City University of Hong Kong

MKT 4604 Marketing in China

Group Project

Research Plan for

Three Sixty® Expansion in China Market

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Executive Summary

ThreeSixty® is Asian’s first one-stop supermarket for all kinds of natural, organic and wholesome food. The vision for ThreeSixty® is: “To champion the well-being of people and planet.” Therefore, it aims in providing the best and healthy for all the customers.

Key of Success: In-depth Industry Analysis

Before entering into the China market, in-depth industry analysis is essential as it can help ThreeSixty® apply the most suitable strategies to the China market. Porter’s Five Forces Model, in such case, is the widest accepted and used business model to target competitiveness for a business and industry.

1) Threat of New Entrance – Attractive Market for ThreeSixty®

Political: The good relationship between China and US can serve as a golden opportunity in helping the establishment of ThreeSixty® in China market. However, the establishment of the local organic companies somehow may become direct competitors of ThreeSixty® and capture the market share of the organic food industry.

Social: As there is increasing importance on health, organic food can definitely attract customers who with health concern. Western countries food standard enjoy a higher reputation in China, therefore food provided by ThreeSixty® can provide confident to customers as all of them pass through the western standard. However, “Ganxi” would be threat for ThreeSixty® as it is new to China market.

Technology: Technology would be an opportunity for ThreeSixty® as the technologies in western countries are more advance than China.

Economic: Rapid economic growth in China and the WTO agreement make it easy for foreign companies to enter China market and increase demand for luxury goods. However, inflation of the RMB might caused ThreeSixty® have lesser profit to earn as they get less back.

Competitive: High quality organic food provided by ThreeSixty® would be a definite advantage. However, China somehow might become the major producer and exporter of organic food; this might threat ThreeSixty® as they might become direct competitors.

Legal: Labeling system in China is quite weak, which caused Chinese lack of confident in trusting the product manufactured in China. ThreeSixty® follows the procedure of clear and concise labeling
system; therefore it can be appreciated by the Chinese consumers. However, tax requirement might be a threat for ThreeSixty® as they might charge heavy tax on those foreign brands.

2) Consumer Bargaining Power – High consumption power and gift giving culture led to huge demand for high-ended luxury products

Consumer Power in China: Aged around 25-44 will be the target group for ThreeSixty® as they are more open-minded and well accept western culture. They preferred fashionable products and high class gift to reflect their social status.

Consumption Power in Shanghai: Total population for Shanghai reached 7.3 million in 2005, annual household income per person reached RMB$23,623 in 2007. Such a strong growth drives the demand for luxury good and favors the establishment of the high ended western retail stores.

Gifting Culture in China: Total business gift reached RMB$60 million per year with consistent growth; this can reflect the importance of the gifting culture in China. Moreover, due to the influence by the western culture, therefore China nowadays well accepted with western imported goods. “Face Concept" is serious in China as Chinese emphasize heavily on the others perception towards themselves; therefore gift giving can help in maintaining face and reflect social status.

3) Supplier Bargaining Power – Reduce in Suppliers Bargaining Power help in ensuring the supply for product to market and reduce price fluctuation.

As the broke down of the planned price system, this led to supplier bargaining power decreased. And the increased in the number of suppliers cause the retailers’ power over suppliers climbed up dramatically.

4) Close Substitutes – ThreeSixty® differentiates itself by providing organic food products with qualification and tailor-made services.

Close Substitute for ThreeSixty® will be LiYi99, CHINAONLY, and GIFTS-CHINA.CN. All online gift stores provide tailor-made gift set for business customers. However, products provided did not cover organic food and provide agriculture certificates to ensure its quality; this can be served as an advantage for ThreeSixty® in entering China market.

5) Competitors – Products with International organic Agriculture certificates helps in providing confident to customers. Moreover, being the subsidiaries of Dairy Farm Group can beneficial in Chinese business management.

Though all the competitors selling similar products, ThreeSixty® gives confidence to customers and
attracts young executives and companies by acquiring International organic Agriculture certificates. Besides, ThreeSixty® is one of the subsidiaries of Daily Farm Group. The group has in depth experience and is well accepted in China retail industry. This would definitely benefit ThreeSixty® in China business management.

**Segmentation, Targeting and Positioning**

ThreeSixty®’s segmentation will be divided by behavioral, lifestyle and demographic. Core target group for ThreeSixty® will be aged 25-44, stress on gifting culture and health concern. ThreeSixty® would position itself to provide high quality organic foods with premium price and offers large varieties of product portfolio.

**Goal – Short and Long Term**

For ThreeSixty®, short term goals will be the top 3 in organic food online suppliance; 1st in organic gifting culture and Increase brand acceptance during introductory stage. For long term goals, ThreeSixty® will be aimed in being top 3 in organic supermarket stores and preferred brand in organic retail industry.

**Recommendations**

1) **Product**

*During short term, product will be mainly for business networking purpose wide range of wine for customers to choose. Organic wine will be provided for customers to select. Organic foods will be provided with large range to choose from to attract customers. In long run, ThreeSixty® will build a unique position of organic product retailers with wide range of household product to choose from.*

2) **Place**

Shanghai will be the first priority for ThreeSixty® to station as there are lots of Foreign Direct Investment companies stationed there. In the long term management, we will establish our supermarket stores in Shanghai, Beijing and Guangzhou Province.

3) **Distribution Channels**

In short term, ThreeSixty® would adopt postal delivery service such as DHL and China EMS, also ThreeSixty® will choose Alibaba as a reseller platform to sell the goods to business market. For Long term, DHL Express and China EMS will be continued for direct delivery, moreover an online
delivery system/web site will be established, so that customers can order our products anywhere and anytime. ThreeSixty® will launch gift sets in China Post to attract purchase. ThreeSixty® will sell organic food, partner with famous Chinese restaurants and club house to increase customers base.

4) **Physical Evidence**

Store display will be simple and professional to provide premium image to customers; also the shopping space will be spacious. Color for ThreeSixty® will be the same as the brand label to provide strong association. In long run, relax café and organic food court will be included to create more relaxing shopping experience to customers.

5) **Physical Evidence**

In both short term and long term, VIP program, CRM database and seasonal promotion will be included in two periods to strengthen market position. For Long Term, TV Advertisement and Printed Advertisement and Cookery Workshops attract customers’ attention and educate customers the importance of healthy life style.

6) **Pricing**

Market skimming strategy will be used at the first stage as to differentiate itself from its competitors and stress on the precious of those organic products. Moreover, discount will be offer for bulk purchase and during festivals to stimulate sales.

7) **Branding**

To build up brand image, acquire Chinese organic qualification is essential in the beginning stage. In long term, ThreeSixty® will continue in educating customers the importance of environmental protection through providing education workshops in exclusive schools.

8) **People**

As people is one the valuable asset for the retail companies, ThreeSixty® will provide intensive training and choose the correct person into the right position. Selection criteria will be based on candidates’ attitude and personality, also knowledge of the retail industry in China is essential in helping the business operate in a right tract. Intensive training will be provided to facilitate their work and improve their working performance.
Introduction

ThreeSixty® is Asian’s first one-stop supermarket for all kinds of natural, organic and wholesome food. The company has several aims in order to satisfy its customers best. Among these goals is the desire to be both inspirational and educational. ThreeSixty® informs its customers in its supermarkets through posters and leaflets about environmental health and security. Furthermore, it wants to inspire its customers to look after the world as a public community. The company is also energetic and innovative, as well as user friendly. They innovate non-stop with different products and the very fact that they are the first of its kind in Asia shows the innovative state of ThreeSixty®. Authentic and passionate is how they want to be perceived by customers, as they try to get the best out of their business in every way possible. Finally, ThreeSixty® is natural, environmental friendly, and healthy. These can be viewed as the core values, as the company aims to improve the standard of live of its customers through healthy and environmental friendly products and packages.

From these aims it is not surprisingly that the vision of ThreeSixty® is: “To champion the well-being of people and planet.” Translated to their vision we find the core values replicated in it:

“ThisSixty® is about our life, our world, and our future!”

The company has various outlets in Asia, however, it has not targeted Mainland China yet. For ThreeSixty® to enter the Mainland China market, it is important to keep its business ideals alive and vivid. Therefore, in this proposal we will look into the competitive factors that might constrain ThreeSixty® to enter the Mainland China market through a Five Forces Industry Analysis of Porter. All Five Forces will be clearly explained from the perspective of this organic food firm. Next, the company advantages of ThreeSixty® will be explained and elaborated on in order to show their possibilities and opportunities in the Mainland China market. Furthermore, STP will be used to look into segmentation, targeting and positioning for ThreeSixty®. A third point to be shown is the goals ThreeSixty® aims to achieve in the Mainland China market. Both short term and long term will be introduced. A recommendation part naturally follows from this discussion, structured by the 5 P’s and distribution channeling and branding. Finally, a short conclusion will be given to summarize our findings on the entrance of ThreeSixty® in the Mainland China market.

Industry analysis

Porter’s Five Forces Model is a widely accepted and used business model to target competitiveness for a business or industry. As it is important to know which competitive threats a company faces when entering a new market, this model is highly applicable for the business case concerning the entrance of ThreeSixty® in the Mainland China market.

Threat of New Entrance

The threat of new entrance can be divided into various sub factors, according to a system of
opportunities and threats.

**Political**

*Opportunities*

Concerning the political factors, two major opportunities arise. Firstly, there exists a positive relationship between China and the US. For ThreeSixty® this relationship will result in good contacts with the Chinese government, and in that aspect, a relatively easy entrance. Second, China enacted its National Organic Standards and Laws Act in 2005. This act imposes strings on the distribution of organic food. Among the requirements is the quality of the organic food. As ThreeSixty® is highly competitive in the organic market, it already fulfills the Chinese requirements, while others have to change their company in order to adapt to these requirements.

*Threats*

One major threat for ThreeSixty® is the threat imposed by the government to start up its own organic food industry. These local organic companies will be direct competitors to ThreeSixty® and therefore will try to capture market share in the organic food market.

**Social**

*Opportunities*

First, Chinese culture has an increased focus on health. People are more concerned about the way they live and an important aspect is the food they consume. Organic food is healthier and this is attractive for the new developing health culture. Second, US food standards enjoy a credible reputation in China. Therefore, food provided by ThreeSixty® will automatically be viewed in a positive light.

*Threats*

A major threat is the concern for “Guanxi”, or relation building. This is highly important in order to become competitive in the Mainland Chinese market; however, it takes a long time and a lot of effort to build these necessary relations. Another threat is the fact that organic food still is relatively new to the food market and people have to get familiar with the concept. Well-developed marketing skills are highly important in order to overcome this particular threat.

**Technology**

*Opportunities*

For technology we only found opportunities for ThreeSixty®. First, US organic processing technologies are more advanced than the Chinese. This gives a competitive advantage as ThreeSixty® is faster, better and cheaper in producing healthy organic food. Second, the rise of the Internet gives opportunities for online selling, as well as for online marketing of the organic health products.
**Economic**

**Opportunities**

The income of the Chinese workforce is increasingly steadily each year. This means that Chinese people gain more buying power and have the opportunity to buy more luxurious goods, such as organic food. Next, the WTO agreement, in which China opened up its retail market, makes it more easily for foreign companies to enter the retail market and to take a piece of the market share.

**Threats**

Currently, the RMB is inflating in comparison to the US Dollar. For Chinese people it is beneficial as foreign products become cheaper. However, for ThreeSixty®, this would mean lesser profit is to be made in foreign countries as they have to pay more, but get less back.

**Competitive**

**Opportunities**

ThreeSixty® has high quality organic food and is a trustful organic food supplier. Furthermore, the local organic market is still developing and rather small.

**Threats**

The threats in this part are more serious as China has the potential to become a major producer and exporter of organic food. They are developing and as they are practiced in the principle of imitating it will not take long for China to catch up with the Western suppliers. On top of that, Chinese labor cost is relatively low, which will press prices down and can make organic local products more competitively priced.

**Legal**

**Opportunities**

Chinese consumers trust in the reliability of the Chinese labeling system is weak. Chinese companies may not want to express their ingredients as they view them as a competitive advantage and company secret. For most foreign countries, however, excessive labeling is required by the government. ThreeSixty®, as well, follows a procedure of clear and concise labeling, which will be appreciated by Chinese consumers. On top of that, the US food sector is highly regulated.

**Threats**

In China especially tax requirements will form a threat. Importing goods can become an expensive activity. For the threat of new entrance we can see that ThreeSixty® overall has more opportunities than weaknesses. Especially, its political and economic opportunities are strong. The biggest danger may come from the competitive side, where local organic firms also try to capture market share.
However, the majority of opportunities can be viewed as an advantage when entering the Mainland China market.

**Consumer Bargaining Power**

**Consumer Bargaining Power in China**

According to the syndicated report conducted by AC Neilsen, China has achieved strong growth over the past 10 years. High economic growth led to Chinese stress the importance on high living standard compared with the past. Moreover, referring back to the report, especially for those aged around 25 to 44; most of them had obtained unparalleled level of support in education by the Chinese government. As they are well educated compared with the past generation, they tends to be more open-minded and well accept western culture. Most of them preferred fashionable and high class gift to reflect their social status, therefore they suit the positioning of our company.

**Consumption Power in Shanghai**

According to the China Year Book 2007, total population in Shanghai reached 7.3 million in 2005. Moreover, income from the wholesale and retail industry researched RMB $104.9 billion, which account for 10.1% growth compare with the figure in year 2006. Annual household income and expense per person was RMB$23,623 and RMB$17,255 respectively, such a strong growth in population and high consumption power helps in supporting the development of those newly invested high ended retail stores. [PLEASE REFER TO APPENDIX 1]

**Gifting Culture in China**

Gift can reflect one’s social status, therefore Chinese stress on the importance on the gift giving culture. According to the Merchants Weekly, total value for business gift reached RMB$ 60 million per year, and it sales volume growth consistently, therefore it did reflect the strong demand for the business gift in China. Moreover, referring to the Modern Business Trade Industry report, due to the influence by the western culture, therefore China nowadays well accepted with western imported goods.

In addition, as the Chinese stress on the importance on the “Face Concept”. Chinese emphasize heavily on the others perception towards themselves; therefore gift giving somehow can help in maintaining face. Besides, price of the gift reflect “status”, therefore they neglect the price and prefer high quality products to show their social status; Chinese most likely stress on the appearance of the gift, so package somehow become more important as they can make the gift looks more superior. Also, Chinese people would like to purchase gift during festivals, so the demand for gifts increased rapidly during traditional Chinese special occasions.
Supplier Bargaining Power

There is a significant decrease in the bargaining of suppliers in the past 20 years. Before 1978, there was a huge bargaining power for the supplier as there was shortage in the supply for each product, also planned price system caused customers bargaining power became relatively small. However, situation changed during 1978 to 1987 as the planned price system broke down. Daily goods were over production at that period of time; this led to retailers’ power over suppliers climbed up dramatically.

Suppliers bargaining power become more insignificant as there are increasing numbers of suppliers in recent years. Keen competition caused suppliers bargaining power become much lower than in the past.

Close Substitute

Though ThreeSixty®’s itself originally is an organic supermarket, to obtain a significant market share during the introductory stage, the company will aims in attracting Business customers and it will operated as a gift shops, therefore, the close substitutes will be those online gift shops in China.

Apparently there are three online gift shops and they can be served as our close substitutes. They are LiYi99, CHINAONLY, and GIFTS‐CHINA.CN.

LiYi99 is a B2C and B2B Gift Company located in Beijing, Shanghai and Guangzhou, whereas CHINAONLY is a B2C and B2B Gift Company located in Beijing and GIFTS‐CHINA.CN. is a B2B Gift Company located in Shanghai. Those online gift stores provide gifts such include household products, office stationary, food & drinks, handiwork, and accessories & clothing. Price ranges for the gift set are from $100 - $100000 above. Customers can pay by Cash in advance (paid in company office), post remittance, telegraphic transfer, and online payment such as through Paypal, Alipay and Credit Card while they shop in LiYi99 and CHINAONLY.

LiYi99 provides free delivery for the place inside China, but the express service, flower and cake are excluded, and CHINAONLY provides free delivery service in Beijing city. Customers can make an order in the website and 24 hours in both LiYi99 and CHINAONLY.

The delivery service for LiYi99 was conducted by S.F. Express and the distribution channel coverage the whole China and foreign countries. Moreover, for CHINAONLY, the post is delivered by China Post which includes surface mail and EMS. However, as the delivery service is depends on the others, therefore there is no specific time for the lead time; it all depends on the delivery service. Lastly, all the online gift stores provide services such as tailor‐made and design, seasonal discount etc. [PLEASE REFER TO APPENDIX 2]

Threat of Rivalry

The three competitors of ThreeSixty® are traditional supermarket, specialty stores and ecological
Traditional supermarket

Walmart is an example of traditional supermarket in China. Whenever people consider buying daily products, most of them will first think of this kind of supermarket. Therefore, it obtains the highest market share.

The competitive strategy of traditional supermarket is the cost leadership. It sells products at a relatively low price when comparing with other competitors. The price is really competitive that attract many consumers. In addition, traditional supermarket sells well-known branded necessities which are easily accepted by the public. However, keen competition exists in this category.

Specialty stores

Specialty stores are the direct competitors of ThreeSixty® because they offer mainly healthy and organic products, like Lohao city and Greendotdot in China.

As for the competitive strategy, the head on competitors run the segmentation strategy. High and middle-class customers are their target customers. The stores focus on and pay lots of effort to capture those segments rather that going after the whole market. Besides, the competitive position for head on competitors is market nichers because they cannot obtain a high market share but emphasize the specialization of their products, telling consumers that organic foods are different ones. By setting a premium price, the specialty stores provide professional services and service assurance of the products. They do not target at many people but serve small segments not being pursued by other firms. The specialty stores need to overcome the Chinese consumers’ perception since they have a short history in the market.

Ecological village

This village provides not only the sales of organic food, but also added-value services for travelers, for example, entertainment, accommodation and dining service.

The selling point of ecological village is experience of life. It positions itself as segmentation strategy to serve different group of customers. The price is relatively high while the market share is relatively low comparatively. The competitive advantages of this village are the full control and connected logistics since it produces and sells the products by itself. However, it should to pay attention to the huge set up cost, like the factory and the entertainment facilities. The distribution channel of the products should be widely spread instead of inside the village. Example of the ecological village is
Company advantages

ThreeSixty® is the first foreign-invested organic food enterprise in China. Bearing a foreign brand, ThreeSixty® gives confidence to customers and attracts young executives and companies. Also, the products sold have been acquired International organic Agriculture certificates which enquire the quality of organic products. [PLEASE REFER TO APPENDIX 4] Besides, ThreeSixty® is one of the subsidiaries of Daily Farm Group. The group has in depth experience and is well accepted in China retail industry. Mannings, 7-Eleven and Maxim’s belong to Daily Farm Group. This would definitely benefit ThreeSixty® in China business management.

Segmentation, Targeting and Positioning

To find the best way to view the market structure, behavioral, lifestyle and demographic segmentation are used to construct segmentation diagram. The behavioral segmentation divides the buyers into groups based on their attitude towards gifting culture. They probably concern social needs. Also, the lifestyle segmentation helps to identify consumers who concern health. Different classes show different purchasing opinions.

The core target customers of ThreeSixty® are those aged 25-44, stress on gifting culture and health concern. ThreeSixty® would position itself to provide high quality organic foods with premium price and offers large varieties of product portfolio.

Goals

Short-term Goals

For the first few years, ThreeSixty® would achieve the following goals:

- Top 3 in organic food online supplyance
- 1st in organic gifting culture
- Increase brand acceptance

Long-term Goals

After five years in China market, ThreeSixty® would achieve the following goals:

- Top 3 in organic supermarket stores
- Preferred Brand in organic retail industry
**Recommendations**

In order to obtain a significant market share during the introductory stage, the company will aim in attracting business customers and establish its own gift shops to suit the gifting culture in China. Therefore at the beginning stage, our target customers will be mainly focus on business sector. However, after the company obtain enough market share in the market and gain significant popularity in the China retail market, next step for ThreeSixty® will be aim in establishing own supermarket in order to target both consumer and business sector at the same time.

**Product**

The major product for us is gift set for business networking purpose. At the very first stage, the gift set will focus on providing a wide range of wine for customers to choose, red wine, white wine, Chinese Wine, organic wine and brand name wine like St Chinian Chateau Bousquette. Besides, it is suggested that part of the wine should be imported from Italy, France, Germany and Japan so as to make the product more well differentiate from other competitors.

Another key component of Chinese Gift is fruit which implies “lively” in its Chinese translation. The major competitive advantage of ThreeSixty® is the network with the organic farm. Therefore, the quality of fruit ThreeSixty® provides can be assured. Customers can track back the origin of the fruits. On the other hand, the photos of the fruits before harvested can also be displayed at the retails. Since Chinese customers are becoming more health conscious especially for those wealth ones living in the coastal regions, it is believed that selling organic products can well position the brand. After the introductory stage, products for bathing and skin care can be introduced to the market for providing large varieties of selections for our customers. Besides, flowers, coffee and tea are also suitable for China market.

In the long-run, ThreeSixty® will build a unique position of organic products retailers. Thus, there is room for developing from gift shop to supermarket. Wider range of products can be sold in the store. Meat, seafood, organic vegetables, milk powder are good choices on the list. ThreeSixty® includes an in-store wellness center that provides nutrition consultation so as to provide advice for customers in choosing most suitable health supplements.
**Place**

**Distribution Network**

Organic foods and drinks will be supplied from overseas by our contracted importers and they will offer the products to ThreeSixty® directly.

For the location, we divide into two periods, short term and long term. For the short term location, we choose Shanghai as our first priority. In the long run, rather than Shanghai, other first tier cities such as Beijing and Guangzhou will also be considered.

**Short Term**

**Shanghai**

Shanghai is the largest city in terms of population as well as one of the largest metropolitan districts in the world, with more than 20 million people in this metropolitan area. Moreover, Shanghai is also a multi-international city located in China in terms of finance and trade. Therefore, it becomes the largest share market in Mainland China since the economic reform in 2005. In 2007, Shanghai GDP growth is 13.3%, behind Singapore.

There are lots of international shopping malls and department stores in Shanghai, especially in Pudong. Both of them can attract people shopping during weekends and holidays, which can enhance the participation rate and traffic flow of people in these areas.

In Shanghai, especially in Pudong, there are numerous commercial buildings which can supply high level of traffic flow to our business. In addition, people working inside the commercial district are all white collars, managerial level executives and CEOs from different corporations. As they are high income group and with high purchasing power, ThreeSixty® therefore can attract those middle-to-high income groups and professionals who are worked around Central Business District to consume high-ended organic foods.

Furthermore, there is main express way which connected to the airport and other major districts of Shanghai. This provides us with a unique competitive advantage in logistic as our products are mainly imported from overseas by air and easy to perish. High accessible to the airport provides us with good conditions in selecting Shanghai as our first priority.

**Long term**

Shanghai and other First tier cities

In the long term management, we will establish our supermarket stores in Shanghai, Beijing and Guangzhou Province. In order to attract more middle-to-high income consumers, we decide to locate in the Central Business District where customers are well-educated. We can attract more business executives to consume our organic products.
with their high purchasing power.

**Distribution Channels**

Distribution channel is the study of supply chain management. Besides direct selling to target consumers, channel members help ThreeSixty® add value by matching product assortment demand with supply. And ThreeSixty® can reduce the contacts with consumers to save the time and place as well as reduce the possession gaps that separate products from users.

**Short-term development**

As ThreeSixty® targets business sectors at the first stage, the length of distribution channel is relatively short. Since the companies are geographically concentrated and order large quantity. In addition, extensive technical knowledge and regular servicing are required.

For direct selling, ThreeSixty® would adopt postal delivery service. DHL Express and China EMS are used for express and regular delivery respectively. DHL is a reliable partner while China EMS provides extensive coverage network in China.

ThreeSixty® should also choose Alibaba as a reseller platform to sell the goods to business market.

**Long-term development**

To target consumer market at later stage, the length of distribution channel is relatively long. Consumers are geographically diverse and order less relatively.

DHL Express system/web site will be established, so that customers can order our products anywhere and anytime. Alliances with company can help ThreeSixty® to reach target customers. ThreeSixty® can provide gift sets to China Post. Customers can order the gift online and deliver to their friends, family or business partners. As ThreeSixty® sells organic food, partner with famous Chinese restaurants, like China Quanjude (Group) can widen our customer bases. Approaching club house is
another way, for example, golf club. The activities of the users are usually business-related, thus ThreeSixty® can reach the target consumers.

**Physical Evidence**

**Store layout**
In order to give a premium image to the customers as well as to well position ThreeSixty® as a high-end brand, the store display will be simple and professional like the pictures shown. Also, the shopping spare will be spacious to avoid customers’ association with the shopping experience of low-end products.

**Color**
In addition to the store layout, color is also an important element to sending implicit message to customers. Green, brown, yellow and red are what ThreeSixty® used in the brand label and the stores. These colors are energetic and yet associated with organic products.

**Short Term and Long Term**
In the short-run, there will be clear sessions for different specialty products. Just like those gourmet shop and wine cellar. For long term development, there should be grand main entrance, fresh and bright interior design for the future ThreeSixty® supermarkets. It is also suggested that relax café and organic food court should be included in the store so as to create a more relaxing shopping experience to the customers. ThreeSixty® is to encourage not only organic products but a philosophy of life.

**Promotion**
In our promotion campaign, we have different strategies towards different periods. In both short term and long term, VIP program, CRM database and seasonal promotion will be included in two periods in order to strengthen our market position in this industry.
**Short Term**

**Loyalty Program**

We decide to launch a loyalty program for VIP in short term. In order to build up their continuous buying habits in ThreeSixty®, membership program is the right time to launch. Once the customers join our membership, they would be given a membership card. They can use it every purchase in order to get more bonus points. With more points, they can exchange souvenirs. Besides, they can receive $100 ThreeSixty® cash coupons when joining the membership in order to increase the rate of repurchase and loyalty towards ThreeSixty®. Moreover, we would also deliver an environmental protection handbag as the welcoming premium.

**Customer Relationship Management Database**

We will establish a CRM database to maintain our customers’ records. Once they display their membership card during purchase, we would update their profile each time and their in-store shopping habits.

Furthermore, we would send monthly email and newsletter to our valuable customers providing them with our latest news and shopping guides. We will also deliver ThreeSixty® cash coupons by email regularly to arouse their shopping desire in our supermarket.

**Seasonal Promotion**

We will launch several promotional sales in different seasons and festivals, such as Chinese New Year and Christmas. In these festivals, people are used to buy presents and gifts for their friends and relatives. In order to attract these target customers, seasonal promotion and boost sales will be launched to give them a wider choice in choosing organic products as their gifts.

**Long Term**

**TV Advertisement and Printed Advertisement**

Since we target B2C in the long run, TV advertisement and Printed advertisement will be published in the long term promotion. Both advertisements can enhance the awareness of customers towards ThreeSixty® and to strengthen our brand image in customers’ mind. Besides, TV advertisement can arouse their interest in organic foods so as to increase our sales and brand recognition.

**Cookery Workshops / Recipe**

In order to increase the awareness towards organic foods, we decide to launch cookery workshops and courses of healthy diet. We will promote the importance of organic foods and teach our customers how to cook organic foods well. Besides, cookery recipe will also be delivered in order to promote the importance of healthy diet. This can strengthen the importance of organic foods as well as the brand image of ThreeSixty®.
Pricing

Market Skimming

The pricing strategy of Market Skimming will be used to enter the market at the first stage. The main reasons for the premium price are that the products sold in ThreeSixty® are organic, natural and healthy. They are all imported from foreign countries like Japan and US with very limited amount. With the health concern of Chinese consumers, ThreeSixty® can sell those healthy products at high prices.

Besides, ThreeSixty® will be the first foreign organic food supermarket located in China market which is supported by Dairy Farm Group. ThreeSixty® has a high quality control with QC guarantee to ensure all goods sold in its store are healthy and safe. When there are many unsafe products and food sold in the market, ThreeSixty®, which is certified and awarded with its high product quality, is able to stand out in the market and charge consumers at a premium price.

Last but not least, good customer services, like on-time delivery, tailor-made product portfolio and tailor-made gifting package, are provided for customers in ThreeSixty® which is another reason for it to charge at a premium price.

Discounts

Discounts will be given in some periods in ThreeSixty®.
Firstly, ThreeSixty® will offer a bulk purchase discount. It will attract business customers as they usually buy a bulk of products as gift sets to their colleagues.
Seasonal discount will also be given to stimulate sales in Chinese traditional festivals. Chinese people like sending gifts to each other in those festivals. With a discount, they will spend even more on and send the gift sets to more people.
More and more new products will be imported and sold in ThreeSixty®. To promote those products and encourage customers to try them, discount will also be given to those promotion items.

Branding

To build up ThreeSixty® brand image, there are several strategies in the short term and long term. In the long term, there will be some brand promotions for environmental friendly and exclusive schools.

Short term: Qualifications

In order to ensure our products are the qualified organic products, it is focused on the organic qualifications on our products sold in our outlets to build up our brand image in selling organic foods.
Firstly, as Green food is well represented, clearly labeled, and easily found in food market places in China, our products would be applied the greed food certificate from CGFDC.
through the provincial Green Food Office. After obtaining this certificate our products would be well understood and recognized amongst Chinese consumers.

Secondly, to identify the compliance with the China standards, our products would apply the organic certificates from Certification and Accreditation Administration of China (CNCA), which can soon be found on the packaging of organic products along with those from the COFCC, OFDC or other certifiers. After obtain these certificates, our products would be labeled in ‘organic’ and/or ‘organic in conversion’.

**Long term: Branding promotions**

To educate the customers to have awareness in the essential of organic products, there are some branding schemes in ThreeSixty®.

Firstly, ThreeSixty® is not a shop selling organic, it also sells a living concept which is being environmental friendly. When they purchase our organic products, we hope that they can receive the environmental friendly idea. As a result, they become the one who cares the environment. In the long run, we would build up our brand image in “ThreeSixty® equals to environmental friendly”.

Secondly, having promotion in exclusive schools is the way to educate our potential customers. As the students studying in exclusive schools come from middle class or above family, they are able to afford the premium price on the organic foods and willing to receive new concepts such as organic foods. Cooperating with the exclusive school in civil education can educate these students the essential of organic products and enhance our brand image.

**People**

Frontline employees, product experts and senior managers will be recruited for ThreeSixty®.

**Employee Selection**

For the frontline employees, they should be selected based on their personality. They have to be passionate in order to serve customers with passion and good attitudes and provide good services. When customers feel satisfied with the services and products provided by ThreeSixty®, they will spread their buying experiences around their friends and family. A good brand reputation of ThreeSixty® will be thus built.

For the product experts, they should have an in-depth knowledge on particular aspects like red wine or organic healthy food. It is because they are expected to help control the product quality to ensure the products sold are at high quality and thus to deliver the message of assurance to customers.

For the senior managers, they should be familiar with the retail industry of China in order to help ThreeSixty® smoothen the operation of business in China market. They should also understand the buying behaviors of Chinese so to use the right marketing strategies on the right consumers. It will be
even better if the senior managers had many years of working experience in China retail industry.

**Employee Training**

Internal and external training programs should be provided for the employees to facilitate their work and improve their working performance.

Training can be provided for frontline employees and product experts to encourage them to acquire much product knowledge. Frontline employees are the main contact points of customers. They should be able to answer customers’ questions regarding the products sold in ThreeSixty®. For product experts, they are expected to have in-depth knowledge of the products and become professionals in the aspect.

Management, strategic and crisis management trainings should be provided for senior manager so that they can manage the business well and have the ability to deal with any crisis occurring.

Trainings to build team spirits and train to have immediate response are also recommended to all employees. They help facilitate the communication and cooperation with each other and solve customers’ problems more efficiently.

**Employee Rewarding**

Employee rewarding system aims at aligning the company mission and motivating the employees. Reward and promotion scheme such as extra bonus and employee self-evaluation scheme will be launched to encourage employees to perform well. The rewards and bonus given will be based on employees’ working performance and the service quality they delivering.

**Conclusion**

"**Number 1 is organic food in Mainland China!**"

Increasing organic products usage is our major advantage to enter into China market. Therefore, there are growth possibilities in this industry in China. ThreeSixty®, mainly focus on organic products, will be concentrate in the gifting culture in the first few years. With the help of B2B, we can expand our business to B2C in the long term.

Not only promote in gifting culture in China, but also attract different segments in this industry. Therefore, ThreeSixty® would provide various product choices to customers for them to choose, and launch several promotional activities in different seasons. Besides, we would also focus on different distributional aspects to deliver our organic products to our customers. This means, we will provide the best service with the best products. And we promise ThreeSixty® is the number 1 organic food provider in Mainland China.
APPENDIX 1: Consumption Power in Shanghai

Consumption Goods Gross Sales and its growth

<table>
<thead>
<tr>
<th>Year</th>
<th>RMB bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>159</td>
</tr>
<tr>
<td>2000</td>
<td>186</td>
</tr>
<tr>
<td>2003</td>
<td>240</td>
</tr>
<tr>
<td>2004</td>
<td>265</td>
</tr>
<tr>
<td>2006</td>
<td>306</td>
</tr>
<tr>
<td>2007</td>
<td>343</td>
</tr>
</tbody>
</table>
APPENDIX 2: Close Substitutes for ThreeSixty®

<table>
<thead>
<tr>
<th>Groups of Close Substitutes</th>
<th>LIYi99</th>
<th>CHINAONLY</th>
<th>GIFTS-CHINA.CN.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Location</td>
<td>Beijing, Shanghai, Guangzhou</td>
<td>Beijing</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Category range</td>
<td>Household products, Office stationary, Food &amp; Drinks, Handiwork, Accessories &amp; Clothing</td>
<td>Household products, Office stationary, Food &amp; Drinks, Handiwork, Accessories &amp; Clothing</td>
<td>Household products, Office stationary, Handiwork (company labeled gift)</td>
</tr>
<tr>
<td>Price range</td>
<td>$100 - $100000 above</td>
<td>Below $100 - $1000 above</td>
<td>Not mention</td>
</tr>
<tr>
<td>Payment Method</td>
<td>- Cash in advance (paid in company office) - Post remittance - Telegraphic transfer - Online payment ie. Paypal, Alipay, Credit Card</td>
<td>- Debit note - Cash in advance(paid in company office) - Cash on delivery - Online payment ie Alipay, 99BiLL.com, CNCard</td>
<td>Not mention</td>
</tr>
<tr>
<td>Postal Charged</td>
<td>- Free for inside country post - Express service, flower and cake excluded in free service - Additional charge for</td>
<td>- Free for Beijing city - Additional charge for outside the free post region</td>
<td>Not mention</td>
</tr>
<tr>
<td><strong>Order Channel</strong></td>
<td>Website, 24 hours order hotline</td>
<td>Website</td>
<td>Not mention</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------------------------</td>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>Distribution Partner</strong></td>
<td>S.F.Express</td>
<td>China Post (Surface Mail, EMS)</td>
<td>Not mention</td>
</tr>
<tr>
<td><strong>Distribution Coverage</strong></td>
<td>China, Oversea</td>
<td>China</td>
<td>Not mention</td>
</tr>
<tr>
<td><strong>Lead time</strong></td>
<td>- Not specify&lt;br&gt;- Received time = order time + commodity preparation time + transportation time</td>
<td>- Not specify,&lt;br&gt;depends on the schedule of China post and services chosen</td>
<td>Not mention</td>
</tr>
<tr>
<td><strong>Communication Channel</strong></td>
<td>MSN, QQ, Service hotline, Fax</td>
<td>Service hotline, Email</td>
<td>QQ, MSN, Email, Phone</td>
</tr>
<tr>
<td><strong>Additional Service</strong></td>
<td>- Free package&lt;br&gt;- Global sourcing products&lt;br&gt;- Tailor-made and designed service&lt;br&gt;(total fees: cost of procurement + transportation fee + 15% service charge)</td>
<td>- Free gift for group procurement&lt;br&gt;- Seasonal discounts for members</td>
<td>- One-stop service in product plan, design, development and production</td>
</tr>
</tbody>
</table>
## APPENDIX 3: Competitors for ThreeSixty®

<table>
<thead>
<tr>
<th></th>
<th>Traditional supermarket</th>
<th>Specialty stores</th>
<th>Ecological village</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target</strong></td>
<td>Mass population</td>
<td>High and middle-class customers</td>
<td>Traveler</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>Cost leadership</td>
<td>Segmentation strategy</td>
<td>Segmentation strategy</td>
</tr>
<tr>
<td><strong>Market share</strong></td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Compared with traditional supermarket</td>
<td>Compared with traditional supermarket</td>
</tr>
<tr>
<td><strong>Selling point</strong></td>
<td>• Necessity</td>
<td>Healthy</td>
<td>Experience</td>
</tr>
<tr>
<td></td>
<td>• Well-known product brand</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Product range</strong></td>
<td>Daily products</td>
<td>Focus on healthy, organic products</td>
<td>Organic products with added-value service</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td>Low - Medium</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Compared with traditional supermarket</td>
<td>Compared with traditional supermarket</td>
</tr>
<tr>
<td><strong>Competitive advantages</strong></td>
<td>Easy to accept by the public</td>
<td>• Specialization and professional</td>
<td>Full control and connected logistics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Quality assurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Satisfy nichers</td>
<td></td>
</tr>
</tbody>
</table>
| Weaknesses               | Keen competition in this category | Short history, not well accepted by the Chinese | • Huge set up cost  
|                        |                                 |                                               | • Develop distribution channel |
APPENDIX 4: Organic Standard gained by ThreeSixty®

✔️ Australia
  ➢ AOS (Australian Organic Standards)

✔️ Japan
  ➢ JAS (Japan Agricultural Standards)

✔️ Switzerland
  ➢ BIO (Suisse Standards)

✔️ United Kingdom
  ➢ UKROFS (United Kingdom Register of Organic Food Standards)

✔️ United States
  ➢ NOS (National Organic Standards)

**Obtained Certificates in various countries:**

• Organic Certification of Thailand
• Hong Kong Organic Resource Centre
• Japan Organic & Natural Foods Association
• National Association for sustainable agriculture Australia, etc
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» GIFT-CHINA.CN website: http://www.gifts-china.cn/
» ThreeSixty website: www.threesixtyhk.com/
» Dairy Farm Group website: www.dairyfarmgroup.com
» Wal-Mart China website: www.wal-martchina.com/
» China Post website: www.chinapost.gov.cn
» EMS website: www.ems.com.cn/
» DHL website: www.cn.dhl.com/
» Lohao City website: www.lohaocity.com
» Green Dot Dot website: www.greendotdot.com/
» XieDao website: www.xiedao.com
» Alibaba website: china.alibaba.com