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Market Entry Strategies for the PR China

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Alexander G.C. Dony

# Market Entry Strategies for the PR China

An Empirical Study  
on the Beer and Softdrink Industry

With a Foreword  
by Prof. Dr. Emil Brauchlin

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*To my parents*

## Foreword

The enormous potential of China's consumer market has attracted worldclass companies from around the world. The difficulties and problems which many of these foreign companies face suggest that effective entry strategies differ substantially from those in other countries. Matching corporate strategies with China's unique market characteristics has, therefore, become a crucial issue for companies willing to build a sustainable position in what might eventually be the world's largest economy.

In his study, the author highlights entry strategies into China from various angles. This is done by focusing his research on the consumer goods industry, rather than presenting a general, industry-independent analysis, as has previous been mainly done in literature. Through the cooperation of the vast majority of the world's largest beer and soft drink companies in an extensive empirical study, a thorough comparative analysis could be achieved, offering multiple insights.

Based on a framework that was derived from the disciplines of strategic management and international business, the first part of the empirical study analyses market entry behavior into China. By using both a quantitative and a qualitative perspective, interesting conclusions could be drawn. In particular the qualitative findings from interviews and observations in the field go beyond those of previous contributions. Most noteworthy: Market entry behavior into China is mainly based on the size of the country and by competitive responses.

The second, and more practical part of the empirical study, focuses on deriving managerial explanations. This is done from a twofold perspective. First of all, an analysis is made how firms should design a specific entry mode to best penetrate the Chinese market. Secondly, the author explores the development of the marketing plan. Highly interesting and clarifying, thereby, are the numerous practical examples. These highlight problems and specific situations under which companies are operating in China and put forward responses and solutions that have been chosen. Both success stories and mishaps are presented.

The sound theoretical framework combined with multiple practical insights make this thesis highly valuable to both practitioners and members of the academic community.

*Prof. Dr. Emil Brauchlin*

## Acknowledgments

Much of what I knew about China at the time when I decided to write my thesis was derived from publications. What intrigued me most was the euphoria about the potential of the Chinese market, and yet the great frustration and negative view that many held about doing business there. After having conducted my research, I agree that China offers daunting challenges to the prospective investor but I acknowledge that that is the natural price to pay for dealing with the world's fastest growing economy. The present thesis hopes to show the spectrum of possibilities for getting involved in the Chinese market through practical insight into the beer and soft drink industry.

Needless to say, the completion of this thesis could only be achieved with the support of several persons. First of all, I would like to mention my doctoral supervisors. Prof. Emil Brauchlin is thanked for his immediate acceptance of becoming director of thesis and for creating a stimulating and balanced environment of scientific support and academic freedom. Prof. Giorgio Behr, with whom I have experienced many fruitful moments during my time as his assistant, is honored for his commitment as a second director of thesis.

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*Alexander G.C. Dony*

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## List of Abbreviations

AD	Anno Domini
AG	Aktiengesellschaft
BC	Before Christ
bn	billion
CJV	Contractual Joint Venture
CCP	Chinese Communist Party
Cf.	compare (Latin: <i>confer</i> )
Co.	Company
CJV	Co-operative/Contractual Joint Venture
COE	Collectively Owned Enterprise
CT	Consumption Tax
ed.	editor
eds.	editors
e.g.	for example
etc.	etcetera
EJV	Equity Joint Venture
et al.	and others (Latin: <i>et alii</i> )
EU	European Union
FAZ	Frankfurter Allgemeine Zeitung
fig.	figure
FIE	Foreign Invested Enterprise
FDI	Foreign Direct Investment
FTC	Foreign Trade Corporation
GATT	General Agreement of Trade and Tariffs
GDP	Gross Domestic Product
GNP	Gross National Product
HR	Human Resources
ICD	Import Customs Duty
i.e.	that is (Latin: <i>id est</i> )
IMF	International Monetary Fund
IPR	Intellectual Property Rights
JV	Joint Venture
km	kilometers

Ltd.	Limited
m	million
MIT	Massachusetts Institute of Technology
MOFTEC	Ministry of Foreign Trade and Economic Co-operation
no.	number
N.N.	anonymous (Latin: <i>Nomen Nescio</i> )
NV	Naamloze Vennootschap
p.	page
pp.	pages
PLC	Public Limited Company
PR	People's Republic
PRC	People's Republic of China
R&D	Research and Development
RMB	Renminbi
SEZ	Special Economic Zone
SOE	State-owned Enterprise
TVE	Township and Village Enterprise
UK	United Kingdom
UN	United Nations
US	United States
US\$	US Dollar
VAT	Value Added Tax
Vol.	Volume
WFOE	Wholly Foreign Owned Enterprise
WTO	World Trade Organization