



## **International Business in China**

### **MKTG 390: *China as a Global Market***

#### **Course Description**

Students will learn features of Chinese Market at Macro-, Micro- and Operational Level, and to apply the principles of international marketing to China as part of an integrated global market. In addition, students will work on 3 case studies (as teamwork): The Lenovo Co., the Coca-Cola Co, and Huawei Co. We will divide the forty-two course hours into three modules:

- ***Review of Global Marketing***: with an emphasis on contemporary economic and a review of China’s economic reform and its impacts .
- ***Studying the Market Environments in China***: students will learn various aspects of Chinese markets, more specifically the Market segmentation, Cultural impact, Urbanization, Polarization and Integration into the global market;
- ***Entry to China and Marketing Strategies***: Students will learn various modes and timing of entering China and their impact on success of marketing in China. Furthermore we will learn how to use the 4Ps (Product, price, place, and promotion) in China. The format of teaching would be case-based.

#### **Pre-requisites**

A rudimentary knowledge about marketing analysis would be preferred, but not required. A basic knowledge of statistics may be required for some part of the courses.

#### **Learning Objectives**

##### Module 1: Sessions 1-3

- Gaining a knowledge about the historical evolution of Chinese economy from 1949-present
- Comprehending the role of State-Owned Enterprise (SOE), Private Businesses, Joint Venture
- Grasping the role played by the Government in the market-oriented economy with socialistic characteristics

##### Module 2: Sessions 4-8

- Learning of the Customers Polarization, its cause and implications,
- Grasping the Special Features of Market Segmentation along dimensions of

- demographic, regional, gender and age
- Fully understanding the insights about Urbanization process and cultural influence
- Mapping Chinese market into the global perspective, understand the integration into the global economy

#### Module 3: Sessions 9-14

- Pricing Strategy: taking advantage of long-tail and large-scale Chinese market: real estate market and luxury consumption
- Decoding the cost component: consumption from public fund and component of transaction cost
- Gaining insight on China's effort to ladder up in the Supply China
- Grasping the Challenges facing China: volatile global market, sustainability, domestic market
- Learning the Service-based Economy, Green Industries
- Full devotion to the Case studies on three companies: Lenovo, Coca-Cola and Huawei

### **METHOD OF PRESENTATION**

Lecturing for most parts of the courses; and in-class interactions and discussions among lecture and students are encouraged. In-class presentation and discussion by students will be expected in the case studies section of module 3 (sessions 12-14).

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### **Course Schedule**

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Throughout the course lectures will be combining in-class discussion, weekly news updates, case analyses and presentations surrounding the course material from various sources, including academic journals, online information channels as well as credible media such as McKinsey Quarterly, *WSJ* and *Economist*. Given the extremely fast pace of change in China, we will not rely exclusively on academic journals and have to supplement that with mass media. At the beginning of the course (i.e., for Module I and part of Module II) we expect to see more lectures than case studies or research analyses. As class moves on, we will bring more discussions and group/individual presentations to specific topics of interest. Students are encouraged to pick up and decide a particular research topic early in the class, and then focus on that throughout the rest of the course.

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**Session 01-14 Introduction of Modern Chinese market:** from 1949-1966, the former Soviet Union model

#### Readings:

- Textbook : Chapter 1-2
  - Li, L. and Qian, G. (2009). "How do Chinese firms sustain their cost advantage in labour-intensive industries?" *Journal of General Management*, Vol. 34, No.4.
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**Session 02-14 How the state-control pattern of Chinese market finds its root: 1966-1978: the Great Culture Revolution, the self-correction followed, and Deng Xiaoping's reform and opening-up policies**

Readings:

- Textbook: Chapter 4
  - S. Claro. (2006). "Why does China protect its labor-intensive industries more?" Economics of Transition, Vol 14(2), pp. 289-319
  - Tseng, C. et al. (2008). "The influence of institutions and transaction cost on channel structure: the case of Asus in Mainland China". 2008 Northeast Decision Sciences Institute Proceedings - March 28-30, 2008.
  - M. Sartor. (2006). "Sourcing in China: the international purchasing office solution". Supply Chain Forum, Vol 7(1).
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**Session 03-14 The modernization of Chinese economy: three phases divided by reform agenda launched in the last three decades of fast development, starting from heavy-industry, global manufacturing super powerhouse, to service and innovation-driven new economy**

Readings:

- Textbook: Chapter 6
  - Ye, F. (2010). "Innovation or Imitation? — An Exploratory Study of Bandit Gadgets Made by the Chinese SMEs". Proceedings of the 2<sup>nd</sup> European Conference on Intellectual Capital.
  - Rutkowski, Ryan. (2010). "China's Battle for Iron Ore". Excerpted from Asian Business Online, Bloomberg and Reuter.  
[http://www.atimes.com/atimes/China\\_Business/LE06Cb01.html](http://www.atimes.com/atimes/China_Business/LE06Cb01.html)
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**Session 04-14 Market Segmentation: the polarization and its cause of Chinese market; segmentation along three dimensions: income/geographical/demographical**

Readings:

- Bolton, J. and Wei, Y. (2003). "Distribution and logistics of today's China". China Business Review.
  - Kit, C. and Chan, W. (2008) "The Exchange Relationship with Channel Middlemen Foreign-Investment Enterprises". Journal of Marketing Channels, Vol. 15(2/3).
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**Session 05-14 Urbanization: how the large-scale urbanization process happened and is happening in China, the implication for marketing strategies addressing this process**

Readings:

- Zhao, Z. and Lv, Z. (2009) "Global Supply Chain and the Chinese Auto Industry". The Chinese Economy, Vol 42, NO.6, pp 27-44.

- Jahns, C. et al. (2006). “Taking Supply Chain Management in China to the Next Level”. Supply & Demand Chain Executive.
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**Session 06-14      Ramification of cultural issues on Chinese market:** ethical code/etiquette and some behavior issues influenced by Chinese culture

Readings:

- Chen, H., Tong, C. and Bai, L. (2009). “The Lenovo Dual Model”. Harvard Business Review(China Edition).
  - (2005). “China’s New Logistics”. Traffic World, 22.
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**Session 07-14      Foreign Trade and Exchange:** the evolution of policy changes and how these policies adapted to the updates in market development

Readings:

- Textbook: Chapter 8
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**Session 08-14      The integration into the Global Supply Chain:** dissecting the global supply chain and how Chinese serves as a manufacturing super house in global arena

Readings:

- Textbook: Chapter 3
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**Session 09-14      Logistics and Distribution in China:** the drawback and changes in the logistics and distribution in China, Taobao.com’s ambition and the prospect of a giant material-network

Readings:

- Textbook: Chapter 5
  - Zhang, Y. “Alliance-based Network View on Chinese Firms’ Catching-up: Case Study of Huawei Technologies Co. Ltd”. UNU-MERIT. Working paper
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**Session 10-14      Pricing in China:** why are some items so expensive in China? The MNC’s pricing policy in China

Readings:

- Sun, S. (2009)“Internationalization Strategy of MNEs from Emerging Economies: the case of Huawei”. *Multinational Business Review*, Vol 17, No2.
- Degan, R. (2009) “Opportunity for Luxury Brands in China”. *IUP Journal of Brand Management*, Vol. VI, NO.3&4.

### **Session 11/14      Service Industry and experimentation of Free-trade zone**

#### Readings:

- Ralson, D. and Tong, J.T. et al (2006). “Today’s State-owned enterprises of China: Are they dying dinosaurs or dynamic dynamos”. *Strategic Management Journal*, vol.27, pp: 825-843
- Handouts on updated policies

### **Session 12- 14 /14      Case studies and in-class presentations.**

#### Readings:

- Jung-Myung, OM. (2010) “Analysis on the Chinese Property Market”. *SERI Quaterly*, 73
- Case study articles

### **REQUIRED READINGS:**

Textbook: Yang, Dali L. (2004). *Remaking the Chinese Leviathan: market transition and the politics of governance in China*. Stanford University Press. ISBN:0-8047-5493-4.

Course book: There are a set of article attached in the course book. The sequence of the articles is arranged according to the course progression. At the end of each class meeting, some articles will be assigned for student’s after-class reading. During the class, students are expected to discuss some of the articles (particularly the ones listed in the course schedule). See the booklet assigned in the first class.

### **RECOMMENDED READINGS**

“China’s Next Step”, *McKinsey Quarterly*, 2013 Number 3. ---a 100-page of comprehensive analysis of the Chinese market in the year 2013

### **Evaluation**

Class attendance and participation	5%
Response on readings	5%

Take home project after Module I and II	35%
A mid-term exam	25%
Case Study	30%

## **Assessment Criteria**

### **Class attendance and participation**

An attendance sheet will be given in every class session for students to sign.

### **Response on readings**

Judged on the quality in leading and opening the discussions on required readings. Work will be graded on overall comprehension, relevant information search, raising/addressing questions during the discussion.

### **Take home project after Module I and II**

The projects will be reports with approximately 5-page (double line space). Starting with a comprehensive review about the contents covered in class, a specific choice of topic is to be focused and extended. For instance, if Houku (house registration system) in China is your choice, students are expected to delve into the root causes for existence of this policy, how it was justified when the policy was initially introduced and how it is justified and/or unjustified under the contemporary market setting. Also, some analysis about its implications for future should be addressed.

### **Mid-term exam**

That covers the content in the Module I and II. Specifically, the exam will take the form of essay questions and short answer questions and multiple choices and some analysis about Chinese market features including market segmentation, urbanization process, cultural aspects as well as the role of Chinese market in the global supply chain.

### **Final Project: Case Study**

The final project will be arranged during the last class; it is team-based work. Students are required to present and write-up project (with 15-20 pages, double space). The case studies will be centered on three symbolic multi-national incorporations. The first will be an American firm (Coca Cola) penetrating into Chinese market; the second one will be a Chinese firm (Huawei, the giant Telecom. Equipment maker) exploring both domestic and overseas market; and the third one will be a Chinese firm (Levono) which has been so successful in domestic market yet faces challenges in overseas market. Each student needs to pick one case among these three (depending on the class size, it could be team-based work). For each case study, students need to analyze the firms' marketing strategies, how its policies successfully or failed to adapt to market features in China. Students are expected to use most of the materials learned from the class (for instance, the origin of planned economy, market segmentation, urbanization process, cultural uniqueness, etc) to analyze the cases. Also strongly encouraged is a deeper analysis beyond what

has been covered in class. That is, students can make use of some materials from library, media, or on-site survey to explore factors that influence the effectiveness of market strategies adopted by the firms. The coverage of the Project Studies will be comprehensive and of analytical nature.

## Grading

Alliance programs utilize the follow standard grading policy well accepted by most US institutions.

Excellent	A	93-100%	Good	B+	87-89%	Acceptable	C+	77-79%
	A-	90-92%		B	83-86%		C	73-76%
				B-	80-82%		C-	70-72%
						Unsatisfactory	D+	67-69%
							D	63-66%
							D-	60-62%
						Failing	F	<60%

## Course Policies

### Exams and Assignments

Students are required to take all regularly scheduled exams in courses for which they are registered, and to submit all assignments on time. Any compelling academic, personal, or medical reason that might justify a rescheduled exam or assignment must be brought up to the Resident Director, not program faculty. Failure to take scheduled exams or submit the requisite assignments for a course will adversely affect your grade as per the stated grading criteria for each course.

### Classroom Conduct

Student punctuality is extremely important in China and India. Please do not be late for classes or other activities, as it is considered impolite to do so. It is improper to eat in class, to engage in other activities such as texting, or to slump or nap. Students are expected to be alert and engaged as a sign of respect for their professors.

### Attendance

Class attendance is mandatory. It is essential that the students participate fully in the coursework and all required academic activities. Authorized absences may only be approved by the Resident Director, and students are expected to make up any missed work. Unauthorized absences will adversely affect a student's grades.