

Blekinge Institute of Technology

School of Management

Master Thesis

Competing in the Chinese Instant Noodle Market

**– A market research on the “Present Wheater”
brand of the Hualong Group Co., Ltd**



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Abstract

The thesis mainly discusses in two aspects. The first aspect is how the customers think of the “Present Wheater” of the Hualong Group and what the position of the “Present Wheater” is in the Chinese instant noodle market. We tried to find those points not only from consumers’ cognition, attitude and behavior to the “Present Wheater”, but also from the management level of the Hualong Group. The second part is what we can do to improve the current marketing strategy of the “Present Wheater” and help the “Present Wheater” gain more market shares so as to win its two main competitors.

Three fields are touched: marketing research, consumer market and behavior, and the marketing mix. Theories from the three fields are applied to facilitate the discussion of our research. Marketing research theory gives a synthesized description of our research environment and helps us identify the market target and the market position of our research object. Theory from the consumer market and behavior are introduced to approach the design and the implementation of the questionnaire survey, so that we can get much useful information from the consumers in all aspects. The marketing mix is the core part in our research. We have tried to find something for our research object under the guidance of the Four Ps and provided our recommendations on the four aspects.

The contribution of the research is twofold. First, the thesis helps the Hualong Group to clarify the position of the “Present Wheater” brand in the Chinese urban instant noodle market from the perspective of the consumers. Meanwhile, the research aims to help other congener Chinese domestic companies recognize the reasons for the Hualong Group succeeding in competing with the foreign companies in the Chinese instant noodle market so as to learn some lessons from the Hualong Group.

Keywords: Marketing Research, Market Targeting and Positioning, Consumer Market and Behaviour, the Marketing Mix, Pricing Strategy, Marketing Distribution Channel, Promotion Tools, Product Quality

Executive Summary

- Title:** **Competing in the Chinese Instant Noodle Market – a market research on the “Present Wheater” brand of the Hualong Group Co., Ltd**
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- Course:** Master Thesis in Business Administration
- Department:** School of Management
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- Date:** December, 2005
- Purpose:** The aim of this dissertation is to help the Hualong Food Group to clarify the position of its new brand the “Present Wheater” in the Chinese urban instant noodles market. Also this research aims to help some other congener Chinese domestic companies to recognize the reasons of the Hualong Group succeeding in competing with foreign companies in the Chinese urban instant noodle market, so as to learn some lessons from the Hualong Group.
- Method:** Three fields are touched: marketing research, consumer market and behavior, and the marketing mix. Theories from the three fields are applied to facilitate the discussion of our research. Marketing research theory gives a synthesized description of our research environment and helps us identify the market target and the market position of our research object. Theory from the consumer market and behavior are introduced to approach the design and the implementation of the questionnaire survey, so that we can get much useful information from the consumers in all aspects. The marketing mix is the core part in our research. We have tried to find something for our research object under the guidance of the Four Ps and provided our recommendations on the four aspects.
- Findings:** As we have discussed in Chapter 3: The American Marketing Association officially defined marketing research as the function that links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problem; to generate, refine, and evaluate marketing actions; to monitor marketing performance; and to improve understanding of the marketing process. Marketing research specifies the information needed to address marketing issues, designs the method for collecting information, manages and implements the data-collection process, analyzes the results, and communicates the findings and their implications[1]. The result of this marketing research has indeed helped the Hualong Group in three aspects: clarify the market position of the “Present Wheater”, identify its marketing strategy and obtain the consumers’ attitude

towards this brand. As the study shows the “Present Wheater” brand has got a great success in this market; the brand is an important reason which should not be neglected. Not only because the name of the “Present Wheater” caters for the main customers preference, but also the high quality of the “Present Wheater” flexible noodle. As we have discussed the success of the “Present Wheater” flexible noodle in Chinese instant noodle market proves that the “Present Wheater” brand has inaugurated a tremendous new category market.

McCarthy and Perreault have defined the marketing mix as the controllable variables that an organization can co-ordinate to satisfy its target market[2]. The 4Ps of a brand has important influence on its target consumers’ behavior, at the same time the consumers’ behavior also reflects the selling effect of the brand. The traditional marketing mix theory is also applicable in the modern marketing research. As the study discussed: The price factor is very obvious in this research. Most consumers consider the prices of the “Present Wheater” series are high and to reduce price will motivate them to buy more. For most people who have never bought the “Present Wheater”, the prices are also the key reason for not purchasing. And the taste is another reason for them not purchasing the “Present Wheater”. In addition, the Hualong Group pursued an efficient way in promotion. The promotion investment of the “Present Wheater” is lower than the “Chef Kang” and the “Uni-president”, but the results are similar. Since the company promoted its products in most parts of China instead of several key cities, so the most Chinese people are able to know the “Present Wheater”. Also the company did not “put all eggs in one basket”, different products are emphasized in promotion by reasons like seasons, students’ holidays, etc. Therefore the investment was concentrated though the total amount is less than other competitors.

In many marketing studies, it is important to consider the influence of cultural and geographical differences since the average level of consumer behavior would differ across different cultures and regions. As we mentioned the Hualong Group considers the “Present Wheater” as a bundle of quality, brand, packing style, taste, etc. Different products suit different target customers by different flavor preference, packing style and so on. It is an effective way to attract target customers.

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2005-12-12

Yanni Shizhou and Shishang Gu

Ronneby, Sweden.

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1. Introduction

1.1. Background of the Study

Since the China's economic reform and the opening of the market to the world in 1978, the Chinese market became more and more attractive to foreign companies. Some of them have been successful in China. In some fields, foreign companies are the largest competitors to Chinese domestic food industries. The instant noodle is one of them, which has become an important food category. In 1990s, some foreign companies dominated the Chinese instant noodle market, and the Chinese domestic food companies only had a very small market share [3]. Until 1999, the entire Chinese instant noodle market was divided into two mainstreams: one is the urban instant noodle market which has been dominated by the two main foreign companies: Tingyi and Uni-president. The other one is the rural instant noodle market which has been mostly dominated by the Hualong Group, the Chinese domestic instant noodle company.

Since established in 1994, Hualong Food Group Co., Ltd, the Chinese domestic food industry entered the Chinese instant noodle market. Within 10 years, the company grew rapidly and became the one of the major players in the Chinese instant noodle market. It has occupied the most Chinese rural instant noodle market share. However, it is still vacant in the urban instant noodle market. At the same time, the first two foreign players Tingyi and Uni-president also aim to enter the rural instant noodle market. It is a challenge for Hualong to make the next step. In 2002, Hualong entered the urban instant noodle market successfully by launching the new vice-brand named the "Present Wheater". The "Present Wheater" brand series have already been widely accepted by the customers. Just within two years, Hualong Group has finished its leap from rural to urban market and has taken the second place in the market. Its fast development has threatened the two main foreign competitors. However, it is more important for the Hualong Group to realize its current situation so as to improve the "Present Wheater" brand effectively and consummate its success in this market.

1.2. Aim and Objective

The aim of this dissertation is to help the Hualong Food Group to clarify the position of its new brand the "Present Wheater" in the urban instant noodle market of northern China. Also this research aims to help some other congener Chinese domestic companies to recognize the reasons of Hualong Group succeeding in competing with foreign companies in the Chinese instant noodle market, so as to learn some lessons from the Hualong Group. In addition, the marketing department of the company also has great interest and has involved in this study. Thus to provide some useful information for this company is another aim of the research.

The objectives are:

- To view the current instant noodle market in north of China.
- To identify the position of Hualong's famous brand the "Present Wheater" in the Chinese urban instant noodle market.
- To analyze the brand strategy and customers' responses to the "Present Wheater" in the Chinese urban instant noodle market.
- To provide some reasonable suggestions and useful recommendations for the Hualong Group.
- To help other congener companies to recognize the reasons of Hualong's success and obtain useful experience.

1.3. Value of the Study

The purpose of taking this topic as the master dissertation is that the authors would like to write something with practical value for the real world economy. Therefore, in this dissertation, there are several values which can be seen as follows:

Firstly, as the aim of the dissertation indicated, it will help Hualong Group to clarify the position of the "Present Wheater" brand in current Chinese urban instant noodle market.

Secondly, the study provides current situation of the northern Chinese urban instant noodle market and customers' responses to different instant noodle brands. This will help not only Hualong Group but also other congener companies clarify the developing tendency of the Chinese instant noodle market and consumers' preference so as to take corresponding strategy.

Thirdly, since China enters the WTO, there will be more and more foreign entrants in the Chinese market. The success speed of the "Present Wheater" has aroused both foreign and domestic companies' attention. Therefore, the analysis of the "Present Wheater" marketing strategy also will help some other congener companies to recognize the reasons for its success so as to realize their deficiency and gain useful experience with a view to win the fierce competition.

Finally, useful suggestions and recommendations are offered by doing this comprehensive marketing research. This will help Hualong Group better consummate the "Present Wheater" brand and obtain more sales increase.

1.4. Research Scope and Limitation

In sum, the authors think there are two limitations in this study. One is the sample size and the other one is lack of information from the competitors.

The survey of this research was carried out in 3 cities, and all of them are in northern china, the data of other parts of China was not presented, since china

is a large country, the food taste and living habit are quite different, and so it may influence the instant noodles market. For this point, the further research should choose some other cities from different parts of china

In this survey, the authors could not gather a lot of fresh information about the competitors. All interviews requirements were rejected, there were two reasons: One was they did not have interest in this topic and this research was focused on their competitor and the other reason was the “Chinese Guanxi” (A central concept in Chinese society describing the dynamic in personalized networks of influence). Since the authors have no relationship with them. So in further research, all of these factors such as culture factors should be considered in advance.

1.5. Structure of This Study

This dissertation consists of six chapters in total. Chapter One is the introduction. In this chapter, the reason of carrying out this study aims and objectives will be provided. Chapter Two is the history and introduction of Hualong Group. Also the evaluation of the Chinese instant noodle market will be described. Chapter Three is the literature review. This part bases on the strategy theories in terms of market mix with the Four Ps. Chapter Four focuses on methodology to explain the research methods which are utilized in this study. Chapter Five is the results and analysis of the study. In this chapter, the results of survey will be analyzed. Chapter Six is the last chapter of this dissertation which includes conclusions and recommendations.

2. Background

2.1. Development of Chinese Instant Noodle Market

According to information from the 4th World Instant Noodle Summit that opened in Shanghai on March 10th, 2004, China has become the world's No.1 instant noodle consumer. 65.25 billion packs of instant noodles were consumed in the world in 2003, of which 27.7 billion were consumed in China, up 6.55 billion and 4.6 billion from 2002 respectively. The Chinese instant noodle market has been expanding with an average 20 percent growth rate in terms of production capacity in last recent five years, and Chinese instant noodle makers will continue to enjoy double digit growth [4]. Chinese instant noodle industry can be divided into three stages: 80s', 90s' and current market.

2.1.1. First Stage: In 1980s

In 1980s, the economic reform entered the second phase and aimed at creating market institutions and converting the economy from an administratively driven command economy to a price driven market economy. Some goods and services were allocated at state controlled prices, while others were allocated at market prices. At that time, there was no foreign instant noodle company entering the Chinese market.

Secondly, there were not many varieties of instant noodles, which were sold by kilogram mostly since there were not many packed snacks at that time.

Thirdly, there was no product which was sold throughout the entire Chinese market. Factories usually produced some products which fit for the local people's taste; therefore the sales were limited by location.

2.1.2. Second Stage: In 1990s

In early 1990s, some foreign instant noodle companies began to enter the Chinese market. However, they did not set factories in China. They only sold their products through agencies. Therefore, the price of their products was quite high; those products could only be found in special shops for foreigners in China.

In the mid-90s', some foreign instant noodle companies started to found factories in China. In 1993, Tingyi Holdings, a company with its origins in Taiwan, first started to manufacture instant noodles on the mainland China. In 1997, Uni-President Enterprises which is also from Taiwan set up shops in China. Almost overnight, both of the companies single-handedly created a demand for instant noodles in Chinese market. Their success brought a raft of competitors and hundreds of domestic Chinese competitors were motivated to act in this market. In the following five years an estimated two thousand instant noodle production lines had been set up to fight over China's market. Also more big supermarkets were founded during that time. More and more distribution channels were provided for both Chinese and foreign factories [5].

2.1.3. Third Stage: Current Market

The current Chinese urban instant noodle market is dominated by three famous brands. They are the "Chef Kang" from Tingyi Company, "Uni-president" from Uni-president Company and the "Present Wheater" from Hualong Group.

Three of them entered the Chinese instant noodle market almost at the same time, they just focused on different markets: the urban instant noodle market which has been dominated by the two main foreign companies: Tingyi and Uni-president; the rural instant noodle market which has been mostly dominated by Hualong Group, the Chinese domestic instant noodle company. In 2002, Hualong started to enter the urban instant noodle market. In other words, Hualong is a new player in the urban instant noodle market; therefore, the company has less experience than Tingyi and Uni-president. However, based on the high reputation in rural instant noodle market, Hualong entered the urban instant noodle market successfully by launching the new vice-brand "Present Wheater" which has been widely accepted by the customers. Also there are some other factors which determine Hualong's success in this market, will be analyzed later in this study.

2.2. Introduction to Hualong Food Group Co. Ltd

Hebei Hualong Food Group Co., Ltd. is a stock private enterprise, located in Longyao county of Hebei province which is a fine wheat base in China. Since established in March of 1994, it has become a large modern enterprise that covers an area of more than one million square meters and has 12000 staff after eight-year arduous efforts. In addition, it has set up fifteen multi-functional, well-equipped subsidiaries of modern management, whose business scope includes instant noodle, fine flour, seasoning, biscuit, packaging, colour printing and transportation service, with its total assets amounts to USD 350 million. Hualong Group paid USD 3 million in taxes in year 2000, which amounts to one quarter of the financial income of Longyao county and ranked 21 in the 100 "strong tax levying enterprises". In addition, Hualong Group paid USD 5 million in taxes in year 2001, amounts to as much as 35% financial income of the county. It was great honour to be ranking 37 in the 500 "strong private enterprises of China" in year 2000 and its production and sales output leap into the third in the same industry in China.

At the inception of the enterprise, Mr. Fan Xianguo, a young entrepreneur, the general president of the enterprise, introduced the new strategic ideas as "three highs, three larges and three news" into Hualong Group, which is "high starting point, high position and high standard", "great boldness of vision, large investment and big action", and "new thought, new idea and new management". After making benefits upon initial operation, Hualong Group achieved its target of being ranked first both in production and sales output in Hebei province in three years, and going into the "three-power" in the same industry in four years. At present, Hualong Group owns 12 flour manufacture factories, which can produce 8 billion packages of instant noodle annually. Flour Corporation and Fine Flour Corporation can handle 0.8 million tons of wheat every year; Paper Corporation can produce 60 million square meters of corrugated board every year; Transportation Corporation owns various sizes of 1200 vehicles; Seasoning Corporation can produce about 40 thousand tons of fine grade quality soup bases every year; Biscuit Corporation can produce 40 thousand tons of middle-grade quality and top grade quality biscuits every year; Agriculture Co., Ltd. owns more than 5 thousand units of fine grade wheat planting field. In 1999, Hualong Group was awarded the title of "Chinese excellent enterprise in food industry". In December of 1999, "Hualong" trademark was recognized as the "Chinese famous trademark". In December of 2000, Hualong Group got the certificate of ISO 9002 successfully. At present, "Hualong" brand instant noodles, which include fourteen series of products, more than seventy tastes and more than two hundred sizes, have become famous products, which are sold well in more than thirty provinces, cities and autonomous regions.

Looking into future, Hualong Group shall assume task of promoting national food industry, and take the target of establishing a large enterprise and creating internationally famous brand as its goal. Based on collectivized enterprise, famous product, scientific management and modern technology, Hualong

Group shall keep pace with new knowledge-based economy, adopt first class food industry technology and march towards the target of multi-product and international operation. During the tenth five-year plan period, it is predicted that 8 subsidiaries shall be established in northwest region, southwest region, middle part of China and eastern part of China respectively. Hualong Group shall strengthen its scientific research through establishing Research Development Institutes in Beijing and Japan and absorbing first class specialists. In addition, Hualong Group shall develop high-tech and high value-added products through cooperation with Japan and Korea famous food industries. All these shall help Hualong Group march towards its goal. Agriculture Co., Ltd. jointly invested by Hualong Group and Scientific Research Institute has put a large area of model wheat field into operation, and the corporation intends to make it become eighteen thousand units of fine seed base by means of high technology in three years. This will contribute to the strategic adjustment of agriculture industrial structure.

By taking the task of promoting national food industry and improving people's lives as its job, Hualong Group is taking off and marching towards its ambitious goal of becoming the first class international and modern Food Group upon the new century [4].

2.3. Developing History of Hualong Group

Eight-year abnormal development of Hualong Group has enjoyed itself such titles as "Hualong speed", "Hualong miracle" and "the rise of China food industry giant". Although suffered great hardships, Hualong maintained its amazing development speed with the economic tide of rapid development in China. At present, the group has become a modern food corporation group with well-equipped facility, high-quality products and scientific management, which enable him to be in the leadership in the same industry in china. Looking back to the glorious development course of eight years, it can be summarized as the following three stages:

Founding stage: At the inception of the enterprise, Hualong Group made it its goal that ranking first in the same industry in Hebei province in some five years. The decision-makers focused on the furious market competition, realized its goal two years ahead of schedule on the basis of upgrading the throughput gradually and increased the size of the enterprise.

Developing stage (from 1997 to 1998): the thriving development doesn't make the management of the group conservative. On the other hand, the group set its goal of ranking ten front positions in China with great boldness. During this period, decision-makers have been paying attention to the present situation and development trend of internal and external instant noodle products, after introducing advanced production lines and first class equipment, Hualong Group goes into the modern road. At the end of 1998, Hualong Group realized its goal of ranking ten front positions in China and three front positions in the same industry ahead of schedule.

Soaring stage: (from 1999 to future): Hualong Group put forward the goal of "try to rank first in the same industry in China within three years" on the basis of the development and expansion of the enterprise. On the condition that limited supply great demand for instant noodle, Hualong Group is actively developing new enterprises such as biscuits, fine-grade flour, technological agriculture, colour printing and packaging. On March 19th, 2004, Japan's top instant noodle maker Nissin Food Products Co., formed an alliance with Hebei Hualong Food Group Co., Ltd. Nissin took a 33.4 per cent stake in Hualong through a cash injection of about 20 billion yen (USD 189 million). Hebei Hualong Food Group Co., Ltd. changed its name to Nissin Hualong Foods Co., when the terms of the alliance were fulfilled. The deal is the largest Chinese investment by a Japanese processed-food manufacturer. Hualong will use the money from the stake sale to boost its number of production lines to 140 from 102, and also will produce higher end instant noodles after the cooperation with Nissin to win a bigger share of the rapidly growing Chinese market [4].

3. Literature Review

This section provides a review of literature and empirical findings that are related to the field of our research. Key theories and concepts that are relevant to our research questions are also being discussed here. These theories serve to help us understand the issues involved in this research, as well as to provide an explanation to the results obtained in the empirical data collected in our research. A review of works done by previous researchers in this field also helps to identify issues which our research shall seek to address.

3.1. Definition of Marketing Research

Managers cannot always wait for information to arrive in bits and pieces from the marketing intelligence system. They often require formal studies of specific situations. For example, Compaq wants to know how many and what kinds of people or companies will buy its new ultra light personal computer. Or Barat College in Lake Forest, Illinois, needs to know what percentage of its target market has heard of Barat, what they know, how they heard about Barat, and how they feel about Barat. In such situation, the marketing intelligence system will not provide the detailed information needed. And managers normally do not have the skill or time to obtain the information on their own. They need formal marketing research.

The American Marketing Association officially defined marketing research as the function that links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problem; to generate, refine, and evaluate marketing actions; to monitor marketing performance; and to improve understanding of the marketing process. Marketing research specifies the information needed to address marketing issues, designs the method for collecting information,

manages and implements the data-collection process, analyzes the results, and communicates the findings and their implications [6].

3.2. Target Marketing

Organizations that sell to consumer and industrial markets recognize that they cannot appeal to all buyers in those markets or at least not to all buyers in the same way. Buyers are too numerous, too widely scattered, and too varied in their needs and buying practices. And different companies vary widely in their abilities to serve different segments of the market. Thus, rather than trying to compete in an entire market, sometimes against superior competitors, each company must identify the parts of the market that it can serve best.

Today's companies are moving away from mass marketing and product-variety marketing and toward target marketing. Target marketing can better help sellers find their marketing opportunities. Sellers can develop the right product for each target market and adjust their price, distribution channels, and advertising to reach the target market efficiently. Instead of scattering their marketing efforts, they can focus on the buyers who have the greater purchase interest. Target marketing calls for three major steps: market segmentation, market targeting and market positioning [6].

3.2.1. Market Segmentation

Market segmentation is dividing a market into distinct groups of buyers who might call for separate products or marketing mixes. The company identifies different ways to segment the market and develops profiles of the resulting market segments. Because buyers have unique needs and wants, each buyer is potentially a separate market. Ideally, then, a seller might design a separate marketing program for each buyer.

3.2.2. Market Targeting

Market targeting is evaluating each segment's attractiveness and selecting one or more of the market segments to enter. After evaluating different segments, the company hopes to find one or more market segments worth entering. It must then decide which and how many segments to serve. This is the problem of target-market selection. A target market consists of a set of buyers who share common needs or characteristics that the company decides to serve.

3.2.3. Market Positioning

Market positioning is setting the competitive positioning for the product and creating a detailed marketing mix. A product's position is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products. Consumers are overloaded with information about products and services. They cannot re-evaluate products every time they make a buying decision. To simplify buying decision making, consumers organize products into categories—they “position” products, services, and companies in their minds. A product's position is the complex set of perception, impressions, and feelings that consumers hold for the product

compared with competing products. Consumers position products with or without the help of marketers. But marketers do not want to leave their products' position to chance. They plan positions that will give their products the greatest advantage in selected target markets, and they design marketing mixes to create these planned positions [7-9].

3.3. Consumer Market and Behaviour

The definition of the consumer markets is that all the individuals and households who buy or acquire goods and services for personal consumption. Consumer buying behaviour means that the buying behaviour of final consumers - individuals and households who buy goods and services for personal consumption [6].

3.3.1. Model of Consumer Behavior

Consumers make many buying decisions every day. Most large companies research consumer buying decisions in great detail. They want to answer questions about what consumers buy, where they buy, how and how much they buy, when they buy, and why they buy. Markets can study consumer purchases to find answers to questions about what they buy, where, and how much. But learning about the whys of consumer buying behaviour and the buying-decision process is not so easy—the answers are often locked deep with the consumer's head.

The central question is: How do consumers respond to various marketing stimuli the company might use? The company that really understands how consumers will respond to different product features, price, and advertising appeals has a great advantage over its competitors. Therefore, companies and academics have heavily researched the relationship between marketing stimuli and consumer response. Their starting point is the stimulus-response model of buyer behaviour shown in Figure 1. This figure shows that marketing and other stimuli enter the consumer's "black box" and produce certain responses. Marketers must figure out what is in the buyer's "black box." [10-13]

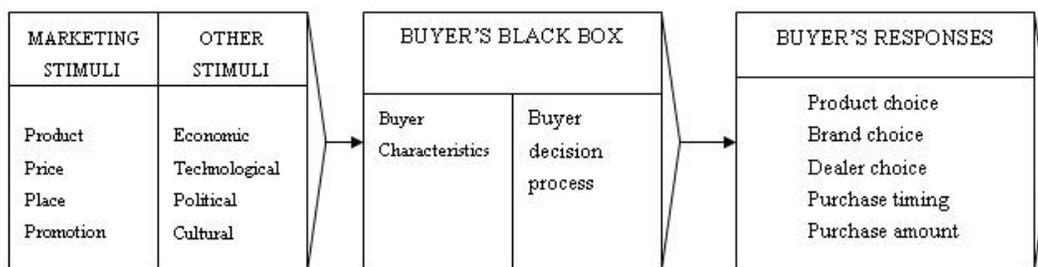


Figure 1 Model of Buyer Behavior

On the left, marketing stimuli consist of the four Ps: product, price, place, and promotion. Other stimuli include major forces and events in the buyer's environment: economic, technological, political, and cultural. All these stimuli

enter the buyer's black box, where they are turned into a set of observable buyer responses shown on the right: product choice, brand choice, dealer choice, purchase timing, and purchase amount.

The marketer wants to understand how the stimuli are changed into responses inside the consumer's black box. The black box has two parts. First, the buyer's characteristics influence how he or she perceives and reacts to the stimuli. Second, the buyer's decision process itself affects the buyer's behaviour. It then looks at the buyer-decision process.

3.3.2. Personal Characteristics Affecting Consumer Behavior

Consumer purchases are strongly influenced by cultural, social, personal, and psychological characteristics. These factors are shown in Figure 2. For the most part, although they cannot be controlled by the marketer, they must be taken into account. In the analysis and results of chapter five we focus on the following factors [6]:

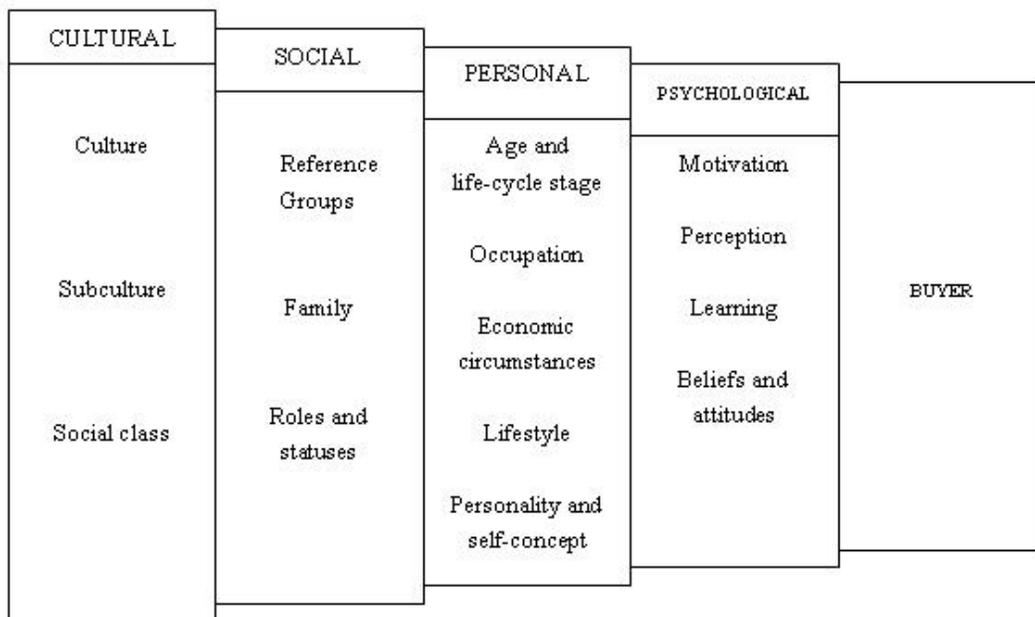


Figure 2 Factors Influencing Behavior

- **Cultural:** Culture is the complex whole that includes knowledge, belief, art, law, morals, customs, and any other capabilities and habits acquired by humans as members of society [14]. It is a comprehensive concept which includes almost everything that influences an individual's thought process and behaviours. It not only influences our preferences but how we make decisions and even how we perceive the world around us [15]. Cultural factors exert the broadest and deepest influence on consumer behaviour. Marketers are always trying to spot cultural shift in order to imagine new products that might be wanted. However, marketing across

cultural boundaries is a difficult and challenging task because cultures may differ in demographics, languages, nonverbal communications, and values [16, 17].

- **Family:** Family member can have a strong influence on the buyer's behaviour. The family is the most important consumer-buying organization in society, and it has been researched extensively. Marketers are interested in the roles and influence of the husband, wife, and children in the purchase of different products and services. Husband-wife involvement varies widely by product category and by stage in the buying process. And buying roles change with evolving consumer lifestyles. The wife has traditionally been the main purchasing agent for the family, especially in the areas of food, household products, and clothing [18-20].
- **Roles and status:** A person belongs to many groups—family, clubs, organization. The person's position in each group can be defined in terms of both role and status. A role consists of the activities people are expected to perform according to the persons around them. Each role carries a status reflecting the general esteem given to it by society. People often choose products that show their status in society. A company president might drive a Mercedes or Cadillac, wear expensive clothes, and vacation on Europe. An office worker might drive a Taurus or Toyota, wear less expensive clothes, and take camping vacations.
- **Age and life-cycle stage:** People change the goods and services they buy over their lifetime. For instance, they eat baby food in their early years. Their taste in clothes, furniture, and recreation is also age related. Buying is also shaped by the stage of the family life cycle—the stages through which families might pass they mature over time. Marketers often define their target markets in terms of life-cycle stage and develop appropriate products and marketing plans.
- **Economic situation:** A person's economic situation will greatly affect product choice. Marketers of income-sensitive goods closely watch trends in personal income, savings, and interest rates. If economic indicators point to a recession, marketers can take steps to redesign, reposition, and reprise their products.
- **Motivation:** A person has many needs at any given time. Some are biological, arising from states of tension such as hunger, thirst, or discomfort. Others are psychological, arising from the need for recognition, esteem, or belonging. Most of these needs will not be strong enough to motivate the person to act at a given point in time. A need becomes a motive when it is aroused to a sufficient level of intensity. A motive is a need that is sufficiently pressing to direct person to seek satisfaction.
- **Psychologists have developed theories of human motivation such as Maslow's Theory of Motivation:** Abraham Maslow sought to explain why people are driven by particular needs at particular times. Why does one

person spend much time and energy on personal safety and another on gaining the esteem of others? Maslow answer is that human needs are arranged in a hierarchy, from the most pressing to the least pressing. Maslow's hierarchy of needs is shown in Figure 3. In order of importance, they are physiological survival needs, safety needs, social needs, esteem needs, and self-actualization needs. A person tries to satisfy the most important need first. When that important need is satisfied, it will stop being a motivator and the person will then try to satisfy the next most important need [21].



Figure 3 Maslow's Hierarchy of Needs

- **Beliefs and Attitudes:** Through acting and learning, people acquire their beliefs and attitudes. These in turn influence their buying behaviour. A belief is a descriptive thought that a person has about something. Marketers are interested in the beliefs that people formulate about specific products and services. These beliefs make up product and brand images, and people do tend to act on their beliefs. If some of the beliefs are wrong and prevent purchase, the marketer will want to launch a campaign to correct them. People have attitudes regarding religion, politics, clothes, music, food, and almost everything else. An attitude describes a person's relatively consistent evaluations, feelings, and tendencies towards an object or idea. Attitudes put people into a frame of mind of liking or disliking things, moving toward or away from them. Attitudes are difficult to change. A person's attitudes fits into a pattern, and to change one attitude may require difficult adjustments in many others. Thus, a company should usually try to fit its products into existing attitudes rather than try to change them.

3.4. Competitor Analysis

Competitor analysis starts with identifying current and potential competitors. There are two very different ways of identifying current competitors. The first examines the perspective of the customer who must make choices among competitors. This approach groups competitors according to the degree they compete for a buyer's choice. The second approach attempts to place competitors in strategic groups on the basis of their competitive strategy.

After competitors are identified, the focus shifts to attempting to understand them and their strategies. Of particular interest is an analysis of the strengths and weaknesses of each competitor or strategic group of competitors[22].

3.4.1. Questions to Structure Competitor Analysis

A set of questions that can provide a structure for competitor analysis is shown as following:

Who are the competitors?

- Against whom do we usually compete? Who are our most intense competitors? Less intense but still serious competitors? Makers of substitute products?
- Can these competitors be grounded into strategic groups on the basis of their assets, competencies and/or strategies?
- Who are the potential competitive entrants? What are their barriers to entry? Is there anything that can be done to discourage them?

How to evaluate the competitors?

- What are their objectives and strategies? Their level of commitment? Their exit barriers?
- What is their cost structure? Do they have a cost advantage or disadvantage?
- What is their image and positioning strategy?
- Which are the most successful/unsuccessful competitors over time? Why?
- What are the strengths and weakness of each competitor or strategic group?
- What leverage points (our strategic weakness or customer problems or unmet needs) could competitors exploit to enter the market or become more serious competitors?

- Evaluate the competitors with respect to their assets and competencies. Generate a competitor strength grid.

3.4.2. Understanding Competitors

Understanding competitors and their activities can provide several benefits. First, an understanding of the current strategy strengths and weaknesses of a competitor can suggest opportunities and threats that will merit a response. Second, insights into future competitor strategies may allow the prediction of emerging threats and opportunities. Third, a decision about strategic alternatives might easily hinge on the ability to forecast the likely reaction of key competitors. Finally, competitor analysis may result in the identification of some strategic uncertainties that will be worth monitoring closely over time. Competitor actions are influenced by several elements. In this study we focus on the following elements:

- Size, growth, and profitability

The level and growth of sales and market share provide indicators of vitality of a business strategy. The maintenance of a strong market position or the achievement of rapid growth usually reflects a strong competitor (or strategic group) and a successful strategy. In contrast, a deteriorating market position can signal financial or organizational strains that might affect the interest and ability of the business to pursue certain strategies. To provide a crude sales estimate for business that are buried in a large company, take the number of employees and multiply it by the average sales per employee in the industry. For many businesses, this method is very feasible and remarkably accurate.

After size and growth comes profitability. A profitable business will generally have access to capital for investment unless it has been designated by the parent to be milked. A business that has lost money over an extended time period or has experienced a recent sharp decrease in profitability may find it difficult to gain access to capital either externally or internally.

- Image and positioning strategy

A cornerstone of a business strategy can be association, such as being the strongest truck, the most durable car, the smallest consumer electronics equipment, or the most effective cleaner. More often, it is useful to move beyond class-related product attributes to intangibles that span product class, such as quality, innovation, sensitivity to the environment, or brand personality.

In order to develop positioning alternatives, it is helpful to determine the image and brand personality of the major competitors. Weakness of competitors on relevant attributes or personality traits can represent an opportunity to differentiate and develop advantages. Strengths of competitors on important dimensions may represent challenges to exceed them or to outflank them. In any case it is important to know the competitive profiles.

Competitor image and positioning information can be deduced in part by studying a firm's product, advertising, Web site, and action, but often customer research is helpful to ensure that an accurate current portrayal is obtained. The conventional approach is to start with qualitative customer research to find out what a business and its brands mean to customers. What are the associations? If the business were a person, what kind of person would it be? What visual imagery, book, animals, trees, or activities are associated with the business? What is its essence?

- Cost structure

Knowledge of a competitor's cost structure, especially when the competitor is relying on a low-cost strategy, can provide an indication of its likely future pricing strategy and its staying power. The goal should be to obtain a feel for both direct costs and fixed costs, which will determine breakeven levels. The following information can usually be obtained and can provide insights into structures: the number of employees and a rough breakdown of direct labor (variable labor cost) and overhead (which will be part of fixed cost), the relative costs of raw materials and purchased components, the investment in inventory, plant, and equipment (also fixed cost), sales level and number of plants (on which the allocation of fixed costs is based).

- Assessing strengths and weaknesses

Knowledge of a competitor's strengths and weaknesses provides insight that is a key to a firm's ability to pursue various strategies. It also offers important input into the process of identifying and selecting strategic alternatives. One approach is to attempt to exploit a competitor's weakness in an area where the firm has an existing or developing strength. The desired pattern is to develop a strategy that will pit "our" strength against a competitor's weakness. Conversely, knowledge of "their" strength is important so it can be bypassed or neutralized.

One firm that developed a strategy to neutralize a competitor's strength was a small software firm that lacked a retail distribution capability or the resources to engage in retail advertising. It targeted value-added software systems firm, which sell total software and sometimes hardware systems to organizations such as investment firms or hospitals. These value-added systems firms could

understand and exploit the power of the product, integrate it into their systems, and use it in quantity. The competitor's superior access to a distribution channel or resources to support an advertising effort was thus neutralized.

The assessment of a competitor's strengths and weaknesses starts with an identification of relevant assets and competencies for the industry and then evaluates the competitor on the basis of those assets and competencies.

3.5. The Marketing Mix

Borden [23] claims to be the first to have used the term "marketing mix" and that it was suggested to him by Culliton's [24] description of a business executive as "mixer of ingredients". However, Borden did not formally define the marketing mix; to him it simply consisted of important elements or ingredients that make up a marketing program. McCarthy refined this further and defined the marketing mix as a combination of all of the factors at a marketing manager's command to satisfy the target market [25]. More recently McCarthy and Perreault have defined the marketing mix as the controllable variables that an organization can co-ordinate to satisfy its target market [26]. This definition (with minor changes) is widely accepted as can be seen from Kotler and Armstrong's definition of the marketing mix: as the set of controllable marketing variables that the firm blends to produce the response it wants in the target market [2].

The essence of the marketing mix concept is, therefore, the idea of a set of controllable variables or a "tool kit" [27] at the disposal of marketing management which can be used to influence customers. The agreement in the literature is over what these controllable variables or tools are [28].

The elegant "Four Ps" or marketing mix model, which first presented as the theory of parameters by Rasmussen [29], and then developed by McCarthy [30] and finalized by Kotler [31], are the ideas to consider when marketing a product. They form the basis of the marketing mix. Getting this mix right is critical in order to successfully market a product. Although some marketers argue that the 4Ps is increasingly irrelevant to marketing management practice [32, 33], and other marketers argue that it is conceptually flawed [34-36], most marketers continue to use and defend it [37-39]. As discussed by many marketing scholars, the Four Ps is considered a paradigm—if not the paradigm—for marketing management rather than marketing in general [37, 40-43].

Kotler (1999) offered the definition of the Four Ps [44]:

- Price. The amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.
- Place. All the company activities that make the product or service available to target customers.

- Promotion. They are activities that communicate the product or service and its merits to target customers and persuade them to buy.
- Product. Anything that can be offered to a market for attention, acquisition, use or consumption might satisfy a want or need. It includes physical objects, services, persons, places, organizations and ideas.

3.6. Price

Simply defined, price is the amount of money charged for a product or service. More broadly, price is the sum of the values that consumers exchange for the benefits of having or using the product or service. Price is the only element in the marketing mix that produces revenue; all other elements represent costs. Furthermore, pricing and price competition have been rated as the number one problem facing marketing executives [45]. A company's pricing decisions are affected both by internal company factors and external environmental factors. Internal factors include the company's marketing objectives, marketing mix strategy, costs, and organization. External factors include the nature of the market and demand, competition, and other environmental elements.

3.6.1. General Pricing Approaches

The price the company changes will be somewhere between one that is too low to produce a profit and one that is too high to produce any demand. Summarizing the major considerations in setting price, product costs set a floor to the price; consumer perceptions of product's value set the ceiling. The company must consider competitors' prices and other external and internal factors to find the best price between these two extremes.

Companies set prices by selecting a general pricing approach that includes one or more of these three sets of factors. We will examine the following approaches: the cost-based approach (cost-plus pricing, breakeven analysis, and target profit pricing), the buyer-based approach (perceived-value pricing), and the competition-based approach (going-rate and sealed-bid pricing) [2].

- Cost-based Pricing. The simplest pricing method is cost-plus pricing: adding a standard mark-up to the cost of the product. Another cost-based oriented pricing approach is breakeven pricing, or a variation called target profit pricing. The firm tries to determine the price at which it will break even or make the target profit it is seeking.
- Buyer-based Pricing. An increasing number of companies are basing their prices on the product's perceived value. Perceived-value pricing uses buyers' perceptions of value, rather than the seller's cost, as the key to pricing. The company uses the nonprice variables in the marketing mix to build up perceived value in buyers' minds. Price is set to match the perceived value.

- **Competition-based Pricing.** In going-rate pricing, the firm bases its price largely on competitors' prices, with less attention paid to its own costs or demand. The firm might charge the same, more, or less than its major competitors. Going-rate pricing is quite popular. When demand elasticity is hard to measure, firms feel that the going price represents the collective wisdom of the industry concerning the price that will yield a fair return. They also feel that holding to the going price will prevent harmful price wars. Competition-based pricing is also used when firms bid for jobs. Using sealed-bid pricing, a firm bases its price on how it thinks competitors will price rather than on its own costs or demand. The firm wants to win a contract, and winning the contract requires pricing lower than other firms.

3.6.2. Major Pricing Strategies

In this part, we will look at pricing dynamics. A company sets not a single price, but rather a pricing structure that covers different items in its line. This pricing structure changes over time as products move through their life cycles. The company adjusts product prices to reflect changes in costs and demand and to account for variations in buyers and situations. As the competitive environment changes, the company considers when to initiate price changes and when to respond to them. The major dynamic pricing strategies available to management are as following [6, 46-48]:

- **Product-bundle Pricing.** Combining several products and offering the bundle at a reduced price.
- **Discount Pricing and Allowances:** Most companies adjust their basic price to reward customers for certain responses, such as early payment of bills, volume purchases and off-season buying.
- **Discriminatory Pricing:** Selling a product or service at two or more prices, where the difference in prices is not based on differences in costs.
- **Psychological Pricing:** A pricing approach that considers the psychology of prices and not simply the economics; the price is used to say something about the products.
- **Promotional Pricing:** Temporarily pricing products below the list price, and sometimes even below cost, to increase short-run sales.
- **Geographical Pricing:** A company must also decide how to price its products to customers located in different parts of the country.

3.7. Place

The place policy can be concerned with decisions on moving goods or products from the producer to the target consumers. In principle, a company can choose selling products to consumers directly, or using distributors and retailers.

Distribution channels are the key to this area. A firm has to find the most cost-effective way to get the product to the consumer. Direct marketing through catalogues, via a TV shopping channel and through the Internet have become popular, because the consumer can shop from home.

For the firm, they can cut out the middleman in the process, and can therefore make more profit. Going through wholesalers and high-street retailers, however, is the most popular form of distribution, as that is still where most people shop.

The nature of distribution channels (marketing channel) means that a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or industrial user.

Distribution Channel Functions is a distribution channel that moves goods from producers to consumers. It overcomes the major time, place, and possession gaps that separate goods and services from those who would use them. Members of the marketing channel perform many key functions: information, promotion, contact, matching, negotiation, physical distribution, financing, risk taking. The first five functions help to complete transactions; the last three help fulfil the completed transactions [6].

3.7.1. Decisions for Designing the Distribution Channel

Two kinds of decision for designing the distribution channel should be considered:

- Channel design decisions. Designing a channel system calls for analyzing consumer-service needs, setting the channel objectives and constraints, identifying the major channel alternatives, and evaluating them.
- Physical distribution decisions. The tasks involved in planning, implementing, and controlling the physical flow of material and final goods from points of origin to points of use to meet the needs of customers at a profit. The major physical distribution cost is transportation, followed by inventory carrying, warehousing, and order processing and customer service. Management in most companies has become concerned about the total cost of physical distribution. Experts believe that large saving can be gained in the physical distribution area. Poor physical distribution decisions result in high costs. Even large companies sometimes make too little use of modern decision tools for coordinating inventory levels; transportation modes; and plants, warehouse, and store locations. Moreover, physical distribution is more

than a cost –it is a potent tool in demand creation. On the one hand, companies can attract more customers by giving better service or lower prices through better physical distribution. On the other hand, companies may lose customers when they fail to supply good on time [6].

3.7.2. Store Retailing

Nowadays, various of stores and small supermarket have lost ground to large supermarket, catalogue showrooms and discount stores [49]. However, retail stores come in all shapes and sizes, and new retail types keep emerging. They can be classified by one or more several characteristics: amount of service, product line, relative prices, control of outlets, and type of store cluster.

- Amount of service: Self-service retailing, limited-service retailers, full-service retailers.
- Product line: Speciality store; department store; supermarket; convenience store; superstore, combination store, and hypermarket.
- Relative prices: discount store, off-price retailers, catalogue showroom.
- Control of outlets: corporative chain, voluntary chain and retailer cooperative, franchise organization, merchandising conglomerate.
- Type of store cluster: central business district, shopping centres.

3.8. Promotion

Modern marketing calls for more than just developing a good product, pricing it attractively, and making it available to target customers. Companies must also communicate with their customers. And what is communicated should not be left to chance.

To communicate well, companies often hire advertising agencies to develop effective ads, sales-promotion specialists to design sales incentive programs, and public relations firms to develop corporate images. They train their salespeople to be friendly, helpful, and persuasive. For most companies, the question is not whether to communicate, but how much to spend and in what way.

A company's total marketing -communications program –called its promotion mix. The specific mix of advertising, personal selling, sales promotion, and public relations a company uses to pursue its advertising and marketing objective [6, 50].

3.8.1. Advertising

Advertising is that any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. Advertising is very

expressive, allowing the company to dramatize its products through the artful use of print, sound, and colour. On the one hand, advertising can be used to build up a long term image for a product. On the other hand, advertising can trigger quick sales. Advertising can reach masses of geographically spread out buyers at a low cost per exposure. In addition, advertising is considered as the last item in the promotion mix. Advertising should be considered as an investment since it is use of the paid media to communicate a message. Advertising is not a waster of money if it is used effectively. Also advertising is significant good at making the market aware of a new product. How to make a decision in advertising? A set of guidelines are applied:

- If you appoint an advertising agency make sure they are compatible with your organisation (small budget, small budget agency).
- You must ensure you have completed your marketing planning before you advertise, then you can define your target market and thus your target audience. This will determine the media you will use and make more effective use of your advertising expenditure.
- Ensure the advertising message is in consumer terms and in a format that attract the consumers and with which she or he can associate.
- Ensure your advertising is true to life. A cheap advertisement does nothing for your product. Make it believable and true to life.
- Ensure you have a message to communicate, i.e. do not advertise just for the sake of advertising.
- Because the returns in sales form advertising are longer-term, then advertising should be treated as an investment with an expected return within a given time.

3.8.2. Personal Selling

Person selling is oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales. It is the most effective tool at certain stages of the buying process, particularly in building up buyer's preferences, convictions, and actions. Compared to advertising, personal selling has several unique qualities. It involves personal interaction between two or more people, so each person can observe the other's needs and characteristics and make quick adjustments. Personal selling also allows all kinds of relationships to spring up, ranging from a matter-of-fact selling relationship to a deep personal friendship. The effective salesperson keeps the customer's interests at heart in order to build a long-term relationship. Finally, with personal selling the buyer usually feels a greater need to listen and respond, even if the response is a polite "no thank you."

3.8.3. Sales Promotion

Sales promotion consists of short-term incentives to encourage purchase or sales of a product or service. Sales promotion includes a wide variety of promotion tools designed to stimulate earlier or stronger market response. It includes consumer promotion—samples, coupons, rebates, and prices-off, premiums, contests, trading stamps, demonstrations; trade promotion—buying allowances, free goods, merchandise allowances, cooperative advertising, push money, dealer sales contests; and sales force promotion—bonuses, contests, and sales rallies. They attract consumer attention and provide information that may lead to a purchase. Companies use the sale-promotion tools to create a stronger and quicker response. Sales promotion can be used to dramatize product offers and to boost sagging sales.

3.8.4. Public Relations

Public relations consist of building good relations with the company's various publics by obtaining favourable publicity, building up a good "corporate image," and handling or heading off unfavourable rumours, stories, and events. Major PR tools include press relations, product publicity, corporate communications, lobbying, and counselling. Marketers tend to under use public relations or to use it as an afterthought. Yet a well-thought-out public relations campaign used with other promotion mix elements can be very effective and economical.

3.9. Product

Product is that anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a want or need. It includes physical objects, services, persons, places, organizations, and ideas. Product planners need to think about the product on three levels. The first level is core product. It is the problem-solving services or core benefits that consumers are really buying when they obtain a product. The second level is actual product. A product's parts, styling, features, brand name, packaging, and other attributes that combine to deliver core product benefits. The third level is augmented product. Additional consumer service and benefits built around the core and actual products.

3.9.1. Product Attribute

Developing a product involves defining the benefits that the product will offer. These benefits are communicated and delivered by tangible product attributes, such as quality, features, and design. Decisions about these attributes greatly affect consumer reactions toward a product [6].

- **Product Quality.** The quality of a product is the ability of a product to perform its functions. It includes the product's overall durability, reliability, precision, ease of operation and repair, and other valued attributes. In developing a product, the manufacturer has to choose a quality level that will support the product's position in target market. Quality is one of the marketer's major positioning tools and should be

measured in terms of buyers' perceptions. To some companies, improving quality means using better quality control to reduce defects that annoy consumers. But strategic quality management means more than this. It means gaining an edge over competitors by offering products that better serve consumers' needs and preferences for quality. As one analyst suggest, "Quality is not simply a problem to be solved; it is a competitive opportunity." [51, 52]

- **Product Feature.** Product features means that a product can be offered with varying features. A "stripped-down" model, one without any extras is the starting point. The company can create higher-level models by adding more features. Features are a competitive tool for differentiating the company's product from competitor's products. Some companies are very innovative in adding new features. Being the first producer to introduce a needed and valued new feature is one of the most effective ways to compete.
- **Product Design.** Product design is the process of designing a product's style and functions: creating a product that is attractive, easy, safe and inexpensive to use and service; and simple and economical to produce and distribute. Good design contributes to a product's usefulness as well as to its looks. A good designer considers appearance but also creates products that are easy, safe, inexpensive to use and service, and simple and economical to produce and distribute. Moreover, good design can attract attention, improve product performance, cut production costs, and give the product a strong competitive advantage in the target market [53, 54].

3.9.2. Brand

A brand is a name, term, sign, symbol, or design, or a combination of these intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. Consumers view a brand as an important part of the product, and branding can add value to the product. Nowadays, branding has become a major issue in product strategy. On one hand, developing a branded product requires a great deal of long-term marketing investment, especially for advertising, promotion, and packaging. Manufacturers often find it easier and less expensive simply to make the product and let others do the brand building. Powerful brand names have consumer franchise – they command strong consumer loyalty. A sufficient number of consumers demand these brands and refuse substitutes, even if the substitutes are offered at somewhat lower prices. Companies that develop brands with a strong consumer franchise are insulated from competitor's promotional strategies. Thus, companies around the world invest heavily to create strong national or even global recognition and preference for their brand names [6].

- **Brand Extension.** Brand extension means that a new or modified product launched under an already successful brand name. Brand extension saves the manufacturer the high cost of promoting new names and creates instant brand recognition of the new product. At the same time, if the new product fails, it may hurt consumer attitudes toward the other products carrying the same brand name [55].
- **Selecting a Brand Name.** The brand name should be carefully chosen. A good name can add greatly to a product's success. Most large companies have developed a formal brand-name selection. Finding the best brand name is a difficult task. It begins with a careful review of the product and its benefits, the target market, and proposed marketing strategies. Among the desirable qualities for a brand name are these: It should suggest something about the product's benefits and qualities, be easy to pronounce, recognize, and remember, be distinctive, translate easily into foreign languages and be capable of registration and legal protection [56, 57].

3.9.3. Packaging

Many products offered to the market have to be packaged. Some marketers have called packaging a fifth P, along with price, product, place, and promotion. Most marketers, however, treat packaging as an element of product strategy.

- **Packaging.** Packaging includes the activities of designing and producing the container or wrapper for a product. The package may include the product's immediate container; a secondary package that is thrown away when the product is about to be used; and the shipping package necessary to store, identify, and ship the product. Labelling is also part of packaging and consists of printed information appearing on or with the package. In recent time, numerous factors have made packaging an important marketing tool. An increase in self-service means that packages must now perform many sales tasks—from attracting attention, to describing the product, to making the sale. Rising consumer affluence means that consumers are willing to pay a little more for the convenience, appearance, dependability, and prestige of better packages [58].
- **Packaging Concept.** Developing a good package for a new product requires making many decisions. The first task is to establish the package for packaging concept. The packaging concept states what the package should be or do for the product. Should the main functions of the package be to offer product protection, introduce a new dispensing method, and suggest certain qualities about the product or company, or something else? Decisions must then be made on specific elements of the package, such as size, shape, materials, colour, text, and brand mark. These various elements must work together to support the product's position

and marketing strategy. The package must be consistent with the product's advertising, pricing, and distribution [59].

4. METHODOLOGY

This chapter will focus on the methodology of this research. Hussey and Hussey (1997) stated every research process has several fundamental stages, no matter which research approach is adopted [60]. This research also follows several stages as described below:

Stage 1: Identify the research purpose and topic.

Stage 2: Define the research problem.

Stage 3: Determine the paradigm of the research.

Stage 4: Collect research data.

Stage 5: Analyze and interpret the research data

Stage 6: State the findings and recommendations.

In the first chapter, the first two stages have been discussed. The next two stages will be continued in this chapter, and the last two stages will be described in the following chapter.

4.1. Determine the Paradigm of Research

According to Hussey and Hussey [60], the research paradigm can also be classified into quantitative and qualitative by approach. Qualitative approach is to understand the particular, the individual and the unique. It is appropriate when the researcher needs to understand attitudinal and motivational factors behind the behaviours of a group of people. On the other hand, quantitative approach is to ascertain general trends in options, values and perceptions. It is appropriate when the researcher wants to answer questions of who, where, when and how [61].

In general, we can say that qualitative research is rather subjective whereas quantitative research is relatively objective. To conduct qualitative study, researchers are required to have skills such as ability to think abstractly and critically, analyze make judgment without bias. For quantitative study, the skills needed are ability to set proper hypotheses, test them with proper statistical techniques, and interpret statistical information to descriptive information. The differences between qualitative and quantitative studies can be distinguished as following [62]:

Table 1 the Difference in Emphasis in Qualitative Versus Quantitative Methods

Qualitative methods	Quantitative methods
<ul style="list-style-type: none">• Emphasis on understanding• Focus on understanding from respondent's/ informant's point of view• Interpretation and rational approach• Observations and measurements in natural settings• Subjective 'insider view' and closeness to data• Explorative orientation • Process oriented• Holistic perspective• Generalization by comparison of properties and contexts of individual organism	<ul style="list-style-type: none">• Emphasis on testing and verification• Focus on facts and/or reasons for social events• Logical and critical approach• Controlled measurement • Objective 'outsider view' distant from data• Hypothetical-deductive; focus on hypothesis testing• Result oriented• Particularistic and analytical• Generalization by population membership

Hussey and Hussey [60] stated that: "Case studies are often described as exploratory research, used in areas where there are few theories or deficient body of knowledge." This characteristic can be found in this research. In other words, this research method belongs to qualitative approach. However, in this research, the authors also utilized some actions, such as describe, explain, and so forth, to answer "who, where, and how" so as to support the exploitation of quantitative approach.

According to Denzin [63], there is not any research method which is entirely quantitative or qualitative, using the both approach can lead to "greater validity and reliability than a single methodology approach." From this point of view as well as some others aspects of this research, for instance the objectives of this research, the nature of this topic; this research will utilize the mixed methods.

4.2. Sampling in Survey

Accord to Robson [61], sampling is an important aspect of life in general and enquiry in particular. We make judgments about people, places, and things on the basis of fragmentary evidence. Sampling considerations pervade all aspects of research and crop up in various forms on matter what research strategy or investigatory technique we use. The various types of survey sampling plan are usually divided into ones based on probability samples (where the probability of the selection of each respondent is known), and non-probability samples (where it isn't known).

4.2.1. Probability sampling

In probability sampling, statistical inferences about the population can be made from the responses of the sample. For this reason, probability sampling is sometimes referred to as representative sampling. The sample is taken as representative of the population. Some main approaches are:

- Simple random sampling
- Systematic sampling
- Stratified random sampling
- Cluster sampling
- Multistage sampling

4.2.2. Non-probability sampling

In probability sampling, it is possible to specify the probability that any person (or other unit on which the survey is based) will be included in the sample. Any sampling plan where it is not possible to do this is called 'non-probability sampling'. Small –scale surveys commonly employ non-probability samples. They are usually less complicated to set up and are acceptable when there is no intention or need to make a statistical generalization to any population beyond the sample surveyed. A wide range of approaches has been used as follow:

- Quota sampling
- Dimensional sampling
- Convenience sampling
- Purposive sampling
- Snowball sampling

4.2.3. Sample Choosing

One of the objectives of this research is to make a market research and analyze the current marketing strategy to improve the situation of the Present Wheeler brand, therefore the target groups focused on the customers and managerial people of this company. So the authors chose the non-probability samples since the research had no need to make statistical inferences about the population beyond the sample surveyed. Also we used the purposive sampling approach in which the principle is the research's judgment as to typicality or interest.

Due to the Chinese culture, women play an important role in family housework. They have traditionally been the main purchasing agent for the family, especially in the areas of food, household products, and clothing. Therefore the group of mature women was used as the sample population. Besides, according to the China Food Industry [3], people in the age group of 10-40 are usually regarded as the main instant noodle consumers who the instant noodle companies are trying to attract. Therefore, teenagers and the youth were also chosen to be in this target group. As a whole, the target group populations of this research were: mature women, teenagers and the youth. The age is from 12

to 40. Three big cities Beijing, Changchun and Dalian, which are in the north of China, were regarded as the research site.

4.3. Collect Research Data

There are two types of data available when conducting a research: primary and secondary data. In this research, the combination of secondary and primary data was felt to be complementary because not only the reliability of some secondary data could be checked through analysis of the primary data, but also primary data could provide more information, which could not be obtained in the secondary research, Questionnaire and interviews were utilized by the authors for primary data gathering in this research.

4.3.1. Primary Data

As Albaum [64] mentioned, primary data is the “data collected through original research pertaining to the particular research question asked.” And “the data needed by the researcher might not exist, or the existing data might be dated, inaccurate, incomplete, or unreliable. In this case, the researcher will have to collect primary data at greater cost and longer delay but probably with more relevance and accuracy [1].” The main advantage is that the data are directly collected toward the purposes of the research at hand. However, the disadvantage is that it will take a long time to collect the data. It also costs a lot and probably difficult to access the right respondents. Primary data can be collected through the sources by Ghauri and Grønhaug [65] shown in the following Figure 4:

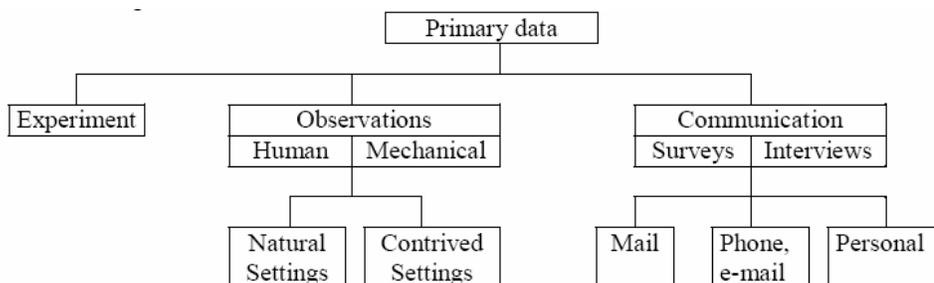


Figure 4 Sources of Primary Data

As the sources of primary data, surveys and interviews are used for this research.

4.3.2. Secondary Data

Hussey and Hussey [66] stated that, secondary data is “the data which already exists”; sources of secondary data include books, magazines, newspapers, company’s annual reports, journals, databases, the internet and so forth.

Secondary data can be divided into internal and external sources by Churchill and Iacobucci [67] which are shown in the following Figure 5:

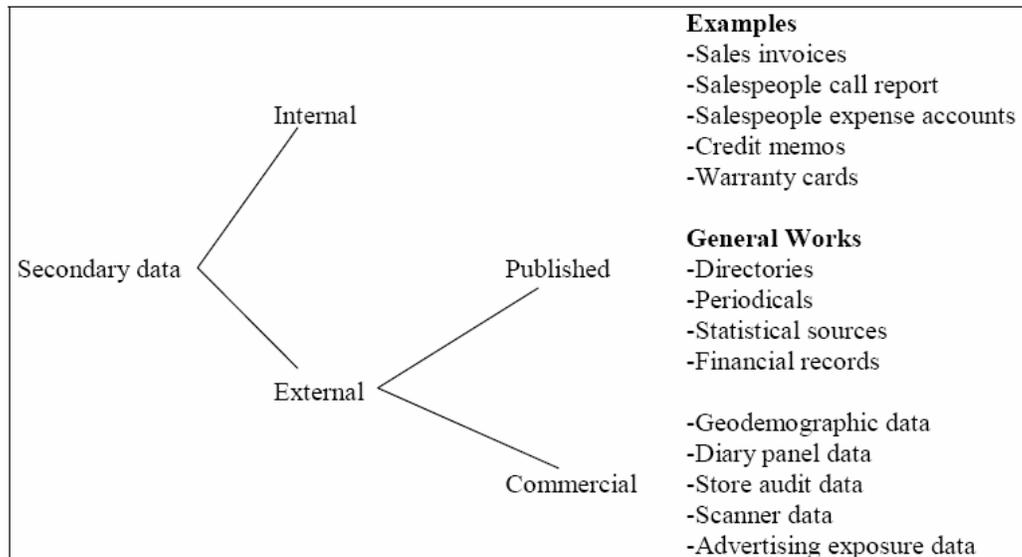


Figure 5 Sources of Secondary Data

In addition, secondary data is collected by the authors' desk research. However, there are still some limitations in desk research to collect data which is required by the research. Hussey and Hussey [66] indicated that:

- Internal desk research collects data principally concerned with organization own activity.
- External desk research is characteristically of general a nature to be applicable to any specific problem.

The secondary data of this research were collected by the authors from academic books, database, the internet and journals which are provided by the library of BTH. Also, some Chinese resources were utilized in this research, such as the company's annual report, Chinese Food Industry, and data from the marketing and advertising department of Hualong Group.

4.3.3. Questionnaire Design

Since the target group people have significant age differences, some of them are still children and some of them are not well-educated, therefore, the questionnaire was designed to be easy and understandable, many questions only required a single answer out of the wide choices. It is not only useful to keep respondents' attention and patience, but helpful for the authors to analyze the answers.

After the questionnaire design, the next step was a pilot study. The reason for this was to make those questions used in the final survey to be specific, understandable, and capable of being answered by the sample population and free from bias by Chisnall [68]. Oppenheim also stated that: "Piloting can help researcher not only with the wording of the questions but also with procedural matters such as the design of the introduction, the ordering of question sequences and the reduction of non-response rates [69]." Therefore, the authors considered this was an important step to make sure the future research.

The pilot work of this research was carried out by asking 9 middle school students, 8 university students and 5 mature women. After the pilot work, the authors found that most customers only knew the instant noodle brands rather than the name of the company. Therefore when they were asked about the companies names, they were confused. In this situation, the authors decided to design a reminding note, which listed the companies' names and their products. It was proved that a very useful method to help them understand the questions.

After the pilot study, the final questionnaire was decided. It was divided into three parts.

1. Part one: Consumers' Cognition
2. Part two: Consumers' Attitude
3. Part three: Consumers' Behaviour

The reason for this division is to accomplish the objectives by matching the theories of literature review.

Robson stated that, most surveys involve the use of a questionnaire. There are three main ways in which this questionnaire is administered [61]:

- Self-completion: Respondents fill in the answers by themselves. The questionnaire is often sent out by post, permitting large samples to be reached with relatively little extra effort.
- Face-to-face interview: An interviewer asks the questions in the presence of the respondent, and also completes the questionnaire.
- Telephone interview: The interviewer contacts respondents by phone, asks the questions and record the responses.

Since the marketing department of the Hualong Group was planning to do the market research, our study was also one part of their work. Therefore, the data collection was carried out by the representative offices staff of those three cities of the Hualong Group, meanwhile, one of the authors who was in China attended the field questionnaire survey in Beijing in October, 2005 with the help of the head office marketing staff of the Hualong Group. In addition, the authors were responsible for designing the questionnaire and analyzing the results of the questionnaire.

The authors used the face-to-face interview as the data collection approach because it is easy to check that the respondent falls within the population of interest. Data collection was held in supermarkets, in small shopping-centres, in the university campus and train stations by stopping people who belonged to this target group population.

Besides, in order to avoid the suspicion of the product promotion, the authors used a cover letter to explain the reason for this survey. The truth has proved

that it can make the respondents notice the importance of their opinions. From this point of view, it could psychologically encourage the respondents to reply the questionnaire.

In addition, the authors and the partners avoided all places where there are instant noodle promotion activities so as to obtain the justified data.

4.3.4. Interview

According to Robson [61], interviewing as a research method typically involves you, as researcher, asking questions and, hopefully, receiving answers from the people you are interviewing. It is very widely used in social research and there are many different types. A commonly used typology distinguishes among structured, semi-structured and unstructured interviews. The different types can link to some extent to the 'depth' of response sought. Types and styles of interviews as follow:

- Fully- structured interview. Has predetermined questions with fixed wording, usually in a pre-set order. The use of mainly open-response questions is the only essential different from an interview-based survey questionnaire.
- Semi-structured interview. Has predetermined questions, but the order can be modified based upon the interviewer's perception of what seems most appropriate. Question wording can be changed and explanations given, particular questions which seem inappropriate with a particular interviewee can be omitted, or additional ones included.
- Unstructured interviews. The interviewer has a general area of interest and concern, but lets the conversation develop within this area. It can be completely informal.

In order to get some fresh information of managerial aspects from Hualong Group, one semi-structured interview was carried out. The interviewee was the general marketing manager of Hualong Group. Thanks for his cooperation; some useful information about the company's strategy was gained from the interview.

4.4. Data Analysis

The survey has been designed to collect both quantitative and qualitative data; therefore, two different research methods will be carried out in the data analysis. For quantitative data, the 1-6 Likert-type scale questionnaire is to provide a broad range to match the respondents' agreement. The t-test analysis is also utilized to conduct the results by MINITAB software. For the qualitative data, the content analysis has been applied to accomplish the task.

4.5. Reliability and Validity

Validity is concerned with whether the findings are really about what they appear to be about [61]. The study had a clear analytical stance and was largely

designed like any other study of this kind. As explained earlier, the primary data was collected by using a well developed questionnaire as well as a semi-structured interview. The survey of this research was carried out in 3 cities which are in north of China, and data collection was held in supermarkets, in small shopping-centres, in the university campus and train stations by stopping people who belonged to the target group population. To check that the respondent falls within the population of interest more easily, the authors used the face-to-face interview as the data collection approach. In addition, the authors and the partners avoided all places where there are instant noodle promotion activities so as to obtain the justified data. Moreover, with a view to getting some updated information, the authors made a face-to-face interview with marketing manager of Hualong Group. Obviously, the data collected in such a way is believed to be “the truth” at the time when the respondents answered the questionnaires and the interview. Consequently, the findings reported are based on valid data and consistent analysis. However, since the research had no need to make statistical inferences about the population beyond the sample surveyed, the authors chose the non-probability samples. If this research is to be duplicated on a diversified (in terms of demographics) group of sample, then the diversity in demographics has to be carefully incorporated into the construct of the research design.

As defined by Frankfort-Nachmias and Nachmias [70] reliability refers to “the extents to which a measuring instrument contains variable errors, that is, errors, that appear inconsistently from observation to observation during any one measurement attempt or what they vary each time a given unit is measured by the same instrument”. Unreliability of a given data or information could have various causes among which participant error and observer error are the major one which in turn may depend on whether concepts in the questionnaire and during interview are clear to respondents. To minimize such problems, the questionnaire was designed to be easy and understandable; many questions only required a single answer out of the wide choices. Moreover, before the questionnaire was distributed to respondents, a pilot study was carried out to make those questions used in the final survey to be specific and capable of being answered by the sample population and free from bias. Reliability is also determined by how accurate the authors put together, arrange and code the data. So the authors put in much effort to make the analysis much clearer and help to get the results effectively. A lot of tables, pie graphs and bar charts with different colours were used as well as the t-test analysis which was also utilized to conduct the results by MINITAB software. To sum up, all the data included for the analysis is valid and reliable to arrive on those findings.

5. Analysis and Results

In this chapter, the results of the investigation will be provided. The analysis of the results will be completed. We will present the data and results from the questionnaire and the interview. The analysis will be mainly based on

comparing the responses to different brands from the questionnaire in the current Chinese instant noodle market with the theories we mentioned in chapter Three. And the discussion is based on both questionnaire responses and management's views. The third part will deal with the important findings during the current study.

5.1. Questionnaire

501 questionnaires are collected, but 471 questionnaires in total can be utilized-147 from Changchun, 171 from Beijing, and 153 from Dalian. The profile of the respondents by gender is shown in the following Table 2:

Table 2 Calculation of Gender and Location

	Changchun		Beijing		Dalian	
	Count	Percentage	Count	Percentage	Count	Percentage
Female	105	71%	107	63%	102	67%
Male	42	29%	64	37%	51	33%
Total	147	100%	171	100%	153	100%

As can be seen from this table, there are more females than males in each group.

5.1.1. Analysis and Results

All the questions in the questionnaire can be divided into three parts: consumers' cognition, consumers' attitude and consumers' behaviour.

- **Cognition.** The first three questions in the questionnaire are about the consumers' cognition. The purpose of this part is to investigate the customers' awareness about different brands in the current instant noodle market and the situation of the main competitors in this market.

Q1 Could you please tell us which brand do you think is the most popular in the current Chinese instant noodle market?

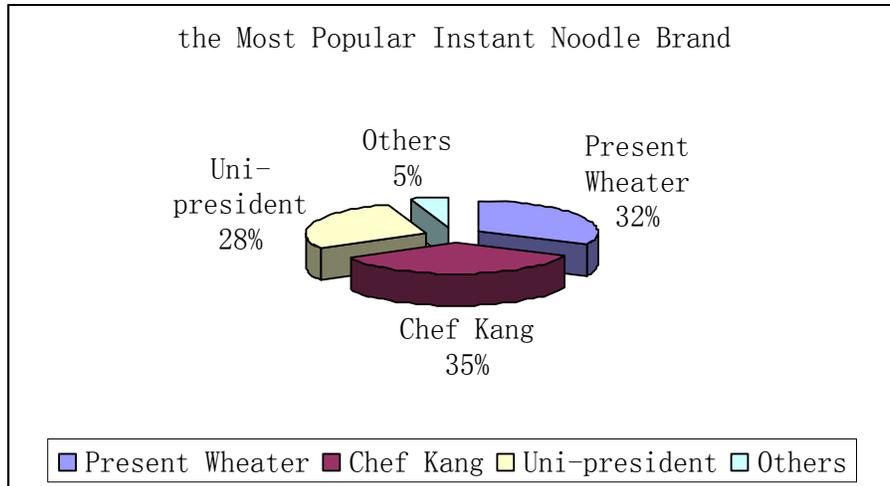


Figure 6 the Most Popular Instant Noodle Brand

Q2 Which brand of instant noodle do you often buy?

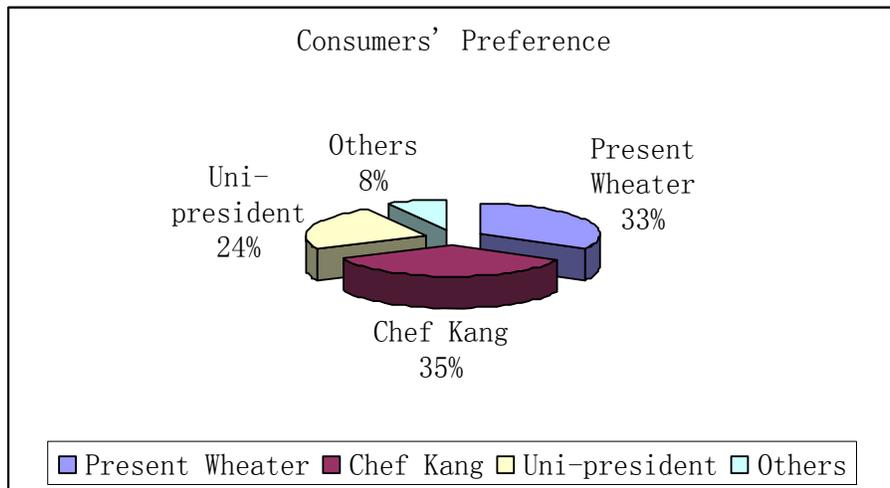


Figure 7 Consumers' Preference

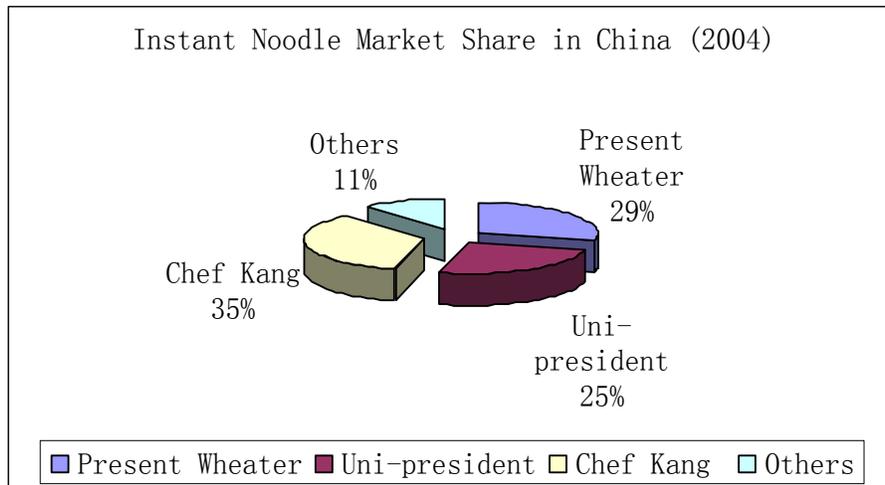


Figure 8 Instant Noodle Market Share in China from Chinese Food Industry 2004

From the first two figures, it is obvious to see that the most popular and the consumers' most favourite instant noodle brand is still the "Chef Kang" (35% and 35%), while the "Present Wheater" (32% and 33%) is considered as the second popular brand in the current Chinese instant noodle market. The "Uni-president" (28% and 24%) is on the third place. Still, the percentages among the three main competitors are very close to each other. Only 5% of the respondents think some other brands like "White Elephant" and "Huafeng" as the most popular brands and 8% of the respondents buy those brands in this market.

It is obvious that the "Chef Kang", the "Uni-president" and the "Present Wheater" have dominated the most market shares. They are the main players in this market. The responses of the two questions reflect not only the situation of the three leading brands, but also the rivalry among instant noodle industry competitors. And from Figure 8, we also can see that the rivalry among the competitors in Chinese instant noodle market is intensive. The "Chef Kang" owns the largest market share and the "Present Wheater" is on the second place. The market share of the three leading companies is very close. In sum, the competition in this market is high.

Q3 Could you please tell us who is the main customer of instant noodles?

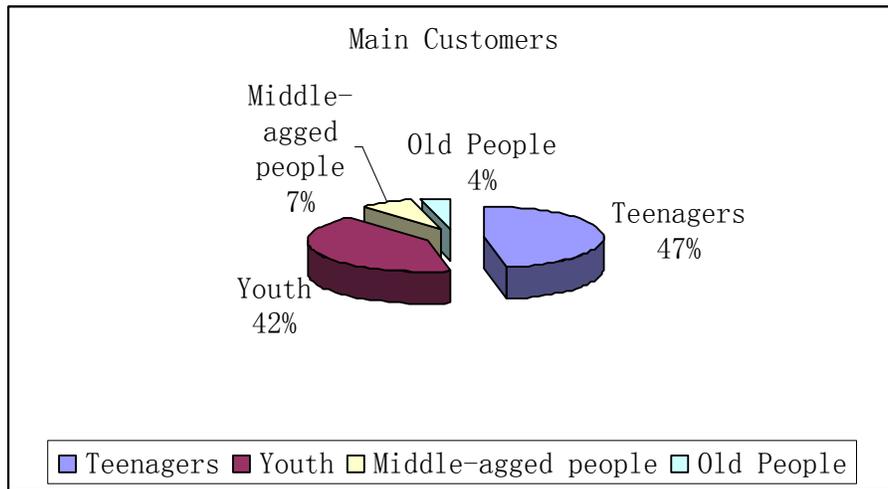


Figure 9 Main Customers

This question is to clarify the target market. Figure 9 shows that, the teenagers (47%) and the youth (42%) are considered as the main customers of instant noodles. Only 7% is for middle-aged people and 4% is for old people. Therefore, the target group should be the teenagers and the youth. As we mentioned in Chapter 3, shifting to match consumers' preference is also an alternative marketing strategy in terms of products perspectives. Since the Korean and Japanese cartoons are very popular in China, the Hualong Group adopts the name "Wheater" to cater for the teenagers' and the Youth's preference, because in Chinese culture it is a kind of pride for a boy to be called like this. This is one of the key factors that the "Present Wheater" succeeding in this market: a good name will bring a good sale.

- Attitude. Q4 to Q6 focus on the consumers' attitude to the "Present Wheater" flexible noodle of Hualong Group.

Q4 Do you agree that the “Present Wheater” is also a leading brand in the Chinese instant noodle market?

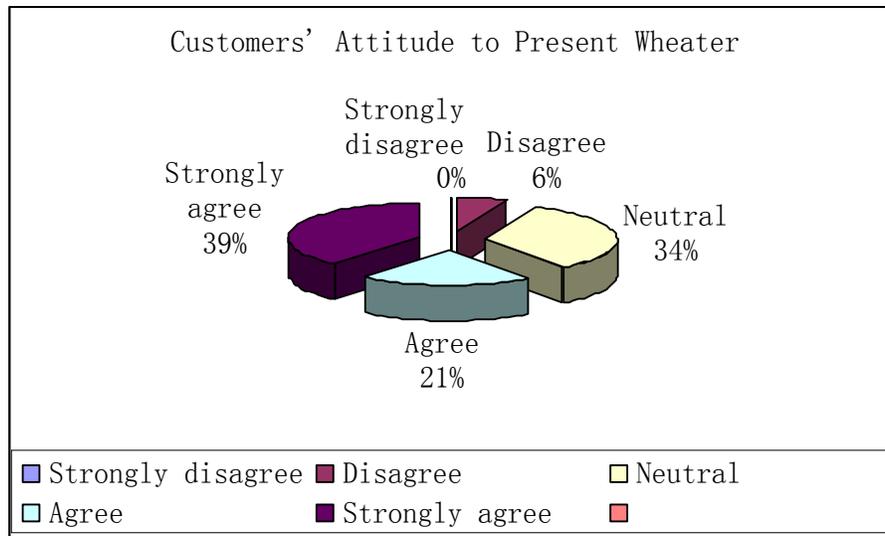


Figure 10 Customers' Attitude to the “Present Wheater”

From the Figure 10 above, the positive responses are 60% of (21% SA and 39% A), meanwhile the negative responses are 6%, and the neutral responses are 34%. The t-test analysis confirms that respondents have an agreement with this question. ($p < .01$, the p value tells us how likely something is to be not true. If a t-test reports a probability of .01, it means that there is a 99% chance that the two means being compared would be truly different if we looked at the entire population.) The one- way analysis indicates that there is no significant difference in the strength of agreement between males and females. This attitude shows the fact that the “Present Wheater” is also a leading brand in instant noodle market.

Q5 Do you agree that the “Present Wheater” flexible noodle is expensive?

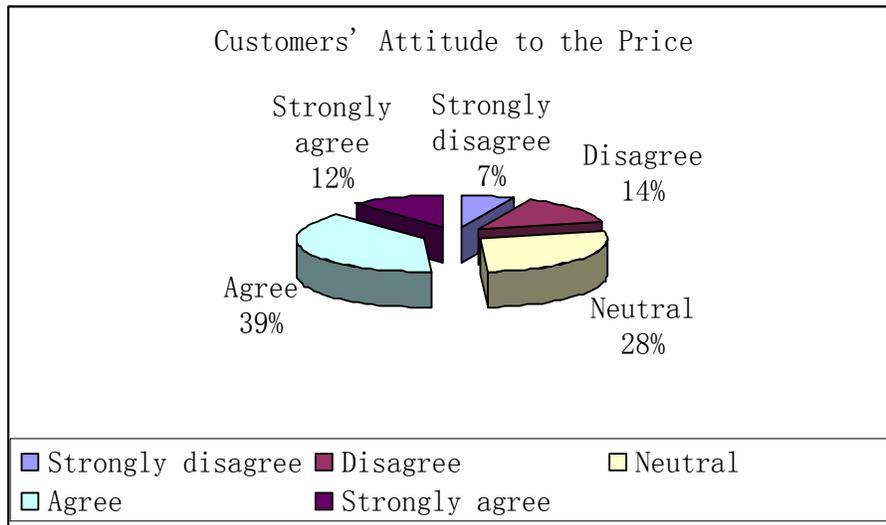


Figure 11 Customers' Attitude to the Price of the “Present Wheater”

The Figure 11 shows that 51% of the respondents (12% SA and 39% A) give the positive answer, on the other hand, 21% of the respondents (7% SD and 14% D) give the negative answer, and the neutral respondents are 28%. The t-test shows that respondents have an agreement with this question ($p < .01$, respondents agree with this statement), and the one-way analysis confirms that there is no significant difference in the strength in between males and females respondents. This result shows that most respondents consider the price of the “Present Wheater” instant noodle is high. As we discussed some pricing models in Chapter 3, the “Present Wheater” adopts the cost-based pricing model instead of buyer-based pricing model. (It can also be seen in the interview part) Therefore the price of the “Present Wheater” instant noodle is not at a low price comparing with other brands. Moreover, we have indicated in Chapter 3 that the company should consider both profitability and the reaction of customers, so the authors think it is a signal for the company to think about changing the pricing model to keep and expand market share.

Q6 How do you know the “Present Wheater” flexible noodle? From

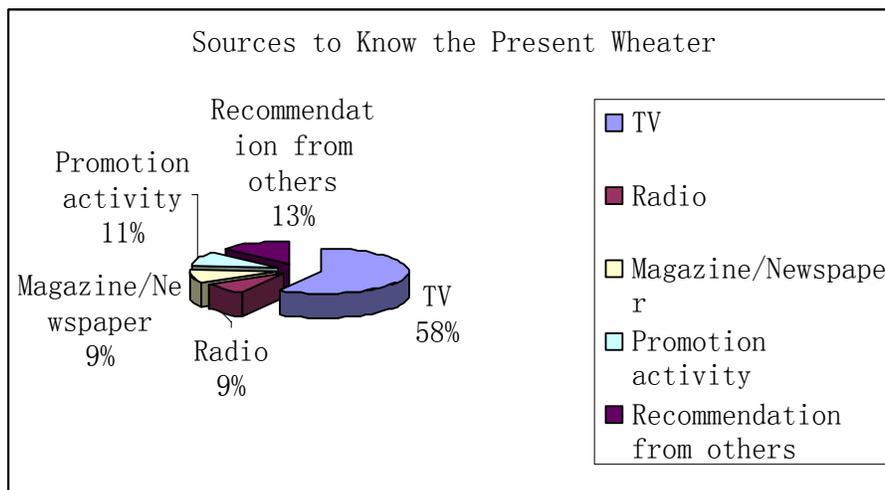


Figure 12 Sources to Know the “Present Wheater”

As can be seen from the Figure 12, 58% of the respondents are from TV advertising. It is much more than some other promotion tools (only 42%). It is because advertising is significant in making the market aware of a new product, mass media advertising is more important in consuming marketing because of the large number of buyers. TV is also the most popular medium in current China. Therefore, the Hualong Group has invested large amount of money to advertise on CCTV (China Central Television), the superlative medium of China. Most products will become popular soon after being broadcasted on CCTV in Chinese market. The Hualong Group fabricated a novel TV advertisement for the “Present Wheater”. It is a revolutionary change in Hualong’s broadcast advertising history. That is why 58% responses show that they can know the “Present Wheater” instant noodles from TV advertising.

- Behaviour: Based on two types of respondents, the authors will analyze the reasons for responses from the two groups. From Q8 to Q13 are only for those who have ever bought the “Present Wheater” flexible noodles, and from Q14 and Q15 are for those who have never bought the “Present Wheater” flexible noodles.

Q7 Have you ever bought the “Present Wheater” flexible noodles?

This question aims to sort out the Present Wheater’s customers and the non-Present Wheater’s customers so as to prepare for the rest questions to get different views from two types of people.

Table 3 Results of Q8

	Female		Male	
	Count	Percentage	Count	Percentage
Yes	315	91%	88	70%
No	31	9%	37	30%
Total	346	100%	125	100%

Table 3 above shows that the rate of the Present Wheater’s customers is much higher than the non-Present Wheater’s customers. Moreover, the female buyers are more than male buyers; this matches the Chinese culture that women play an important role in family housework. They have traditionally been the main purchasing agent for the family, especially in the areas of food, household products, and clothing.

- The Present Wheater’s customers

Q8 Why do you buy the “Present Wheater” flexible noodle?

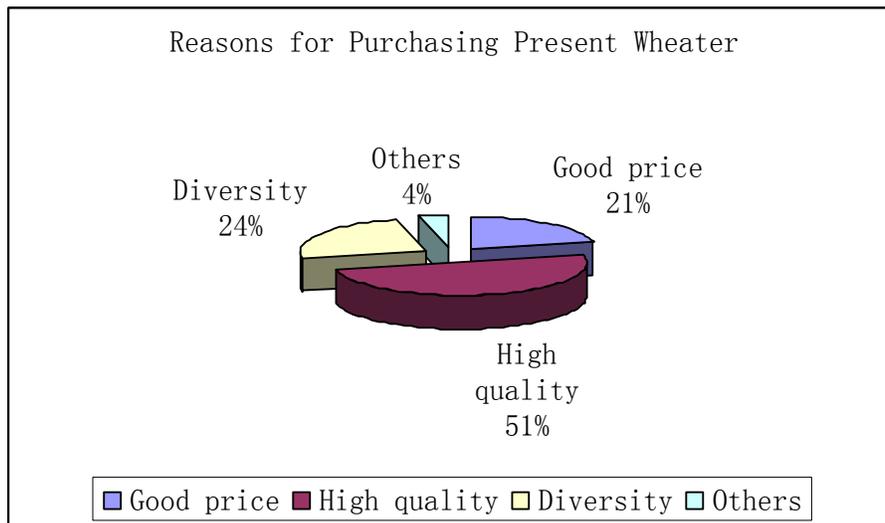


Figure 13 Reasons for Purchasing the “Present Wheater”

From the Figure 13, we can see that 51% of the respondents consider the quality as the most important factor for them to be the Present Wheater’s customers. As we know quality is one of the factors which determine the success of a product,

therefore possessing good quality of products is helpful for the “Present Wheater” to gain competitive advantages. According to Chinese dietetic culture, we also find that the elasticity is the key indicator for customers to choose instant noodles. Therefore, comparing with the competitors who pay attention to the colour, aroma and taste of instant noodles, Hualong presents the “flexible noodle concept” in instant noodle market. The success of the “Present Wheater” flexible noodle in Chinese instant noodle market proves that the “Present Wheater” brand has inaugurated a tremendous new category market. In addition, as we mentioned the importance of a brand to a product in Chapter 3, modifying the existing brand and altering beliefs about the company’s brands are two of alternatives strategies which marketers can pursue. Therefore, by utilizing the high reputation of “Hualong” brand in rural instant noodle market in the last 10 years, the Hualong Group designed a new vice-brand to enter the urban instant noodle market successfully. Meanwhile, it altered the customers’ belief that Hualong’s the new brand --- the “Present Wheater” also must be guaranteed. On the other hand, 24% of respondents purchase the “Present Wheater” since they would like to try different products. From the point of view of threat of substitutes, this type of customers will easily switch to some substitutes of the “Present Wheater”. So how to reduce the threats of this factor is one of important aspects which the “Present Wheater” should pay attention to.

Q9 When was the last time you bought the “Present Wheater” flexible noodle?

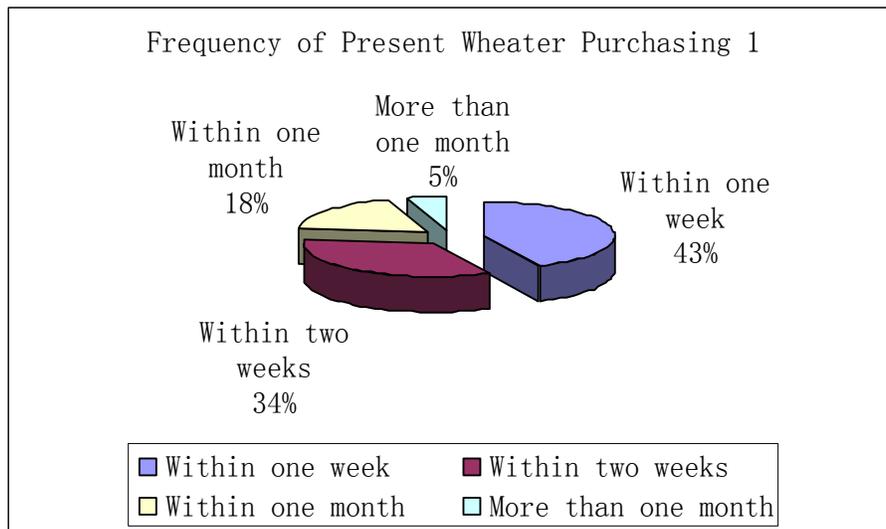


Figure 14 Frequency of the “Present Wheater” Purchasing 1

Q10 How often do you buy the “Present Wheater” flexible noodle?

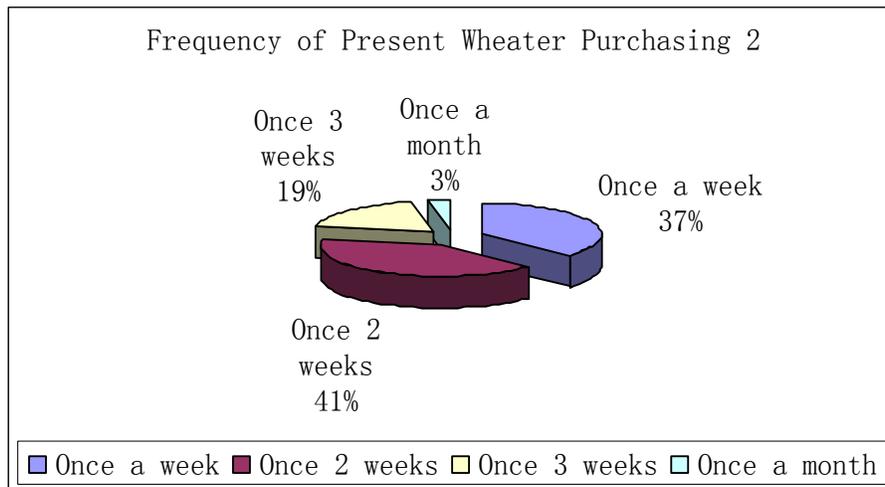


Figure 15 Frequency of the “Present Wheater” Purchasing 2

The Figure 14 shows that 43% of the respondents bought the “Present Wheater” flexible noodles within one week and 34% is within two weeks. The Figure 15 shows that 37% of the respondents purchase the “Present Wheater” flexible noodles once a week, and 41% is once two weeks. Combining the two responses, it is obvious to see that the purchasing frequency is high. The reasons are:

1. Customers’ belief of the “Present Wheater” flexible noodles’ quality and brand.
2. Successful promotion activities, such as TV advertising, lucky prize, free taste, etc.

The authors think the result can help the company to adjust some market mix factors, such as price, promotion, and place, so as to increase the frequency of customers’ purchasing.

Q 11 How many packs of the “Present Wheater” do you normally buy?

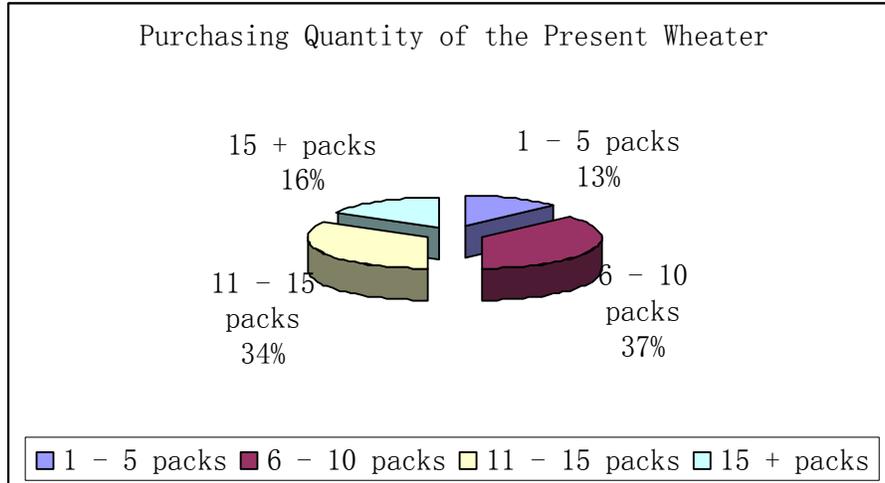


Figure 16 Purchasing Quantity of the “Present Wheater”

The Figure 16 shows that 37% and 34% of the respondents normally buy 6 – 10 packs or 11 - 15 packs of the “Present Wheater”. That means consumers’ purchasing quantity of the “Present Wheater” concentrates on 6 to 15 packs. From our investigation, we also find that some customers bought many packs of the “Present Wheater” because it is not enough for them to have just one pack at a time; they have to eat at least two packs or more to get full, or they have to prepare a family scale to serve all the family members for once. It is obvious to see the current packaging for the “Present Wheater” can not meet those types of consumers’ need. One pack of the “Present Wheater” weighs 150 gram. Therefore, different weights of packaging for different consumers should be considered by the Hualong Group.

Q12 Where do you normally buy the “Present Wheater” flexible noodle?

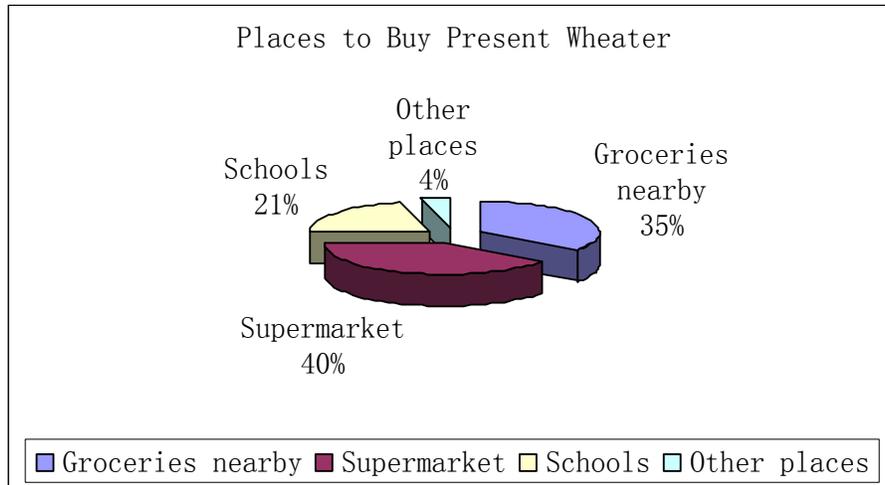


Figure 17 Places to Buy the “Present Wheater”

The Figure 17 above shows that 40% of the respondents buy the “Present Wheater” flexible noodles in the supermarket. As discussed in Chapter 3, nowadays varies of stores and small supermarkets have lost ground to large supermarket, catalogue showrooms and discount stores. There are 35% of the respondents buy it in groceries nearby just because of convenience. 21% of the respondents purchase it in shops of schools and universities, since we discussed before teenagers and youth are considered as the main customers of instant noodles. However, from our research, we also found Supermarket is not the most convenient consumption place. On the contrary, the groceries which are near the community and schools are more convenient than supermarket. There is a tremendous potential market in those groceries. This trend can help the Hualong Group make a more effective channel design which is also discussed in chapter three.

Q13 What would be the most likely to make you buy more “Present Wheater” flexible noodle?

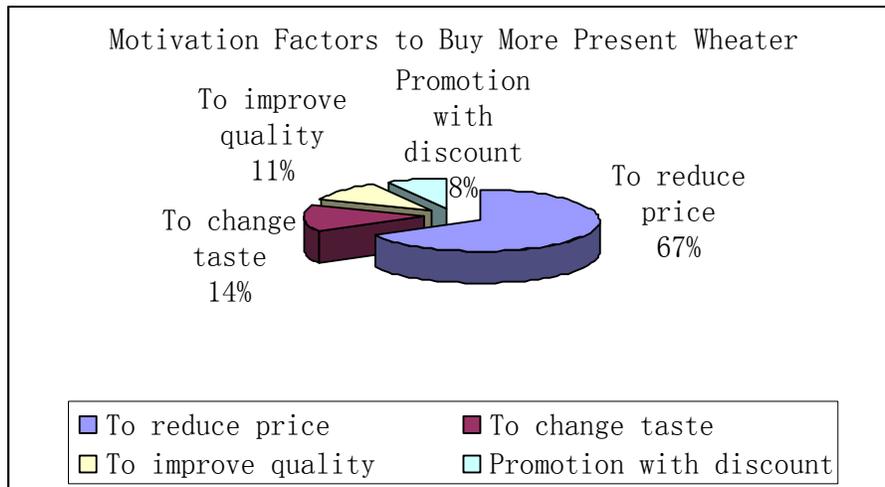


Figure 18 Motivation Factors to Buy More “Present Wheater”

From the Figure 18, it is obvious that most respondents think that to reduce price will encourage them to consume more. The reasons are:

1. Respondents have confidence on the quality of the “Present Wheater” flexible noodles; the taste and quality are not the factors to be motivated.
2. As we discussed the price factor in Chapter 3, the price is what the customer is prepare to pay for the perceived value of a product, from the customers’ point of view, they would like to get the maximum value with minimum cost.
3. From the result of Q5, the “Present Wheater” does not adopt the market penetration pricing model, therefore there are so many respondents who think reducing price is the main factor to motivate them consuming more.

- The Non- Present Wheater customers

Q14 If you have never bought the “Present Wheater” flexible noodles, could you tell us why? Because

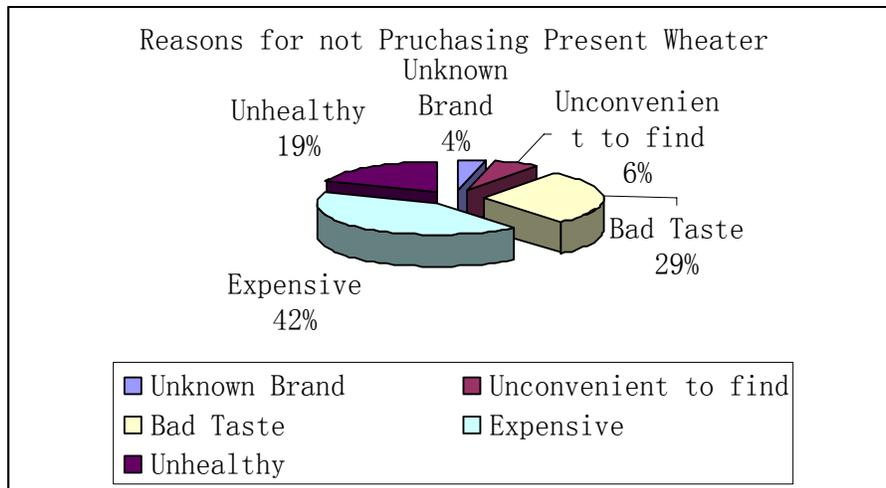


Figure 19 Reasons for not purchasing the “Present Wheater”

Q15 If you have never bought the “Present Wheater” flexible noodles, what would be the most likely to make you buy it?

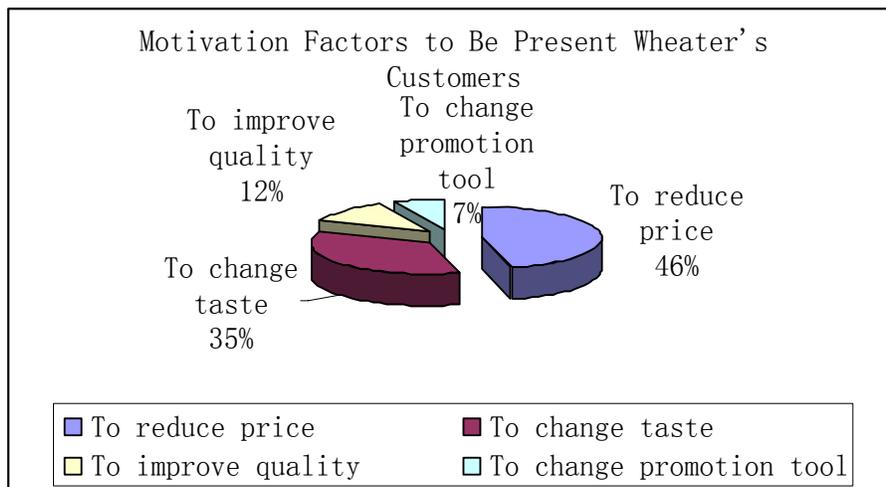


Figure 20 Motivation Factors to Be Present Wheater's Customers

From the two figures, two reasons for not buying the “Present Wheater” flexible noodles are concentrated, one is the price, and the other is the product taste. In this group, 41% of the respondents think it is too expensive and 46% of the respondents believe reducing price can encourage them to consume the “Present Wheater” flexible noodles. 29% think it is not good taste and 33%

respondents consider changing taste as the factor which can motivate them to buy the “Present Wheater” flexible noodles. As we described before, the “Present Wheater” is a relatively new player comparing with the “Chef Kang” and the “Uni-president” in the Chinese urban instant noodle market, varieties of instant noodles are less than the two main competitors. That is why the “Present Wheater” cannot satisfy these respondents who prefer varieties of taste.

The authors think that developing some new products with new taste may help the “Present Wheater” attract more customers. Moreover, the price is another important factor which stops some of the respondents purchasing this product. As a whole, from the responses from Q13 to Q15, reducing price is attractive to both types of respondents. The original reason is also the Present Wheater’s cost-based pricing model as we have discussed in Q5.

5.2. Interview

The interview was held in October, 2005. The interviewee is Mr. Gexin Wang, the general marketing manager of Hualong Group, who is responsible for the “Present Wheater” flexible noodles market in China.

5.2.1. Price

The price of the “Present Wheater” Series noodles are not at a low level because the company pursues a long-term pricing model: the cost-based pricing model. The company prefers to attract customers by products and promotion rather than cutting price. One reason is for the profit, and the other reason is for the customers’ psychology. With the development of Chinese living standard, more Chinese people do not only satisfy with the basic consuming. The products they purchase should satisfy not only for people’s basic need, but also for the feelings of status. Therefore, the price of the product is a useful tool to meet this need. The “Present Wheater” flexible noodle series aim to obtain these customers by a suitable price instead of a low price.

5.2.2. Place

First, Hualong Group has a simple, but integrated pyramid selling system. The head office controls six sub-offices: the north-east office, and north-west office, the north office, the south-west office, the south-east office and the south office. Theses six sub-offices are responsible for the wholesale in that area and each office has several sale offices that are responsible for sales. Although the company owns a large sales team, the costs are not increased by this factor, because the labour cost is very low in China.

Furthermore, Hualong Group has made great effort to establish its marketing networks and carried out the multi-channel marketing strategy which assesses channel opportunities and recommends alternatives to achieve required market coverage at target levels of profitability and growth. It has expended markets by occupying small targets making its marketing networks spread all parts of China.

Its current marketing networks are described as follow:

- The number of first distributors—968
- The number of second distributors—30000
- The number of marketing sites—240000

At present, the current networks of Hualong Group have covered 1918 counties, 308 regions and 30 provinces, cities and autonomous regions in China.

5.2.3. Promotion

Hualong Group invested USD 9.51 millions in promotion for the “Present Wheater” in 2004. Comparing with other competitors; Hualong Group was on the third place. We can see it from the Figure 21:

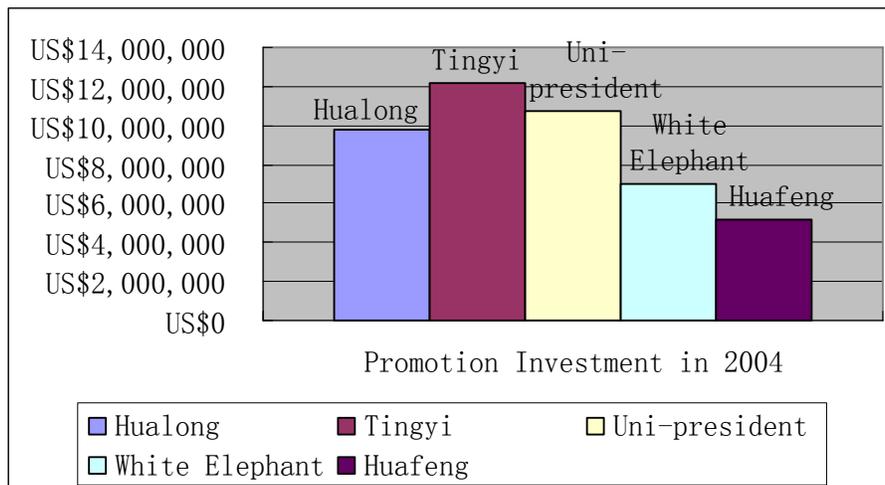


Figure 21 Promotion Investments in 2004 from Hualong Annual Financial Report

Although the promotion investment was lower than Tingyi and Uni-president in 2004, Hualong Group still obtained a good return, since the company utilized a different way from other two main competitors in promotion. Comparing with Tingyi and Uni-president who have mostly invested in several main cities, Hualong promoted the “Present Wheater” in much more cities even in some small cities. The aim is to get the largest cover range of the advertisement in China in order to impress more customers.

In arranging capital of promotion investment, Hualong is different from other competitors. Tingyi and Uni-president invest all types of products on the same position in promotion. On the contrary, Hualong’s promotion investment focuses on two or three main types of instant noodles put the most capital in these products. Therefore, the investment is concentrated though the total amount is less than the competitors.

According to the different flavour of instant noodles and some other reasons (the different living habit between south and north of China etc.) Hualong Group focuses on promoting one new type of instant noodle in each season to cater for the customers' preference.

5.2.4. Product

The company considers the "Present Wheater" flexible noodles as an upgrade of the previous brand in Chinese rural instant noodle market. So the brand is still continuously used for new products although after associated with Nissin, the famous Japanese instant noodle company in 2004. There are at least two reasons:

1. The company considers the quality is one of the most important factors, since it is a basic reason to keep customers in long-term.
2. By doing the market research, Hualong considers teenagers and youth as the first target customer group. In order to satisfied the different customers, all products are divided into two groups by taste according to the different flavour preferences among teenagers and youth. The products are also packed in different packing style so as to attract different target customers. Some cartoon pictures are printed on the packs and also some small toys or cards are put into the packs. The products for the youth are designed fashionable.

5.3. Conclusion and Findings

Based on the results and analysis of questionnaire and interview, some findings are highlighted as follows:

- The "Present Wheater" is one of the most popular brands in the current Chinese instant noodle market.
- The "Present Wheater" flexible noodle series possess a high customer purchasing rate; the purchasing frequency is also high.
- Teenagers and the youth are considered as the target customers of the "Present Wheater".
- Most customers know this brand from mass media advertising especially from the TV advertisement.
- The "Present Wheater" flexible noodle series have a high reputation for the quality.
- Most customers buy the "Present Wheater" flexible noodles in supermarkets and groceries nearby.
- The "Present Wheater" does not follow a low price model.
- Price factor is very obvious in this study; most non-"Present Wheater" customers do not buy it mostly because of the price factor. And both the

“Present Wheeler” customers and the non-“Present Wheeler” customers think that to reduce price will motivate them to consume or even more.

- The promotion ways of the “Present Wheeler” are different from other competitors.
- Hualong group considers the “Present Wheeler” as a bundle of quality, taste, packaging style etc.
- Hualong group has a simple but integrated pyramid selling system for the “Present Wheeler” flexible noodles with a multi-channel marketing strategy which maximizes reach in the retail marketplace.

6. Conclusion and Recommendations

In this chapter we will draw main conclusions. Conclusions will be result of literature reviewed and analyses made. Conclusions will be divided into three parts:

First part will present main conclusions drawn from the study.

Second part will present some useful recommendation from the findings.

In the last part we will talk about some suggestions for the further research areas related to the topic.

6.1. Conclusion

In this research, the authors utilized two methods to investigate so as to obtain the information from both customers and the company. One is the questionnaire survey which aims to get information from the customers to see their cognition, attitude and behaviour on the current instant noodle brands especially on the “Present Wheeler”. Three cities were chosen and 501 respondents took part in the investigation. The other is the interview which was held with the general market manager of Hualong Group in Beijing, China.

After the survey and interview, some main findings have been highlighted as follows:

- As we have discussed in Chapter 3: The American Marketing Association officially defined marketing research as the function that links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problem; to generate, refine, and evaluate marketing actions; to monitor marketing performance; and to improve understanding of the marketing process. Marketing research specifies the information needed to address marketing issues, designs the method for collecting information, manages and implements the data-collection process, analyzes the results, and communicates the findings and their implications[6]. In our

thesis, all of these are well reflected. The result of this marketing research has indeed helped the Hualong Group in three aspects: clarify the market position of the “Present Wheater”, identify its marketing strategy and obtain the consumers’ attitude towards this brand. As the study shows the “Present Wheater” brand has got a great success in this market; the brand is an important reason which should not be neglected. Not only because the name of the “Present Wheater” caters for the main customers preference, but also the high quality of the “Present Wheater” flexible noodle. As we have discussed the success of the “Present Wheater” flexible noodle in Chinese instant noodle market proves that the “Present Wheater” brand has inaugurated a tremendous new category market.

- McCarthy and Perreault have defined the marketing mix as the controllable variables that an organization can co-ordinate to satisfy its target market [26]. The 4Ps of a brand has important influence on its target consumers’ behaviour, at the same time the consumers’ behaviour also reflects the selling effect of the brand. The traditional marketing mix theory is also applicable in the modern marketing research. As the study discussed that the price factor is very obvious in this research. Most customers consider the prices of the “Present Wheater” series are high and to reduce price will motivate them to buy more. For most people who have never bought the “Present Wheater”, the prices are also the key reason for not purchasing. And the taste is another reason for them not purchasing the “Present Wheater”. In addition, the Hualong Group pursued an efficient way in promotion. The promotion investment of the “Present Wheater” is lower than the “Chef Kang” and the “Uni-president”, but the results are similar. Since the company promoted its products in most parts of China instead of several key cities, so the most Chinese people are able to know the “Present Wheater”. Also the company did not “put all eggs in one basket”, different products are emphasized in promotion by reasons like seasons, students’ holidays, etc. Therefore the investment was concentrated though the total amount is less than other competitors.
- In many marketing studies, it is important to consider the influence of cultural and geographical differences since the average level of consumer behavior would differ across different cultures and regions. As we mentioned the Hualong Group considers the “Present Wheater” as a bundle of quality, brand, packing style, taste, etc. Different products suit different target customers by different flavor preference, packing style and so on. It is an effective way to attract target consumers.

6.2. Recommendations

6.2.1. Price

As we have discussed in the previous chapter, most customers consider the price of the “Present Wheeler” flexible noodle series is high, and Hualong Group aims to attract the customers who are not in low living standard. In order to solve this conflict, the authors think Hualong Group should consider adopting the product-bundle pricing strategy we discussed in chapter three for the “Present Wheeler” series packages.

In addition, as a new product, in order to win the competitors and obtain more market share, we suggest Hualong Group can consider adopting the competition-based pricing strategy to low down the price of the “Present Wheeler”. It is a favourable way to meet the customer’s psychology that they are purchasing the high quality product with low price.

6.2.2. Place

Nowadays supermarket has become a very popular place for customers doing their shopping, thus the “Chef Kang” and the “Uni-president” have nearly taken all the vantage places in the supermarkets. However, to the “Present Wheeler” which is a new brand, if follows the same way as they do, it cannot compete with them in any case. From our investigation to the customers’ consuming behaviour, we found that customers buy instant noodles just because of the convenience. The supermarket is popular but not considered as the most convenient place to buy such kind of small products. On the contrary, the groceries which are near the community and schools are more convenient than supermarkets. Customers prefer to buy the daily necessity in those groceries. There is a tremendous potential market in those kinds of groceries. Therefore, the authors suggest the company should consider building up a good “corporate image” which we have discussed in Chapter Three with those groceries so as to create a new selling channel for the “Present Wheeler”.

In sum, the authors think the new selling channel together with the pricing strategy we suggested above will be a powerful and effective weapon to help the Hualong Group bring the fast selling increase.

6.2.3. Promotion

Although the current promotion for the “Present Wheeler” is very successful, the authors think there are still some possibilities to improve the efficiency of the promotion methods.

As we mentioned before the advertisement of the “Present Wheeler” in CCTV has obtained great success. It is a revolutionary reform in the Hualong’s advertising history. Meanwhile, from our research we have also found another important substantial media: City Newspaper. The characteristics of the City Newspaper are: a large amount of information, fast updating speed, various available sources and high readable values. With the development of Chinese newspaper reform, City Newspaper has become an important information channel to the citizens and has been close connected with their everyday life. Therefore, we suggest Hualong Group can advertise not only on CCTV but also

in the City Newspaper. The authors think this combination will help the “Present Wheater” to be known by more people.

In addition, at present, the most popular entertainment TV program that many Chinese people are watching is the Mongolian Cow Sour Yogurt Super Girl Contest 2005 (an American Idol-style TV show whose grand finale of dancing and singing drew 400 million viewers). The program has made an unprecedented popularity not only for the super girls but also for brand image of the sponsor—the Mongolian Cow Sour Yogurt. Nearly everyone in China knows this brand and this milk brand also has created a new selling record for the company. Thus, we suggest Hualong can consider sponsoring some congener entertainment programs in order to make the “Present Wheater” brand well known by more customers.

As we also mentioned before, the name of the “Present Wheater” is to cater the preference of the teenagers and the youth who are the main customers of urban instant noodle market. The name is also a kind reflection of Chinese culture. Therefore, in order to make the “Present Wheater” hold more culture connotation, the authors suggest the Hualong Group can consider inviting the famous calligrapher to write the “Present Wheater” in Chinese character. The authors think this may help the “Present Wheater” be fashioned into higher-class brand compared with its two main competitors.

6.2.4.Product

To a new product, in order to win in the market, possessing the proper marketing tactic is not enough. The product quality should also accord with its marketing tactic. Therefore, combining with the market situation, customers’ responses and brand height, the authors suggest the technique upgrade for the “Present Wheater” in two aspects:

- **Material upgrade:** we suggest the Hualong Group using the best flour so as to exhibit the flexible specialty of the “Present Wheater” and be distinguished from other congener products. As we mentioned in Chapter Two, the Hualong Group has introduced the Japanese product-line into the “Present Wheater”. We think this will help the Hualong Group produce the best flexible noodle with the slap-up flour and advanced product-line.
- **Seasoning upgrade:** as a kind of high-class market product, we suggest the Hualong Group encase some dehydrated vegetable in the seasoning bag.

As we discussed in Chapter Three, product packaging has been called as a fifth P, along with price, product, place, and promotion. It also has been regarded as an important marketing tool to support the product’s position and marketing strategy. Due to the Chinese culture, present packages are welcomed in China. Since when people visit their friends and relatives, they always bring some presents. The present which is not very expensive and in good package is very popular. The company can put the different flavours of instant noodles in the

present package so that the customers can taste the different products. It will motivate them to decide which product is their purchasing aim. To some degree, it also can reduce the cost of promotion, such as free taste promotion activity because customers who have got this gift package have already known the flavour differences.

In addition, from our questionnaire survey, we found that the current packaging for the “Present Wheater” cannot meet some of the customers’ need. Therefore, the company can consider utilizing different sizes of package: small package, normal package and family package. The small package suits for individual teenager, just like a kind of snack to them. The family package suits for the customers who often buy the “Present Wheater” because of its economic scale.

6.3. Implications for Other Congener Domestic Companies

In the Art of War, a Chinese military treatise, Sun Tzu said “If you know yourself as well as your enemy, you will come out of one hundred battles with one hundred victories.” The ancient wisdom for fighting traditional battles also applies equally well to fighting business battles today. Therefore, our research is a valuable data for other congener companies to know more about their “enemy”—Hualong so as to realize deficiency and gain useful experience with a view to have victory in the “battle”.

In detail, the background discussed in chapter 2 show a full aspect of the Chinese instant market as well as the history of the Hualong group. Further more, the interview and the questionnaire analysis provide a clear view of Hualong’s position and its marketing mix strategy in the Chinese urban market. Besides, as presented in conclusion above, several successful factors can be learned from the “Present Wheater” of the Hualong Group. Such as the attractive brand design, high quality of the product, maximum market coverage distribution, effective promotion investment and advertisement.

In addition, the recommendations for Hualong have great significance for other congener companies since they can also make good use of them as an improvement. In a word, congener companies can recognize the reasons for Hualong’s success through the analysis of the “Present Wheater” as well as gain useful resource and experience in order to compete with the international companies.

6.4. Further Study

Since some limitations have been mentioned in Chapter one, a further study is recommended. One of the objectives of this study is to analyze the current situation of the Hualong Group in terms of the “Present Wheater” flexible noodle; however the data which are analyzed in this dissertation are only from three northern cities in the questionnaire survey, it is difficult to reflect the whole Chinese instant noodle market situation. Since Chinese market is very large and people from different parts have different living habits, flavour

preferences, ways of doing things and so on, therefore more information need to be collected in the further study so as to reflect the whole Chinese market.

Further more, it can be seen in chapter 5 that 29% respondents think it is not good taste and 33% of them consider changing taste as the factor which can motivate them to buy the “Present Wheater” flexible noodles. As we described before, the “Present Wheater” is a relatively new player comparing with the “Chef Kang” and the “Uni-president” in the Chinese urban instant noodle market, the varieties of instant noodles are less than the two main competitors. That is why the “Present Wheater” cannot satisfy these respondents who prefer diversity of taste. Obviously, making a further research and investigate what tastes of instant noodle are popular and accepted widely need to be accomplished, this is such a significant work that can help the “Present Wheater” brand attract more customers.

Besides, the authors were not able to get more information about the competitors, so the data about analysis of competitors and the whole market are not enough.

Last but not the least, the results obtained from the limited desk research and primary data analysis, it cannot be classified as the complete representative of all customers.

As a whole, in order to obtain more information about this topic, a deeper survey is required so as to carry out the further research, such as Porter’s Five Forces Model and a SWOT analysis.

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8. Appendix I – The Cover Letter

Dear Customers,

We are students from Blekinge Institute of Technology, Sweden. We are doing the market research of Present Wheater flexible noodle with Hualong Food Group for our master dissertation. We will sincerely appreciate if you could spend a few minutes answering the questionnaire. Your answer will be very important and helpful for our research. All questions have been designed to ensure both anonymity and confidentiality, so please complete the questionnaire honestly.

Thank you very much again for your cooperation

Yours faithfully,

Yanni Shizhou

Shishang Gu

9. Appendix II – Questionnaire

1. Could you please tell us which brand do you think is the most popular in the current Chinese instant noodle market?

- Chef Kang
- Uni-president
- Present Wheater
- Others (please state)

2. Which brand do you often buy?

- Chef Kang
- Uni-president
- Present Wheater
- Others (please state) _

3. Could you please tell us who the main customer of instant noodle is?

- Teenagers
- Youth
- Middle- aged people
- Old people

4. Do you agree that the “Present Wheater” is also a leading brand in instant noodle market?

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

5. Do you agree that the “Present Wheater” flexible noodle is expensive?

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

6. How do you know the “Present Wheater” flexible noodle? From:

- TV ads
- Radio ads
- Magazine/newspaper
- Promotion activity
- Recommendation from others
- Other sources (please state) _____

7. Have you ever bought the “President Wheater” flexible noodle?

- Yes
- No (if not, please go to Q14 and Q15)

8. Why do you buy the “President Wheater” flexible noodle?

- It is good price.
- It is good quality.
- It is diverse.
- Other reasons (please state)

9. When was the last time you bought the “Present Wheater” flexible noodle?

- Within one week
- Within two weeks
- Within one month
- More than one month

10. How often do you buy the “Present Wheater” flexible noodle?

- More than once a week
- More than once 2 weeks
- More than once 3 weeks
- More than once a month

11. How many packs of the “Present Wheater” do you normally buy?

- 1 – 5 packs
- 6 – 10 packs
- 11 – 15 packs
- 15+ packs

12. Where do you normally buy the “Present Wheater” flexible noodle?

- Groceries nearby
- Supermarket
- Schools/Universities
- Other places (please state) _____

13. What would be the most likely to make you buy more the “Present Wheater” flexible noodle?

- To reduce price
- To change taste
- To improve quality
- Promotion with discount or with extra gifts
- Others (please state) _

14. If you have never bought the “Present Wheater” flexible noodle, could you tell us why? Because

- I don't know it
- It is not convenient to find.
- It is not good taste.

- It is too expensive.
- It is not healthy.
- Other reasons (please state) _

15.If you have never bought the “Present Wheater” flexible noodle, what would be the most likely to make you buy it?

- To reduce price
- To change taste
- To change promotion tool
- To improve quality and develop healthy series
- Others (please state) _

Reminding Note

Hualong Group:

The Present Wheater flexible noodle series

Good Family series

Tingyi Company:

Chef Kang

Hao Jingdao

Mianba 120

Uni-president (Tongyi):

Uni-president

Qiao Mianguan

Xin Lamian

10. Appendix III – Interview Questions

1. Could you please make a brief introduction about the Chinese current instant noodle market?
2. How do you think of the situation of the “Present Wheater” flexible noodle in the current market?
3. Could you please introduce the developing history of Hualong Food Group?
4. Who are the main competitors to the “Present Wheater”?
5. How do you think of your competitors?
6. Could you please introduce the products of the “Present Wheater” series in terms of brand, target group, packing style etc?
7. How does Hualong Food Group think of the price of the “Present wheater”?
8. Could you please tell us some related promotion activities for the “Present Wheater”?
9. Just now you mentioned that the promotion way for the “Present Wheater” is different from other companies, so could you please tell us more details about the difference?
10. How about the distribution channel of the “Present Wheater” flexible noodle?
11. As you mentioned, the company adopts the multi-channel marketing strategy, could you please talk about it in details, such as the structure, the advantages and disadvantages, how to build it and so on?
12. To be the general marketing manager of Hualong Food Group, are you satisfied with the current situation of the “Present Wheater” brand series in the Chinese instant noodle market? Why?
13. Could you please tell us something about the future plan for the “Present Wheater”?