



# MARKETING MANAGEMENT IN CHINA:

WEEK 12:

## CHINESE BRANDS GOING GLOBAL & CHINESE WORK FORCE MANAGEMENT & QA

**OCEAN UNIVERSITY OF CHINA**

**25th INTL. CHINESE BUSINESS PROGRAM**

**Marketing Lecture Series**

***Rainer Appel***

Wednesday, 13:30-15:20 & 15:30-17:20

# Agenda

- Case Review
  - **Chinese Companies Going Global**
    - 1 Video Case
  - **HR management in China**
    - 2 Video Cases
  
- The New Chinese Labor Law
  
- The Grand Strategy Matrix
  - **12 Generic Strategies**



# Case Review

## **2 main aspects**

- Chinese brands going global
- Workforce management in China

# Video Case

## Chinese companies going global

- Example #1:
  - **Zhao Jiang acquiring**
  - **WELZ Gas Cylinder GmbH**



# Case

## HR management in China

- Example:
  - **Malong (Dutch sourcing agent)**



*<images>*

# Compensation & Welfare

## Minimum wages

- Issued by local government on annual basis
- Varies according to location

## Selective minimum wages

	Hourly Rate (RMB)	Monthly Rate (RMB)
<b>Beijing (2006/07)</b>	3.82	640
<b>Shanghai (2006/07)</b>	5.50	690
<b>Beijing (2007/08)</b>	4.36	730
<b>Shanghai (2007/08)</b>	6.00	750

# Compensation & Welfare

## Employee Welfare/Deductions

- Time Period: 2007/08
- Location: Beijing

		Housing	Pension	Health Ins.	Unempl.	Injury	Mat. Ins.
Percentage of salary	Employee	10%	8%	2%	0.5%	0%	10%
	Employer	10%	20%	9%	1.5%	1.2%	0.8%
Cap (RMB)		9,204	9,204	9,204	9,204	9,204	9,204
Cap of employer payment (RMB)		920	1,841	812	135	108	72

## Total Contribution by Employer:

- 42.5% of salary
- Capped at RMB 3,835

# The New Chinese Labor Law

- Effective as of January 1, 2008
- Applies to all, but emphasis predominantly on foreign enterprises and their suppliers
- Consequences:
  - **Doing business in China will become much more expensive!**
  - **Example: If properly abided, migrant workers wages would raise by >50% !!**



## Video Case

### HR management in China

➤ Example #2:

- **Mr. Li's welding factories (Guangdong & Hebei)**

## Newsweek Article (1)

### *„Everything you know about China is wrong“*

- **Currently China economy driven almost entirely by state investments**
  - Q1&Q2 2009: 88% of GDP growth
- **Most stimulus money ends up in real-estate markets**
  - E.g. Shanghai real-estate market is up 60% in 2009
- **Number of private enterprises will decrease**
- **State enterprises enjoy huge advantages**
  - 3% loans from state-owned banks, vs.
  - >10% loans for private enterprises
  - → forced to tap underground markets

## Newsweek Article (2)

- **Av. Size of successful business  $\approx$  30 people**
  - **Mainly due to raising capital**
- **Chinese state owns >67% of all fixed assets**
- **Stock markets: 70% are state-controlled companies**
- **Exports down 20%, but economy is up 8%**
- **„Made in China“**
  - **Most goods are merely assembled in China**
  - **E.g. iPod: only 5% of wholesale price comes from China (parts & labor)**
- **China has smallest consumption/GDP ratio of major nations (37%)**

## Newsweek Article (3)

- **Chinese companies going abroad**
  - Mainly government-run exploration companies
    - Oil, mining
  - Little potential of becoming global brands
- **Legal/educational system**
  - Weak legal protection for intellectual property
  - Educational system mainly focused on learning and metrics vs. creativity and innovation
- **China is going green**
  - China has worldwide largest green stimulus package (\$218 bn.)



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