Final Thesis:

What market entry strategy does fashion and luxury glossy EuropeanLife Magazine need to create and maintain in order to become successful in the Chinese market?

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Preface

Currently I am in my third year of employment at Beijing 1421 Business Consulting (1421). 1421 is a One-stop-shop solution in which all services needed to let a company succeed are combined with involved consultants. These services contain market research, company registration, administration, facilitating services, legal advice and strategic advice.

During my work as a business development manager I ran into a potential client called EuropeanLife Magazine. EuropeanLife Magazine is a Fashion and luxury Magazine that wants to publish and distribute their Magazine in upcoming markets like China, Russia and in Brazil. Part of the concept is to include an active online community through the EuropeanLife website and social media platforms. A Luxury Club- a digital network for members working, living and interested in European luxury – will also be launched. This Magazine has the goal to provide European brands more exposure to the high-end market in emerging BRIC countries. It will be a platform for fashion and luxury goods from Europe. EuropeanLife Magazine will create content with freelance fashion journalists about the latest trends in Europe.

The focus is on brands, products and services covering a wide range of topics in the luxury segment. EuropeanLife Magazine aims to showcase luxury items and fashion from Europe to upcoming economies. It is meant for people of the highest purchasing power in the world. Events, luxury sales and expansion to new upcoming economies are considered in the future.

For providing them with the best possible market entry, I decided to focus my research on attempting to find the best possible strategy. In my time working for the company Beijing 1421 Business Consulting I found that companies with a good market entry strategy generally had a higher chance of survival.

In order to bring this research to a good end, I had some great support from both inside and outside AMFI. Firstly I want to thank Joop Smit for being my thesis mentor. His insights gave good direction to this thesis, making it more logical and structured. Furthermore I would like to thank Yma van der Born, as for without her I would have never finished AMFI. I thank Beijing 1421 Business Consulting and EuropeanLife Magazine for the opportunity of graduating with their help, especially Peter Pronk and Bernadet Bijsterbosch. Lastly I would like to thank all family and friends supporting me throughout this thesis with proofreading, commenting and giving insights.
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Executive summary

This market entry report provides an analysis and evaluation of the current Chinese luxury and fashion magazine industry. Analysing the market was done by following a strategy of KPMG, which focusses on analysing three aspects. Firstly at what the market opportunities and demands are, secondly at what the value proposition of EuropeanLife Magazine should be and thirdly at the market entry possibilities. These questions ultimately answers what market entry strategy EuropeanLife Magazine needs in order to become successful in the Chinese market.

After an introduction of the research and the market, chapter two gives an insight of the current status of the market opportunities and demands. The market developments are positive both in the luxury market and in the fashion magazine market. With growth rates on both Macro- and Micro-level, there is a lot of potential for EuropeanLife magazine.

Chapter three is aimed at creating a value proposition which suits the market opportunities and demands. The value proposition is perfectly captured in the formulated value proposition statement. For wealthy, fashionable Chinese from urban areas who are in search of the latest European luxury trends and fashion the luxury glossy is a magazine that provides insight in latest trends, developments and happenings in the European fashion and luxury industry.

Chapter four shows that a distributor/publishing partner has the highest potential for EuropeanLife Magazine. Combined with the value proposition statement this market entry strategy helps to create a marketing mix best suited to EuropeanLife Magazine.

The conclusion of this research indicates that the future of EuropeanLife Magazine in China is bright. With market opportunities on both Macro- and Meso-level providing a lot of possibilities for a company with the right value proposition and strategic framework.

It is recommended that EuropeanLife magazine enters the market with a Chinese written magazine together with a publishing/distributing partner. The magazine should be aimed at the growing Chinese affluent middle class with interest in European products. In bullet points this provides the following action points:

- Searching for an agent to manage operations
- Collaborate with a prominent publisher
- Sell in Beijing and Shanghai
- Produce the magazine in Chinese
- Create a strong bond with customers
Introduction

“A Market Research is crucial, if you do not know whether there is any need for the kind of products or services you are offering the risk of failure is too costly.” Expert Koen de Kort, Modint

1.1. Background

Where China is known for years as being “the factory of the world”, it is now also rapidly becoming one of the most important markets of the world. The average wage increase is over 14% since 2002 (Ro 2013), contributing to a large increase in consumption. Especially the largely increasing urban middle class segment creates a lot of potential new consumers. However more important for this research, the amount of urban affluent and upper middle class households increased significantly and is expected to grow up to 63% of the total Chinese GDP (Barton et al. 2013) as shown in figure 1.

Figure 1: Middleclass according to McKinsey (Barton et al. 2013)

1 Figures may not sum to 100%, because of rounding; data for 2022 are projected.
2 Defined by annual disposable income per urban household, in 2010 real terms; affluent, >229,000 renminbi (equivalent to >$34,000); upper middle class, 106,000 to 229,000 renminbi (equivalent to $16,000 to $34,000); mass middle class, 60,000 to 106,000 renminbi (equivalent to $9,000 to $16,000); poor, <60,000 renminbi (equivalent to <$9,000).
3 Compound annual growth rate.
These staggering growth figures promise a bright future for Fashion and luxury goods. This combined with the demand for European style and goods are good signs for EuropeanLife Magazine (Rhodes 2013). The magazine targets the growth of wealthy people by promoting European lifestyle with articles, photo shoots and advertisement all focussed on promoting European heritage in BRIC countries like Brazil, Russia and China.

The desire for luxury in China is captured perfectly in an article written by Pierre Xiao LU for the European Business Review. “The history of luxury consumption in China is one of the country’s oldest. It remains deeply rooted into China’s cultural and sociological landscape and has subsequently influenced other Asian countries such as Japan, Korea, Vietnam, Thailand, Malaysia and Singapore.” (Lu 2014)

Marketing expert Marc de Roo of Link Design has a clear view on the importance of heritage. “Chinese highly desire heritage from Europe, history and quality really appeal to the Chinese” This perfectly captures the need for authentic European Products in China. Therefore it is logical to presume there is always a demand for material presenting these luxury goods.

1.2. Research question

The combination of high growth rates in luxury, the high interest in European products and the all-round economic growth in China give a potential platform for a magazine showcasing such products and styles. Therefore it is interesting to research the following question:

What market entry strategy does EuropeanLife Magazine need to create and maintain in order to become successful in the Chinese market?
1.3. Structure

The market entry framework is based on an Accenture framework (Hatch et al. 2011) which can be found in figure 2. This framework shows what aspects of the market need to be figured out. It also gives an introduction to the value proposition of the magazine and strategic options for the future.

1.4. Sub research questions

To find the right market entry strategy, it is important to answer the following questions based on the strategy research as suggested in the structure.

1. What are the market opportunities/demands?
2. What is the value proposition of EuropeanLife Magazine?
3. What are the market entry options for EuropeanLife Magazine?

1.5. Research methods

This research consists out of qualitative research done in several different ways. Chapter three is created by researching the business plan of EuropeanLife Magazine, opportunities found in chapter two and qualitative research by interviewing the CEO of EuropeanLife Magazine. All other chapters are a combination of primary research and secondary research. This included interviewing experts regarding China like consultants, legal advisers and market researchers.

In total this research depends on primary research and secondary research. I perform primary research in the form of finding articles, literature, thesis and reports. Next to that I use secondary research in the form of interviewing experts. All research will be documented by using the references program Mendeley. References are organized according to the Harvard System (the Gordon Library 2002).

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Figure 2: Research strategy according to Accenture (Hatch et al. 2011)
1.6. Limitations and terminology

Although Hong Kong is also a big potential market, this research excludes this region. Hong Kong falls under a different system and has a special status in China (Chinese Government 1984). The differences therefore would complicate this research and make it much too difficult.

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**Terminology**

**Tier cities:** This is a widely used method to explain the size and potential of a city. Unfortunately there is no official method when categorizing cities into a specific tier (Barry 2011).

**1st tier cities:** Most commonly China’s four municipalities; Beijing, Shanghai, Tianjin and Chongqing or the four most developed cities; Beijing, Shanghai, Guangzhou and Shenzhen (Barry 2011).

**2nd tier cities:** Xavier Wong, head of research at the Knight Frank real estate office in Hong Kong, clearly defines the 2nd tier cities: “to be considered in the second tier a city should have a population of about three million and a minimum gross domestic product that is the equivalent of $2,000 per capita, although the income requirement is stretched for large cities whose residents have lower incomes, like $1,363 in Chongqing.” (McMillan 2007)

**3rd tier cities:** Rest of the cities.

**Cluster cities:** Recognizing the limitations of tier cities, McKinsey introduced cluster cities: “The small cities will form hub-and-spoke-type clusters around the megacity or big-city hubs that are already in existence: we have identified 22 such emerging economic clusters, each the size of a midsize European country.” (Woetzel 2012, p.9)

**Guanxi:** According to Investopedia: “A Chinese term meaning "networks" or "connections," understood to be a network of relationships designed to provide support and cooperation among the parties involved in doing business. According to the Los Angeles Chinese Learning Center, by obtaining the right guanxi, organizations minimize the risks, frustrations, and disappointments when doing business in China.” (Investopedia n.d.) Guanxi can be seen as the epiphany of, “if you scratch my back, I scratch yours.” It is important to exchange favors constantly and continuously to have a healthy business relationship. Guanxi can be a huge benefactor to your business, but always consider other options (Pronk 2012).

**Greater China:** Combination of Mainland China, Hong Kong, Macau and Taiwan (FT n.d.).
Goal

The goal of this research is to provide EuropeanLife Magazine with an elaborate market entry study in order for them to prepare as good as possible on entering the Chinese market. It will also contain advice on choices that need to be made on several different topics.

1.7. Conclusion

Related to my job at Beijing 1421 Business Consulting, a company targeting to aid companies enter the Chinese market, I will create a market entry strategy for EuropeanLife Magazine. China is a growth market with potential for foreign brands, especially in developing areas. It is interesting to know if and how EuropeanLife Magazine can reach their target audience in China.

I will try and give a complete overview of all market aspects and finish my research by giving advice to EuropeanLife Magazine about the best possible set up of the company. As a product I will deliver a strategic advice to EuropeanLife Magazine for a market entry strategy into China.
2. What are the Market opportunities/demands?

“Many companies once created a product to fulfil a niche in their home market and are so in love with their product that they think it will be wanted everywhere. They turn from a market-oriented strategy to a product oriented strategy. You have to research first whether they really like the product or service or whether you will only fill a small niche.” Expert Ilse Kerling, Kerling Consulting

2.1. Introduction

For researching the market we need to look at two levels, Macro- and Meso-level. For a Macro-level research, the so-called DESTEP analysis is a good starting point to frame the Chinese Fashion & Luxury Magazine market. DESTEP analyses the demographic, economic, social (cultural), technological, ecological and political (legal) aspects of a specific market. A market can be a continent, country or city. In this case we look at the People’s Republic of China (Vliet 2013).

For this research there are two markets of Meso which are important to analyse. These two markets are the Fashion and Luxury magazine market. It is key to analyse the following aspects (Externe-analyse.nl n.d.):

- Market definition
- Market potential and market demand
- Potential customer analysis
- Distribution analysis
- Competitor analysis

In this chapter we will look at these different aspects of the Luxury magazine market as a potential for EuropeanLife Magazine. Although it is not necessary for the positioning of general glossy magazines, it is still interesting to know details about the complete luxury industry due to the nature of EuropeanLife Magazine. Therefore we will try and find an answer to the five mentioned points for both aspects of the market.
2.2. DESTEP analysis People’s Republic of China

Demographic

<table>
<thead>
<tr>
<th>Population (July 2013)</th>
<th>1,349,585,838 (1.35 billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age structure (July 2013)</td>
<td>0-14 years: 17.2% (124 million ♂/107 million ♀)</td>
</tr>
<tr>
<td></td>
<td>15-24 years: 15.4% (110 million ♂/ 98 million ♀)</td>
</tr>
<tr>
<td></td>
<td>25-54 years: 46.7% (322 million ♂/ 308 million ♀)</td>
</tr>
<tr>
<td></td>
<td>55-64 years: 11.3% (77 million ♂/ 75 million ♀)</td>
</tr>
<tr>
<td></td>
<td>65 years and over: 9.4% (60 million ♂/ 66 million ♀)</td>
</tr>
<tr>
<td>Median age (July 2013)</td>
<td>total: 36.3 years</td>
</tr>
<tr>
<td></td>
<td>♂: 35.5 years</td>
</tr>
<tr>
<td></td>
<td>♀: 37.2 years</td>
</tr>
<tr>
<td>Population growth rate (July 2013)</td>
<td>0.46%</td>
</tr>
<tr>
<td>Urbanization (2011)</td>
<td>Urban population: 50.6% of total population</td>
</tr>
<tr>
<td>Rate of urbanization: 2.85% annual rate of change (2010-15 est.)</td>
<td></td>
</tr>
<tr>
<td>Major cities population (2011)</td>
<td>Shanghai: 16.575 million</td>
</tr>
<tr>
<td>Beijing: 15.594 million</td>
<td></td>
</tr>
</tbody>
</table>

Economic

Economically it has been a very interesting year for the world, thus also for China. Figure 3 shows the global economic growth reaching a low-point in 2013 since 2009. Due to the economic decline regarding growth in the world economy, China had difficulties to maintain its growth-rate of 2012. The momentum picked up in the third quarter, bringing the growth in 2013 to 7.7%, equalling 2012 (Schwartz 2014, p.11).

Figure 3: Global economic growth (Schwartz 2014, p.4)
These growth rates came at the cost of possibly upsetting the Chinese economy. Chinese government stimulus programmes to accelerate economic growth like public infrastructure spending, support SMEs and encouraging of private investments might have bad influences on the long term (Schwartz 2014, p.11). That said, other measurements, as can be found in Appendix 1 (Schwartz 2014, p.12), give high hopes for the future. The ambitious plans for economic medium-term reforms as indicated in the appendix signal a positive growth rate between 7-7.5%.

The labour market is expected to remain in a good position. The urban registered unemployment rate is at a reasonable 4.1%. According to the China/Asia Economic Outlook the economy created 13.1 million new jobs in the year 2013 (Schwartz 2014, p.14).

Export is back in the lift again since July 2013 due to increase in demand from the United States and the European Union. This compensates the drop in export to Hong Kong and ASEAN countries, as can be seen in figure 4. Opposed to export, import is a more important aspect for this research. The import rate has risen due to strong domestic demand. The combined increase in import and export has caused the trade surplus to rise from 60.5 billion in the third quarter of 2013 to 90.4 billion in the fourth quarter of 2013 Q4 (Schwartz 2014, p.15). The inflation has dropped and stayed at 2.5% year on year in January. Expected reason for this dropped inflation is the good weather. Good weather means a good harvest thus a better economy. The food price pressure stayed low due to this development.

![Figure 4: yoy growth rate in export from China to different regions (Schwartz 2014, p.15)](image)

**Social**

The amount of urban upper-class consumers is expected to grow astronomically over the coming 8 years. Where in 2012 63% of the Chinese urban population was upper middle class or affluent, it is expected that this percentage will grow to 81% in 2022 (Barton et al. 2013, p.3). The following figure is specifically interesting development for this research. According to the China Observer, 33.1% of Chinese consumers discover Luxury brands through magazines (Joel 2011). This is a great signal for EuropeanLife Magazine.
Technological
The development of online magazines is a threat to print all around the world. The Chinese internet penetration rate reached 42.1% in 2012, rising 3.8% over 2011. The annual growth rate of Mobile phone internet users hit a staggering 18.1%. (China Internet Network Information Center 2013, p.5)

Blogging is also a threat to trend magazines like EuropeanLife Magazine. At the end of 2012 the amount of micro bloggers was at 309 million, an increase of 58.73 million (China Internet Network Information Center 2013, p.5).

Ecological
The impact of economic growth on the environment in China is immense, which can be regarded as common knowledge (Stevenson 2014). It is important to realise that this phenomenon works in symbiosis. According to a research on the website of the Council of foreign relations, the environmental de predations pose serious threat to the economic growth of China. Supposedly it costs China approximately 9 percent of the Gross National Income (Xu 2014).

Fortunately the government has announced ambitious plans in the last five year plan presentation. China issued their first nationwide blueprint for climate change (Xu 2014). This large list of objectives regarding climate change is to be achieved before 2020. Recently the government also required 15.000 factories, including state-owned enterprises, to report on air emissions and water discharges. Spending over 275 billion dollars over the upcoming five years, China is working on improvement (Denyer 2014).

Political
In China there is a strong gifting trend regarding luxury spending. In Figure 5 you can find that this trend is however in decline due to China’s crackdown on corruption. In order to fight corruption, the State Council announced the Regulations on the Affairs and Administration of Government Agencies in 2012. This states that government agencies are not allowed to purchase any luxury goods (Fung Business Intelligence Centre 2013, p.8).

![Figure 5: % gifting vs own spending (Bain & Company 2012)](image)
2.3. Definition of luxury

Because luxury is such an important aspect of this research, I decided to explain this in a separate chapter. In order to analyse the luxury market, from which we can directly extract our main target audience, we need to understand the definition of luxury. To understand luxury we have to look in the dictionary at the explanation of the count noun definition of luxury:

“An inessential, desirable item which is expensive or difficult to obtain” (Oxford Dictionaries n.d.).

Luxury has always played a significant role for the human race. Although luxury is seen as something ‘difficult to obtain’, in recent years luxury rapidly became something for the everyday man. The newest technologies and styles became available to the mass consumer. This latest development in research is called the democratization of luxury. (Li 2012, p.8)

2.4. Market definition

Overview of the Chinese luxury market

To give an overview of the sheer size of the Chinese luxury market, we will look at the greater China. According to the Fung Business intelligence centre, China was expected to reach 27,3 billion EURO in size, making it the second largest luxury goods market in the world (Fung Business Intelligence Centre 2013, p.7). Mainland China is still a bit behind being the fifth largest luxury goods market in 2012 spending 13,25 billion EUR (Bain & Company 2012, p.4).

Although the growth rate in 2011 of the Chinese luxury market was at a staggering 30%, it declined massively in 2012 to 7% (Bain & Company 2012, p.2). Also important to consider is that the Bain report states that 60% of the money spend is outside mainland China, accelerating the growth from overseas markets (Bain & Company 2012, p.4).
The Chinese are already by far the main consumer in luxury goods when looking at all nationalities, 25% of the luxury spending is done by the Chinese all around the world, as can be seen in figure 6 (Bain & Company 2012, p.7).

**Spending per city**  
For this research it is important to look at the division of spending on luxury in China per city. In figure 7 you find that Shanghai is the spending capital of China (18,3% of the market) and Beijing is a good second (16,2% of the market). Combined they account for 34,5% of the market (Red Luxury 2011).
Overview of the Chinese Fashion and Luxury magazine market

According to China today, there are around 9000 magazines of all sorts in China. (China today 2014) The total amount of publishers who ran these 9000 magazine titles was 47 in 2012 (FIPP 2014, p.142).

Although the print industry is a difficult market due to all kinds of new media, the fashion magazines still grew 9,7% in revenue from 2012 to 2013 (Vasquez 2014). More specifically about China, the advertisement pages grew so explosively in 2012 that some Chinese magazines publish more than monthly to cope with the demand. A lot of the Chinese luxury customer groups buy these magazines because of their interest in luxury goods (Haughney & Landreth 2012). The total consumer magazine print circulation accounted for 2,480 million EURO in 2012. Although a lot has been said about the rise in digital magazines, they only brought in 18,75 million EURO, totalling the consumer magazine circulation to 2,499 million EURO (FIPP 2014, p.141). Advertisement revenue was at 614 million EURO in 2012, with digital advertisement revenue at 32,50 million EURO (FIPP 2014, p.144).

Finding data explaining the future of the (fashion and luxury) magazine industry was not a simple task. To get an overview of this market it was important to get hands on a trustworthy research. The ACMR-Ibis research forecasts the upcoming 5 years until 2019, which seems to offer space for new magazines. Over these 5 years an annual growth rate is expected to be 4,7%, amounting to 5 billion EURO. The profit of this industry is expected to decline a bit, reaching 7,5% of the total revenue expected (Ibis World 2014).

The number of magazines in the fashion and lifestyles industry is expected to grow and keep accounting for large shares of revenue. These carry the most advertisement campaigns and collect the most revenue, which is a good sign for EuropeanLife Magazine. The demand for periodical magazines also keeps on rising. Although state capital is expected to remain the most dominant in this industry, the amount of private capital will grow. The industry is considered to be mature, meaning that the magazine industry growth rate is less than the general increase the GDP has in China (Ibis World 2014).
2.6. Target group analysis

For the target group analysis I tried to map them in two different aspects. Firstly I looked at the different consumer groups interested in reading EuropeanLife Magazine. Secondly I looked at the lifestyle mentality group to see who this typical consumer would be and what a typical consumer would do. According to research by Bain (Bain & Company 2012) the Chinese luxury consumers can be divided into four different groups. These groups are explained in the next chapter. The percentage that each consumer group represents according to the same research of Bain, is shown in figure 8 on the next page.

2.6.1. Consumer groups

- Aspirants
Aspirants consist out of both male and female consumers with an annual income of around 100.000 to 300.000 RMB\(^1\). The Aspirants consist of middle class and white collars citizens. They come mostly from 1/2/3 tier cities. Their purchases are mainly for self-use. The aspirants acquire fashion to stand out of the crowd.

- Fashion addicts
Fashion addicts in China are mostly female and have an annual income between 150.000 and 500.000 RMB. They are generally white collars and housewives. They tend to live in first and second tier cities. Like aspirants, they purchase mainly for self-use. Fashion addicts generally purchase fashion because they are afraid to be outdated.

- Wealthy to be educated
Wealthy to be educated are mostly male consumers with an annual income higher than 500.000 RMB. They tend to consist out of wealthy individuals and entrepreneurs. They are mostly not from first tier cities. They tend to purchase for self-use and gifting. The wealthy to be educated generally love logos.

- Core customers
The core customers consist out of males and females who are expected to earn more than 800.000 RMB yearly. A lot of them are executives, rich second generation Chinese and entrepreneurs. They are mostly from Tier 1 cities. Core customers buy for the same reasons as wealthy to be educated, namely for gifting and self-use. They enjoy a sophisticated luxury life style.

\(^1\) 1 RMB = 0,12 EURO
2.6.2. Life style mentality group

In this chapter we will give a quick overview of how the potential reader of EuropeanLife Magazine would live and who they would be. This hypothetical assumption is done by looking at the market opportunity as researched in this chapter. Because EuropeanLife Magazine targets both men and women equally, we will research a couple instead of a person: Hu Ah Cy and Hu An (fig. 9) are married and live in the capital of China, Beijing. They both work and like to spend their money on luxury goods. They love to travel around the world, where they like to acquire the newest gadgets and the latest fashion products. When they travel to Europe they use their chosen English names Andy and April, like many modern Chinese do. (Dickinson 2010)
They want children, but still currently enjoy their life started in luxury. He is a rising star in a state-owned company, she works as a TV reporter for a local television station. They both love their country China but are not a member of the Communist party.

2.7. Distributor/Publisher analysis

Analysing the distributors is important to understand the channels which could be used by EuropeanLife Magazine. The easiest way to analyse the biggest existing distributors is to look at the Colophon of competitors. Furthermore Chinese employees of Beijing 1421 Business Consulting aided me by searching the web in Chinese for publishing houses. After contacting publishers they found out that publishing and printing is always separately done. These delivered the following potential publishers:

- **Name:** China International Publishing Group  
  **Publishes:** Vogue China

- **Name:** Rayli Magazine House Beijing  
  **Publishes:** All Rayli magazines

2.8. Competitor analysis

According to research by Ibis World the competition in the magazine industry of China is high, a trend which is increasing. Magazines are bought at lower prices by consumers, and magazines try to win advertisers by offering them lower prices. The industry is majorly segmented with an enormous amount of players in the magazine industry. The Beijing Rayli Magazines company, including all the different titles for Rayli Magazine, has a market share of about 2.9%. Information about all the other major players with a glance to the rest of the competitors cannot be found. (Ibis World 2014)

**Competitors**

For the competitor analysis I used an excel sheet (Appendix 2) to collect all relevant data about the competition (Burstein 2012). These figures come from the different media kits of the magazines. The prices are all on the cover of the magazine, which I translated with help from the staff of Beijing 1421. I will give a short summary about all competitors in this chapter according to this excel sheet. They will be ranked in order of competitor size. This will help us determine the right value proposition for EuropeanLife Magazine.
1. Rob Report
Rob Report is a local fashion and luxury lifestyle magazine targeting both women and men in China. Looking at the type of magazine it is closest to what EuropeanLife Magazine is aiming to become in China. With a circulation of about 168,168 copies it is not the biggest in the competitor. However due to the aim of Rob Report, targeting both male and female readers with high income who are interested in both fashion and luxury, this magazine is the biggest competitor of EuropeanLife Magazine. Their target audience can mostly be found in the big cities of China. Rob Report is sold 12 times a year at the retail price of 20 RMB, equal to 2,31 EURO. The price of a single page advertisement is 27,134,45 EURO. The price of the cover gatefold is 155,878,73 EURO.

2. Vogue China
Vogue is the single biggest foreign fashion and lifestyle magazine. The circulation of Vogue China reaches a staggering 1,361,288 monthly, according to the Vogue media kit. They aim mainly at women between the age of 18 and 29. Due to such a high circulation, prices of the advertisements vary between 240,000 EURO for a cover gatefold and 22,547 EURO for a single page advertisement. These crunching numbers make Vogue magazine China the most expensive magazine regarding advertisement pricing. The issues are being sold at 20 RMB equal to 2,31 EURO.
3. Rayli magazine
Rayli targets at women between 18 and 29 who love beauty and are determined to own what they love. They are mostly working class ladies with reasonable income. They spend most of their salary on fashion. They can easily be regarded as the Chinese Vogue. With a circulation of 1,380,000 they are slightly bigger compared to their European competitor. Rayli advertisement is sold at 173,335,14 EURO for a Cover Gatefold. Single page advertisements cost 32,355,89 EURO. The retail price for an issue is 20 RMB, equal to 2,31 EURO.

4. Esquire
Esquire is by far the biggest fashion and luxury magazine targeting the Chinese men. Their target group is considered to be the man living in the modern society with money to spend. The circulation of Esquire is at 1,006,500. The price of the cover gatefold is 220,484,48 EURO. A single page advertisement costs 26,024,40 EURO. The retail price is at a total of 20 RMB, equal to 2,31 EURO.
5. Elle China
Elle, like Vogue, aims to target high society women interested in fashion and a luxury lifestyle. However, the circulation of Elle magazine is significantly smaller than the circulation of Vogue, adding up to 925,000 copies per month. The prices for advertisement are not to be found anywhere, but it is assumable that they are comparable to Vogue China. The retail price of Elle China is at 12 RMB, equal to 1,38 EURO.

6. L’Officiel China
Being the eldest foreign magazine published in China, L’Officiel is a force to reckon with. Although the circulation of L’Officiel is much lower than direct competitors Vogue, Elle and Rayli, it is still well over half a million copies (682,000). L’Officiel targets high society Chinese female consumers. The issue price of L’Officiel is 20 RMB, equal to 2,31 EURO. The prices for advertisement are between 212,705,95 EURO for a cover gatefold and 14,542,02 EURO for a single page.

7. Reluxe
Reluxe is equally targeted at both male and female readers with high income, interested in fashion and luxury. Readers of Reluxe are mostly from the bigger cities. Reluxe is issued 12 times a year with a circulation of 180,000 copies. The price of the magazine lies at 20 RMB, equal to 2,31 EURO.
2.9. Conclusion

The research of this chapter shows that both Macro- and Meso-research the market offers a lot of opportunities. The ongoing growth of the Chinese economy, the rise in luxury consumers and the increase in advertisement sales in the magazine industry give room for new magazines. Although it is a mature market with a lot of competitors and growing competition, opportunities are still there on all levels. Especially seeing the prices of advertisements in this industry you can assume there is a lot of space for new ventures. The set up focusing entirely on the upcoming rich people in China makes it a very big growth market with a lot of potential.

Even though it is a market dominated by state-owned companies, a lot of foreign brands do succeed in the Chinese magazine market. The main competitor regarding the aim of EuropeanLife magazine will be Rob Report. Looking at the market share in circulation, there are two competitors who are head to head for being the biggest: Chinese local player Rayli Fashion and the foreign brand Vogue China. Magazines are mainly sold at about 20 RMB per magazine, which is a very cheap price. However, the advertisements are being sold at staggering prices. Most Cover gatefolds are being sold at prices between 150.000 and 250.000 EURO. Single pages are all being sold between 15.000 and 32.000 EUROs.
3. What is the value proposition of EuropeanLife Magazine?

“As an entrepreneur you need; love for the Chinese market, interest in the people and time.”

Expert Marc de Roo, Link Design

3.1. Introduction

To analyse the value proposition of EuropeanLife Magazine I decided to use the Value Proposition Canvas. The Value Proposition Canvas is deviated from the Business Model Canvas. On the website of Business Model Generation this model is described as followed: “The Business Model Canvas, is a strategic management and entrepreneurial tool. It allows you to describe, design, challenge, invent, and pivot your business model.” (businessmodelgeneration n.d.)

The Value Proposition Canvas consists out of the Customer segment and the value proposition segment in the Business Model Canvas. Before we can fill in these aspects it is important to know all about EuropeanLife Magazine. This will give a good starting point to build the Value Proposition as described above.

3.2. Introduction EuropeanLife Magazine

EuropeanLife magazine is a concept developed by Bernadet Bijsterbosch. She is a Dutch entrepreneur living in Barcelona with years of experience in creating magazines. She came to the idea of creating a magazine showcasing what Europe has to offer in the fashion and luxury segment. The goal of the magazine is to be spread in three different upcoming markets: China, Russia and Brazil.

Mission EuropeanLife Magazine:

EuropeanLife Magazine will be an exclusive magazine that gives the reader a glimpse into the luxury life and pleasures on the European continent. They focus on brands, products and services covering a wide range of topics in the luxury segment. They aim to be a showcase from Europe to upcoming economies and for people of the highest purchasing power in the world. An active online community through EuropeanLife website, application and social media platforms is part of the concept.

EuropeanLife Magazine reports on luxury products made in Europe and lavish lifestyle events. They will publish interviews with style icons and high-end jetsetters.

Vision EuropeanLife Magazine:

To become the main source of information about luxury and fashion for people from upcoming economies (Bijsterbosch 2014).
3.3. Value Positioning Statement

Geoff Moore suggests in his book; Crossing the Chasm (Moore 2011), to use a specific template for creating your own value positioning. This template should help to position the value of EuropeanLife Magazine. According to Geoff Moore, this value positioning statement goes as followed:

For … (target customer) who … (statement of the need or opportunity) the … (product/service name) is … (product category) that … (statement of benefit). (Moore 2011)

According to the research done in chapter 2 and 3, the value propositioning statement for EuropeanLife Magazine can be formulated using this model.

For wealthy, fashionable Chinese from urban areas who are in search of the latest European luxury trends and fashion the luxury glossy is a magazine that provides insight in latest trends, developments and happenings in the European fashion and luxury industry.

3.4. Value Proposition Canvas

As introduced in the introduction of chapter three, the value proposition canvas clearly gives an overview of what the value proposition should be for EuropeanLife Magazine. Based upon the model of Business Model Generation, Peter J. Thompson introduced a simplified and improved version of the Value proposition canvas. Due to copyright issues, the model of Business Model Generation cannot be used, but this will turn out for the better. I chose to use the substitute model by Thomson as shown in figure 10. This model is much more simplified and easy to understand. The customer’s wants, fears, needs and substitutes should create a benefit, features and an experience for the product. The value positioning statement should explain that the target customers are wealthy, fashionable Chinese luxury consumers from urban areas (Thomson 2013).

![Value Proposition Canvas](Thomson 2013)
3.4.1. Customer

To define the value proposition of the product, it is important to highlight the wants, fears, needs and substitutes of these customers as can be found in figure 7. These three customer aspects are derived from chapter 2.6.

Wants
“The emotional drivers of decision making are things that we want to be, do or have. Our wants are usually conscious (but aspirational) thoughts about how we’d like to improve our lives.” (Thomson 2013)
- Quality
- Luxury
- Respect
- Latest fashion
- European heritage

Needs
“The customer’s needs are the rational things that the customer needs to get done. Interestingly, needs are not always conscious. Customers can have needs that they may not know about yet.” (Thomson 2013)
- Information about European fashion
- Information about European luxury
- Knowledge about latest fashion
- Knowledge about latest fashion events

Fears
“The dark side of making a decision is that it carries fear. Fear of making a mistake, fear of missing out, fear of loss and dozens of other related fears.” (Thomson 2013)
- Fear of conformity
- Fear of being outdated
- Fear of being conceived as cheap
- Fear of losing face

Substitutes
“These aren’t the obvious competitors; instead look for the existing coping behaviours. This is on the canvas because it shocks us into remembering that our customers are real people with daily lives who have made it this far in life without our product.” (Thomson 2013)
- Fashion magazines
- Luxury magazines
- Travel magazines
3.4.2. Product

Now the Customer side of the Value Proposition Canvas is identified, the Product side can be filled in. These three aspects, as seen in figure 7, should indicate what the magazine should give the target consumers so that it becomes desirable. The value proposition is what EuropeanLife Magazine should have to offer in order for people wanting to buy it.

Features
“A feature is a factual description of how your product works. The features are the functioning attributes of your product.”(Thomson 2013)

- Provide information about European Fashion
- Provide information about European Luxury
- Knowledge about the latest fashion
- Knowledge about latest fashion events

Benefits
“A benefit is what your product does for the customer. The benefits are the ways that the features make your customer’s life easier by increasing pleasure or decreasing pain.”(Thomson 2013)

- Show insights on the quality and luxury in life
- Shows you how you can be ahead of fashion and luxury trends
- Shows what European heritage is on the market
- Combination of fashion, luxury and travel information

Experience
“The product experience is the way that owning your product makes the customer feel. It’s the sum total of the combined features and benefits. Product experience is different to features and benefits because it’s more about the emotional reasons why people buy your product.”(Thomson 2013)

- Luxurious
- Combination of quality and style
- Informative
- Stylish
3.5. Conclusion

In this chapter I tried to answer what value proposition is needed to be successful in the market and be desirable to the potential customers. These customers, as identified in chapter 2.6, have certain needs for which EuropeanLife Magazine should offer the solution. These needs are summarised by using the value proposition canvas. The target consumer is in need of finding the latest fashion and luxury trends and therefore EuropeanLife Magazine should offer them as such. The target customer also wants a substitute for the several segmented magazines, therefore EuropeanLife Magazine should offer a combination of fashion, luxury and travel in the magazine.

In short, the value positioning statement perfectly summarizes this chapter, namely to state the added value of EuropeanLife Magazine for which consumers. The value proposition statement should be:

For wealthy, fashionable Chinese from urban areas who are in search of the latest European luxury trends and fashion the luxury glossy is a magazine that provides insight in the latest trends, developments and happenings in the European fashion and luxury industry.
4. What are the market entry options for EuropeanLife Magazine?

“Careful selection of the Chinese business partner is a must in any case.” Expert George Ammerlaan of HK KvK

4.1. Introduction

For the best market entry strategy it is important to look at the market opportunities as described in chapter two and combine this with the value proposition as mentioned in chapter three. To give this some structure, it is important to know which strategic frameworks are available and what would suit EuropeanLife magazine best. Furthermore it is important to figure out the marketing mix. The following quote from a research paper by Manoj Kumar Jain grasps the advantages of the 7p marketing mix perfectly:

“The main reasons the marketing mix is a powerful concept are It makes marketing seem easy to handle, allows the separation of marketing from other activities of the firm and the delegation of marketing tasks to specialists; and - The components of the marketing mix can change a firm’s competitive position.” (Jain 2013, p.23)

4.2. Strategic framework options

In choosing the right framework for China there are several options that can be looked at. Deciding what option suits a company best depends on the activities, possibilities in the market and the needs that a company has. The different options are as followed (Enterprise n.d.):

- Joint Venture
- Wholly Owned Foreign Enterprise
- Representative office
- Distributor
- Agent

When looking at the current competitive landscape, it is good to spot the division of strategic frameworks, chosen by competitors. The major part of the publishers are state-owned, a total of 83.5%, as can be seen in figure 11.
For deciding on a structure it is very important to know what every option exactly offers and what is needed to set such a structure. To make a good decision it is important to consider all the different types of models. All the information about these different strategic framework options are derived from internal documents of Beijing 1421 Business Consulting which exist in order to inform clients.

**Joint Venture (JV)**

**What**

A JV is a legal structure created for collaboration between two different companies. It can consist of for instance a Spanish and Chinese company.

**When**

When the help of a local company is needed to increase the reach of the company. With a local company the chances of success in a short time generally increase.

**Preferred situation**

When they find an ideal partner which strengthens them strategically.

**Important to know**

The decision power in such a structure does not lie with the majority shareholder but is within the division of the board. This is opposed to Europe where the majority shareholder always has the most power within a company. Therefore it is crucial to make sure that division of the board is carefully looked at.
**Wholly Owned Foreign Enterprise (WOFE)**

**What**
A WOFE is the only company structure in China that can be completely owned by a non-Chinese entrepreneur. In this form EuropeanLife Magazine can be the sole proprietor of the company.

**When**
When EuropeanLife Magazine wants to keep full control over the company to make sure the brand, style and future is completely in their own hands.

**Preferred situation**
When a certain amount of control is required in the country itself.

**Important to know**
A WOFE may require registered capital. This is an amount of cash that needs to be imported into the company. The height of this amount depends on the business scope of the company. Some business scopes this could go up to millions.

**Representative Office (RO)**

**What**
A RO is a legal structure from which a company can do business on behalf of the foreign company. However a RO can never be used to really buy or sell products. It can only represent the foreign company within the People’s Republic of China.

**When**
When doing only research and liaison activities.

**Preferred situation**
Only when work is limited.

**Important to know**
They cannot conduct business transactions of any kind.

**Distributor**

**What**
A company that distributes your product/service on your behalf in that specific region, they buy the product from you.

**When**
When there is no contact with potential clients and a product needs to be distributed through consisting distribution channels.

**Preferred situation**
When there is no will to open the market without help.

**Important to know**
It will raise your sales and cost-price.
<table>
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<th>Agent</th>
<th>What</th>
<th>When</th>
<th>Preferred situation</th>
<th>Important to know</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>A company or person that sells your product/service on your behalf in a specific region. They will have the network of people, you will sell it directly.</td>
<td>When there is no contact with potential clients and a product needs to be distributed through consisting sales channels.</td>
<td>When there is no will to break open the market (by) without external help.</td>
<td>It will raise your sales and cost-price.</td>
</tr>
</tbody>
</table>
4.3. Strategic framework choice

Regarding the above mentioned options it is important to consider the team of EuropeanLife Magazine. They strive to work with a small organization. All articles will be written by freelance writers, not by employees of EuropeanLife Magazine. The main importance to succeed in China is to have a distributor who can release the magazine in the right places and to have a printer who can secure the wanted quality of the magazine. Looking at these factors it is reasonable to consider a start-up with an agent who can manage both the distribution by a local player and printing the magazine with a local printer. This would increase the control on these processes without having to have a big organization in Spain to control the process.

4.4. Marketing mix

The marketing mix is an important business tool created for marketing and used by marketeers all around the world. By many, the marketing mix is linked to the four P’s; Product, Place, Price and Promotion. (McCarthy 1964) For a more elaborate view on the marketing mix, generally there are three P’s added to these main four P’s. These extra three P’s are: People, Positioning and Packaging. (Tracy 2004) For EuropeanLife Magazine we will look at all seven P’s.

Product

The product will be a magazine with content about European luxury and fashion. It ranges from trending styles, to new watches, trends, etc. The main aim of the magazine is to promote European heritage in China. As owner Bernadet Bijsterbosch states: “EuropeanLife Magazine will be a promotional glossy of fashion and luxury trends from all over Europe.”*

Place

Expert Peter Pronk stated in his interview: “It is foolish to perceive China as one market. To be successful in China, it is best if one chooses one or several of the existing market clusters.” Choosing which of the cluster(s) as indicated by the McKinsey report (Woetzel 2012, p.9) EuropeanLife Magazine needs to enter, depends on what the magazine aims for. In figure 12 on the next page you can find a division of clusters in China. The value proposition depends on the market analysis, however due to the fact that it aims to be a luxury glossy, makes it obvious to reach for the rich and puissant rich Chinese. When looking at luxury spending in China, another McKinsey report states that Beijing and Shanghai account for 34,5% of all luxury sales (Red Luxury 2011). These top 2 cities of China each account for more “ultra-high-net-worth” than Los Angeles (Frank 2012)
The distribution of EuropeanLife magazine will be done by local distributors, as researched and described in chapter 3.2. For both Beijing and Shanghai it is best to choose a distributor who already corporates with competitors as described in chapter 2.6. The selection of a distributor depends on the exact needs and wishes of the client.

**Price**

Whilst the revenue of the magazine is expected to come from advertisement, it is still important to decide upon a pricing strategy. According to Kotler there are several different pricing strategies; market-penetration pricing, market-skimming pricing and neutral pricing. Market-penetration pricing focusses on entering the market with a low price in order to get a maximum share of the market. Market skimming prices is aimed at entering the market with a high price, slowly lowering to the optimum level. Neutral pricing speaks for itself, it is a pricing strategy where companies enter with a midlevel price (Kotler & Keller 2006, pp.437–438).

Because the advertisement revenue is highly influenced by the circulation of the magazine, it is advisable to use a pricing strategy that increases the chance on a maximum market share. According to Kotler, market-penetration pricing is the most effective solution to reach a high market share. With market-penetration pricing it is advisable to sell it under the market average. If we look at chapter 2.7, EuropeanLife Magazine should be sold at less than direct competitor Rob Report, which is being sold for 20 RMB (2,31 EURO).

**Promotion**

In promoting EuropeanLife Magazine, the focus should be on events related to luxury and Europe. This is exactly related to the core of this magazine, which would promote the magazine in the right place. Events like the Luxury fair in China are perfect for communicating the existence of the magazine. Including the magazine in goody bags to show the product to the target customer is a great to promote EuropeanLife Magazine. An example of such a fair is the China Luxury fair in Beijing (China Exhibition 2013).

**People**

Jim Collins discovers in his book called Good to Great, that the best companies firstly "got the right people on the bus, and the wrong people off the bus." (Collins 2001) What he means to point out is that it is immensely important to get the right strategy on this point.
Whilst the organisation of EuropeanLife Magazine stays in Europe, it is still important for them to select a good personnel strategy regarding contact in China. In an article on the website of Beijing 1421 Business consulting they explain about Guanxi. “In China Guanxi makes the world go round: securing a business license, landing a distribution deal or even finding that coveted office space. Fortunes have been made and lost based on good or bad guanxi. In countless cases a positive outcome has been the result of befriending the right gatekeepers, relationships often built over long banquets and many bottles of expensive brandy.” (Pronk 2012)

Seeing this importance it is crucial for EuropeanLife magazine to build a good relationship with anyone in their future Chinese network. Beijing 1421 Business Consulting can aid in this respect to build such a network by representing them. This makes EuropeanLife Magazine always present in China.

Positioning
When positioning the magazine, EuropeanLife Magazine should focus on giving a luxurious vibe. They should show knowledge about the latest European trends and styles in both fashion and luxury. The customer should perceive EuropeanLife Magazine as the best source of information regarding a luxurious lifestyle.

Packaging
The packaging of EuropeanLife Magazine will be mainly done by creating a luxury vibe around the magazine. It is advisable that the magazine would breathe luxury as stated in the value proposition canvas (chapter 3.4). This should translate both in offline and online. The communication should all be done in Chinese and should be of high quality.
4.5. Conclusion

In conclusion of chapter four, the best strategic framework to choose for entering the Chinese market is a partnership with a local agent connected to the industry. This would save a lot of strain on the organization, would cancel difficulties in communicating with local people and give control on local parties who are probably best in arranging printing and distributing this magazine. This also shows in the marketing mix. For the people it is best to keep a tight grip on the local people. In this format EuropeanLife magazine can be aided by Beijing 1421 with onsite communication.

Because the magazine promotes quality, it could be considered to pick a pricing technique selling the magazine at a high price. However in the magazine market this is most uncommon. Therefor a price skimming strategy would better fit EuropeanLife Magazine to enter the market.
5. Conclusion

“In general a market research is crucial to enter any market but for China this is even more the case due to the difference between the West and China. The fast market changes in the many fields (luxury goods, food, energy, healthcare etc.) make it very important to have a good knowledge on the potential, trends, economics etc.” Peter Pronk of Beijing 1421

Chapter 2, what are the market opportunities/demands, shows that both on Macro- and Meso-level, EuropeanLife Magazine has a promising future in China. On a Macro-economic level the economy of China also has a developing trend. The GDP growth rate has been at 7,7 percent in 2013. The year 2013 has been a positive year on a macro-economic level all round with positive figures in export, import and the labour market. Due to the global trend called the democratization of luxury, a profusely lifestyle becomes available for the middleclass of the world. The urban upper and affluent middleclass of China is a largely growing segment, expecting to reach 63% of Chinese urban households. These Macro-economic trends are supported by developments on a Meso level. The combined growth in both the luxury industry and the magazine advertisement industry offer a lot of potential for a fashion and luxury magazine. The Chinese account for 25% of all the luxury consumption around the world. Within China 34,5% of the luxury consumptions is done in Beijing and Shanghai. These positive developments in luxury spending are also supported by a positive trend in the fashion and luxury magazine market. The revenue in this industry grew with 9,7% in 2013.

Within the fashion and luxury magazine industry there are 7 main competitors. Rob Report, due to the aim of the magazine, can be considered to be the biggest competitor. Other large competitors are Vogue China and Rayli Magazine. Who bring these magazines into the market? The two biggest publishers in the industry are the China International Publishing Group and Rayli Magazine House Beijing. The target group of Chinese luxury customers can roughly be divided into four different groups; aspirants, fashion addicts, wealthy to be educated and core customers.

I have analysed these mentioned target customers wants, needs and fears together with current substitutes in chapter 3: What is the value proposition of EuropeanLife magazine. The value proposition canvas shows that these customers are in need of the latest European fashion and luxury trends. Focussing the magazine on this would create a substitute for more segmented magazines of this time. The value positioning statement clearly sums
up what the focus of EuropeanLife magazine should be on:

For wealthy, fashionable Chinese from urban areas who are in search of the latest European luxury trends and fashion the luxury glossy is a magazine that provides insight in the latest trends, developments and happenings in the European fashion and luxury industry.

Chapter 4 shows that there are several market entry options. With help of an agent, EuropeanLife magazine would keep the set-up of the magazine manageable. In the marketing mix it is clear that the focus of EuropeanLife magazine should begin in Beijing and Shanghai. Accounting for 34,5% of all luxury consumption, it is most interesting to focus on these two cities. The price of the magazine should be slightly lower than main competitor, Rob Report. Market skimming pricing would aid EuropeanLife magazine in reaching the highest possible market share in a short time. To increase this market share it is important to focus on advertising the magazine in the right places. A luxury fair would be a great start for a marketing campaign.

All together the future looks bright for EuropeanLife Magazine. With clear Macro-market potential and positive Meso market developments, China is ready for EuropeanLife Magazine.
6. Product: Advice

6.1. Introduction

In this extra chapter I will formulate an advice to EuropeanLife Magazine based on the research conducted in the previous chapters. This advice is based on theoretical models and advice as normally given by Beijing 1421 Business Consultancy, the company I work for. The advice will also include the following important aspects:

- The Treacy Wiersema model (Treacy & Wiersema 1995)
- Strategic consultancy advice
- A cost benefit analysis from year 1 till 5
- Advice on the look and feel of the magazine

When formulating the advice, I took in account the wishes of Bernadet Bijsterbosch, CEO of EuropeanLife Magazine. They would like me to keep the following aspects in account when giving an advice:

- Strategic partnership possibilities
- Distribution options (Own distribution/insert distribution/bulk distribution)
- Language of the magazine
- Content/advertisement from China, Necessary/Good for sales?

In the following chapters I will advise EuropeanLife Magazine on the above mentioned topics and on any other related necessary topics.
Treacy Wiersema model

It is impossible to excel as a company in every different aspect and to mean everything to your client. Therefore it is of key importance to focus on specific aspects. The Treacy Wiersema model helps to decide on targeting one of the three value strategies that organizations can use to add value and increase their position opposed to their competitors. (Treacy & Wiersema 1995) Figure 9 shows how the Treacy Wiersema model looks and what it entails. The model looks at Operational Excellence, Product leadership and Customer Intimacy. According to Treacy and Wiersema, a company should at least excel in one of the three value strategies. EuropeanLife Magazine should be in the leadership zone with at least one of the three values. The others should be at the threshold.

Operational excellence

Operating excellence is when a company offers the magazine at the lowest price possible, without losing the quality. Their main customer promise is to offer a low price and an easy buying experience. (Verduin CRM Consultants n.d.) Regarding operating excellence it is best for EuropeanLife Magazine to be on the threshold of the market. Being a leader regarding the price that EuropeanLife Magazine offers is conflicting too much with presenting EuropeanLife Magazine as a luxury offering product. However, in order to be competitive to the bigger competition as described in the competitor page, EuropeanLife Magazine should not strive to be the most expensive in the market. Therefore the threshold is the perfect aspiration for EuropeanLife Magazine.

Product innovation

Product innovation is important for companies who focus on pushing the boundaries of existing products. Companies as such produce a constant stream of product innovations. Their primary customer promise is to present a faster, newer and better product constantly. (Verduin CRM Consultants n.d.) Although innovation is a big part of the topics EuropeanLife Magazine presents about, EuropeanLife Magazine should be on the threshold of this value strategy. The emerging of online communication options should constantly be followed, but it is not necessary to become a leader in the innovative side of magazines.

Figure 9: Treacy Wiersema Model explained (Verduin CRM Consultants n.d.)
Customer intimacy
Customer intimacy focusses on client partnership. Being a market leader in customer intimacy means that client wishes are at the base of the organization. Their primary customer promise is that they support the client as best as possible. (Verduin CRM Consultants n.d.) For EuropeanLife Magazine, this should be a leadership item. A better connection with the reader results in many positive results for the magazine. Helping their search for the latest fashion, luxury and lifestyle items creates a higher circulation of the magazine which is the ultimate goal of any magazine. The communication with the customer should be brought to a high level through blogs, social media and the magazine itself.

6.2. Strategic consultancy advice
As a consultant it is important to give advice on certain aspects of entering the market. In this chapter I will focus on answering the questions EuropeanLife magazine asked in the meeting held to kick off this meeting.

6.2.1. Distribution
Regarding the distribution of the magazine it is important to look at the potential of the several potential publishers. In chapter 2 of the research it was concluded that 34,5% of all luxury spending is done in the biggest two cities, Beijing and Shanghai. To keep the distribution of the magazine controllable, it is best to start in these two cities. Keeping the distribution in own hands would mean creating a large company in China which I would not recommend looking at the setup of EuropeanLife Magazine in China. Insert distribution, distributing it alongside an existing magazine for free, would compromise the luxury and high-end aim and might damage the image of the magazine all together. Therefore I suggest collaborating with a publishing partner with an existing distribution network.

In both cities the publisher/distributor of Rayli Magazine is the best connected publisher. Therefore I would recommend connecting with Rayli Magazine House Beijing in order to publish the magazine at this publisher. Printing should be done through separate printing companies. Depending on quality, there are several options. Demand cost for distributing with the Rayli group is at 30% of the total sales revenue. Although quite high, there are not a lot of extra demands.
6.2.2. Tone of voice and front page

For the tone of voice it is firstly very important to decide on the language of this magazine. Although China is making a push regarding the amount of English speaking Chinese (Indianapolis Business Journal 2012), the level of this English is discussable. Of the 300 million English speaking Chinese, it is stated that only 10 million speak English at a high level in China. This makes it advisable to have the magazine written in Chinese. Giving an example of the tone of voice for a magazine written in Chinese is difficult. However in the dummy created and added to appendix 5, I tried to give an example of the type of articles and the tone of voice. In appendix 4 there is a dummy of what the magazine should look and feel like. As Marc de Roo stated in the interview, it is very important to give European products a European style. The look and feel is therefore focused on a classic style. Please see appendix 5 for the dummy to see the front page. The front page of this report is also in the style of the magazine.

6.2.3. Local content and advertisement

Because the magazine is published in China, I believe it is important to keep the Chinese market and demands in high regards. The Chinese would definitely be very interested to know about developments regarding fashion and luxury in China. These items should therefore also be created. However advertisement revenue would be best to attain from Europe. Seeing EuropeanLife Magazine promotes European products, it would contribute to the nature of the magazine.

6.3. Cost benefit analysis year 1 to 5

To make a good cost benefit analysis for the first five years, a few points need to be assumed. To make a realistic assumption, there needs to be a circulation estimation, sales price estimation and advertisement estimation. For the circulation it is important to decide on the frequency of the magazine. These decisions are based upon the market information and information from EuropeanLife magazine.

- Advised retail price: 2,07 Euro
- Issues per year: 4

The costs had to be researched, which has been accomplished by help of the Chinese staff of Beijing 1421. The publisher of Rayli magazines charges 30% of the sales price for their distributing services. Printing costs are at 0,22 EURO per copy.

- Printing costs: 0,22 EURO per piece
- Publishing and distributing costs: 30% of sales revenue

Please see next page for the cost benefit analysis.
## Market Research

- **Market research**: €10,000.00
- **Consultancy costs**: €30,000.00
- **Printing costs**: €17,600.00
- **Publishing and distribution costs**: €49,680.00
- **Translating costs**: €5,000.00
- **Freelance writers budget**: €20,000.00

### Cost Breakdown

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<td>Publishing and distribution costs</td>
<td>€49,680.00</td>
<td>€99,360.00</td>
<td>€124,200.00</td>
<td>€161,460.00</td>
<td>€198,720.00</td>
</tr>
<tr>
<td>Translating costs</td>
<td>€5,000.00</td>
<td>€5,000.00</td>
<td>€5,000.00</td>
<td>€5,000.00</td>
<td>€5,000.00</td>
</tr>
<tr>
<td>Freelance writers budget</td>
<td>€20,000.00</td>
<td>€20,000.00</td>
<td>€20,000.00</td>
<td>€20,000.00</td>
<td>€20,000.00</td>
</tr>
</tbody>
</table>

### Total Costs

- **Total Costs (Present Value)**: €132,280.00
- **Total Costs (Future Value)**: €132,280.00

### Benefits

- **Circulation (4 issues per year)**: 80,000
- **Issue price**: €2.07
- **Advertisements pages sold**: 16
- **Average advertisement price**: €5,000
- **Advertisement revenue**: €80,000.00
- **Sales revenue**: €165,600.00

### Benefit Breakdown

<table>
<thead>
<tr>
<th>Benefits</th>
<th>CY</th>
<th>CY +1</th>
<th>CY +2</th>
<th>CY +3</th>
<th>CY +4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Year (CY)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertisement revenue</td>
<td>€80,000.00</td>
<td>€120,000.00</td>
<td>€168,000.00</td>
<td>€224,000.00</td>
<td>€306,000.00</td>
</tr>
<tr>
<td>Sales revenue</td>
<td>€165,600.00</td>
<td>€331,200.00</td>
<td>€414,000.00</td>
<td>€538,200.00</td>
<td>€662,400.00</td>
</tr>
</tbody>
</table>

### Total Benefits

- **Total Benefits (Present Value)**: €245,600.00
- **Total Benefits (Future Value)**: €245,600.00

### Cost Benefit Analysis

- **Total PV Benefits**: €2,860,243.17
- **Total PV Costs**: €1,089,968.72
- **NET BENEFIT**: €1,770,274.45

### Present Value Discount Rate

- **2%**
6.4. Conclusion strategic advice

The Treacy and Wiersema model clearly shows that it is important for EuropeanLife magazine to focus on customer intimacy. A good connection with the reader is important to create market leadership in a certain aspect of the market.

For the distribution I recommend that EuropeanLife magazine selects a prominent publisher able to cover Beijing and Shanghai. It should also be well connected in the market and should be known to the demands of a fashion and luxury magazine. Regarding these demands I believe Rayli Fashion Magazine House Beijing is the best potential publisher for EuropeanLife magazine.

For the front page and tone of voice appendix four shows a dummy of the magazine including examples of articles and products. However it is important to keep in account that I advice the magazine to be written in Chinese, which is a totally different look and feel. The cost benefit analysis shows a great financial future for EuropeanLife magazine and shows that economically it is a very interesting move.

In bullet points the points of action are:

- Searching for an agent to manage operations
- Collaborate with a prominent publisher
- Sell in Beijing and Shanghai
- Produce the magazine in Chinese
- Create a strong bond with customers
7. Literature list


Bijsterbosch, B., 2014. WHAT IS EUROPEANLIFE MAGAZINE?


Collins, J., 2001. Good to Great: Why some companies make the leap... and others don’t,


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Index Mundi, 2013. China Demographics Profile 2013. Available at: http://www.indexmundi.com/china/demographics_profile.html [Accessed April 21, 2014].


Investopedia, Guanxi Definition. Available at: http://www.investopedia.com/terms/g/guanxi.asp [Accessed April 21, 2014].


McCarthy, J. e, 1964. Basic Marketing. A managerial Approach,


Treacy, M. & Wiersema, F., 1995. The discipline of marketleaders,


### 8. Appendix

**Appendix 1  Table Economic reforms China (Schwartz 2014, p.12)**

<table>
<thead>
<tr>
<th>Key Reform Areas</th>
<th>Evaluation</th>
<th>Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic &amp; Financial</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal</td>
<td>In line with expectations. Important for enhancing effectiveness of government administration and addressing local government debt problem.</td>
<td>• Balance expenditures and revenues between central and local governments.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Expand VAT and property tax.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Income tax changes to improve distribution.</td>
</tr>
<tr>
<td>Financial sector</td>
<td>Missing from Communiqué, but included in blueprint. Reforms are in line with expectations and ongoing initiatives. Implementation may meet resistance from state-owned banks and vested groups.</td>
<td>• Interest rate liberalization (remove cap on deposit rate).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Allowing private investment in the banking sector.</td>
</tr>
<tr>
<td>Capital account &amp; exchange rate</td>
<td>Missing from Communiqué, but included in blueprint. Sequencing and gradualism will be needed to ensure financial stability. We do not expect full liberalization before 2020.</td>
<td>• Capital account liberalization (gradual).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Enhance exchange rate flexibility.</td>
</tr>
<tr>
<td>Urbanization</td>
<td>In line with expectations. Hukou reforms to be restricted to mid- and small-size cities. Awaiting details.</td>
<td>• Hukou system reform.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Improve urban planning.</td>
</tr>
<tr>
<td>SOE governance</td>
<td>Missing from Communiqué, but included in blueprint. Enlarged reforms do not go as far as hoped.</td>
<td>• SOE restructuring to reduce role in the economy and increase competition from private sector.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Establish state holding companies to manage SOEs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Raise dividend transfers to central government (to 30% by 2020 from current average of 10%).</td>
</tr>
<tr>
<td>Land reform</td>
<td>Limited in scope</td>
<td>• Deregulation of controlled prices of water, gas, and electricity.</td>
</tr>
<tr>
<td>Market pricing</td>
<td>In line with expectations.</td>
<td>• Expand access of private investors in the service sector; shift to negative list approach</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• More equal treatment of domestic and foreign investors.</td>
</tr>
<tr>
<td>Investment access</td>
<td>Encouraging list of reforms, but implementation remains to be seen.</td>
<td>• Expand and accelerate free trade zones.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Participate in regional free trade and investment agreements.</td>
</tr>
<tr>
<td><strong>Public Administration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streamlining and reducing intervention</td>
<td>In line with expectations.</td>
<td>• Reduce number of administrative tiers.</td>
</tr>
<tr>
<td>Social Sector</td>
<td></td>
<td>• Cut red tape.</td>
</tr>
<tr>
<td>Social Security</td>
<td>Not mentioned in Communiqué, but included in blueprint. In line with expectations.</td>
<td>• Expand social security for rural population.</td>
</tr>
<tr>
<td>Medical services</td>
<td>Not mentioned in Communiqué, but included in blueprint. As expected.</td>
<td>• Gradually raise retirement age and reduce payroll tax, improve pension system</td>
</tr>
<tr>
<td>Population policy</td>
<td>Not mentioned in Communiqué, but included in blueprint. As expected.</td>
<td>• Enhance medical insurance, hospital system reform.</td>
</tr>
<tr>
<td>Legal &amp; Judicial</td>
<td></td>
<td>• Further relax one-child policy.</td>
</tr>
<tr>
<td>Rule of law</td>
<td>Encouraging set of reforms, but may be difficult to implement.</td>
<td>• Restructure the court system to enhance independence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Overhaul anti-corruption institutions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Human rights (abolish “education through labor”).</td>
</tr>
</tbody>
</table>
## Appendix 2  Competitive Analysis

<table>
<thead>
<tr>
<th>Competitors</th>
<th>Target consumer</th>
<th>Circulation</th>
<th>Distributor Partner</th>
<th>Advertisement pricing</th>
<th>Issue Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vogue China</td>
<td>Targeted at upper class women interested in fashion and luxury lifestyle</td>
<td>1.361,288</td>
<td>- Unique Benefits Here</td>
<td>Cover gatefold: 240.000 EURO Single spread: 22.547 EURO</td>
<td>Issue price: 20 RMB</td>
</tr>
<tr>
<td>Elle China</td>
<td>Targeted at upper class women interested in fashion and luxury lifestyle</td>
<td>925,000</td>
<td>- Unique Benefits Here</td>
<td>Add: unknown</td>
<td>Issue price: 12 RMB</td>
</tr>
<tr>
<td>Competitors</td>
<td>Target consumer</td>
<td>Circulation</td>
<td>Distributor partner</td>
<td>Advertisement pricing</td>
<td>Pricing</td>
</tr>
<tr>
<td>------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>---------------------</td>
<td>---------------------------</td>
<td>------------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>L'Officiel China</td>
<td>The eldest Chinese fashion magazine targets high society Chinese female consumers</td>
<td>Circulation: 682,000</td>
<td>- Unique Benefits Here</td>
<td>Cover gatefold: 212.705,95 EURO Single page: 14.542,02 EURO</td>
<td>Issue price: 20 RMB</td>
</tr>
<tr>
<td>Reluxe</td>
<td>Is equally targeted at male and female readers with a high income, interested in fashion and luxury. Readers are mostly from the big cities.</td>
<td>Circulation: 180,000 Frequency 12X</td>
<td>- Unique Benefits Here</td>
<td>12.740,68 EURO</td>
<td>Issue price: 20 RMB</td>
</tr>
<tr>
<td>Rob Report</td>
<td>Is mostly targeted at high level male business people between 30 and 50 years old from the major cities in China</td>
<td>Circulation: 168,168 Frequency: 12X</td>
<td>- Unique Benefits Here</td>
<td>Cover gatefold: 155.878,73 EURO Single page: 27.134,45 EURO</td>
<td>Issue price: 20 RMB</td>
</tr>
<tr>
<td>Competitors</td>
<td>Target consumer</td>
<td>Circulation</td>
<td>Distribution partner</td>
<td>Advertisement pricing</td>
<td>Pricing</td>
</tr>
<tr>
<td>-------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>-------------</td>
<td>----------------------</td>
<td>-----------------------------------------------------------</td>
<td>-----------------------</td>
</tr>
</tbody>
</table>
| Rayli       | Rayli targets women between 18 and 29 who love beauty, and are determined to own what they love. They are mostly Senior white collar. | 1,380,000   | Own distribution      | Cover Gatefold: 173,335,14 EURO  
Single page: 32,355,89 EURO               | Issue price: 20 RMB                       |
| Esquire     | Esquire China targets the man in modern society and targets their needs.          | 1,006,500   | - Unique Benefits    | Cover Gatefold: 220,484,48 EURO  
Single page: 26,024,40 EURO               | Issue price: 20 RMB                       |
Appendix 3  Qualitative interviews

Expert interview Ilse Kerling (CEO Kerling Consulting): What export factors are crucial for small medium enterprises who want to be successful in the Chinese market?

- Would you consider a market research crucial before entering the Chinese market?
  Why?
  Yes. For starters you have to know if and where there is a market for your product. All eyes are on China. Your competitors from Japan, USA, UK, Australia, Germany etc etc are already in China, often in the 1st tier cities. It could be that the market is already saturated, it could also be wiser to choose a 2nd tier city if you don’t have a huge brand name. Secondly, if you do not know your market and its size, how could you have a clear strategy and focus?

- Do you need to adapt your European product to the Chinese Market/consumer?
  Of course. Many companies once created a product to fulfil a niche in their home market and are so in love with their product that they think it will be wanted everywhere. They turn from a market-oriented strategy to a product oriented strategy. You have to research first whether they really like the product or service or whether you will only fill a small niche.

- How do you think Chinese consumers perceive European Luxury brands?
  Europe + luxury = status. Wonderful.

- Do you need to adapt the marketing of your European products especially for the Chinese market?
  Of course. The ways how you do marketing, online, advertising etc is completely different.

- What entrepreneurial competencies do you need when entering the Chinese market?
  Name the three most important ones.
  You need to be flexible, patient but persistent, problem solving.
• Can China be approached as one market? Why (not)?

You would not approach Europe as one market. Why would you approach China as one? It’s too big and too many regional nuances.

• How do you perceive the interest of Chinese consumers in Chinese luxury (fashion) products? What do they regard as important?

It’s developing. There’s a Joint Venture between a Chinese and European fashion company and they have created a Chinese luxury brand. Chinese national pride is large and growing so I definitely think it’s important.

• Would you advice European entrepreneurs to work with a partnership or in as a sole proprietor in China? Why?

They both have their ups and downs. Often the relationships do not hold so I would suggest the latter. However you do need good local people, perhaps give them a share in the company, to set a solid strategy and do local sales.

Expert interview Koen de Kort (Manager Modint): What export factors are crucial for small medium enterprises who want to be successful in the Chinese market?

• Would you consider a market research crucial before entering the Chinese market? Why?

For sure, A Market Research is crucial, if you do not know whether there is any need for the kind of products and/or services you are offering the risk of failure is too costly.

• Do you need to adapt your European product to the Chinese Market/consumer?
This depends on the kind of products and/or services you are offering. The Chinese have a very explicit taste, which is influenced by culture and traditions and therefore it is very likely you have to adjust in some way. It does not particularly have to be the products themselves, however, could also be the range of products you are offering. For example, if you are selling hats, you might consider buying more red ones, and you probably want to exclude the color green in your collection.

- How do you think Chinese consumers perceive European Luxury brands?

European products are seen as quality products. However, customers are not only buying because of the perceived high quality, buying a “European Lifestyle” is just as important for them.

- Do you need to adapt the marketing of your European products especially for the Chinese market?

The Chinese market is less sophisticated/mature than the market in the Western world, so keep marketing simple, in order for the Chinese consumer to easily understand your message and will not be confused.

- What entrepreneurial competencies do you need when entering the Chinese market? Name the three most important ones.

1. Understanding of Chinese culture
2. Persistence.
3. Problem solving skills.

- Can China be approached as one market? Why (not)?

This depends on your budget, in terms of the luxury industry I think you can.

- How do you perceive the interest of Chinese consumers in Chinese luxury (fashion) products? What do they regard as important?
There is a current trend in which customers are moving from simply buying famous ‘high-end’ fashion brands to preferring more ‘high-quality’ niche brands.

- Would you advice European entrepreneurs to work with a partnership or in as a sole proprietor in China? Why?

Partnering up can always be considered an advantage if you are not well known with doing business in China, however only under the condition you find a partner with a proper track record, which is hard to find.
Expert interview Peter Pronk (CEO Beijing 1421 Business Consulting: What export factors are crucial for small medium enterprises who want to be successful in the Chinese market?

- Would you consider a market research crucial before entering the Chinese market? Why?
  In general a market research is crucial to enter any market but for China this is even more the case due to the difference between the West and China, the fast market changes in the many fields (luxury goods, food, energy, healthcare etc) makes it very important to have a good knowledge on the potential, trends, economics etc.

- Do you need to adapt your European product to the Chinese Market/consumer? This depends on the branding and exposure that the product can have in China. Sometimes a brand logo or name means bad luck according the Chinese culture and sometimes it doesn’t appeal to the Chinese consumer. Also for this it is recommendable for any party who want to enter the market to conduct a detailed research on this

- How do you think Chinese consumers perceive European Luxury brands? Over the last 20 years more and more and with a high speed European Luxury brands become popular in China. European (and American) brands (car, clothing luxury goods etc) are a sign of being successful in China. If you can afford this you made it in China. For many brands over the last 5 years this has grown stronger since China have the fast growing population of rich people. Also the awareness of Western Luxury Brands, through internet and marketing have grown fast

- Do you need to adapt the marketing of your European products especially for the Chinese market? In principle the marketing of European products in China are adaptable on the Chinese market. However due to the deep rooted culture differences it is crucial to investigate any needed adaption for the specific products. When we talk about Business to Consumer the content is most important for the marketing of any brand of product. Marketing and logistics need to be balanced very carefully.

- What entrepreneurial competencies do you need when entering the Chinese market? Name the three most important ones.
  1. Patients.
  2. Enough funds
3. Skills for adapting to a total different habit driven culture on doing business and living.

- Can China be approached as one market? Why (not)?
  It is foolish to perceive China as one market. To be successful in China, it is best if one chooses one or several of the existing market clusters.

- How do you perceive the interest of Chinese consumers in Chinese luxury (fashion) products? What do they regard as important?
  As stated before the Chinese population is gaining more and more wealth and they like to spend this. 3-5 years ago Chinese people were buying fake and now more and more Chinese (who can afford it) are buying the original goods. The fact that a Gucci Paris sale goes for 60% to Chinese (visiting) buyers shows this. Brand name is important and price is secondary.

- Would you advice European entrepreneurs to work with a partnership or in as a sole proprietor in China? Why?
  This depends on the brand and product someone wants to sell in China. Also the distribution structure of the brand is important for this. Luxury Brand products from the West can go through the many big shopping stores but also with their own brand shops. Most of the products produced in Europe are sold through local partnership(s).

**Expert interview George Ammerlaan (CEO HK KVK): What export factors are crucial for small medium enterprises who want to be successful in the Chinese market?**

- How crucial is a market research before entering the Chinese market?
  Very crucial. But equally important is to select the Chinese market(s) you want to enter.

- Do you need to adapt your product to the Chinese Market?
Not necessarily. This will depend on the product. A Rolex watch or Ferrari needs no adaptation; certain premium food products like chocolate have to be adapted according to Chinese tastes.

- How do you think Chinese perceive European Luxury brands?
  I believe they regard these as objects of desire but the perception will vary from brand to brand and from country to country. EG a Spanish or Dutch luxury brand may not be perceived as important as a German, Swiss, French or Italian brand.

- How much do you need to adapt your marketing to the Chinese market?
  This will depend on the product.
  Fashion: sizes and perhaps colors
  Food: local taste (may depend from province to province)
  Cars: size (larger)
  Domestic appliances: color
  etc

- What entrepreneurial competencies do you need when entering the Chinese market?
  Adaptability
  Willingness to learn
  Patience
  People skills
  Bargaining skills

- Can China be approached as one market? Or should it be targeted on a smaller scale (i.e. provinces/cities)?
  1. No
  2. Yes

- How much interest is there in Chinese luxury (fashion) products?
  In China: big
  Outside China: not much

- Partnership or sole propriety (WOFE)?
  Depends. There are examples of successful partnerships and examples of failed partnerships.
WFOEs seem to be more popular in recent years. May be a bit more difficult to set up but greater freedom of action.

- How can one best find distribution channels?
  Depends on the products and the channel chosen. There are HK companies like LiFung with huge distribution channels through retail outlets. Internet shops can be successful too.
  Careful selection of the Chinese business partner is a must in any case.

**Expert interview Marc de Roo (CEO Link Design): What export factors are crucial for small medium enterprises who want to be successful in the Chinese market?**

- Would you consider a market research crucial before entering the Chinese market? Why?
  Market researches are crucial to determine how you should market your product in such a country. You should determine the look and feel of your product and the campaign of your product on the decisions made in such a market research.

- Do you need to adapt your European product to the Chinese Market/consumer? Yes, Chinese perceive everything much differently than European people. A good example is the feeling they have with certain colors. In China when a stock exchange is hitting positive numbers, they show the figures in red. This is totally different in European countries. They perceive colors totally different than Europeans.

- How do you think Chinese consumers perceive European Luxury brands? Chinese highly desire heritage from Europe, history and quality really appeal to the Chinese. They are very interested in the historical aspect of the European brands. They hunger for the status that these brands bring. There is high interest in these brands due to the quality and lifestyle it entails.

- Do you need to adapt the marketing of your European products especially for the Chinese market? Yes, this is very important. Even the marketing channels are different in China. You cannot use Facebook because it is illegal in China. You should look at other important communication matters. Also the use of celebrities is very important. However you should never forget to incorporate the heart of your own European brand, this is the European aspect they crave for.
• What entrepreneurial competencies do you need when entering the Chinese market?
  Name the three most important ones
  As an entrepreneur you need; love for the Chinese market, interest in the people and time.

• Can China be approached as one market? Why (not)?
  No, it is too big and too segmented.

• How do you perceive the interest of Chinese consumers in Chinese luxury (fashion) products? What do they regard as important?
  The interest of Chinese in luxury products is great, we aided a Chinese outlet store to create their campaign. Like this company, there are many luxury chains opening up due to this interest in luxury. The craving for luxury is far larger than in Europe.

• Would you advice European entrepreneurs to work with a partnership or in as a sole proprietor in China? Why?
  Totally depends on the company and the industry. However control over your brand is very important.

Appendix 4   Dummy

Dummy starts at next page
EUROPEANlife.
PASSION • FOR • LUXURY

INTERVIEW WITH AUDI CEO RUPERT STADLER
INVEST IN REAL ESTATE • DINING IN THE WORLD’S BEST
RESTAURANT • LAVISH LIVING • GRAND HOTEL OPENINGS
IN LONDON, PARIS & BARCELONA • SPRING FASHION
AUDI AG CEO

RUPERT STADLER

"THE BIG GROWTH PATTERNS FOR AUDI WILL BE IN ASIA, IN CHINA, IN NORTH AMERICA, ALSO PROBABLY IN SOUTH AMERICA."

Today, Audi is one of the market's fastest-growing luxury brands, setting a series of annual sales records. And though it still lags behind segment leaders like Lexus, BMW and Mercedes-Benz, it is rapidly closing the gap, according to Audi AG CEO Rupert Stadler. Its global goals are ambitious. In a race with BMW for the worldwide luxury sales lead, Audi is already running ahead of its growth targets, selling 1.46 million vehicles in 2012 and shooting for 1.5 million this year — a goal it originally had set for 2015. By decade's end, Stadler is looking for volume to reach 2 million.

To get there, the maker is planning to invest more than $14 billion through just 2015 to support a product program that will cover the increasing breadth of the luxury segment, from the small A3 hatchback to an assortment of new crossover vehicles, such as the planned Audi Q6.

"There are years in which to harvest in our industry and there are years in which you lose," said Stadler. While the cost will be significant, the payoff should come by 2020. "We are preparing to sell 2 million cars annually."

Along with its new product slate, Audi plans to rapidly expand production capacity around the world, adding a facility in Mexico, its first in North America, and another new one in China.

"In the coming year, Audi will for the first time build more outside Germany than within," said Stadler, noting that further overseas production options are under study, including plants in Russia and Brazil.

That reflects the rapidly changing nature of the global luxury car market, long dominated by Europe and the United States. While Europe will remain "a very, very strong pillar of our business," that market is stable and even declining, so looking forward, Stadler sees "the big growth patterns for Audi will be in Asia, in China, in North America, also probably in South America."

A key challenge for the maker going forward will be identifying "white space" where new products can be targeted. That’s no easy feat these days. There was a time when luxury makers routinely offered only a handful of models each, such as Audi’s small, medium and large A4, A6 and All sedans. Today, the highline segment is an alphanumerical soup of sedans, coupes, sports cars SUVs and hard-to-define crossovers. •
“The Gucci woman... is steely yet sexy; defining her discipline with femme fatale vices.”

Frida Giannini

Frida Giannini's unique talent and modern vision have fueled her rise as the leading creative force behind one of the world’s most celebrated fashion houses. Born in Rome in 1972 to an architect father and art history professor mother, Giannini studied fashion design at Rome’s Fashion Academy before apprenticing in a small ready-to-wear house. In September 2002 she joined Gucci as Handbag Design Director. Two years later she was appointed to a newly created post, Creative Director of Accessories, where she assumed unprecedented control of bags, shoes, luggage, small leathergoods, silks, fine jewelry, gifts, watches as well as eyewear.
When it comes to the 'connoisseur category' of cognac, Rémy Martin Louis XIII occupies a very special place in the hearts of collectors, who admire the rare beverage’s unique qualities. Now the Rare Cask 42.6, named after the 42.6% alcohol content of the beverage has been released in the market. The price tag on each of them is €13,500.
POMELLATO TANGO

Pomellato currently ranks among the first five European jewellers by sales. What has made fashionable ladies of all ages to Pomellato is it’s chic, casual jewellery that still maintains the luxurious quality of fine jewellery. Fashion designer Samir Rodrigues once declared, “Pomellato is the blue jeans of high end jewellery.”