale Chinese companies a good lesson in how to take the marketing from business to customers. Li Ning also proves itself to the world that not only can China sell simple and cheap daily goods without a brand, but Chinese companies are able to provide and sell professional and high quality daily products with a world famous brand.

At present, several multinational companies like Nike, Adidas and Puma have monopolized the world sports stuff market for quite a long time. There is almost no other brand mark in all the international sports events for many years. However, Li Ning, since the last 10 years, has been seen more and more frequently in Olympic Games, world basketball champion match and many other international games. Especially in year 2006, the Spain Men national team of basketball, which is sponsored by Li Ning, has won the world basketball champion. And the brand of Li Ning is deeply remembered by many people who love sports in the world. When looking back how Li Ning grows up, it is difficult to find out that Li Ning has a practical and clear target and blue print for the development of company. Li Ning knows exactly what a famous brand means to a sports stuff supplier. So it did not hurry to march into the international market and try to be strong and build up loyal customers as many as possible in Chinese market. Actually, Li Ning decides to face other competitors in China first. One of the most successful strategies for Li Ning is to be the only sponsor for the whole Chinese Olympic team, which makes Li Ning more and more famous with Chinese athletes gain more and more gold medals. Li Ning keeps developing itself following one core strategy: brand internationalization. Meanwhile, Li Ning keeps investing in equipment research and tries to reach the world leading level, making it to be a professional sports equipment supplier. However, there is still a great distance between Li Ning and other famous companies in global market share. But it is worth to be encouraged that Li Ning is able to face the competition in overseas consumer market and open its first shop in Maastricht in the Netherlands. It is reasonable to believe that Li Ning will be more and more successful in the future.

6.2.3 *Other Three Companies*

The rest three case companies are much acting as routine in the strategies fulfillment, which are all following the normal procedure of how to enter a foreign market and taking the internalization step by step according to each practical business development. Not choosing them as striking issues is not because they are not doing well in the Netherlands consumer market, but they are acting as usual in each international expansion by setting the pragmatic entry strategies compared to Huawei and Li Ning.



Haier, one of the first few Chinese companies who began the international expansion in 1990s, has stimulated lots of international business experience. It decided to set up its research center in Netherlands first and then to take the expansion steps like in China, in choosing the big shopping mall as breakpoint and then expanding the area. For Lenovo it is more different, they have taken the advantages of what IBM has built on the distribution channels in the Netherlands after the acquisition of IBM's global laptop production lines. And then Lenovo could easily enter the market only by changing the logo of IBM. Mentioning about Land Wind, it is less involved in the local sales process after signing the distributor contract locally. Exporting is concluded as the main strategy for Land Wind for the next five years as mentioned in the Chapter 5.

6.3 Comparing findings with literature

Table 3.1 quoting from the Root's book is the main research tool for my thesis. There are a few differences occurring in the research results comparing to it. Some of the practical entry strategy did not correspond with the original one in the Table 3.1. For example, indirect and agent exporting should be chosen under the factor of good market infrastructure; however, both Huawei and Haier chose subsidiary exporting and equity investment instead. The reasons are that each company definitely has a priority about the factors in order to take the most beneficial and suitable entry strategy for themselves. As mentioned in Chapter 4.3 about the "thinking back", some of the Chinese companies have gained great achievements in the market with the right entry strategy, although this strategy was not matched by using Table 3.1, and most of practical situations of the selected companies correspond with the literature.



CHAPTER 7 CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusions

This section will address the issues mentioned in the problem statement of this research and also about the research process. The conclusions and recommendations will lead to some implications for further research of Chinese companies entering the Netherlands in the future.

In line with the theory, there are four main criteria that companies are considering for the international expansion, which are Increasing Sales/Finding New Markets, Cushion the Economic Cycle, Minimise Competition and Access Advancing Technology. The main external factors identified on the environmental analysis of the Netherlands are that the attractive sales potential and favourable business environment and policies in the Netherlands.

The external and internal factors influencing the Entry Mode Decision as identified in the case studies are a clear view about the high potential sales, liberal investment policies, good market infrastructure and low political risk. Branch exporting and licensing are the main strategies; meanwhile, most of the companies are using more than one entry strategies.

For the comparison part, Huawei and Li Ning are the most attractive cases to be mentioned because they provide good examples for other Chinese companies who have taken or will take business in the Netherlands consumer market, as well as overseas market. One is relying on its advanced technologies and high quality of contract fulfillment; the other is benefiting from its completed marketing and brand building functions.

7.2 Reflections

The first problem I encountered is that it was difficult for me to find a practical project. At the very beginning, it was difficult to find an internship to do my thesis in Enschede or the cities around it, and I decided to move to Amsterdam on May 2007, decided this topic with the help of Mr. De Boer due to the limited time after I spent another month searching. The most difficult point about this topic is that most of the companies are not willing to share information to the people outside the companies. And the only way to get the data is through Internet, newspaper and magazine.

I was able to get more details after I took the internship in Huawei on July 2007. I could get more information about the history and reasons for entering the Netherlands by liaising with the employees. Besides, I could also make extrapolations on how other Chinese companies are doing their business. Finally, I could find useful and first hand information to fulfill the research.



Back to review the whole process of the research, I am glad to see the results are in line with the objectives. Though there are still many different kinds of difficulties I struggle with, but I have learned to calmly find the solutions to solve them.

7.3 Recommendations

For Chinese companies in all kinds of industry, entering the Netherlands consumer market, as well as the global market, this research can be used to initiate a journal article to gain general insights into what kinds of internal and external factors should be considered and what entry modes and market strategies should be used. Subjective and careful analysis about the development of companies and products, as well as comprehensive foreign market research is very important to choose the right entry strategies and entry time. Besides, the Chinese companies should know clearly about the local legislation and business policies in order to improve or set up different standards for products and service.

For future research, there are also several implications. Due to the limitation with the data collection that was only conducted in the Netherlands, it is suggested to involve the Chinese Embassy and local economic research agent to enlarge the research data. Last but not least, the Netherlands consumer market analysis could be more detailed by cooperating with a Dutch student.



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Investing in the Netherlands; SEP 2007; from Netherlands Foreign Invest Agency; <http://www.nfia-china.com/downloads/4/page0003.html>



APPENDIX

Information resource:

1. Huawei Technologies B.V.

→Conversations with Mr. Fan Miao, General Manager of Huawei Technologies BV after the 2007 kick-off meeting on Jan 2008. The content is about Huawei's development and strategies issues.

→Conversations with Mr. Liao Gang, key account manager of Huawei Technologies BV, he is responsible for Telfort and Vodafone projects. It happened on Jan 2008. The content is about the development history of Huawei Technologies BV and strategy issues.

→Conversations with Mr. Bas, key account manager of Huawei Technologies BV, he is responsible for KPN projects. It happened on Dec 2007. The content is about how to set up strategies during different time with different customers.

→Huawei internal newspaper and magazine: Huawei People and Huawei Service.

→Huawei's events website: <http://www.huawei.com/exhibition/index.do>

2. Haier

→Haier in the Netherlands; Nov 27th, 2007; from Netherlands foreign investment association;

http://zcg.ec.com.cn/article/hwzt/200711/520879_1.html

→Haier's website: http://www.haier.cn/news/haier_news.shtml

→Haier in Europe:

http://www.haier.com/abouthaier/HaierWorldwide/Introduction_eur.asp

3. Li Ning

→ The turnover of Li Ning in year 2006; JUL 5th 2007; from Economic Daily;
http://www.clib.com.cn/info/LineInfo_Show.aspx?ID=38085&SortID=99&ParentID=664

→Li Ning's interim report in 2007:

<http://www.lining.com/EN/download/pdf/ir2007.pdf>

→Li Ning entered Europe; Feb 23rd 2007; from China brand website;
<http://content.chinasspp.com/News/Detail/2007-2-23/44130.htm>



4. Land Wind

→Land Wind internal news website:

<http://www.landwind.com/news/index.aspx?CatalogID=46&Type=1>

→Land Wind entered the Netherlands; Aug 15th 2005;

<http://www.fblife.com/news/20050815/145803741.htm>

5. Lenovo

→Lenovo Annual Report;

http://www.pc.ibm.com/ww/lenovo/annual-interim_report.html

→China's Lenovo in talks to buy Netherlands-based PC maker Packard Bell;
Aug 8th 2007; from Joan Feng;

<http://www.haaba.com/news-story/chinas-lenovo-talks-buy-netherlands-based-pc-maker-packard-bell>

→Lenovo take acquisition to Packard Bell; Feb 28th 2008;

<http://news.ctocio.com.cn/304/7824804.shtml>

→ Lenovo will launch Europe attack 'early next year; Sep 28th 2007; from Timesonline;

http://business.timesonline.co.uk/tol/business/industry_sectors/technology/article2544215.ece