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Development Countermeasure of Huhong Machine Tool Based on Marketing Management Theory in Changzhou Market

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Abstract: In the post industrial era, machine tool products have determined technological level of manufacturing industry for high-end equipments. Research Method: Hand out questionnaire in Changzhou market and take empirical analysis on customer constitute and customer procurement process in Changzhou target market. Indication of Research Results: Private customers share nearly 90% market and new customers for 64%. New customers obtain product information via recommendation of regular customers and quality performance is the first factor taken into consideration when the customers purchase machine tools. Aim to investigation and analysis results, marketing mix strategy of Huhong machine tool in Changzhou market has been brought forward and mainly includes channel strategy, promotion strategy and Customer Relationship Management (CRM) strategy.

Key words: Machine tool products, marketing management, countermeasure

INTRODUCTION

Machine tool is a basic production tool of equipment manufacturing industry. Although product of machine tool industry shares less than 1% GDP, its make more contribution to domestic economy as an important supporting industry that cannot give up easily in economic development strategy. Development level of machine tool industry directly determines technological level of equipment manufacturing industry of a country and accordingly influences the national industrial competitiveness and overall national strength.

Chinese scholars have taken systematic researches on machine tool products. Qingdong *et al.* (2007) brought forward a new design method of complex machine tool product innovation by starting from functional analysis of machine tools, establishing morphology matrix and solve it, setting restriction for design and combining fuzzy evaluation and compound variant structure design. Huang Zhongming *et al.* (2008) introduced three points for machine tool product innovation: Master state-of-the-art development technology to develop top new products as soon as possible; use exquisite and deliberate production technology to create perfect-quality and price-competitive products; and establish global fast sales and considerate service network. Wei *et al.* (2008) proposed that the leading enterprises for processing in international market adopt asymmetric technical counterwork strategy in competition and seek for their

own core value with differentiation creation and protection. Ren (2010) proposed that machine tool enterprises possess competitive advantages in differentiation value-added activities and their differentiation strategy attraction surpasses cost leadership strategy; differentiation strategy of machine tool enterprises can be established in four aspects: product differentiation, image differentiation, market differentiation and service differentiation. Shu *et al.* (2011) thought that product innovation is to meet demands for development of machine tool products but bring profits for other industries directly and indirectly; secondly, efficiency improvement resulted from machine tool products innovation can also benefit all enterprise users. As to brand marketing of machine tool industry, Wu (2009) advocated that marketing of machine tools shall create domestic brand based on domestic market; machine tool enterprises ought to adopt brand marketing and establish the idea of taking brand sales as long term strategic target. Ge Junfeng proposed detailed strategy for brand development of machine tool enterprises from three aspects involving establishment, maintenance and extension of machine tool brand based on brand operation theory, transaction cost theory, customer behavior theory, core competence theory and industrial organization theory. As to competition strategy of machine tool industry, Yonghua (2006) considered machine tool products adopting mature technology as the main products of production and sales, meanwhile,

abandoned the lagging machine tool products that consume too many resources according to 4Ps theory of marketing. Liwei (2010) analyzed value-added activities and strategic match of value chain and then proposed the idea that machine tool enterprises is at a advantageous position in differentiation value-added activities; He also proposed to use quantitative strategic plan matrix in strategic evaluation and make differentiation strategic attraction of machine tool enterprises surpass cost leadership strategy.

Chinese machine tool industry developed rapidly and completed 660.65 billion yuan gross industrial output value, increased by 32.1% year-on-year; realized 642.49 billion yuan sales income, increased by 31.1% year-on-year; 8.5 billion dollar, increased by 30% year-on-year; and 39 billion yuan profit, increased by 30.6% year-on-year. The pillar industries are agricultural machine manufacturing industry, power transmission and transformation equipment manufacturing industry, auto and the parts manufacturing industry in Changzhou city, all of them have more demands for market of machine tool equipments, meanwhile, sales competition of machine tool has become furious in Changzhou market. Nantong Huhong Machine Tool Co., Ltd. is engaged in production of "Huhong" brand series of sharing machine, bending machine, rolling machine and production line for decoiling, leveling and cutting. The series of products are of compact structure, high preciseness, easy operation, stable performance, reliable and safe operation and can be widely applied in the industries for machines, planes, autos, electronic devices, ships, vessels, instruments, package, stainless steel products and fitness.

This thesis is guided by marketing management theory, takes machine tool market in Changzhou, China for instance and proposes marketing development strategy of Huhong Machine Tool Co., Ltd.

CUSTOMERS IN TARGET MARKET CONSIST OF EMPIRICAL ANALYSIS

Unit customers and private customers: Customers of Huhong Machine Tool Co., Ltd. can be divided into unit customers and private customers according to customer membership.

Machine tool is very expensive, so customers investing machine tool in Changzhou are almost unit customers who have plenty of capitals. Regional economy is very developed in Changzhou, with development of market economy and increasing infrastructures construction, there are more and more private customers investing machine tool year by year and the private customers have become the main consumer group of

machine tool products. As a matter of fact, Huhong machine tools are mainly sold to private enterprises or private users in Changzhou market, private customers share nearly 90% market, referring to Table 1:

Procurement characteristics of unit customers: Firstly, the procurement is specialized. The customers are familiar with the products that they are going to purchase and can make rational evaluation for technical properties and quality of the products. Due to the purchasing amount is huge, they always make collective decision together with a great many participators including using unit of machine tool, technical expert, purchasing personnel and leaders.

Secondly, the procurement is systematic. As to unit customers, machine tool is not the most important among the processing equipments, instead, it play a small part in the equipments that they want to purchase. When the customers purchases processing equipment, they trend to purchase various equipments at a time so as to reduce procurement cost and make after-sales service available.

Thirdly, suppliers have close relationship with demanders. The procurement period of the product last a long time including before-sales, during-sales and after-sales, both of them are willing to establish and maintain a long-term stable cooperation relationship and they have lots of chances to exchange ideas, like communication before sales, after-sales service, technical consultation, customer training and product press conference, etc.

Fourthly, they are not price-oriented. Middle and large-size state-owned units have plenty of capitals and special capitals for procurement of the equipments, so they mainly focus on efficiency, reliability and after-sales service of the machine when they purchase machine tools. Fifthly, they are not strict with after-sales service. Comparatively speaking, operators from middle and large-size state-owned units have advanced technological level so that they can operate and maintain the machine according to use standard and accordingly make the machine work well.

Furthermore, these customers generally have their own team for maintaining and repairing the equipments, so they can remove the small defaults. They are not strict for after-sales service of Huhong machine tools in Changzhou Market, but they hope to get immediate high-quality service once they have any demand for after-sales service.

Procurement characteristics of private customers: Firstly, procurement is followed others. Small private users cannot distinguish the good brand machine tool from the bad brand machine tool, so they generally decide the brand and the type of the machine tool according to

Table 1: Customer Type of Huhong Machine Tools in Changzhou Market

User Type	User Prop. in 2008 (%)	User Prop. in 2009 (%)	User Prop. in 2010 (%)	User Prop. in 2011 (%)
Unit User	44	31	10	7
Private User	56	69	90	93

their own or their friends' experience or referring to procurement of large customers.

Secondly, procurement is only for single piece. Small private customers generally purchase dull type of machine tools, so they do not purchase several machine tool equipments; instead, they only purchase the machine tool or only several equipments including machine tool.

Thirdly, they are price-oriented. Small private customers need machine tool equipments urgently for processing of their workshops but hard to raise enough capitals, so they are sensitive to price of the machine tool. Fourthly, they are strict with after-sales service. Workshop processing of small private customers mainly relies on the machine tool, so they are strict with reliability of the machine tool. Due to weak maintenance and repairing capacity, small private customers hope to get immediate high-quality service and suggestion for maintenance and repair of the machine tool equipments once the machine tool breaks down.

New customers and regular customers: The regular customers refer to the customers who purchase Huhong machine tool products for three years at least; and new customers refer to the customers who purchase Huhong machine tool products within three years in Changzhou market. The classification of the customers can make efficient distribution of energy, materials and money of the company, the company contact with the regular customers regularly so as to earn more trust and potential demands. Regular customers share 36% and new customers share 64% according to customer list of Huhong machine tools in Changzhou market.

Large, medium and small customers: Customers of machine tool products can be classified into three types, namely, large customers, medium customers and small customers based on standard of Huhong machine tool equipment number possessed by customers in Changzhou market. Large customers refer to the customers possessing 10 or more equipments; medium customers refer to the customers possessing 3-10 equipments; and small customers refer to the customer possessing 3 equipments at most. The company can make different sales policy and market policy in terms of different customers that classified into large, medium and small customers.

Key customers and secondary customers: According to Pareto principle, 80% sales income of the company comes

from 20% customers and so does 80% company profit. It is of important management value that the customers of the company are divided into key customers and secondary customers. Key customers refer to the customers who have significant strategic meaning for survival and development of the enterprise. (Michael, 2005). As to unit customers in Changzhou, it is very important to classify key customers and secondary customers. The company shall know the customers clearly that the company shall stress on and try to keep and the other customers that the company can consider later. Combining the real situation, the company shall establish special department and special personnel to manage the key customers. For instance, Huhong Machine Tool Co., Ltd. can take large-size state-owned forging enterprises of Changzhou as the key customers and the others are secondary customers, with the key customers are charged by special personnel even a team.

PROCUREMENT PROCEDURE ANALYSIS OF CUSTOMERS IN TARGET MARKET

Product information source of customers: Table 2 refers to statistical result of product information source of customers in Changzhou market according to 50 effective investigation questionnaires distributed by Changzhou sales department of Huhong Machine Tool Co., Ltd.

According to Table 2, Changzhou customers mainly obtain product information from recommendation of regular customers. As to expensive machine tool, the reputation is significant in the industry. Reputation is generated in the process of long term application as representation of users' satisfaction, besides interior performance and quality, good and timely service is also the important method to make users satisfied as well as the method to obtain royal and good reputation.

Factors considered for product procurement of the customers: Chinese machine tool users mostly selected the products as per price in the past. Especially for the brand made in China, the users thought the products are similar just for different brand names, so they consider low-price products as good products. However, with development of Chinese machine tool industry in recent years, more and more users pay more attention to quality performance and after-sales service of machine tools; in fact, brand determines both of the two factors. 50 customers selected quality performance as the first factor considered for procurement of machine tool

Table 2: Statistics of Product Information Source of Changzhou Customers

Cont-ent	Network Advertising	Machine tool expo	Recommendation of customers
Qty.	9	5	36
Prop.	18%	10%	72%

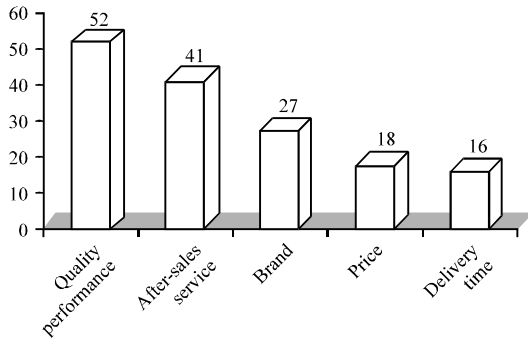


Fig. 1: Influencing factors for product procurement of huhong machine tool customers in changzhou market

products in 50 investigation questionnaires, followed by after-sales service, brand and price. Figure 1 refers to main factors considered by Changzhou customers while selecting machine tools.

MARKETING COUNTERMEASURE OF HUHONG MACHINE TOOL CO., LTD. IN CHANGZHOU MARKET

Marketing mix strategy is to send the proper products to the specific destination at a reasonable price of promotion in a marketing mix starting from constituting product strategy at the same time of making price, sales channel and promotion strategy.

Channel strategy: Channel optimization of Changzhou market shall take the principle of contacting customers, convenient procurement of customers and rapid maintenance. The following strategies can be adopted for channel optimization:

- Accelerate information transmission and collection, including collection of sales information in end market, channel logistics and feedback on inventory information
- Optimize logistics by establishing long term cooperation with special logistics companies
- Guarantee establishment of promotion policy in end market, including earmarking promotion fee for its specified purpose only as well as the complete establishment of promotion activities

- Expand marketing team. Huhong Salesmen in Changzhou market are less than that of competitors so more salesmen shall be enrolled to solve the shortage for Changzhou market
- Develop proper secondary agents. In order to avoid channel conflict, secondary agents shall be located in the place where the enterprise set no other agent. Generally speaking, secondary agents have their own customers and can make financing from their own channel. Sales Department of Huhong Machine Tool Co., Ltd. (Changzhou) is unwilling to sell their products through intermediary, but without intermediary, their sales may be decreased and so does market share, so Huhong Machine Tool Co., Ltd. shall make good use of intermediaries so as to improve sales amount and market shares. There are various evaluation indicators while selecting the intermediaries, mainly including: credit rating of the intermediary; experience period; payment capacity; cooperation attitude and enthusiasm; promotion capacity and method; former marketing accomplishment and scale; do the intermediary have the experience of distributing the similar machine tool products or not do the intermediary have the reasonable sales network, is the network accordance with distribution characteristics of the purchasers The evaluation of the above indicators helps in selecting proper secondary agent in Changzhou market.

Promotion strategy: Promotion is also called as promotion of sales, indicating marketing activities to offer value added or stimulating immediate growth of sales for sales team, distributors or end consumers. (Kotler and Keller, 2006). It stimulates the customers to purchase the specified products or service in bulk immediately through the short or long term activities including advertising, personnel sales and public relation. As an important part of marketing activities of the company, promotion is an effective platform for information communication between enterprises and users. Promotion measures mainly include:

- Advertizing. Advertising is mainly for announcement, especially plays a role of the important announcement method in promotion activities as advanced promotion measure. For

example, paper advertising can be used for immediate promotion while outside advertising for market promotion including the cheap banner advertising in the company and the construction site

- Product exhibition and technical exchange conference in Changzhou. The exhibition combined with commercial promotion is the most important promotion method which can promote procurement decision making of the customers. Moreover, season of sales is generally in March, April and May every year, so customers exchange conference shall be held in advance to communicate with customers and make them think of Huhong products and Huhong Machine Tool Co., Ltd. at the first time of any demand for the machine tool
- Electronic media. Promotion data of the company shall be noted to the customers in time via electronic and communication network as well as message platform according to customer list, or via promotion report at company website
- Promotion data and gifts. Customize small gifts like desk calendar, model and key chain, send them to the target customers at customers exchange conference, or email to the target customer group periodically together with product promotion data, so as to influence the consciousness of brand of the customers

Customer relationship management: According to investigation on research results for 13 years by the independent institution of U.S.A. - information systems marketing (ISM), annual sales amount has been increased by 10% per sales representative at least and market marketing fee and management fee reduced by 5% as well as rate of successful sales increased by 5%, business value added by 1% marginal profit, customer satisfaction rate increased by 5% at least within the first three years after establishing CRM system. Therefore, it is necessary to strengthen CRM, with main measures as follows:

- Establish VIP system. Firstly, each royal customer, who paid at due time and always purchased Huhong machine tool in the past, can get 1,000 yuan discount for each machine tool and the preferential price of parts and the best service. Secondly, VIP degree or credit is classified differently with preferential solution in terms of part discount, payment method and price of purchasing machine tool according to the quantity of the machine tool and the part at the first half year and service consumption situation

- Standardized customer visit system. As for regular customers, company employees shall return their visit timely according to different situation of the customers so as to retain the customers and keep cooperation relationship with them; maintenance staff shall be responsible for usage situation, periodic maintenance, preventive maintenance and check of the machine tool and part and service staff responsible for caring customers, reporting part promotion information and offering solution for equipment usage and overhaul of the customers
- Seek new customers positively. Firstly, find the potential customers from recommendation of the regular customers. Secondly, find the potential customers from specific investment regions and industries involved in the new emerging investment plan. Thirdly, constitute commercial enterprise contents from data of General Chamber of Commerce that marketing department fails to find, investigate, evaluate and establish communication and cooperation with the marginal customers

CONCLUSION

Machine tool market is complex and changeable during financial crisis. (Yu and Lo, 2009) Analysis on customers in Changzhou target market of Huhong machine tools is good for distinguishing unit customers and private customers, new customers and regular customers, large, medium and small customers, as well as key customers and secondary customers. Furthermore, analysis on procurement process of customers in Changzhou target market of Huhong machine tools is good for obtaining product information source and factors considered by customers so as to make marketing mix strategy of Huhong machine tools in Changzhou market.

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