

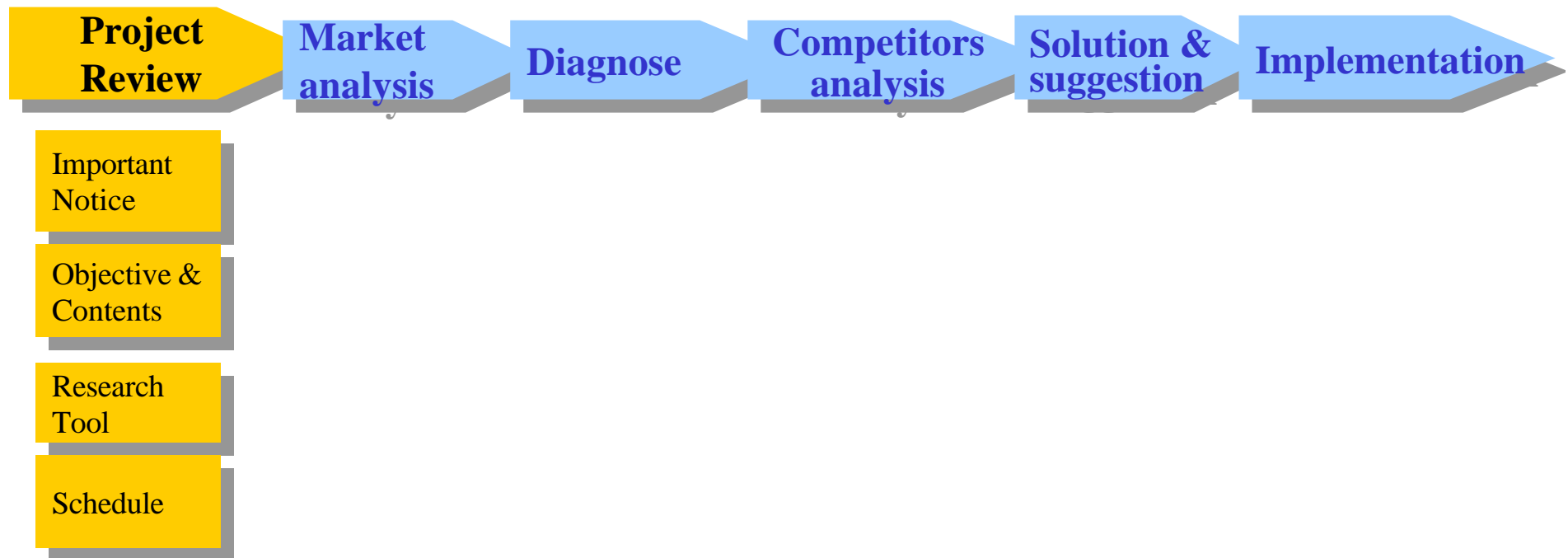
**Strictly  
Confidential**

**THE FINAL PRESENTATION TO  
BOARD MEMBERS OF RONG SHI DA ON  
MARKETING STRATEGY CONSULTING**

**(BOARD MEMBERS SUMMARY)**

**OCTOBER 12,1999 HEFEI  
SINOTRUST MANAGEMENT CONSULTING**

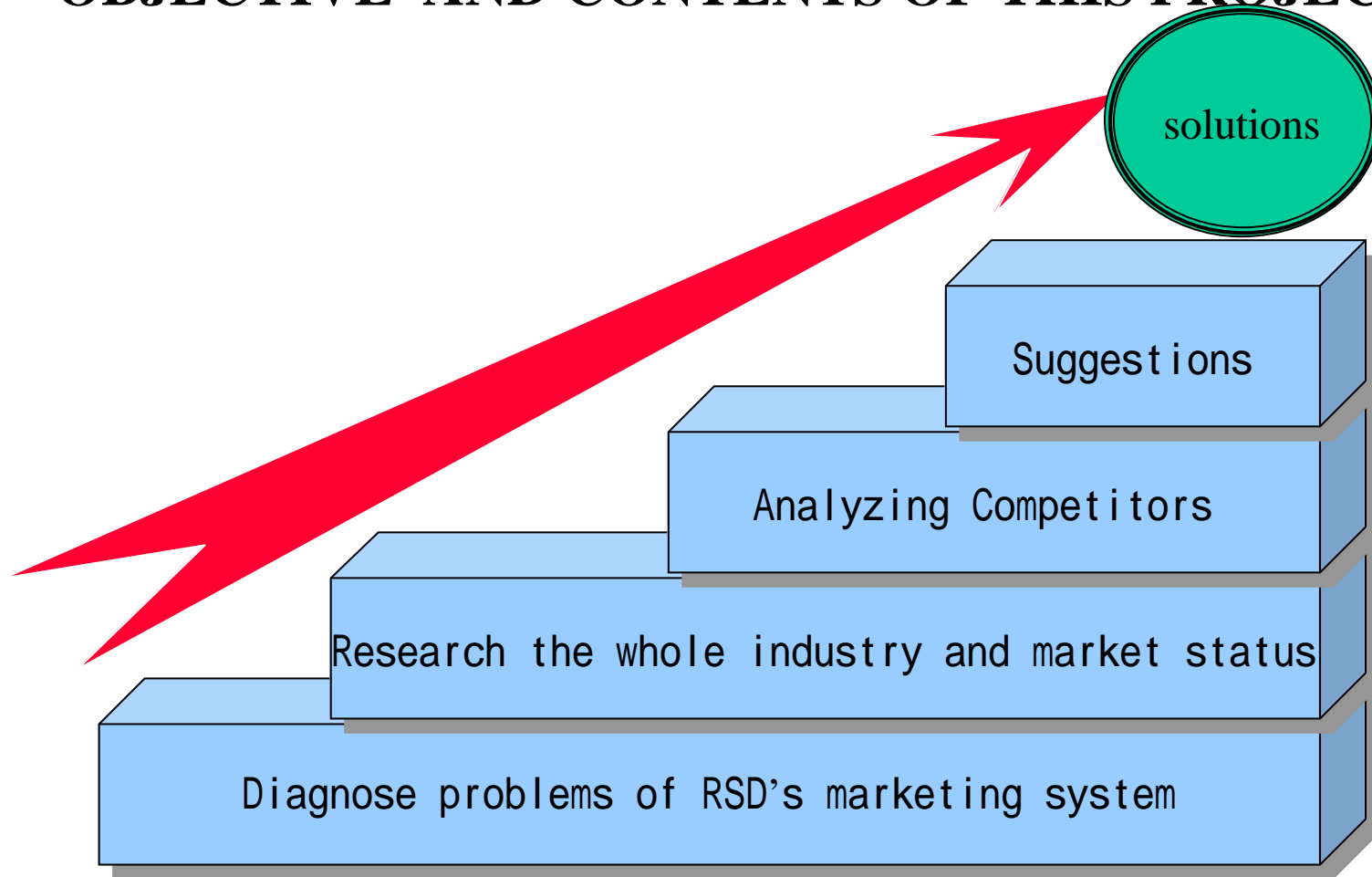
# TODAY'S AGENDA



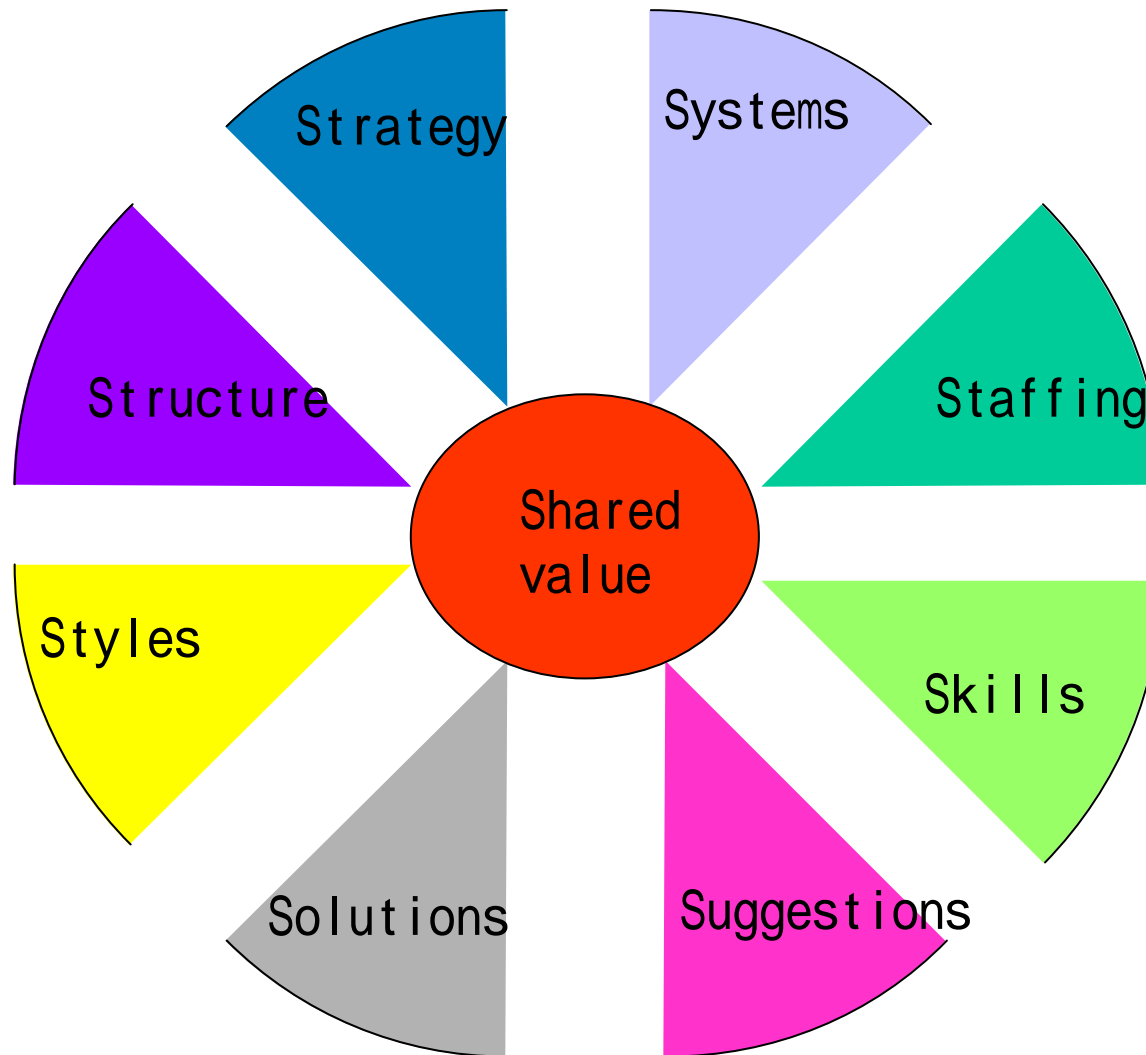
## **IMPORTANT NOTICE**

- 1 The monetary unit refers to RMB unless special notice.**
- 2 The first market refers to 35 major provincial capital cities**  
**The secondary market refers to towns or city market.**  
**The tertiary market refers to village market.**
- 3 The report focused on washer and refrigerator.**

# OBJECTIVE AND CONTENTS OF THIS PROJECT



# RESEARCH TOOL 1: 9S MODEL



# RESEARCH TOOL 2: PQM MODEL

		worst			best	
		E	D	C	B	A
Most important	5	P2				
	4	P3				
	3				P1	
	2				P4	
Least important		1				

**UP TO NOW SINOTRUST'S CONSULTANTS HAVE  
FINISHED 507 INTERVIEWS ,LISTED AS  
FOLLOWING**

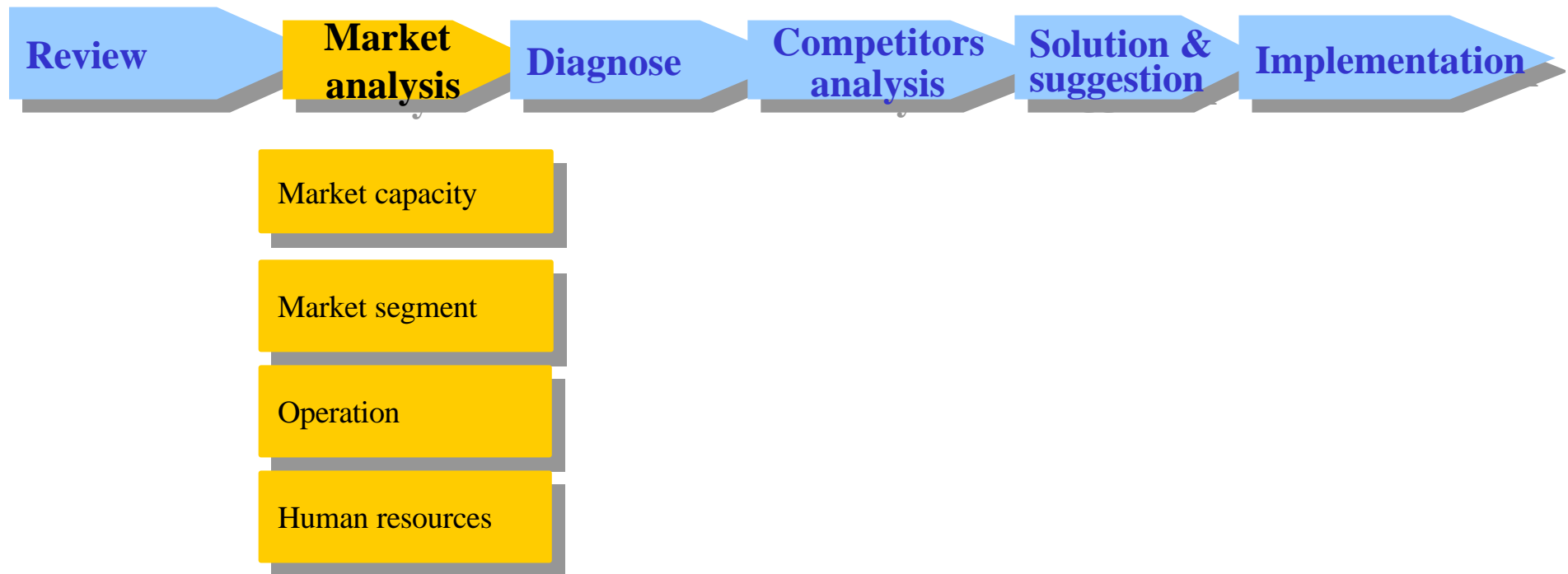
	Sales company	competitors	Sales channel	Sub-total
Upper manager	5	6	24	35
middle manager	36	32	45	113
Lower staff	176	162	21	359
total	217	200	90	<u>507</u>

Contents	WEEK 1		WEEK 2	WEEK 3	WEEK 4	WEEK 5	WEEK 6	WEEK 7	WEEK 8	WEEK 9	WEEK 10	WEEK 11	WEEK 12	WEEK 13	WEEK 14	WEEK 15
	7-Jul	8-Jul					11-Aug				12-Sep					15-Oct
kick-off meeting																
drafting workplan																
RSD internal diagnose																
collecting second information																
planning interview																
sorting interviewee																
interviewing upper level officer																
interviewing regional manager																
interviewing branch manager																
interviewing salesman																
visiting branch																
first report writing																
first report presentation																
diagnosing problem																
studying RSD's competitors																
Haier																
little Swan																
Meiling																
Kelong																
Xinfei																
TCL																
Siemens																
Second report writing																
Second report presentation																
Anayzing market and competitors																
tentative solution																
drafting handbooks																
marketing handbook																
sales handbook																
After sales service handbook																
human resources handbook																
third report presentation																
adjusting solutions																

SINOTRUST

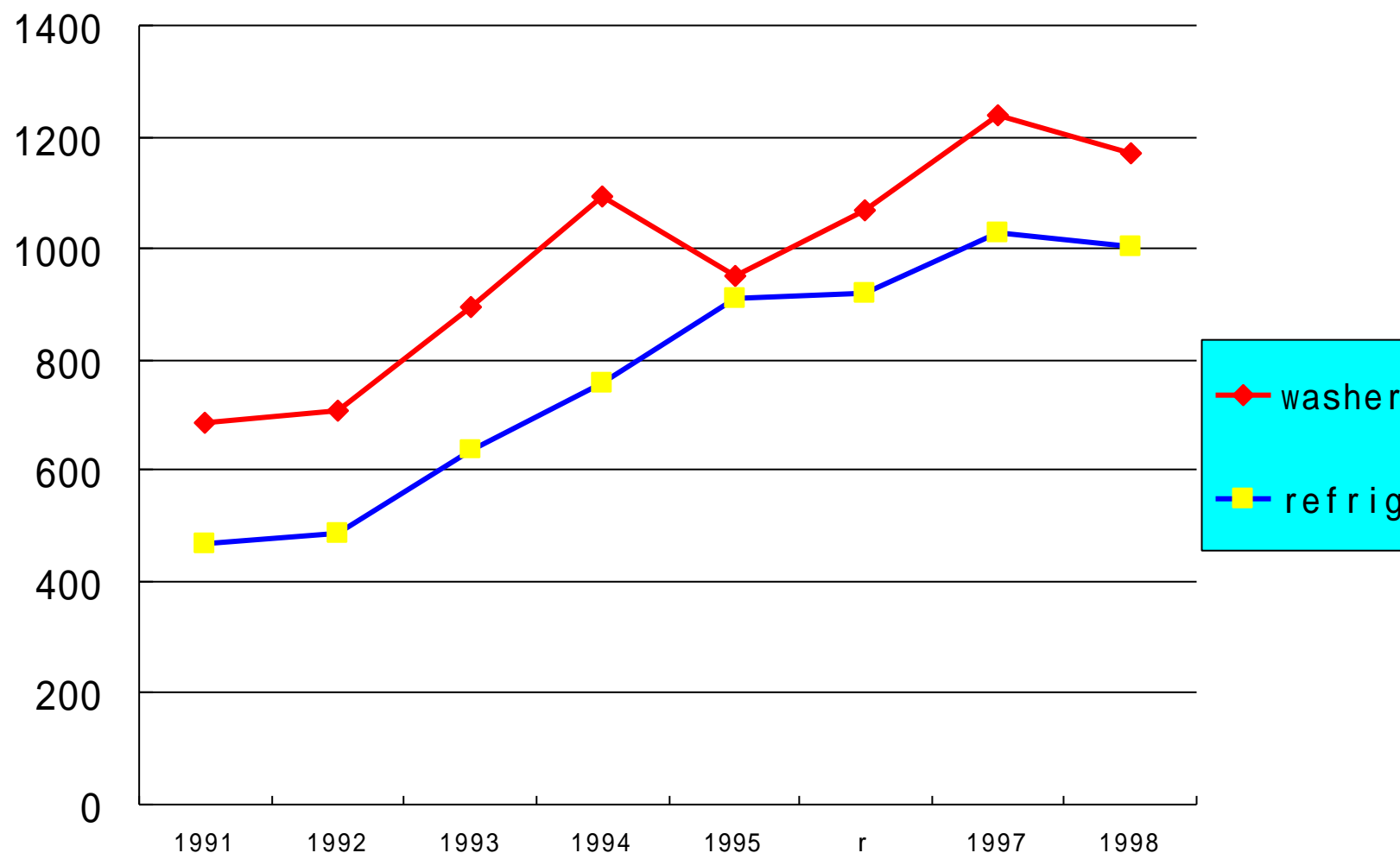


# TODAY'S AGENDA



# IN 1998, THE TOTAL OUTPUT BEGAN DECLINING, WHICH MEANS THE WHOLE MARKET CAPACITY ALSO DID SO

Unit: 10,000

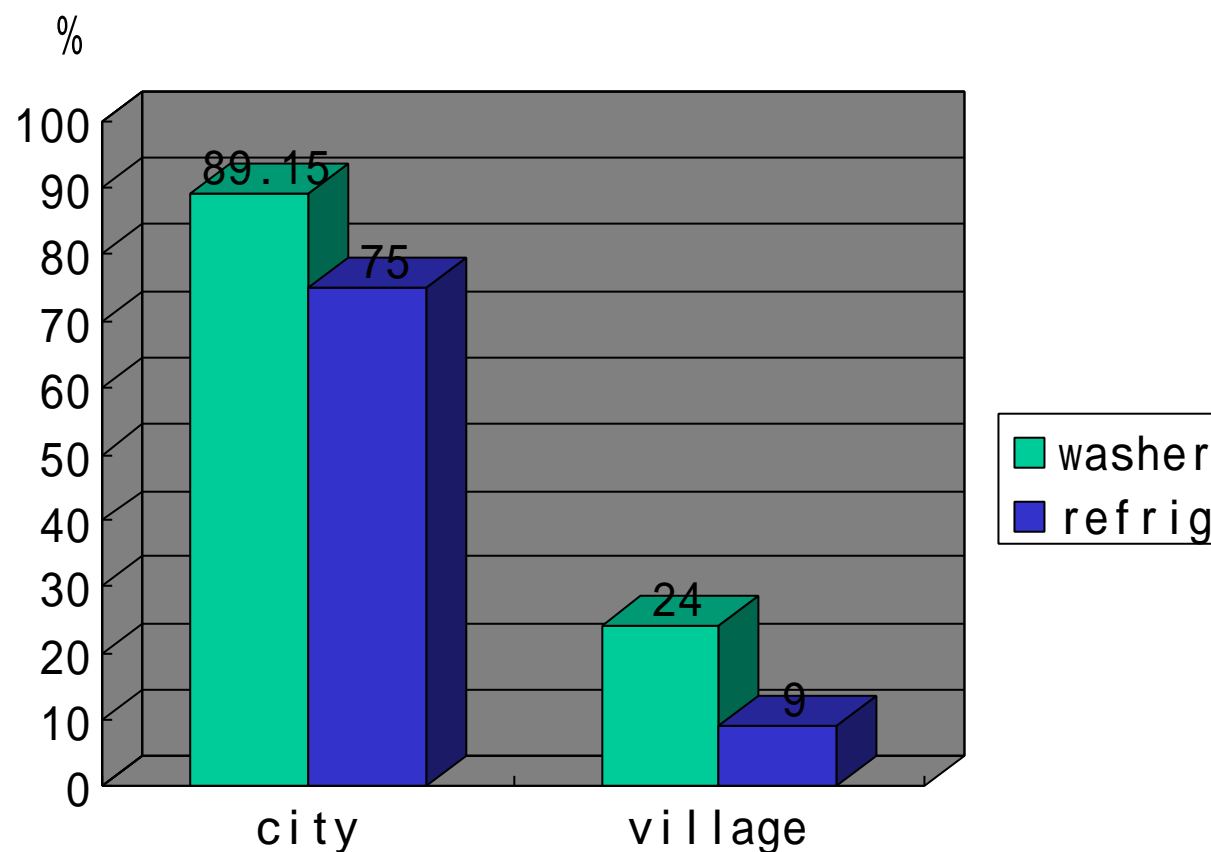


# THE MAJOR REASON WAS THAT: SUPPLY EXCEEDED DEMAND IN THE MAJOR CITY MARKETS

city market	introduction	growing	mature	decline
Increasing rate	low	high	<u>average</u>	low
Sales income	little	<u>increasing</u>	climax	declining
Unit cost	high	average	<u>low</u>	low
Product line	short	long	<u>diversified</u>	long
Average profit margin	low	increasing	high	<u>declining</u>
competitors	few	More and more	<u>many</u>	few
Pricing	Cost + profit	Penetrating pricing	<u>Competing price</u>	Cutting price
Access obstacles	technology	competitors	competitors	<u>overproduction</u>
Ads	Inform and guide	Understand and accept	<u>Brand image and segment</u>	remind

# **HOWEVER: DURING CITY AND VILLAGE MARKET ,THERE IS STILL MUCH SPARE ROOM FOR DEVELOPING REFRIGERATORS AND WASHERS**

The possessive rate of 1998 in china family

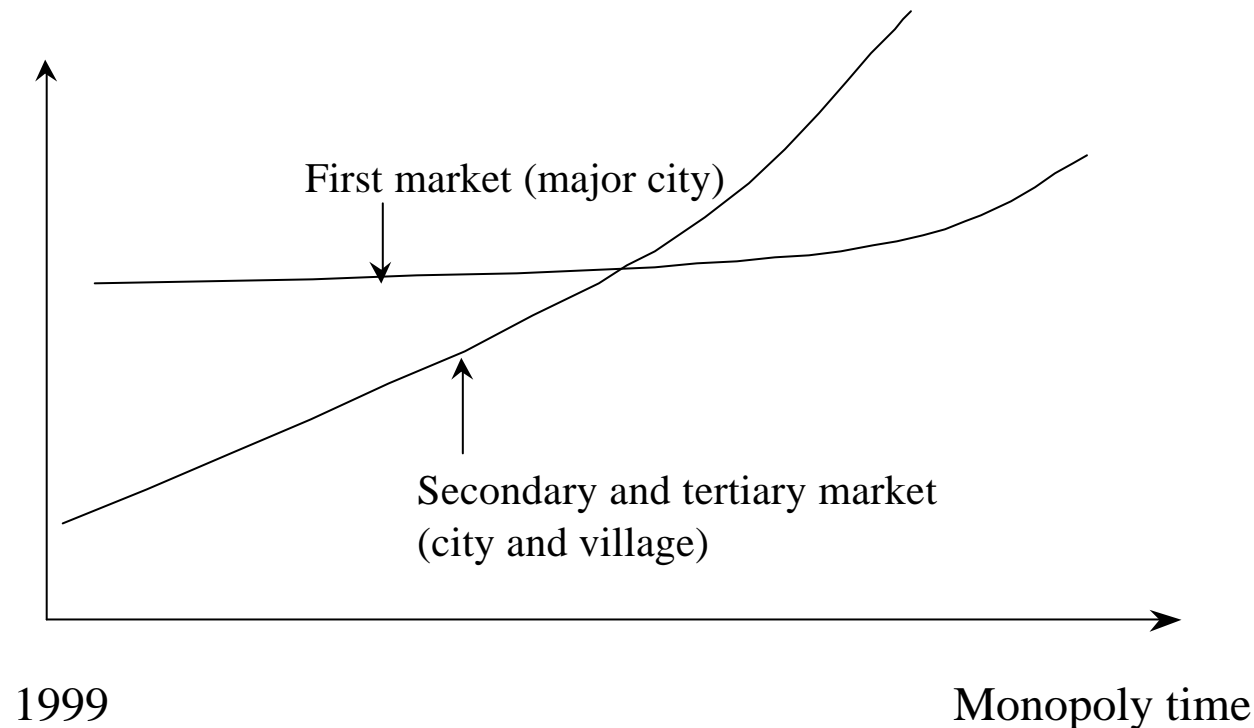


# THE MAJOR REASON WAS THAT: SUPPLY EXCEEDED NEED

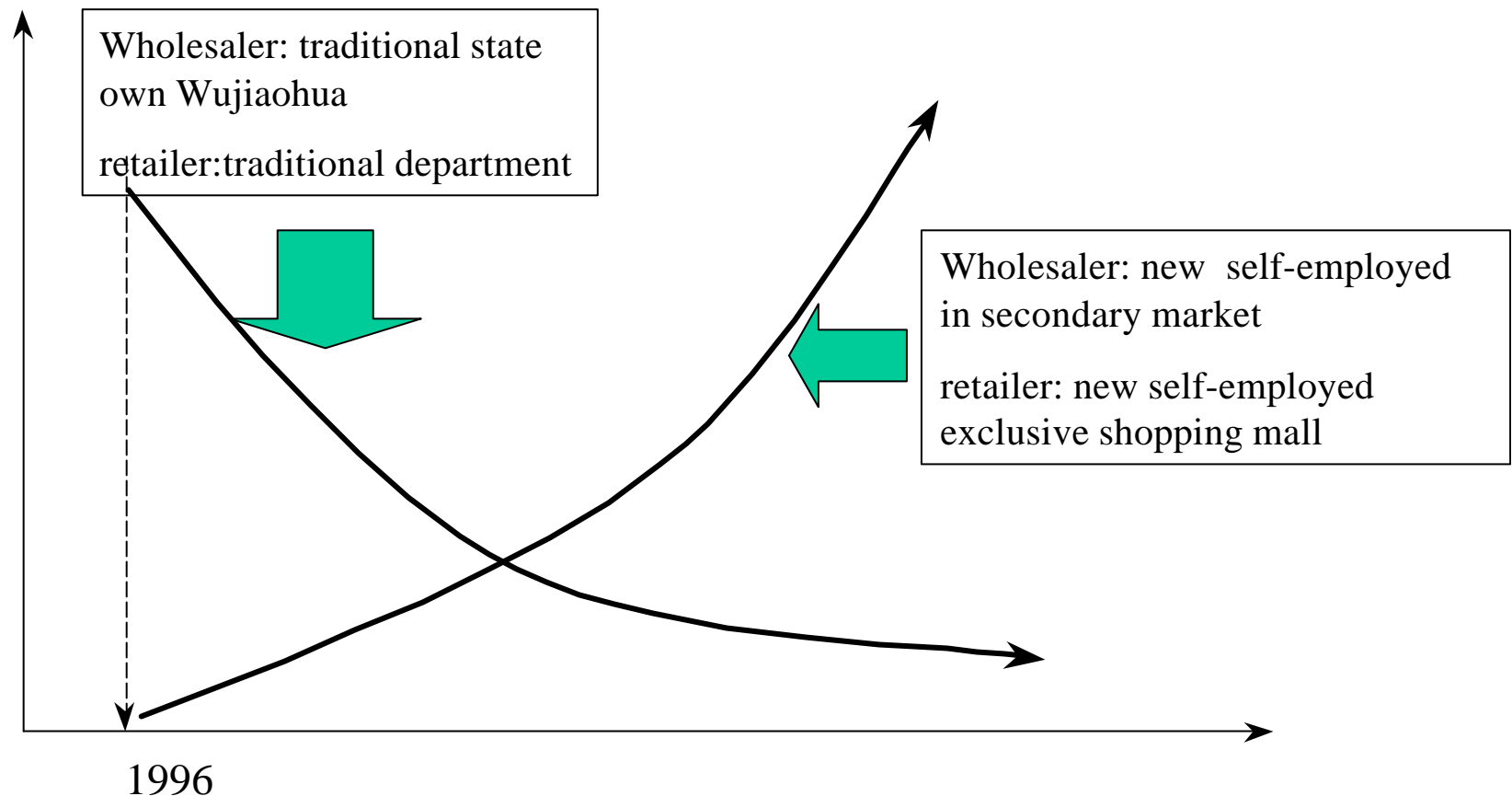
Village market	introduction	growing	mature	decline
Increasing rate	low	high	average	low
Sales income	little	increasing	climax	declining
Unit cost	high	average	low	low
Product line	short	lengthen	diversified	long
Average profit margin	low	increasing	high	declining
competitors	few	More and more	many	few
Pricing	Cost + profit	Penetrating pricing	Competing price	Cutting price
Access obstacles	technology	competitors	competitors	overproduction
Ads	Inform and guide	Understand and accept	Brand image segment	remind

**IN FUTURE, VILLAGE MARKET WILL GROW MUCH MORE FAST THAN THE FIRST MARKET DO. SO SINOTRUST BELIEVES WHETHER OR NOT THAT RSD CAN BE THE LEADER OF THE INDUSTRY WILL LARGELY DEPEND ON HOW MUCH RSD CONTROL THE SECONDARY AND TERTIARY MARKET**

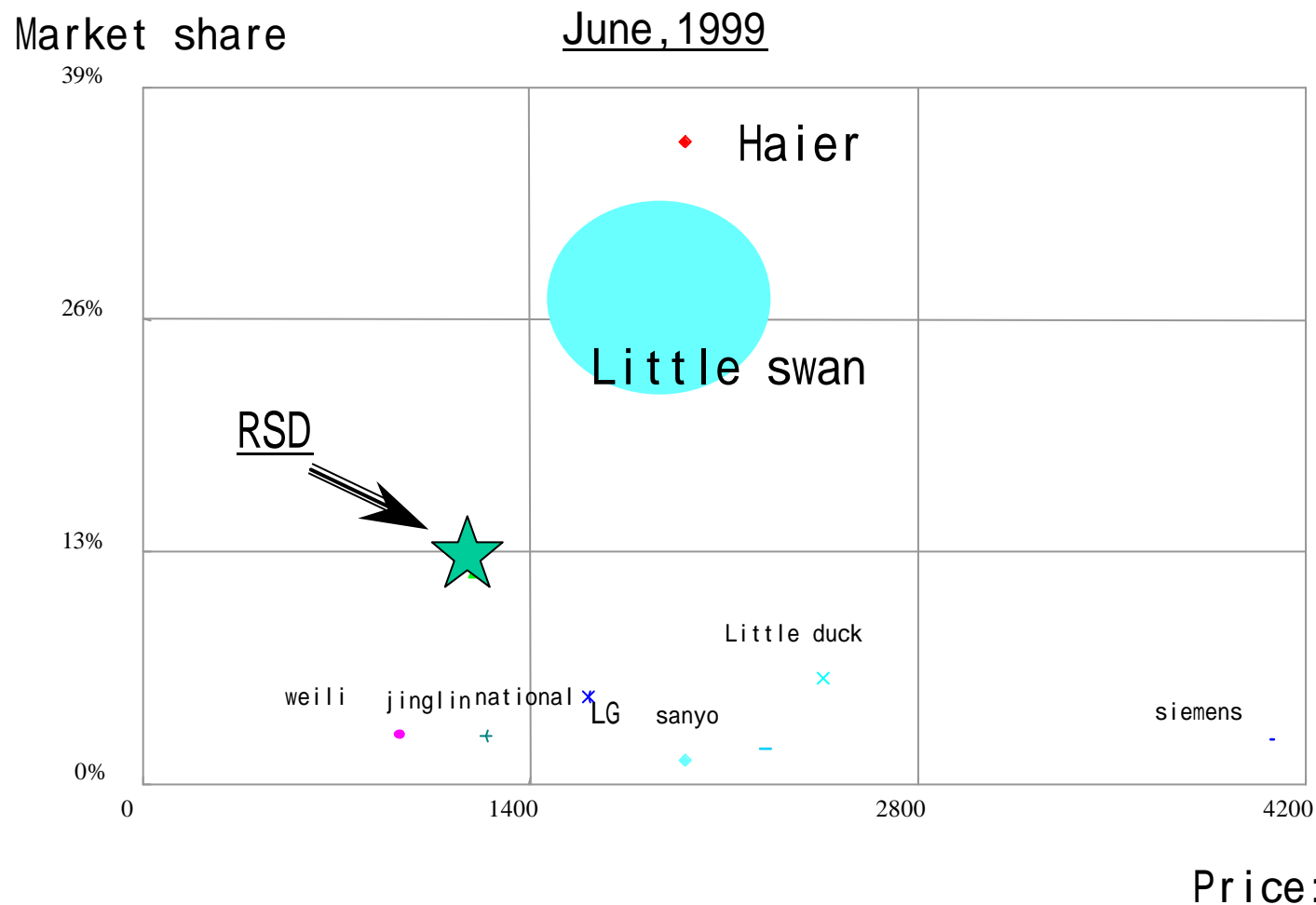
Qualitative analysis



**AFTER ANALYZING THE MARKET  
STRUCTURE, SINOTRUST FOUND:  
THE SALES CHANNEL HAS CHANGED GREATLY, NEW  
TYPE OF CHANNEL HAS EMERGED AND IS BECOMING  
MORE AND MORE IMPORTANT**



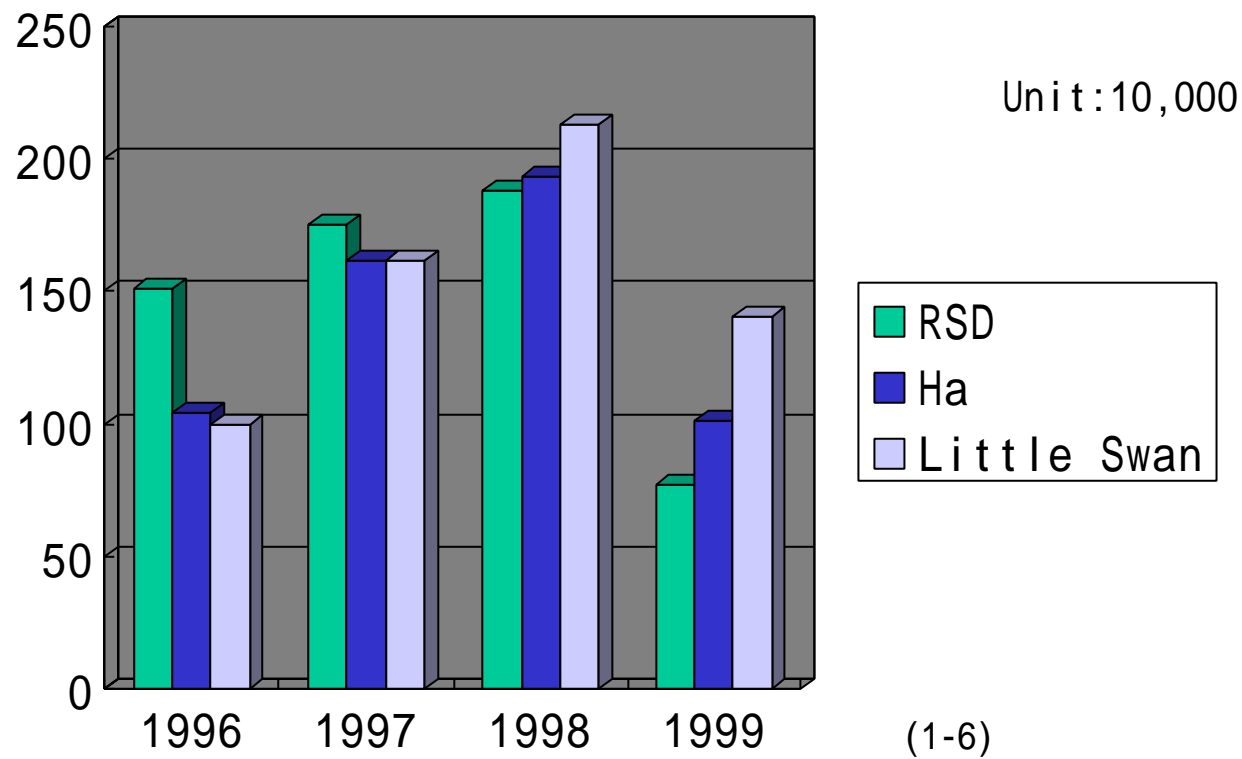
# DURING THE CITY MARKET OF WASHERS, THE TOP 3 LEADERS ARE AS FOLLOWING;



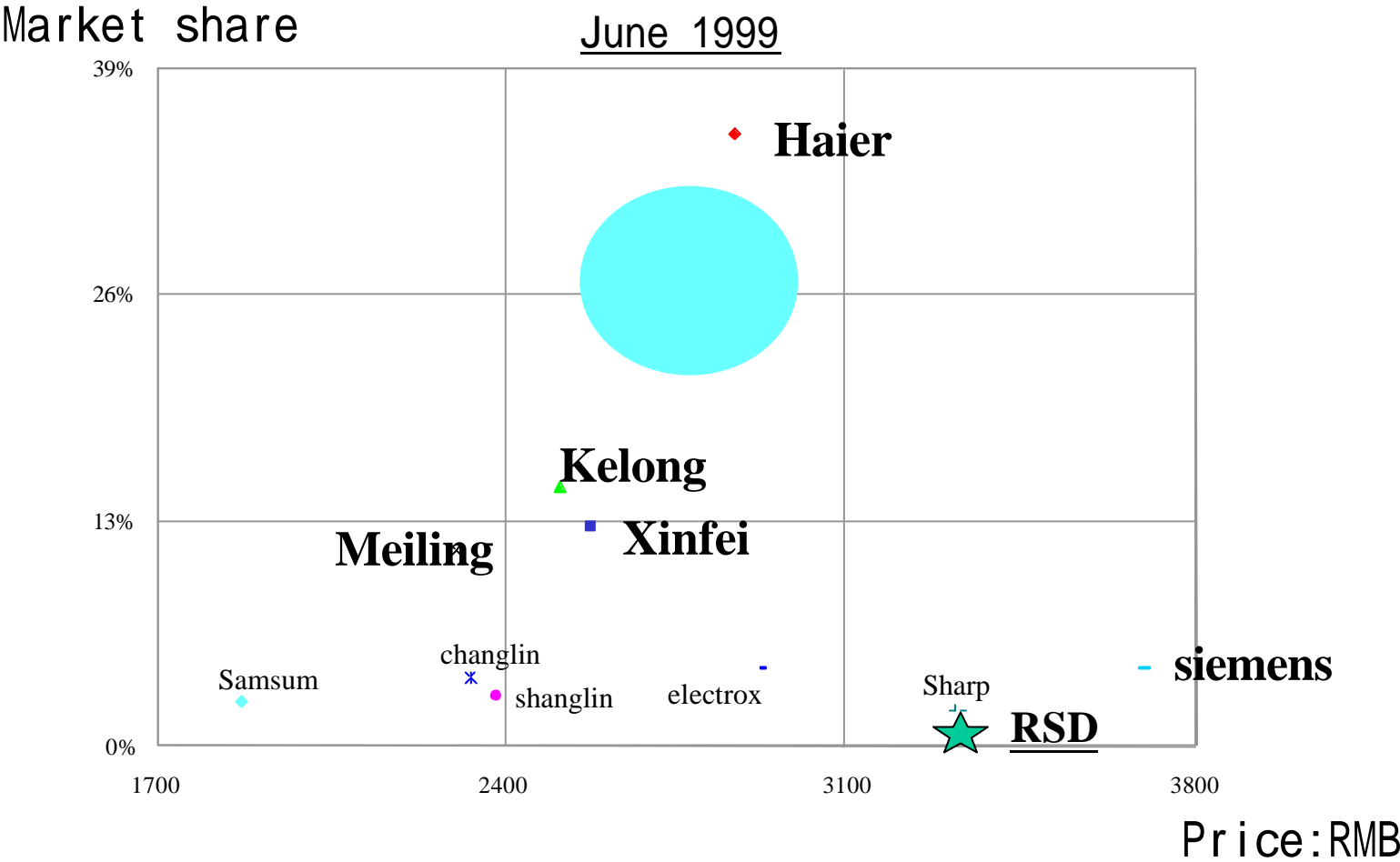


# COMPARING SALES VOLUME OF RSD WITH THOSE OF HAIER AND LITTLE SWAN,

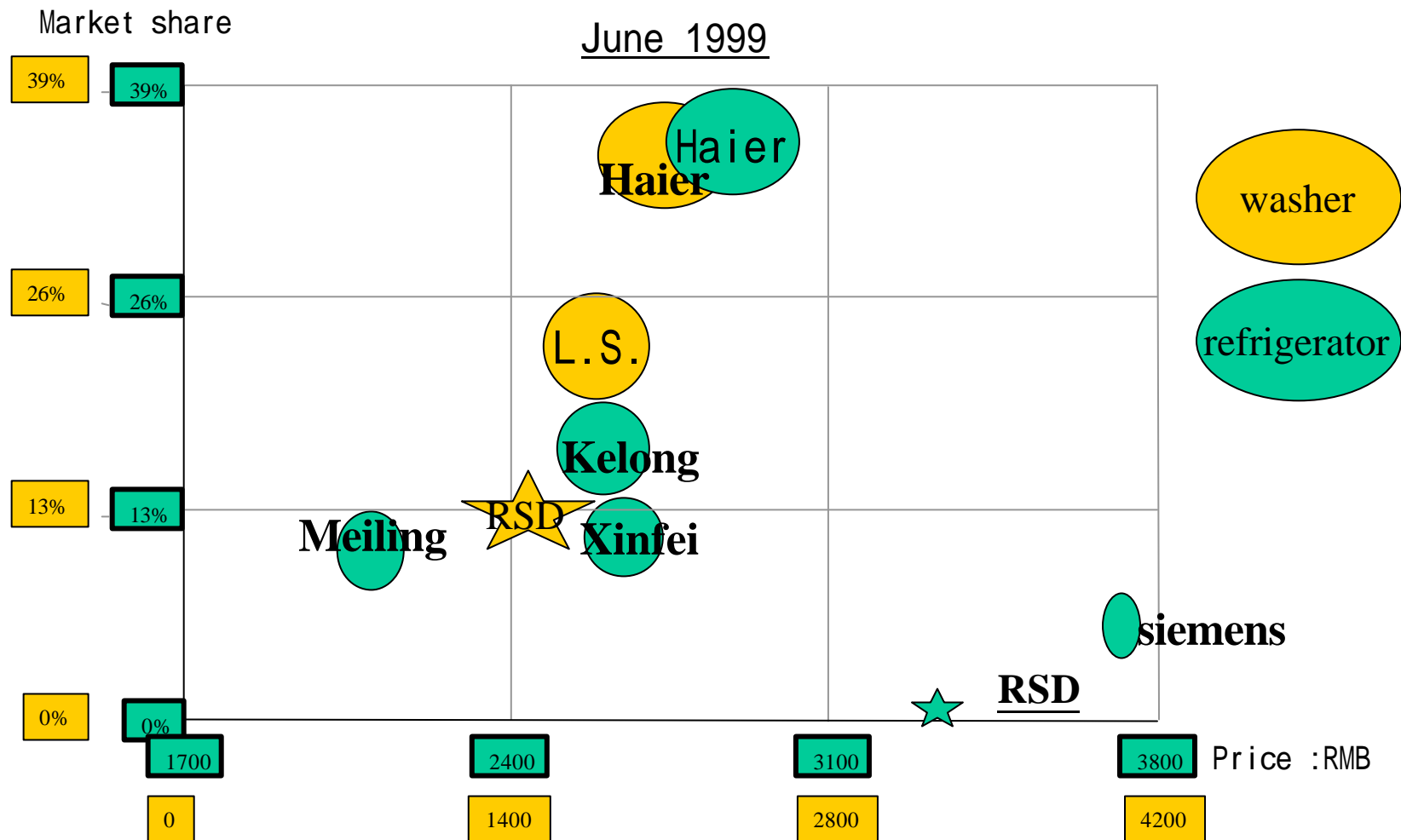
From 1996 to 1999 :sales volume of washers



**SEEING FROM THE MARKET SHARE OF REFRIGERATORS,RSD SHOULD NOT BE OVER-OPTIMISTIC TO ITS MARKETING STRATEGY BECAUSE RSD IS A NEW PARTICIPATOR**

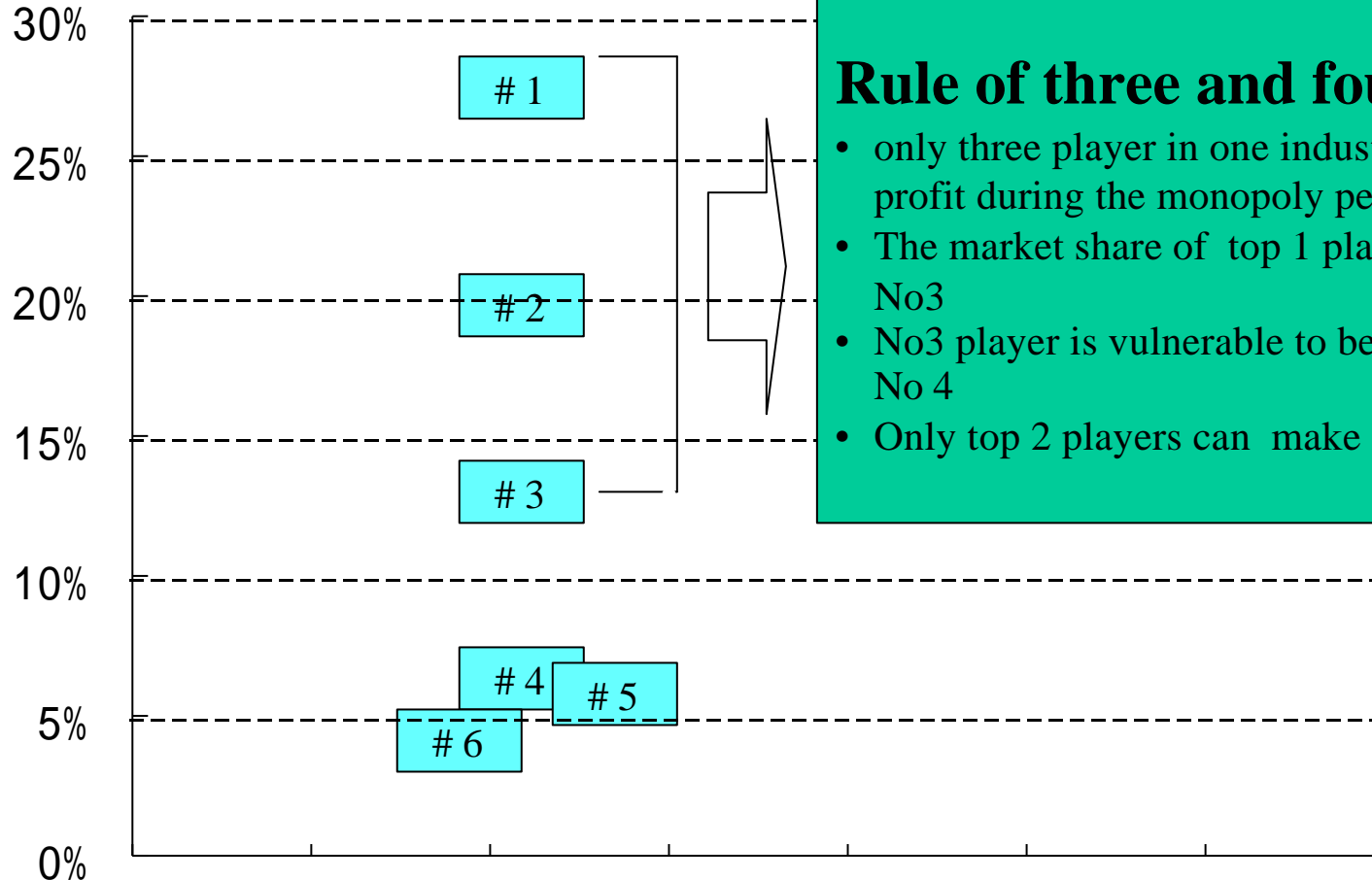


# RSD'S MARKETING STRATEGY CHART:



# **“RULE OF THREE AND FOUR” ASKS RSD SHOULD BE ONE OF THE TOP THREE PLAYERS IN THE FUTURE**

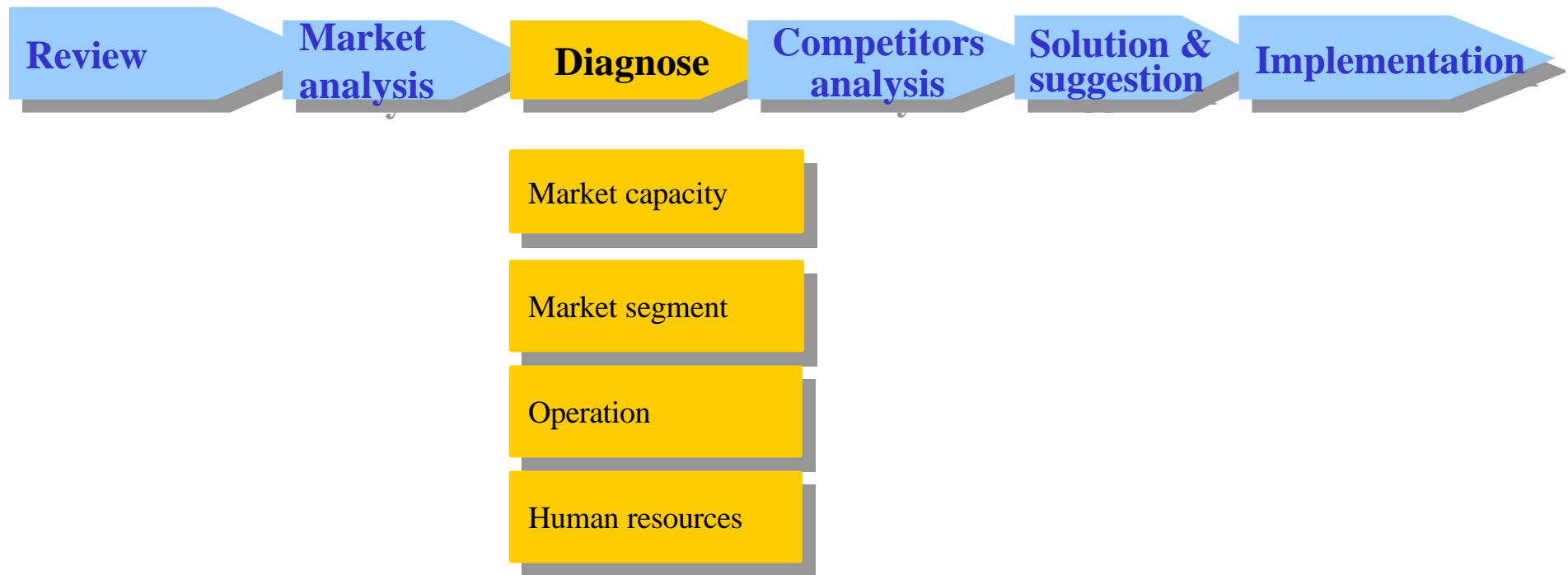
Market share



## **Rule of three and four :**

- only three player in one industry can make profit during the monopoly period.
- The market share of top 1 player triple that of No3
- No3 player is vulnerable to be overstepped by No 4
- Only top 2 players can make large fortune.

# TODAY'S AGENDA



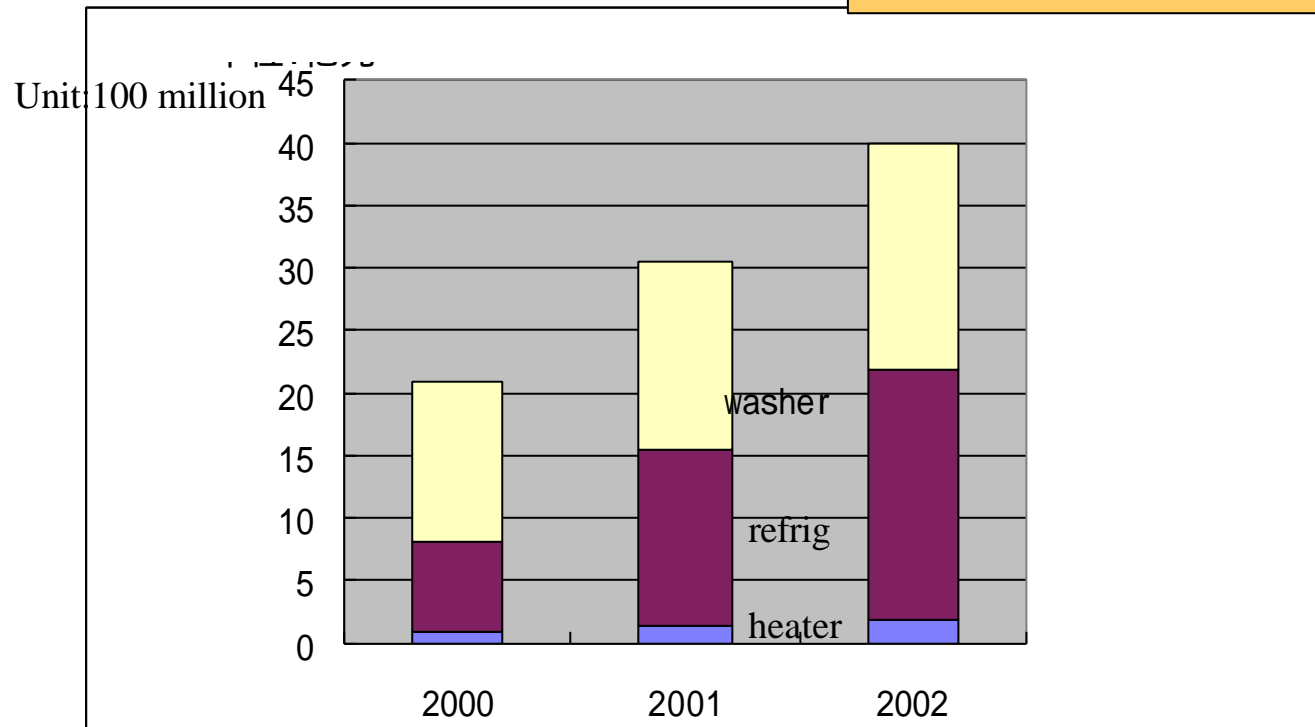
# THE BOARD HAS PLANED NEXT THREE YEAR'S STRATEGY

Strategy objective of Sales income

**Refrigerator C A G R = 69.0 %**

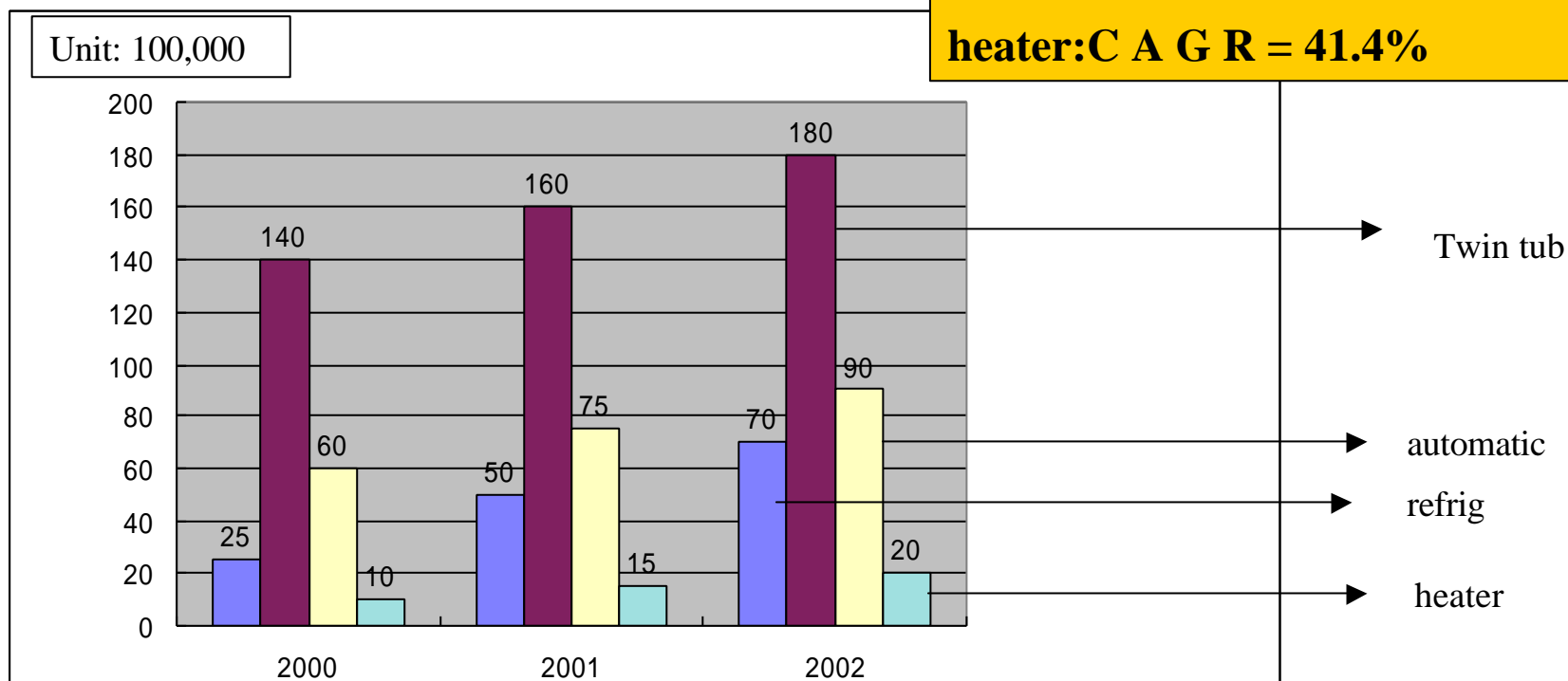
**Washer C A G R = 17.7 %**

**Heater C A G R = 41.4 %**



# THE BOARD HAS PLANED NEXT THREE YEAR'S STRATEGY

Strategy objective of Sales volume



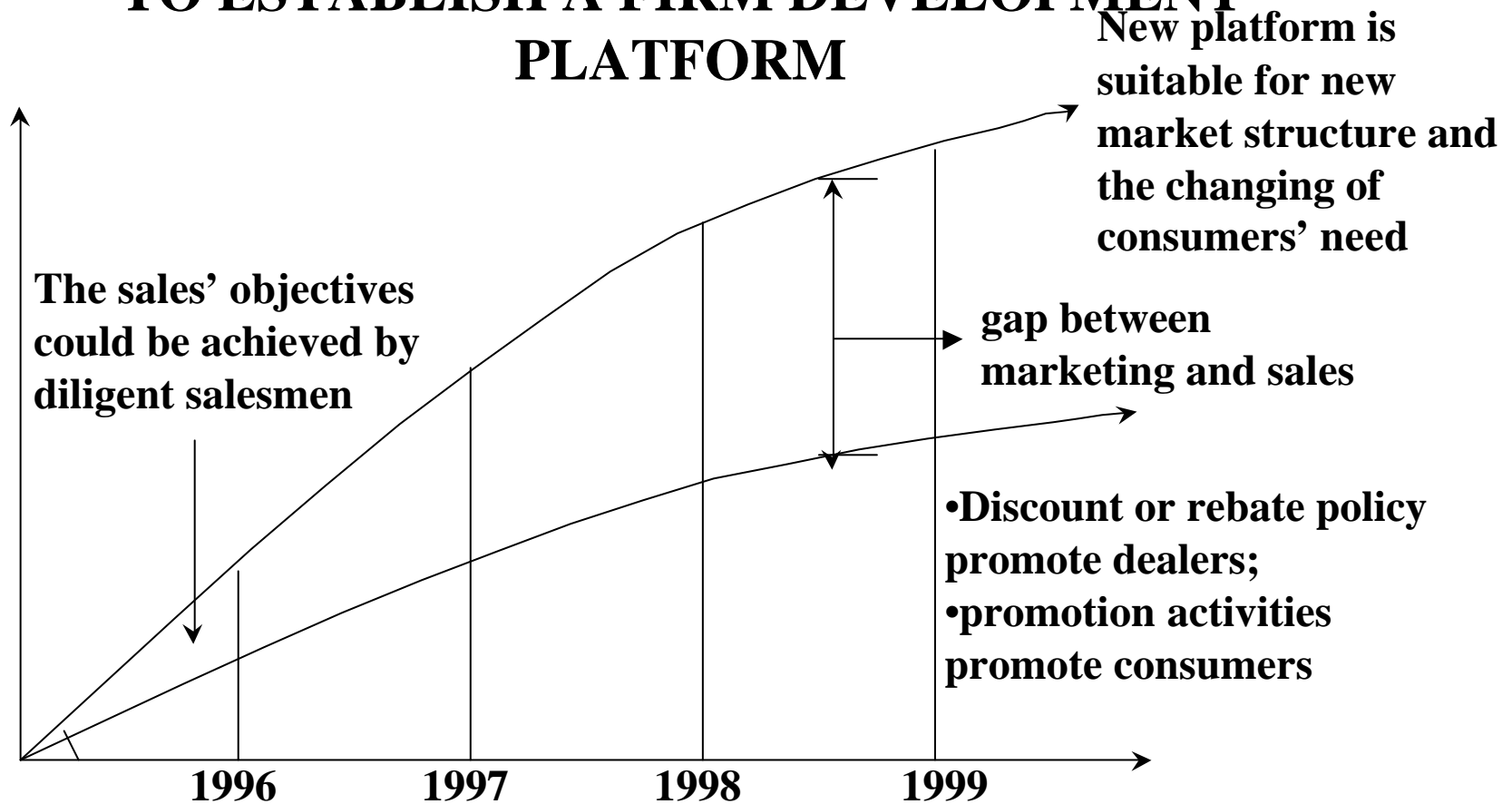
**Refrig: C A G R = 67.3%**

**twin tub : C A G R = 13.4%**

**automatic: C A G R = 22.5%**

**heater: C A G R = 41.4%**

**IN ORDER TO MAINTAIN THE 24% GROWTH RATE  
IN THE FUTURE , IT IS VERY NECESSARY FOR RSD  
TO ESTABLISH A FIRM DEVELOPMENT  
PLATFORM**



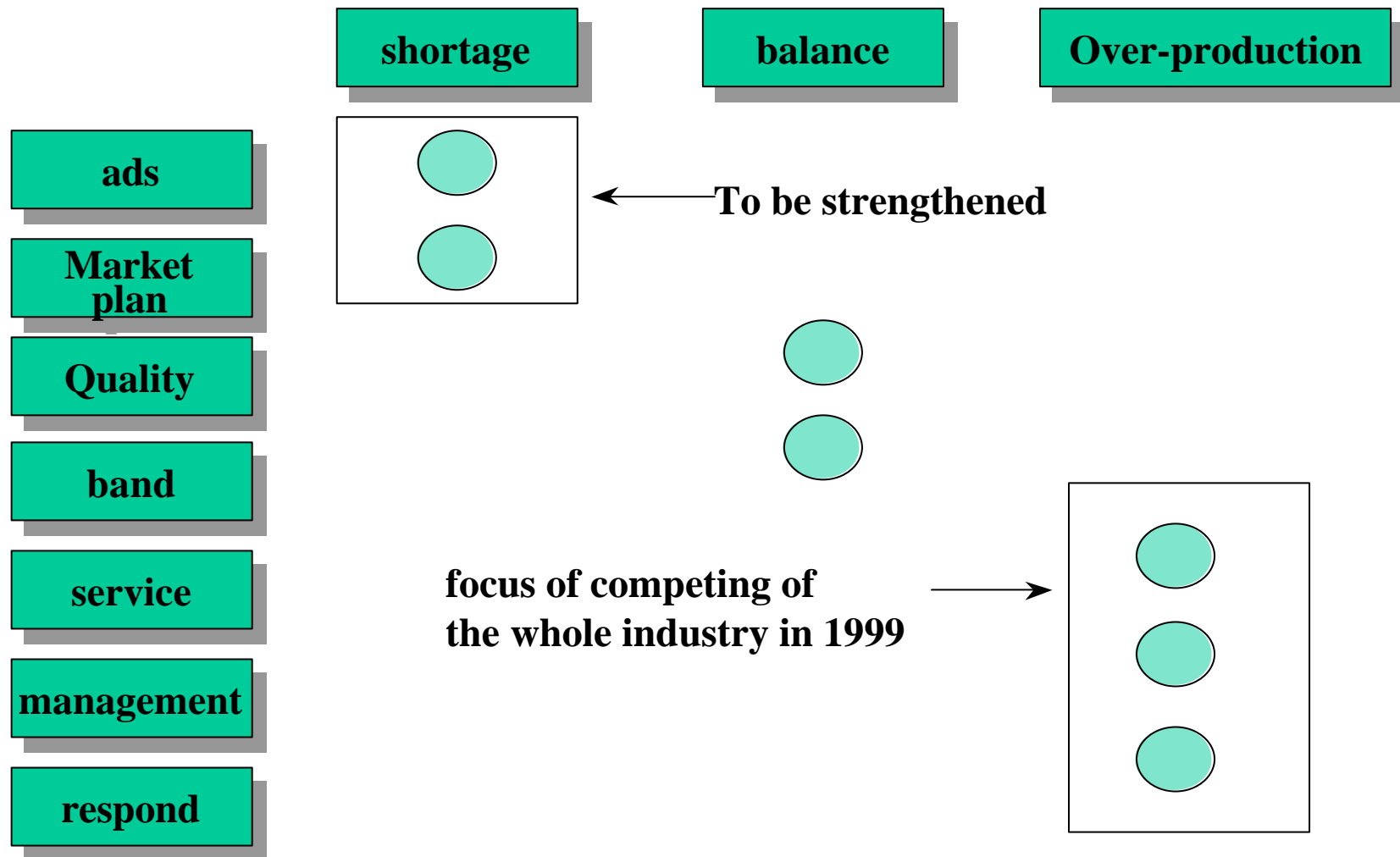
**After 1996,with the development of new market structure,  
the former sales structure has been outdated**



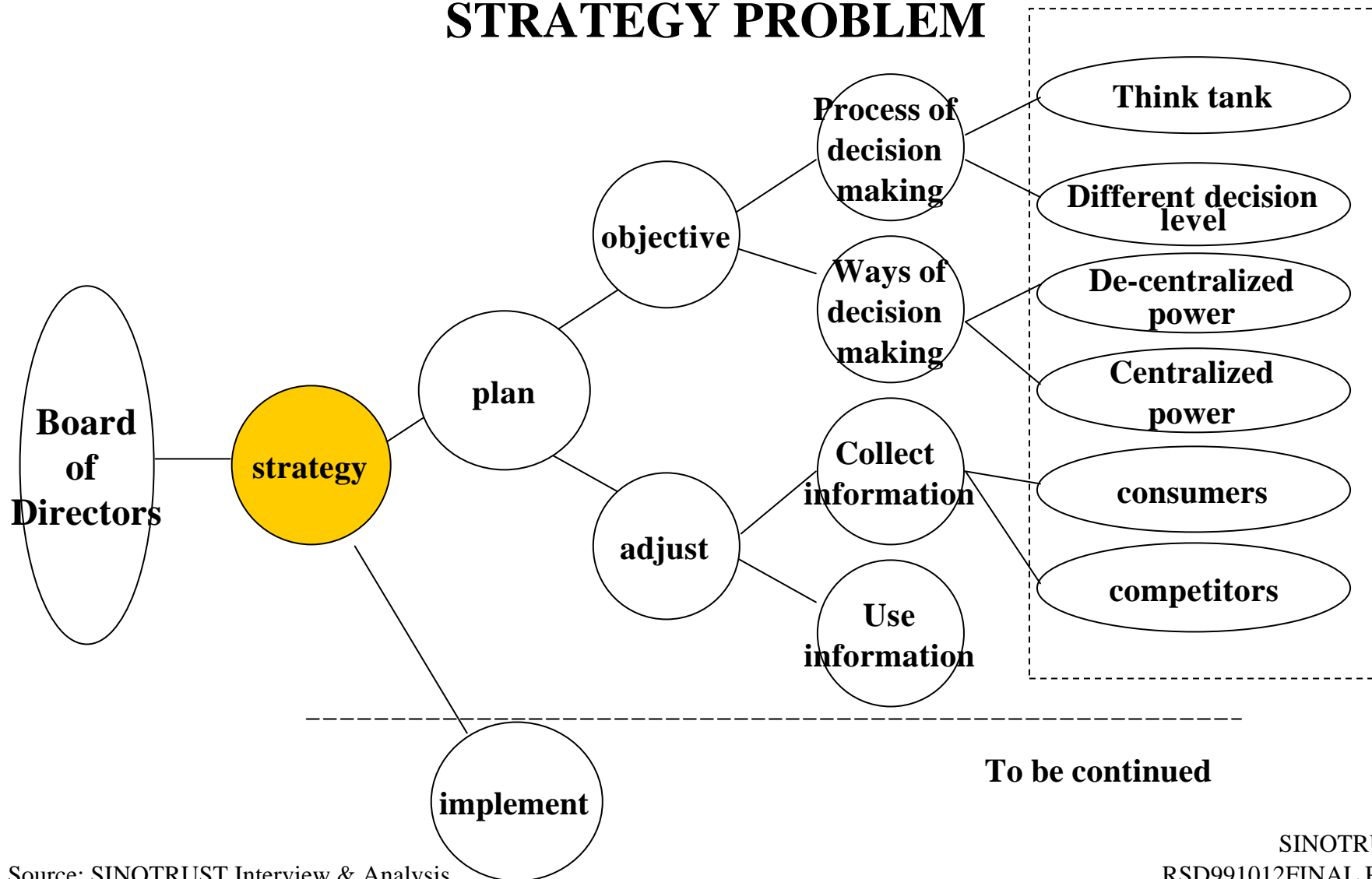
**COMPARING TO THOSE OF 1995,CURRENT  
PRODUCTS,TARGET MARKET,SALES CHANNEL  
AND COMPETITORS HAVE CHANGED A LOT, SO  
THE COMPLEXITY OF MANAGEMENT HAS  
INCREASED**

	1995	1999
product	simple Twin tub	diversified auto+ twin tub+ refrig + small home appliances
Target market	villages Secondary and tertiary	Major cities and village First ,secondary and tertiary
channel	wholesale	retailer
competitors	weak	strong

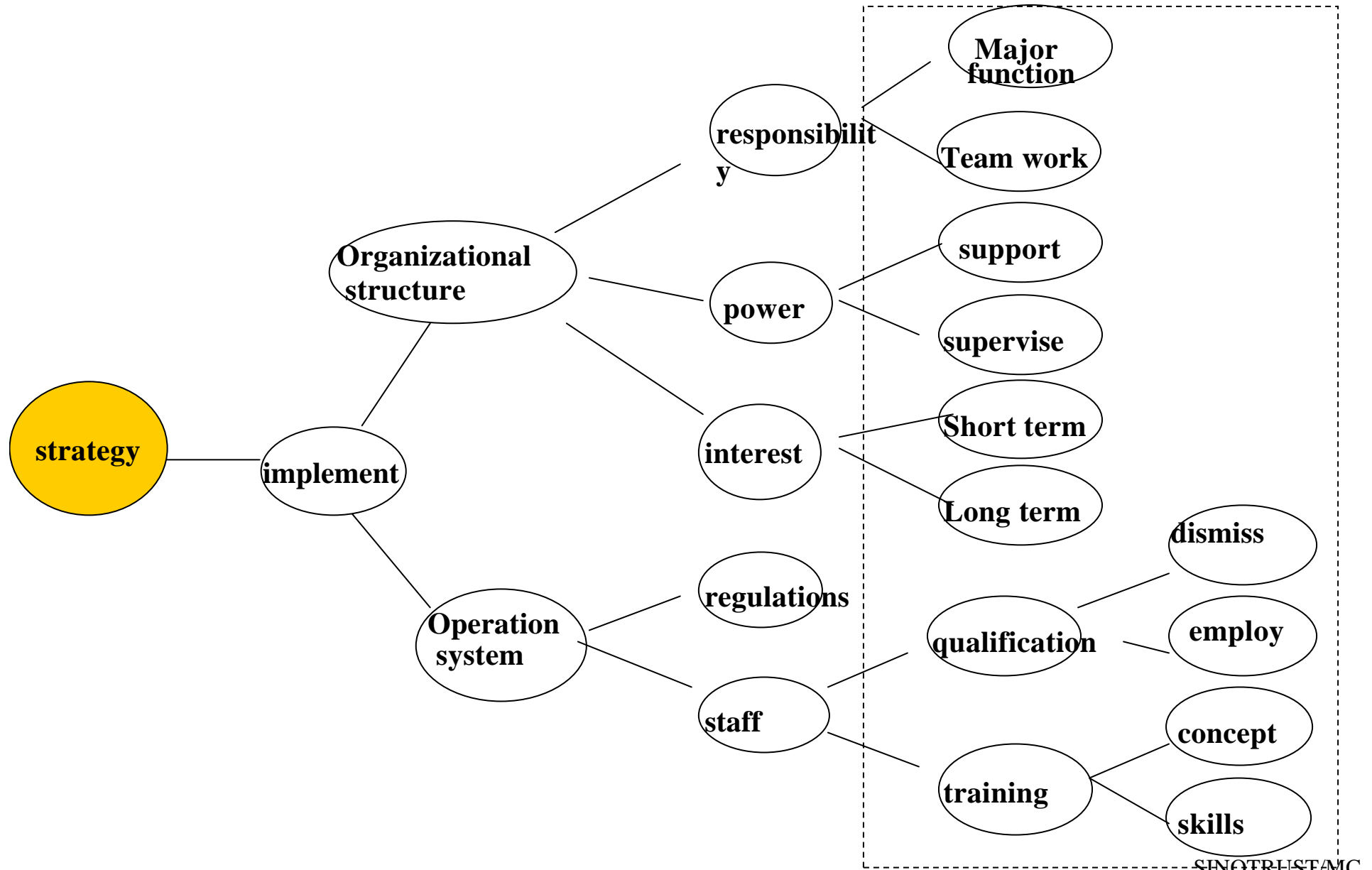
# WHAT RSD IS DOING NOW SHOULD HAVE BEEN DONE DURING THE SHORTAGE PERIOD



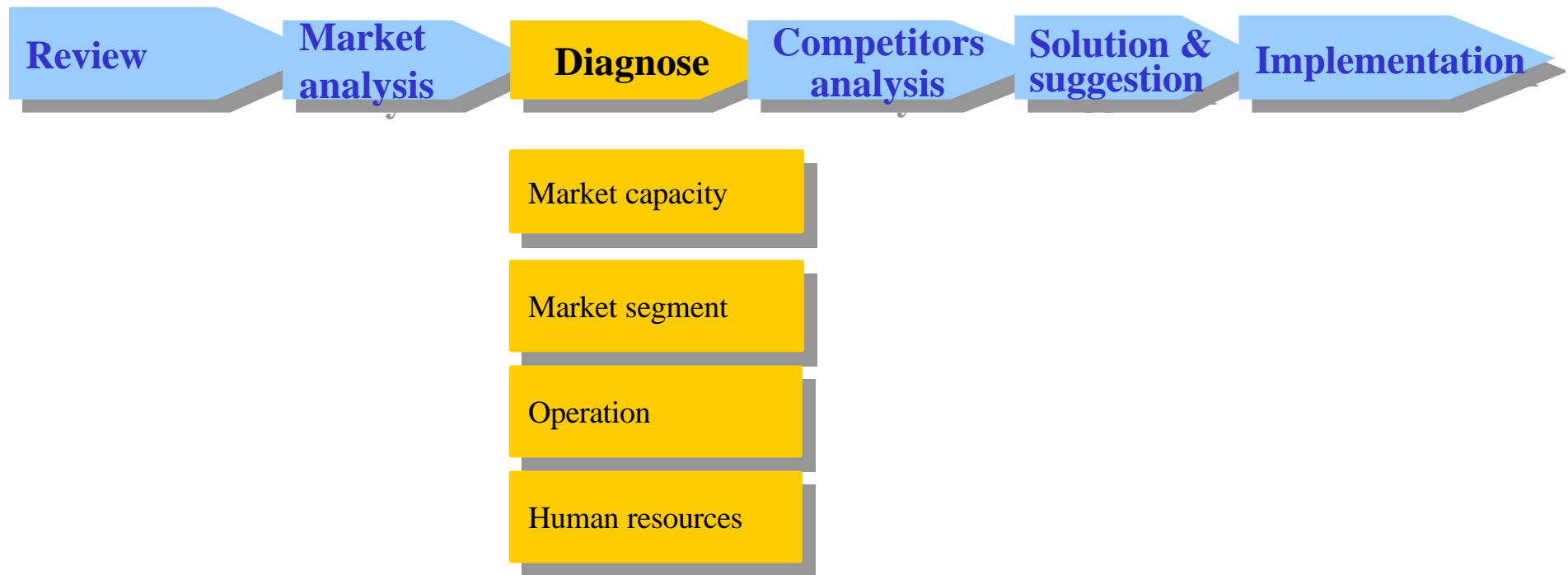
# STUDYING THE PROBLEMS TREE, SINOTRUST FOUND THAT MARKETING PROBLEMS CORRELATE WITH STRATEGY PROBLEM



# PROBLEMS TREE CONTINUED



# TODAY'S AGENDA



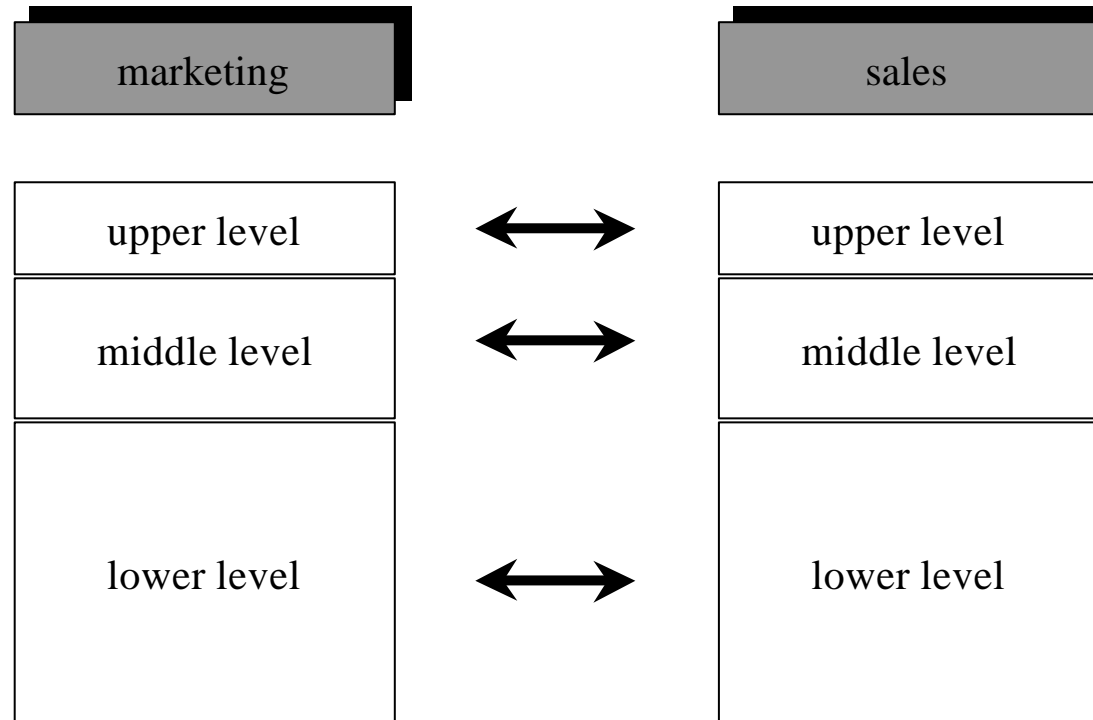
# MARKETING STRATEGIC PROBLEM 1: WITHOUT ADVISER'S PARTICIPATING, THE STRATEGIC PLAN IS NOT SCIENTIFIC,

the whole process of planning



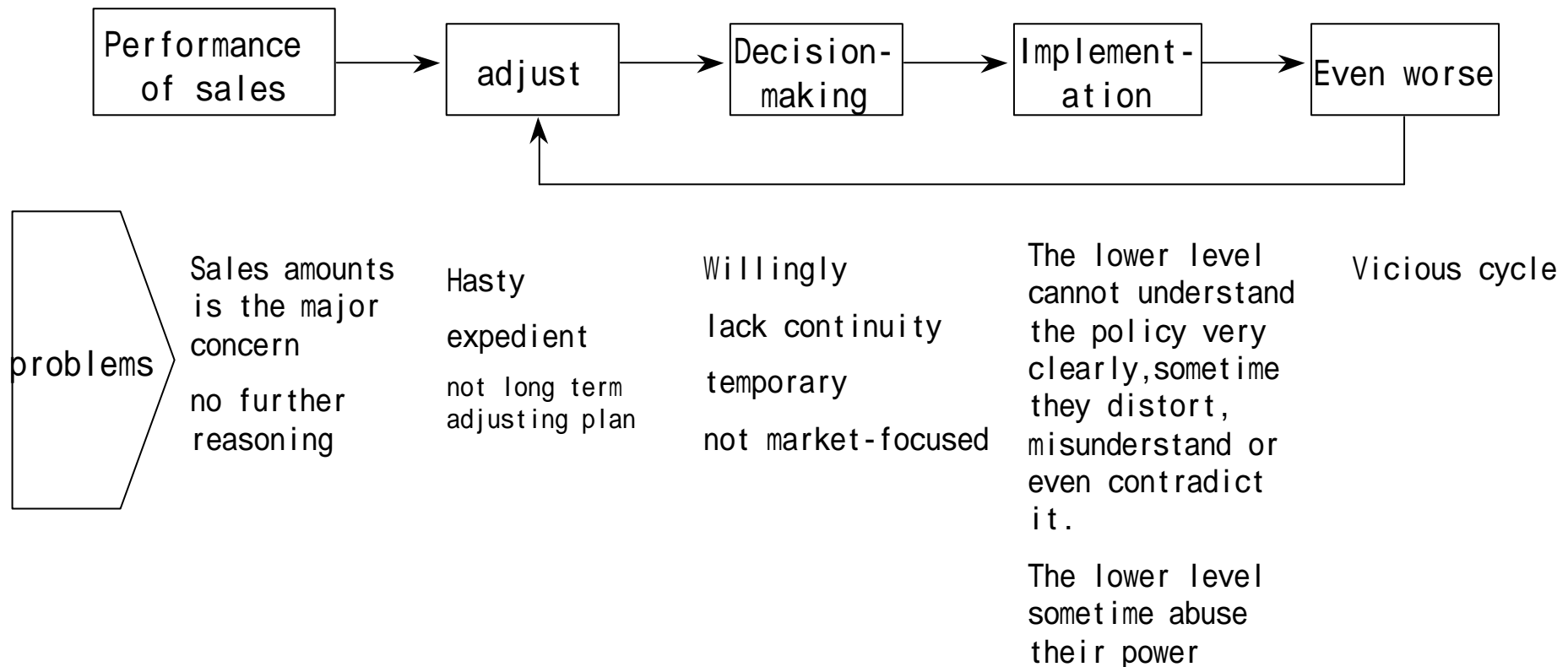
Present	board	According to the needs of whole company	no market and competitors' information	from top level to primary
Problems	according to former experiences limited time no adviser	not analyzing the external situation's changing, competitors, consumers and internal human resources	not complete scientific and systematic	no two way communicating not considering the needs of primary level

**MARKETING STRATEGIC PROBLEM 2:  
THE CO-OPERATION BETWEEN MARKETING AND  
SALES DEPT.IS NOT STRONG. WHEN PROBLEMS  
EMERGE,BOTH DEPT.ARE NOT WILLING TO BE  
RESPONSIBLE FOR**



# MARKETING STRATEGIC PROBLEM 3: RSD ALWAYS CANNOT FORESIGHT OR ARRANGE THINGS IN ADVANCE .THE COMMON PRACTICE IS THAT WHEN PROBLEMS OCCUR,MAKE SOME URGENT OR TRANSIENT ADJUSTMENT

The process of adjusting strategy





## 8 MAJOR PROBLEMS EXIST IN MARKETING ORGANIZATIONAL STRUCTURE

1 the management power belongs to the headquarter is not very powerful and influential

2 limited marketing function

3 the acting force of region level function is ineffectively

4 no systematic planning which aimed at one type of product

5 sales-focused

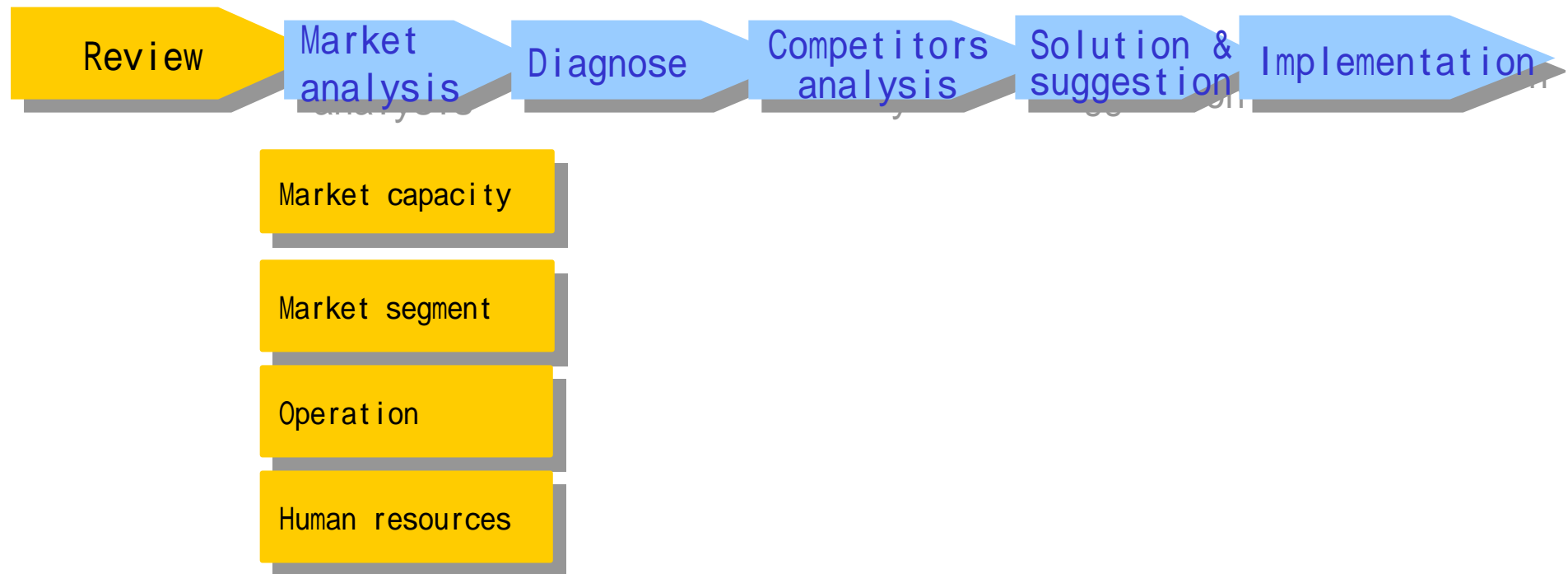
6 Communication among each dept. is not very frequent

7 the operation system of microwave violates regulations of the whole structure

8 Shortcoming of centralized power is difficult to be overcome

The scope of power belongs to each dept. can not be discriminated very clearly; the transferring of data and information is inefficient

# TODAY'S AGENDA



## **SALES POLICY IS DETERMINED WILLFULLY AND RANDOMLY**

Means: according to former experiences, lacking analysis and anticipation

Department: no specific body to research, supervise and implement

Process of policy decision: hasty

Segment: not market-focused  
can not draw a clear line between different kinds of accounts

## **PROBLEMS IN SALES CHANNELS AND PLACES :**

Before the transition of sales channels, RSD has not finished its own salesman's training work in terms of concept

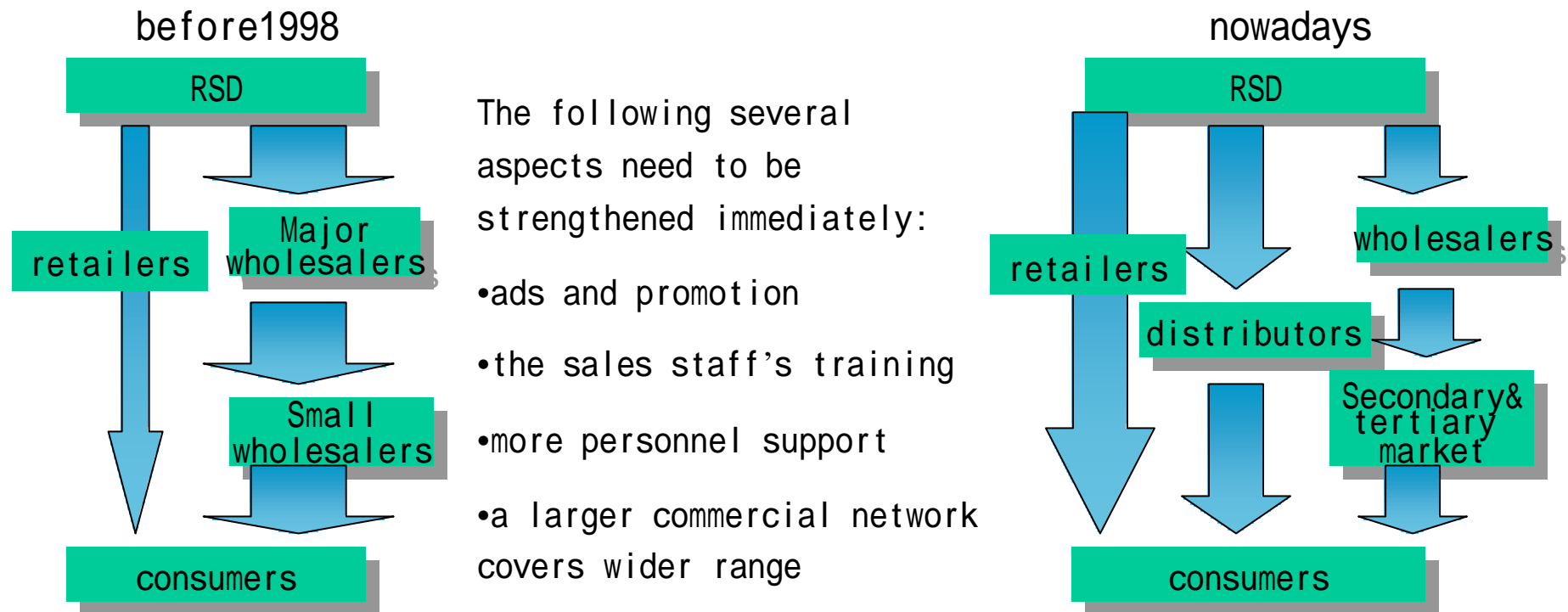
The top level managers only finished notifying the changing of sales channel policy regardless of staff's qualification, adaptability and the matching regulations

The transition is not diversified in form: only from major wholesaler market to secondary and tertiary market

The sales channels of RSD over-rely on major wholesalers for a long time, thus greatly undermine the development of secondary and tertiary market

The discount and rebate policy can not meet the other middle and small wholesalers, so their enthusiasm has lost

# THE TRANSITION FROM RELYING ON MAJOR WHOLESALERS TO MAKING USE OF BOTH WHOLESALER AND RETAILERS NEEDS DIFFERENT AND SUFFICIENT RESOURCES.



## SOME PRODUCTS ARE NOT SELLABLE

### Major reasons

- The out-looking of some products is not very eye-catching.
- Some products' prices exceed customers' actual purchase power.
- The whole products line can not meet the whole customers' needs.
- RSD is not good at using the competitors' strong and advantageous points for reference.
- Comparing to that of competitors, the speed of launching new products is much more slowly.
- During the process of developing new products, the advises from salesmen demonstrators girls and customers are always neglected.
- The ability to grasp the future market opportunity is not very strong.

# UNSTABLE AND CHAOTIC PRICE DAMAGE RSD'S BRAND IMAGE

Result in
RSD's profits are losing greatly.
The benefits of wholesalers can not be protected ,so they began to do business with other competitors.
Customers may think that they should postpone their purchasing RSD's products because the price may still decline
RSD's products are vulnerable to be challenged by those of competitors.
Market share of RSD's product is declining

## **THE PRICE POLICY IS NOT COMPETITIVE AND REASONABLE**

The price can not tell major accounts from small clients or draw a clear line among different regions.

Cost is the major concern, other factors are hardly considered during the process of pricing.

When pricing, the policy maker didn't consider to maximize value of the integrated product line.

The ability to respond to the market changing of is very weak.



# **THE REASONS FOR UNSTABLE AND CHAOTIC PRICE**

Reason for unstable price: high ratio of adjusting

Reason for chaotic price: major wholesaler's bad dealing

## **RSD HAS NOT GIVEN FULL PLAY TO MARKETING DEPT.'S FUNCTION**

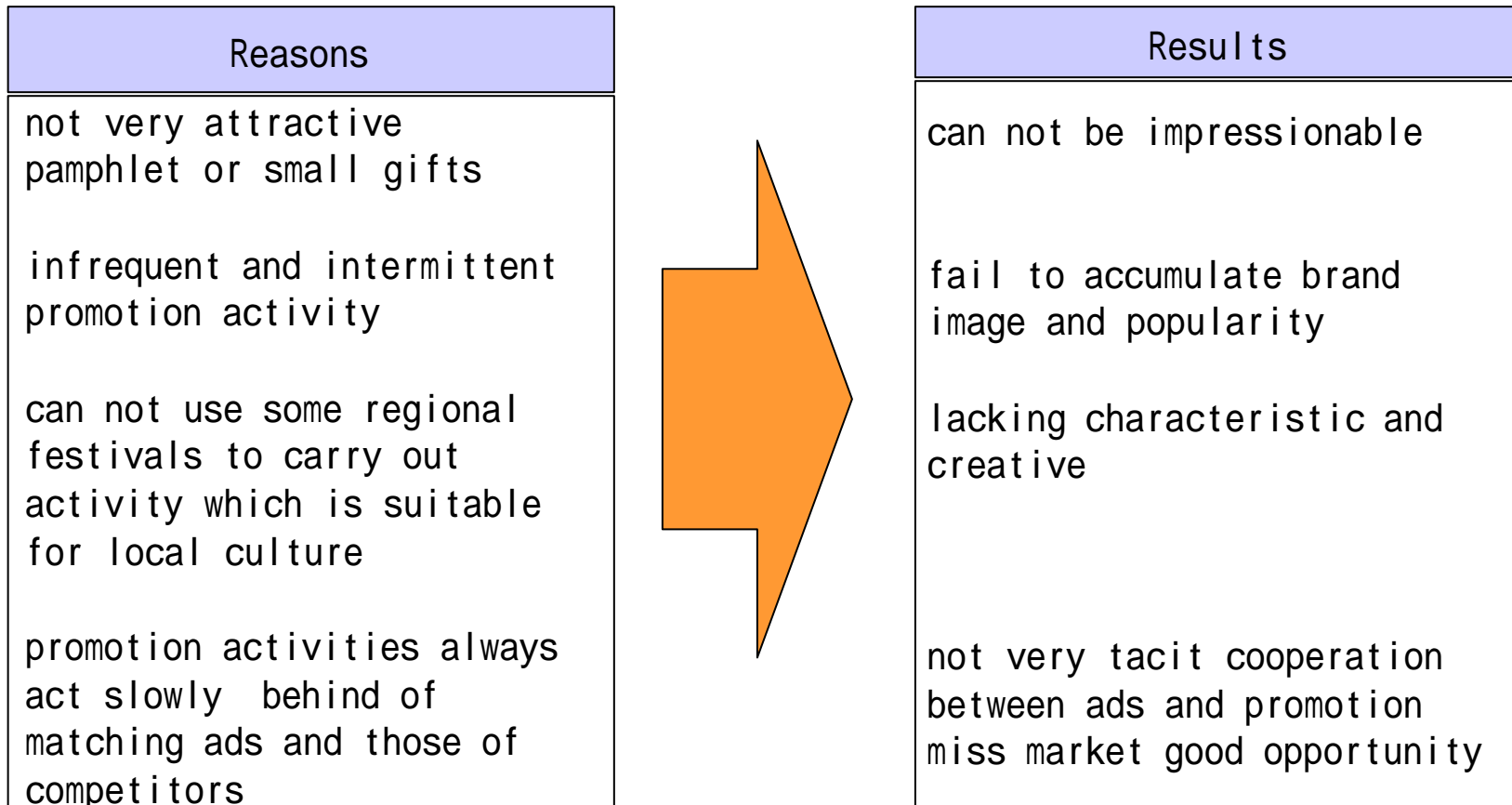
Unreasonable and inadequate funds for ads and promotion resulted from using improper ways to appropriate marketing funds (deduct a specific percentage from total sales income)

The coordination between ads of brand image and ads of specific product did not play in a unison

Does not integrated four major promotion means (ads, promotion, demonstrator girls and public relation)

insufficient human resources support  
disadvantageous on-spot POP display

# RSD HAS NOT GIVEN FREE REIN TO PROMOTION ACTIVITY



# **THE PERFORMANCE OF MARKET RESEARCH IS UNSATISFACTORY**

- no professional staff
- no professional department
- no further systematic generalization, research and analysis
- lacking timely communication with the R&D and production dept. to feedback information from the consumers and competitors

# **TRANSPORTATION AND WAREHOUSE NETWORK NEEDS FURTHER PERFECTING,THE REASONS ARE AS FOLLOWINC**

The development of secondary market needs denser network because of the inconvenient and expensive long distance sending

Many damaged units needs correctly handling

Many returned inferior units from dealers needs timely reversing an entry

Sample units also needs arranging

RSD should strengthen the connection between carrier and dealer, warehouse and salesmen .

## **THERE IS NO SYSTEMATIC MANAGEMENT IN AFTER-SALE SERVICE (ASS) DEPT.**

Problem 1: no scientific planning and decision-making ASS policy and regulations

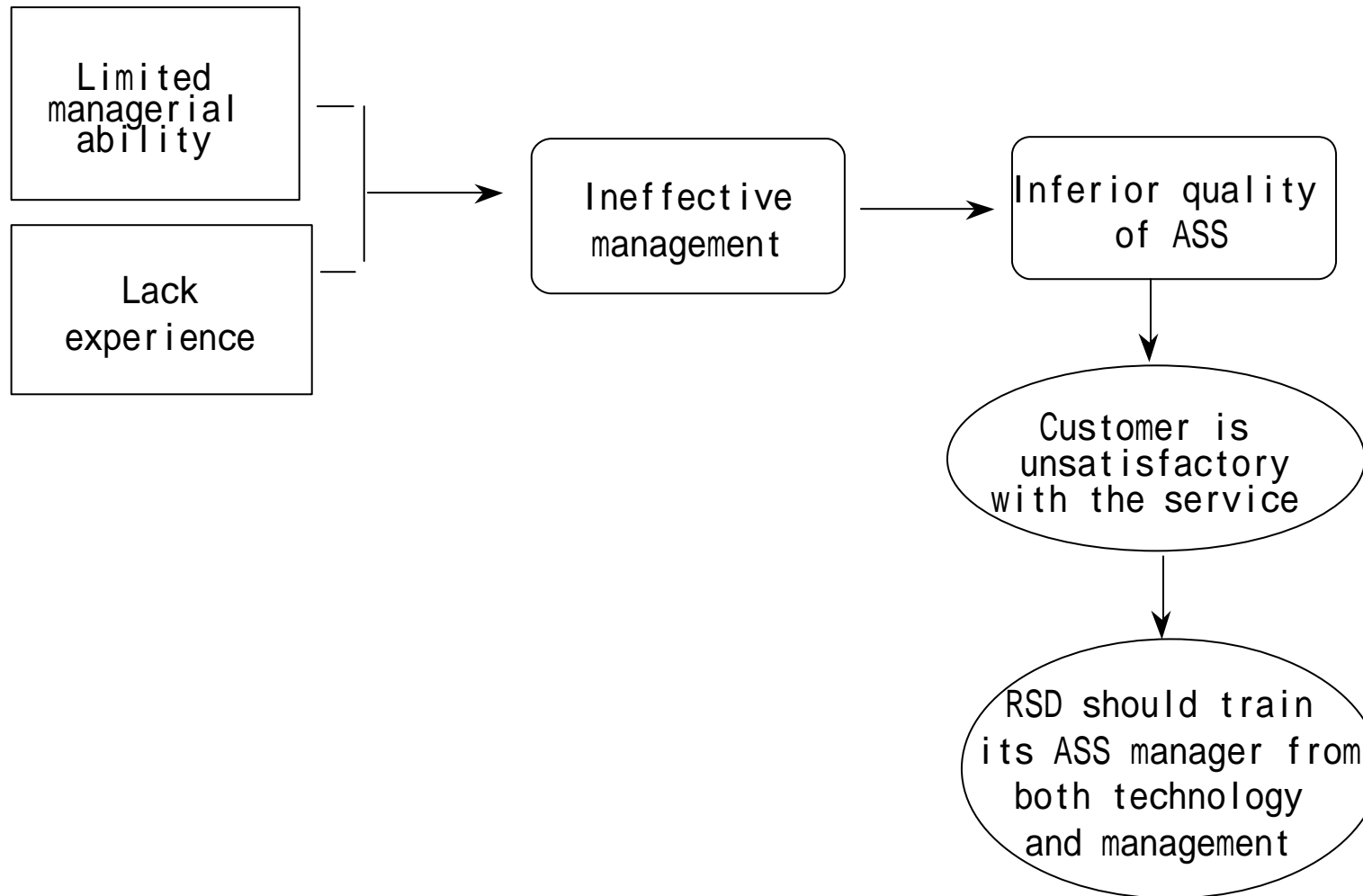
Problem 2: Red blanket service has an undeserved reputation.

Problem 3: ASS center's customer information has not been recorded or filed into computer.

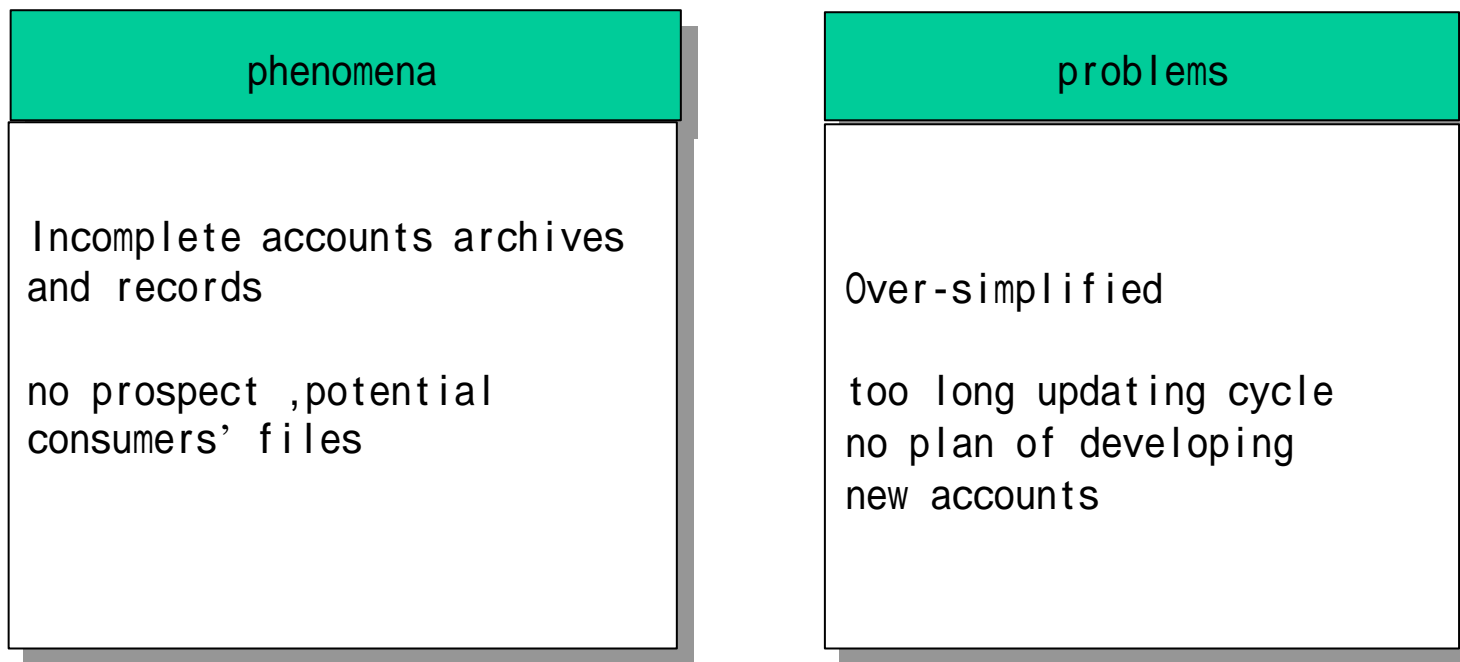
Problem 4: in secondary and tertiary market, human material and financial resources are in great needs

Problem 5: no training center  
no standard, complete and systematic training

# ASS MANAGER'S ABILITY SHOULD BE IMPROVED



# INCOMPLETE DATABANK OF CLIENTS





# SO MANY FLOWING FUNDS RESULTED FROM NOT STRICT SALES CREDIT CONTROL SYSTEM

Higher level

No systematic and complete control policy

Middle level

Can not understand the policy very clearly

Lower level

Misunderstand the policy :In their mind ,selling goods to store is most important ,then think every means including inappropriate ways to collecting money

It is very urgent for RSD to establish a perfect credit control system to reduce the receivable

# IMPROPER SOLUTION TO CONTROL SALES CREDIT

appearance	reasons
<p>A lot of receivable has a long history</p>	<p>No system and specific regulation to control</p>
<p>Some receivable comes from those accounts which have already stopped business relation with RSD</p>	<p>The concept that solve this kind of problems by resorting to law has not been used frequently.</p>
<p>A lot of unmarketable products which overstock in stores' warehouses increase the number of receivable</p>	<p>Salesmen evade or shift responsibility to their predecessor or upper level</p>

## **8 PROBLEMS EXIST IN HUMAN RESOURCES AREA: CAN NOT SUPPORT AND PROMOTE SALES EFFECTIVELY**

1 The equipping of human resources lacks long terms planning

2 The management system of human resources needs reforming and initiating

3 The staff trends to be localized

4 Incomplete assessment and measurement system focused on the withdrawal of money needs perfecting

## **THE ENTHUSIASM OF EACH MEMBER SHOULD BE INTENSIFIED**

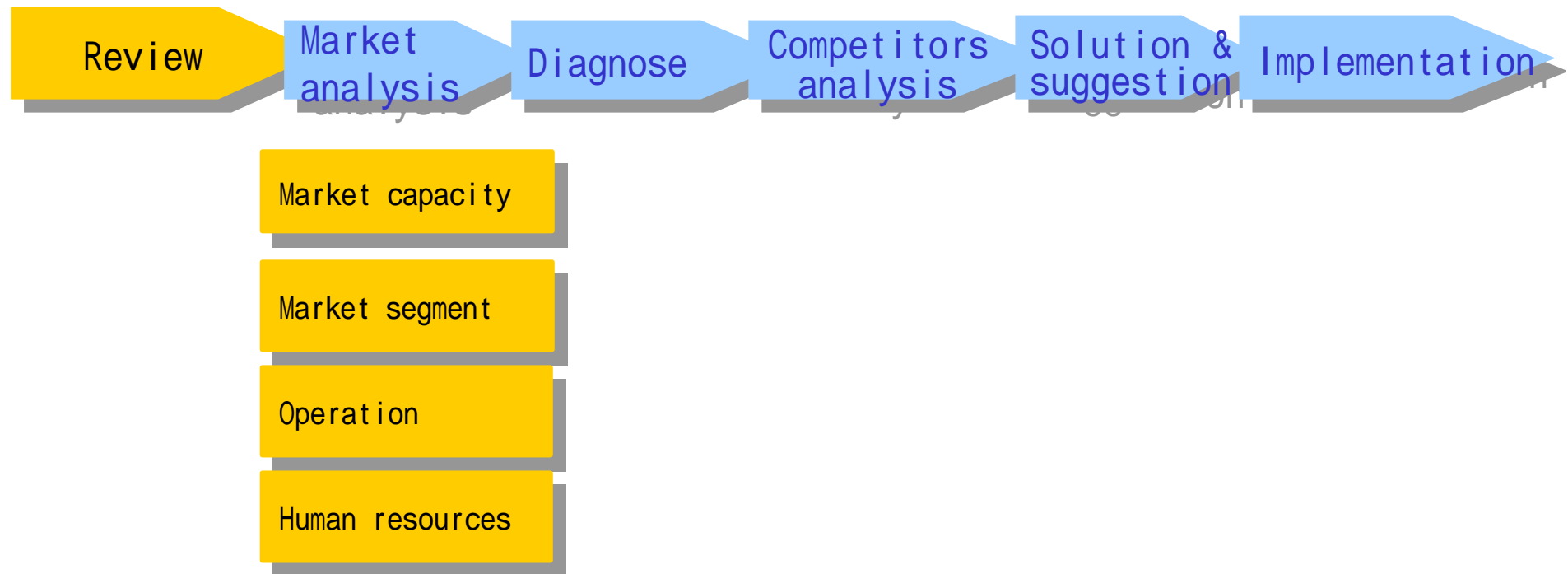
5 RSD's salesmen's salary structure and incentive criteria do not correlate with their performance.

6 RSD has not established a complete and perfect welfare system

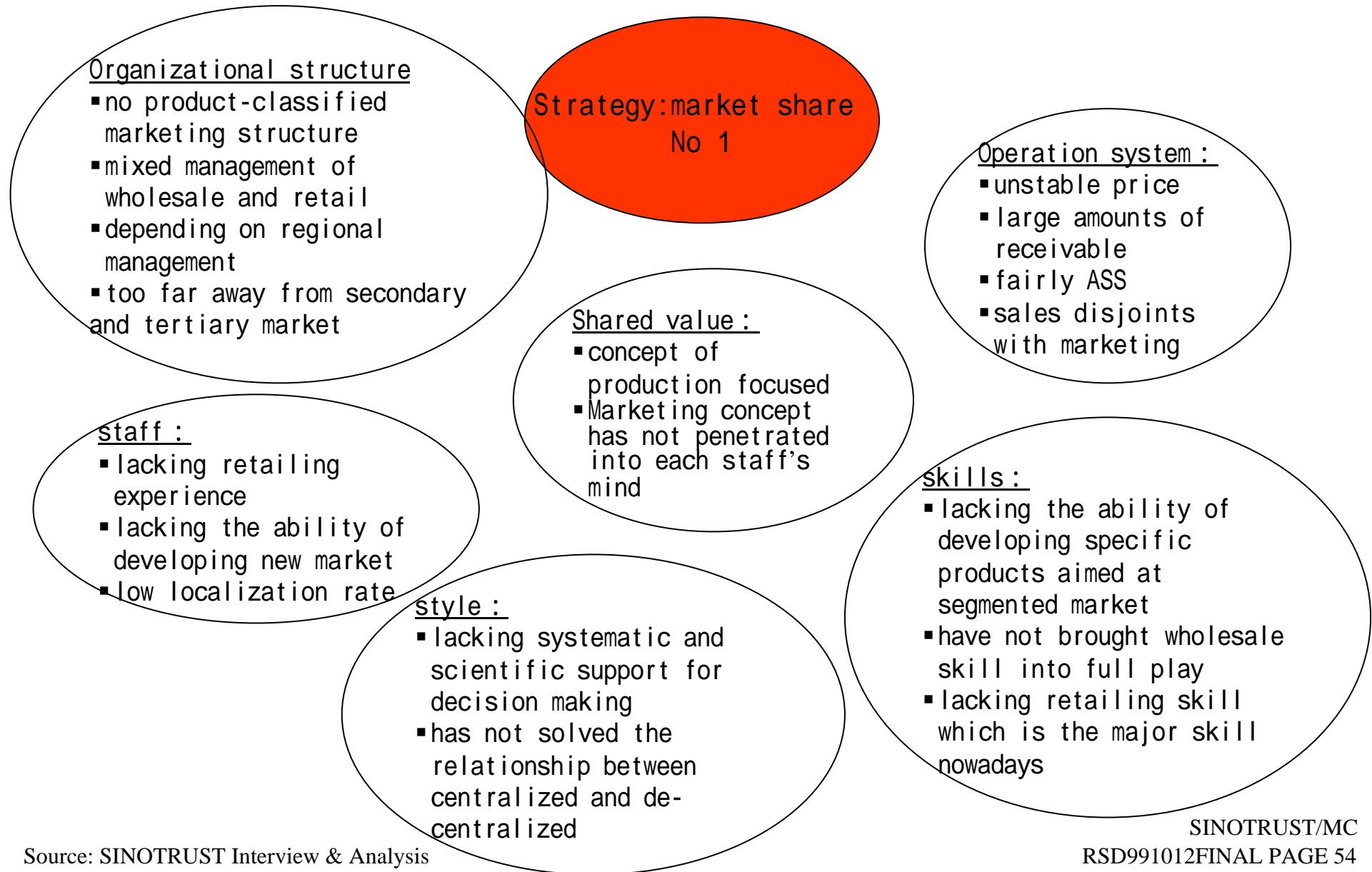
7 RSD's staff could not receive long term planning of career development and training program.

8 it is very necessary for RSD to establish a two-way communication and supervision mechanism of information

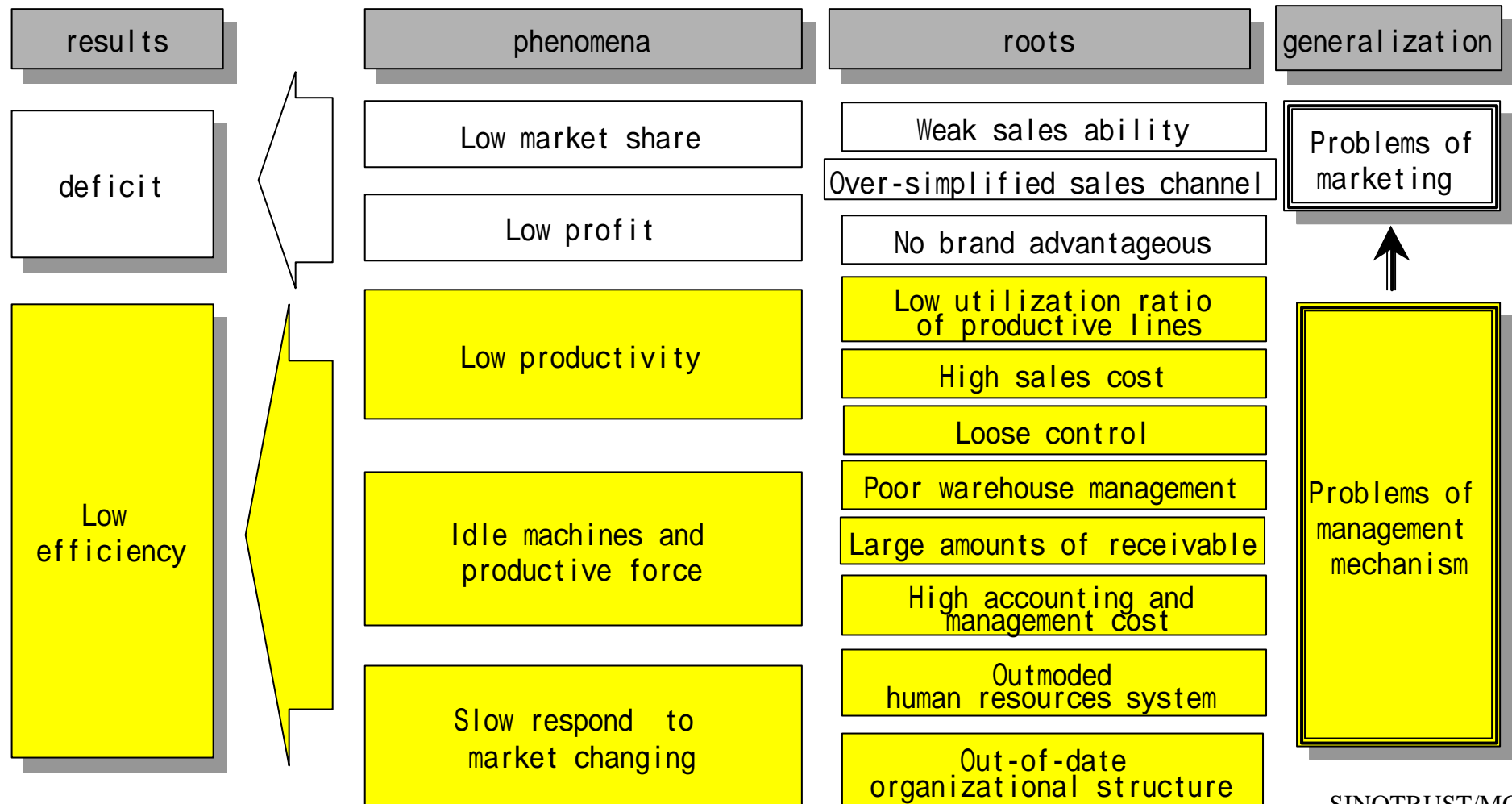
# TODAY'S AGENDA



# RSD'S STRATEGY CONFLICTS WITH ITS OPERATION SYSTEM



**SEEING FROM APPEARANCE ,SINOTRUST  
FOUND A LOT OF PROBLEMS WHICH FELL IN  
MARKETING CIRCLE;ACTUALLY OBSERVING  
FROM NATURE,THESE PROBLEMS BELONG  
TO MANAGEMENT MECHANISM**



# FROM PQM ANALYSIS: SINOTRUST DEEMS THAT THE PROBLEM OF STRATEGY DECISION SHOULD TO BE SOLVED FIRST

		worst		best		
		E	D	C	B	A
Most important	5	P2	P6		P1	
	4	P5		P7		
	3		P3			
	2	P4				
Least important	1					

P1 : the structure of shareholders

P2 : strategy decision

P3 : organizational structure

P4 : brand image

P5 : operation system

P6 : sales networks

P7 : human resources



## **RSD'S MAJOR PROBLEMS**

P2. strategy decision

P5. Operation system

P6. sales network

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P3. organizational structure

P7. human resources

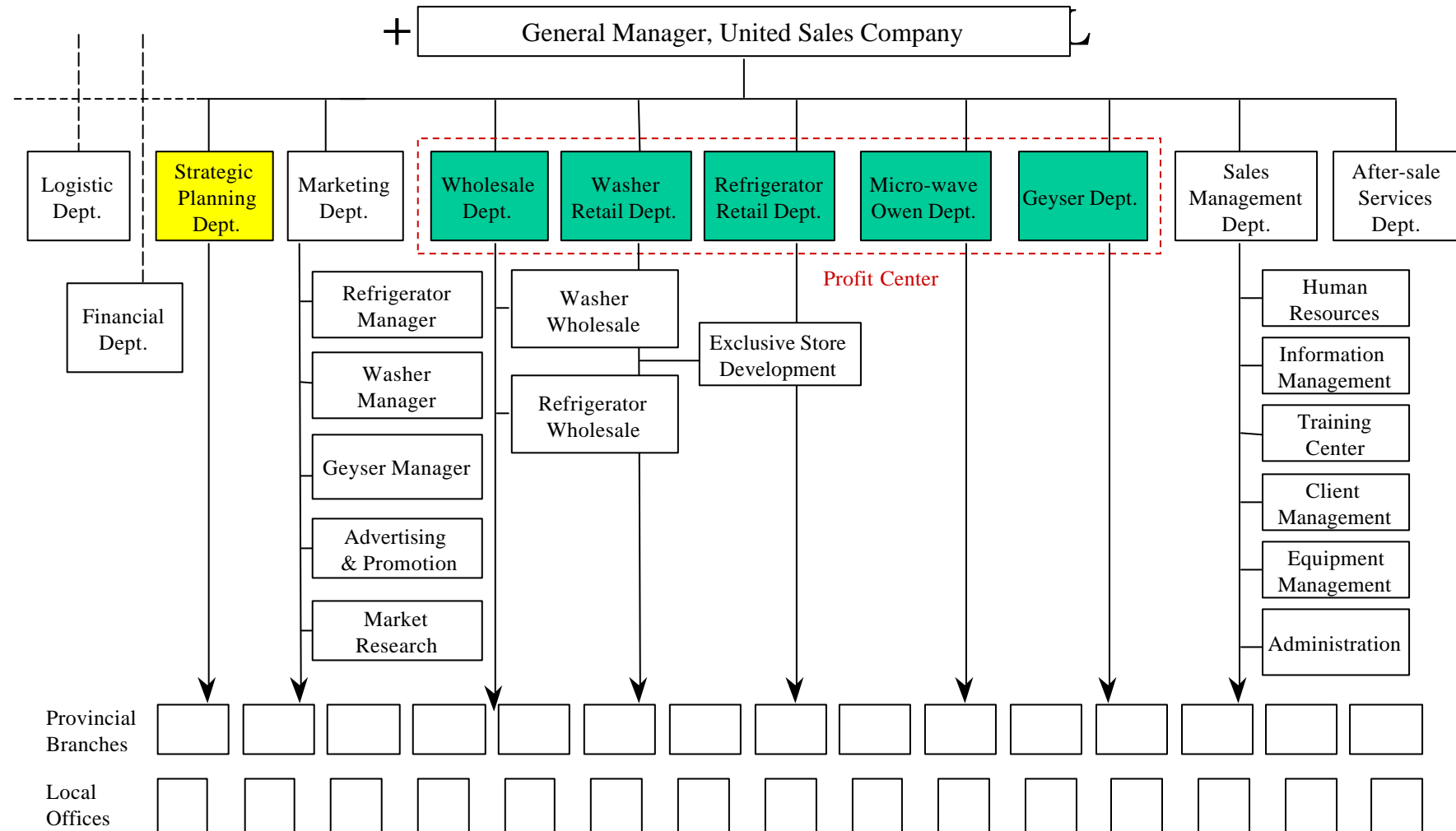
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P4. brand image

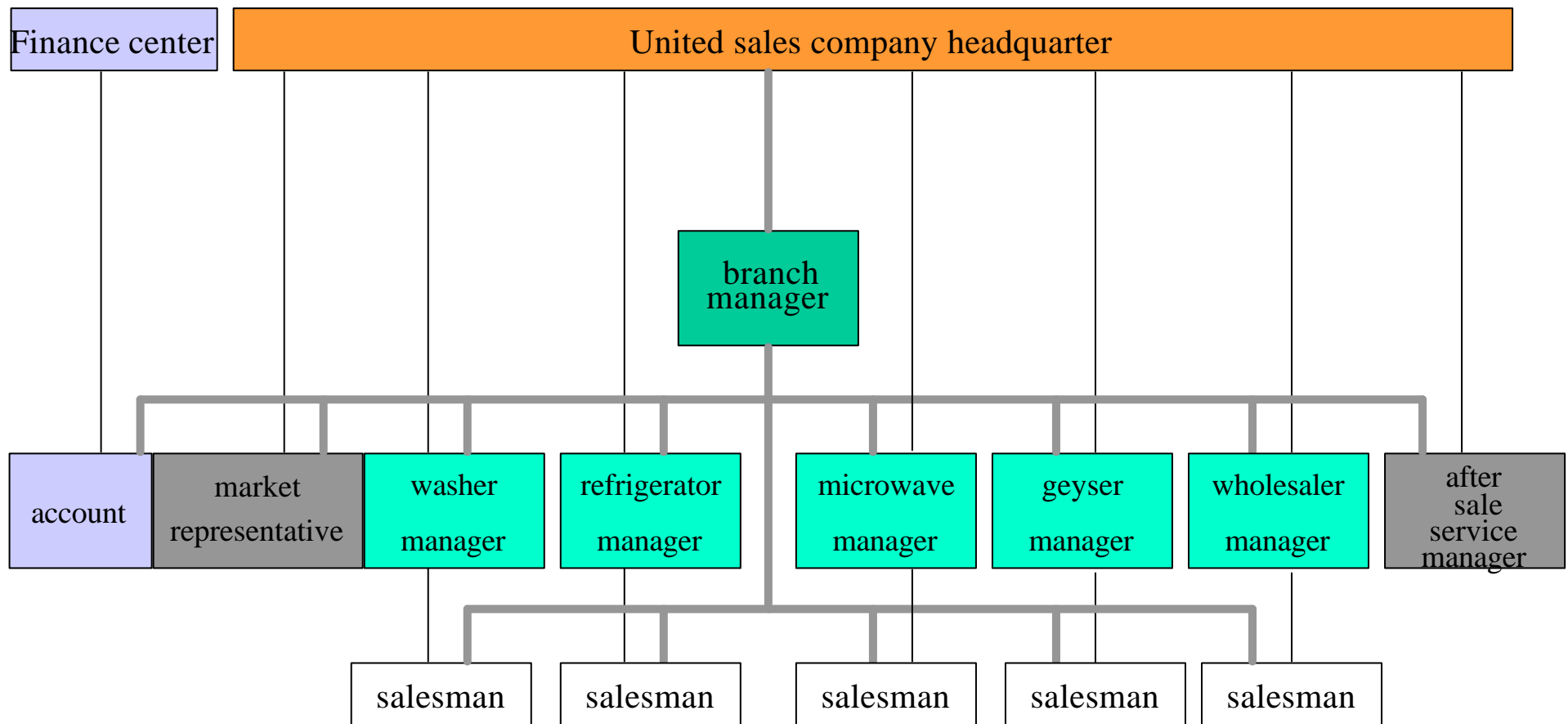
P1. the structure of shareholders

# STRUCTURE

## A COMBINED APPROACH: FUNCTION + PRODUCT



# ORGANIZATIONAL STRUCTURE OF BRANCH

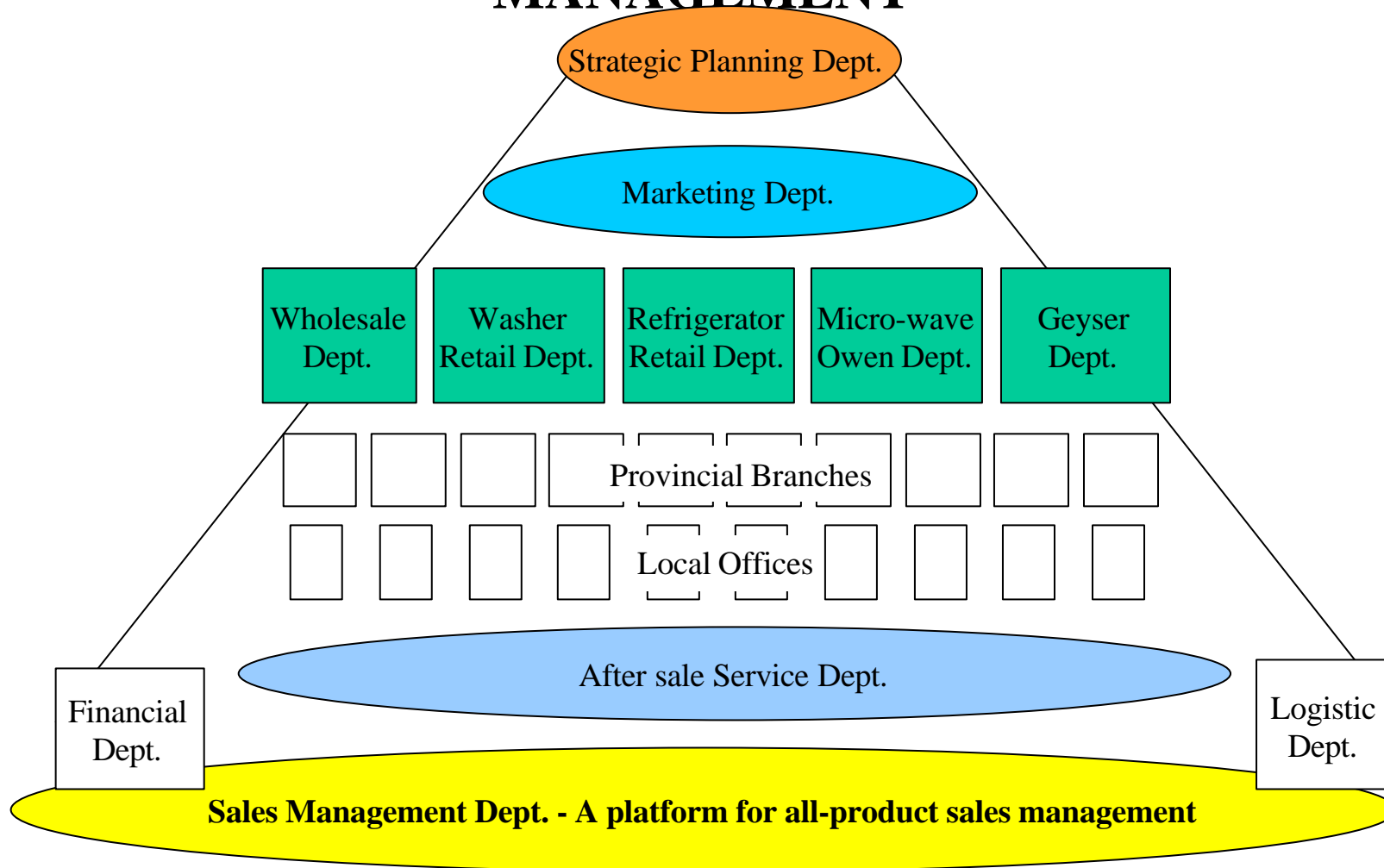


PS: bold lines represent management in terms of administration  
other lines represent management in terms of business

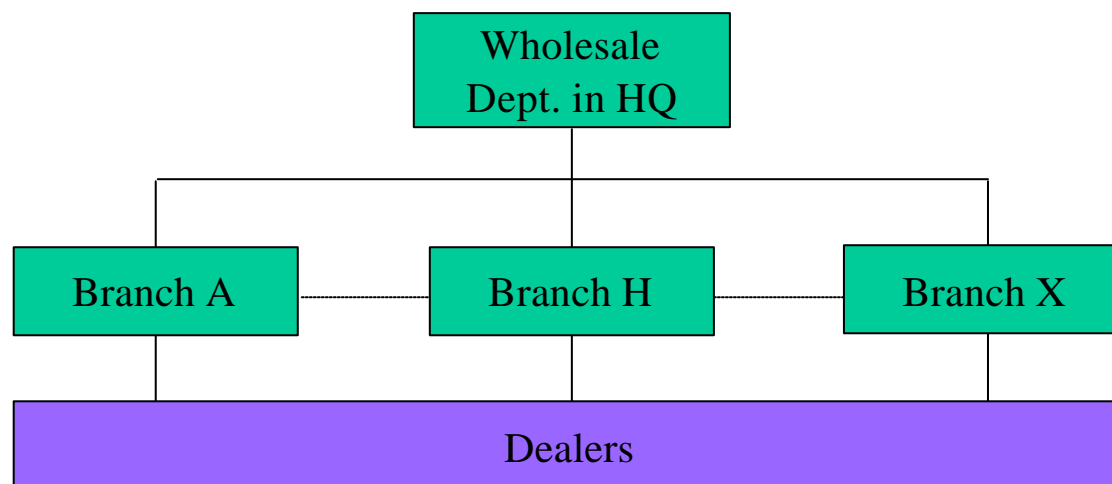
Source: SINOTRUST Interview & Analysis

SINOTRUST/MC  
RSD991012FINAL PAGE 59

# SALES MANAGEMENT DEPARTMENT A PLATFORM FOR ALL-PRODUCT SALES MANAGEMENT

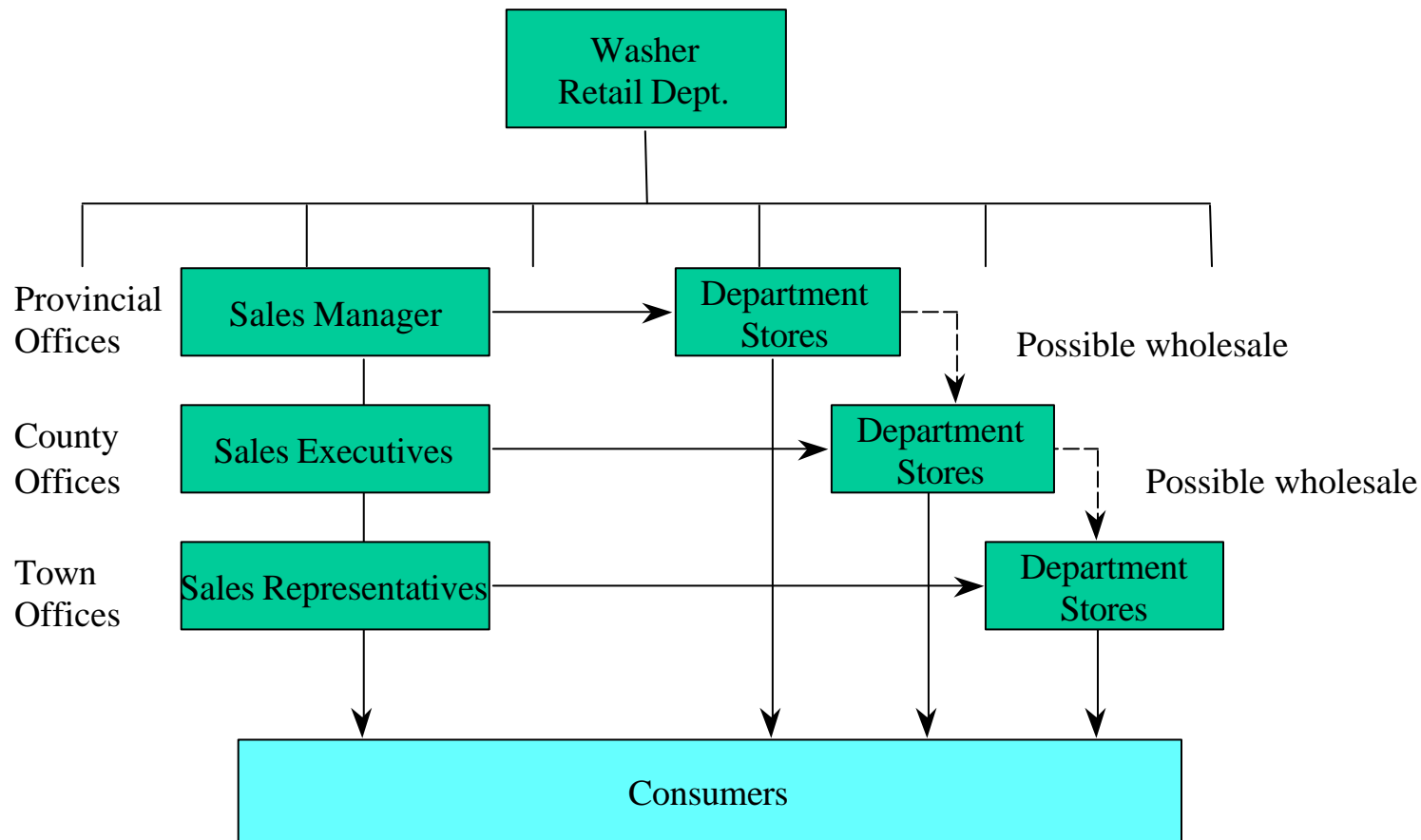


# WHOLESALE DEPARTMENT MANAGEMENT HIERARCHY

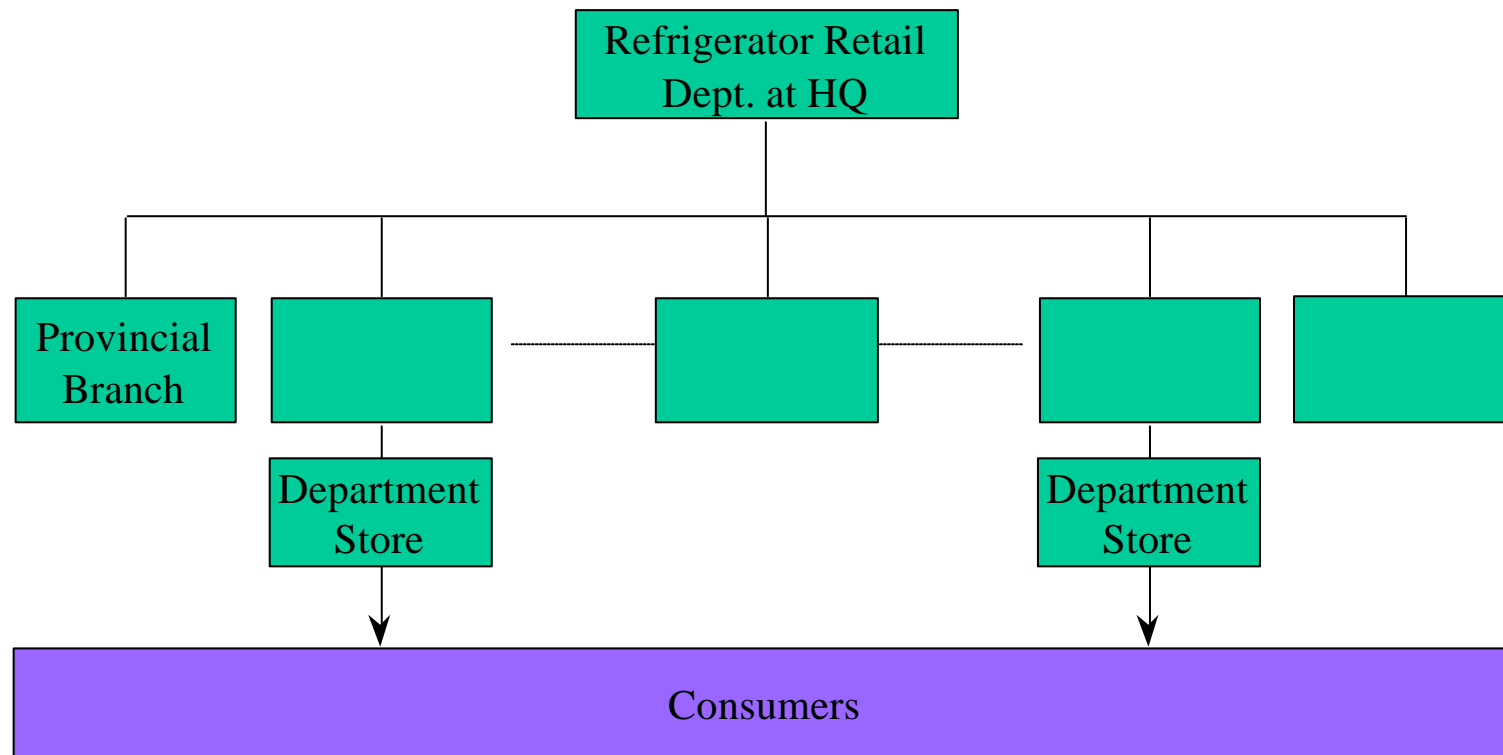


- 1, Sales staff specialized in dealing with wholesalers are sent to provinces with strong wholesale presence.
- 2, No wholesale staff are set for secondary city or town offices.
- 3, Wholesale clients are networked with RSD IT system and their profiles are stored in RSD ERP system.
- 4, RSD IT staff at HQ are sent to regional wholesale clients to help set up IT network. Job rotation is on a three-year basis.

# HIERARCHY IN WASHER RETAIL DEPARTMENT



# REFRIGERATOR RETAIL DEPARTMENT HIERARCHY



- 1, Branches in 10 major cities and two provinces are to be first set up.
- 2, Gradually branches will be set up in all 31 provinces.

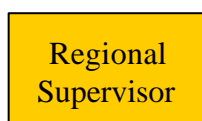
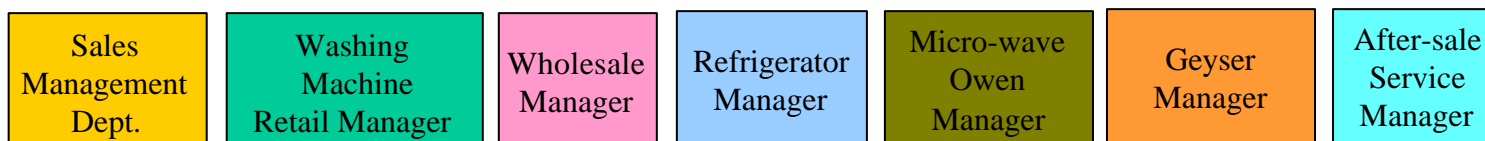
# MANAGER WILL GRADUALLY BECOME REGIONAL SUPERVISOR WITH SOLE MANAGEMENT RESPONSIBILITY DIRECTLY REPORTING TO SALES MANAGEMENT

DEPARTMENT		
Current Responsibility of Regional Manager	=	Role of Proposed Regional Supervisor + Role of Marketing Dept. Manager
1, Assume subregional posts at the same time	1, No other posts assumed	1, Routine Management
2, Concentrate on one subregion only	2, Supervising one region	2, Information Management
3, Realized revenue as part of performance measure	3, Performance measure excluding realized revenue but including management effectiveness	3, Client Management
4, Authority to personnel arrangement	4, Authority to personnel arrangement	4, Promotion management
5, No hard objective of business development	5, Business development against hard objectives	
	6, Responsible for less developed regions	

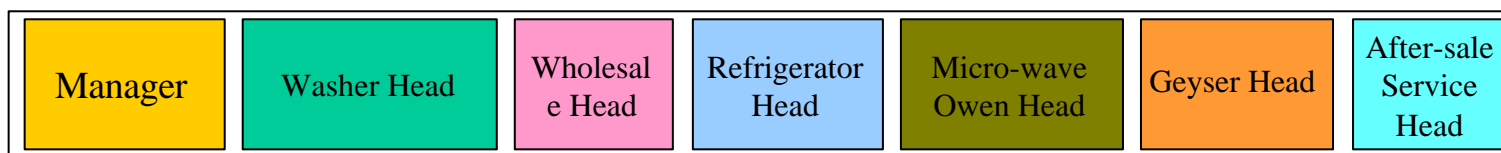
RSD should be very cautious of the transition since the eight regions are currently generating majority of revenue.



# STRUCTURE OF PROVINCIAL BRANCHES: MANAGEMENT MATRIX



Model One



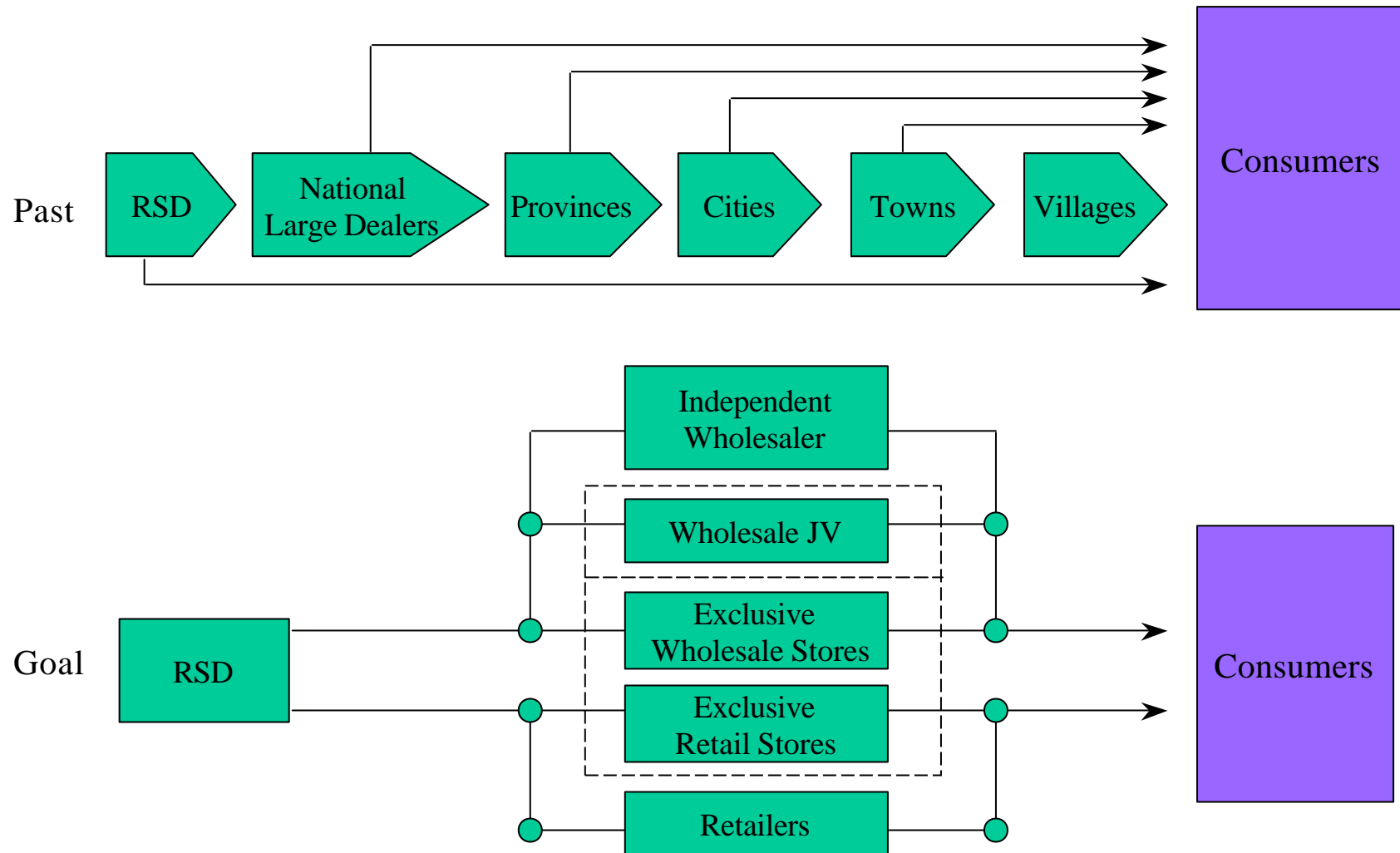
Suitable for regions with higher market share such as Hefei, Beijing, Shanghai, and Guangzhou

Model Two

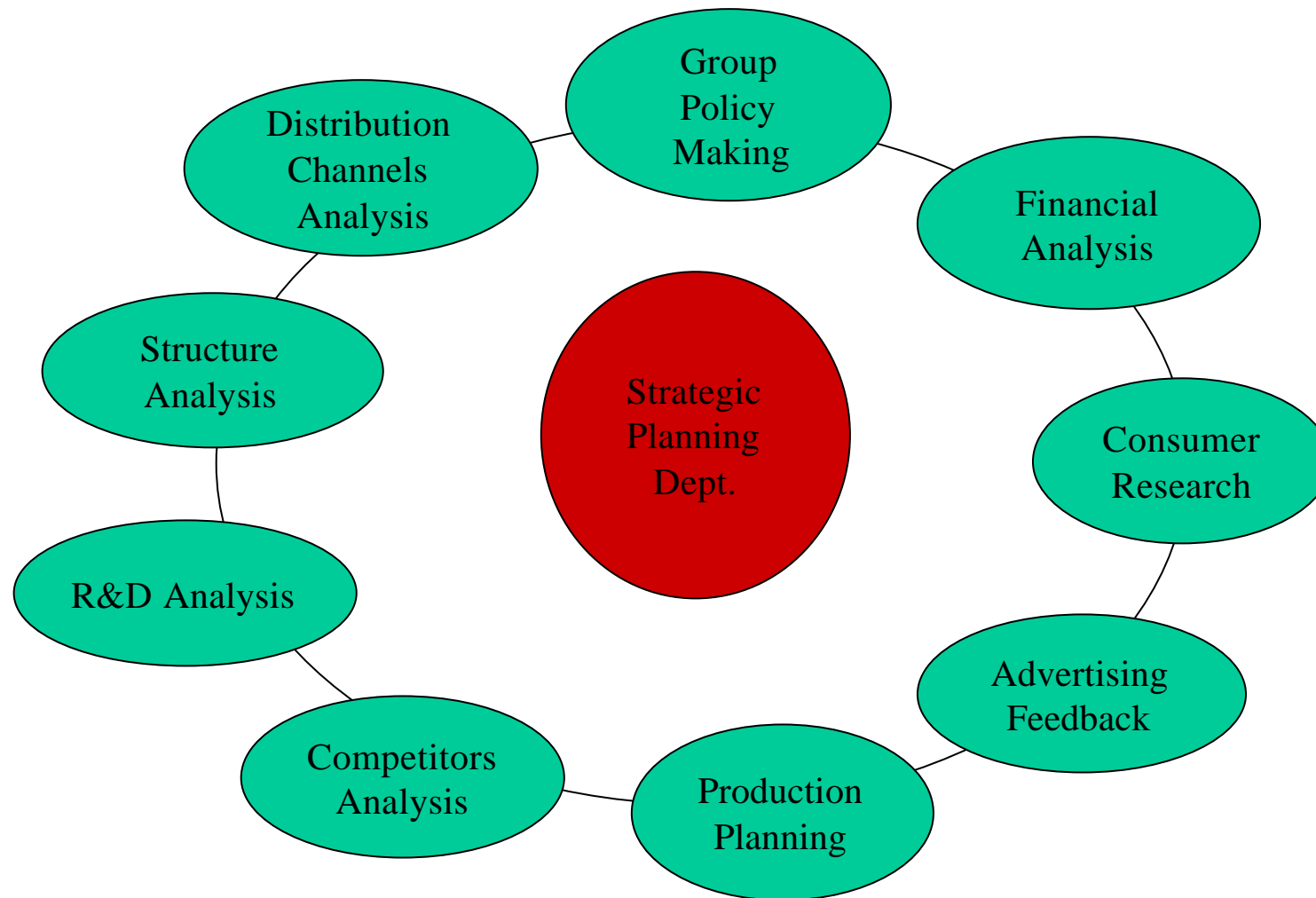


Suitable for regions with less refrigerator business

# CHANGES IN SALES NETWORK PATTERN FROM SERIAL TO PARALLEL, CLOSER TO CONSUMERS



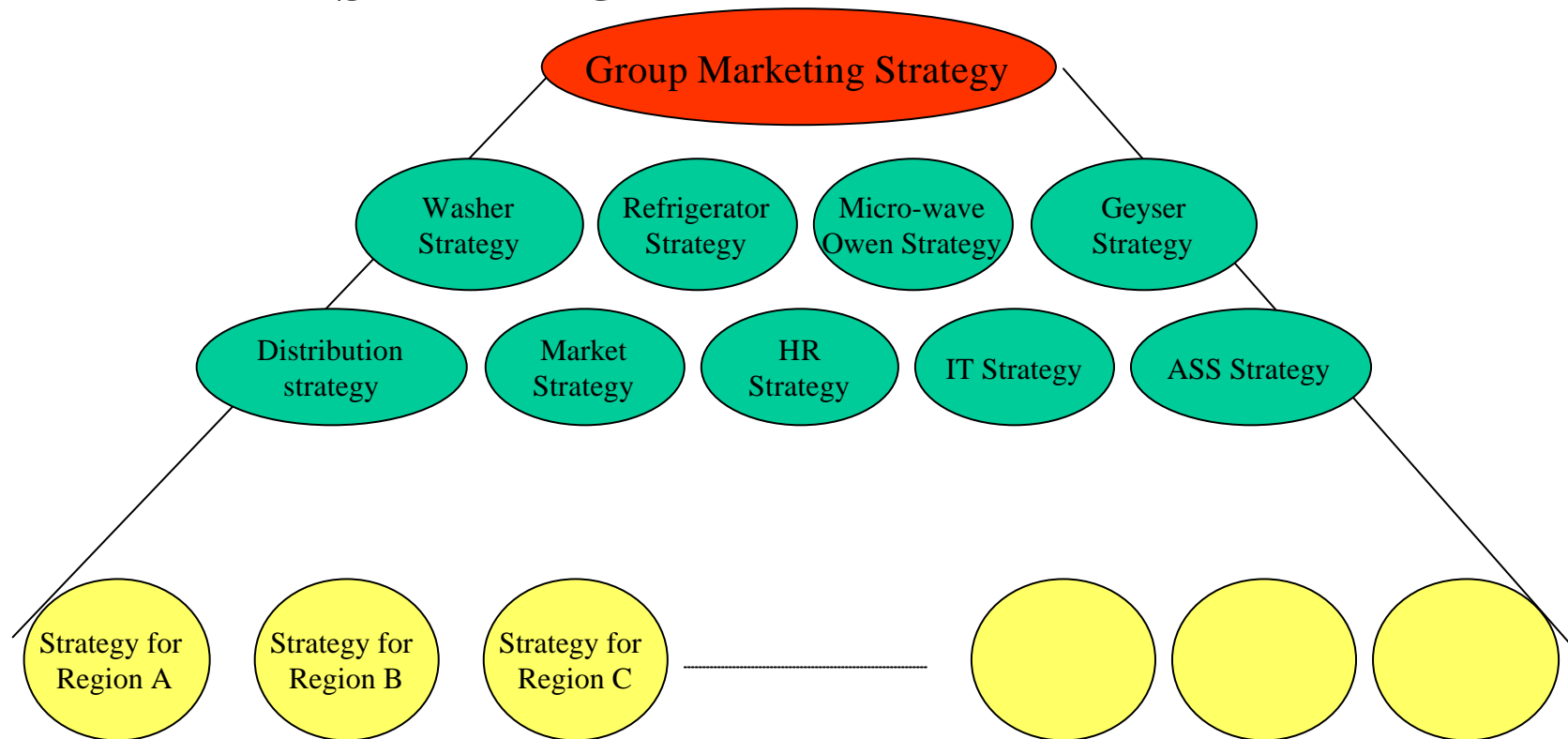
# STRATEGIC PLANNING DEPARTMENT - GROUP THINK TANK



# STRATEGIC PLANNING DEPARTMENT

## MARKETING STRATEGIC PLANNING

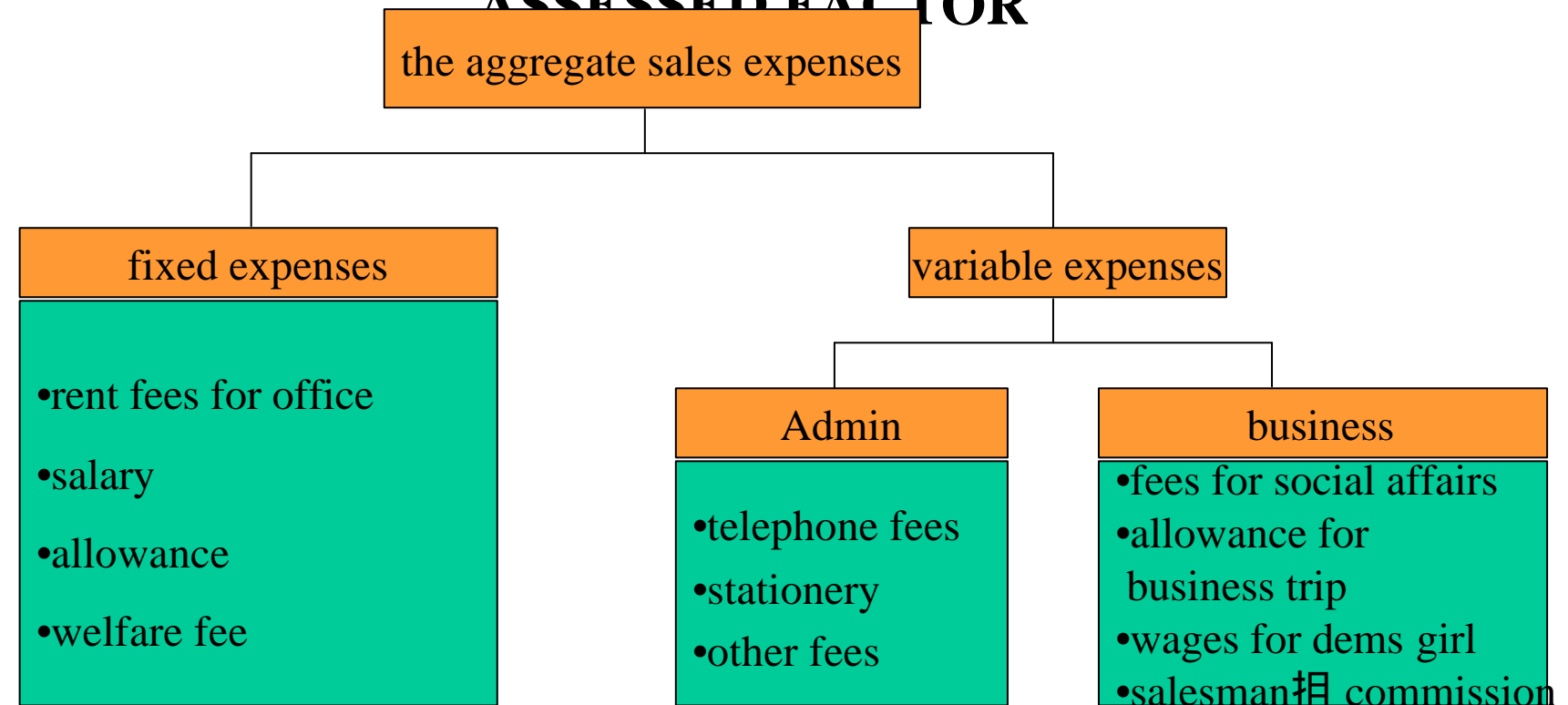
=GROUP MARKETING STRATEGY  
+ PRODUCT STRATEGY+ REGIONAL  
STRATEGY



# ASSIGN ANNUAL SALES TARGET

	Decision-maker	assignor	Implement
total target	Board	CEO	Sales GM
brand target	GM under the help of Strategic planing dept.	GM of sales company	sales manager
brand target of each province	Sales manager under the help of brand manager	sales manager	sales manager of each province
salesman target	provincial sales manager under the help of branch manager	sales manager of each province	salesman of each product
Dems girls target	Salesman under the help of sales manager	salesman	Dems girl
Each branch target	the aggregate of every product target	GM of sales company	branch manager

# SALES EXPENSES FOR BRANCH IS ASSIGNED ACCORDING TO FOLLOWING TYPES , FEES CONTROL SHOULD BE CONSIDERED AS ONE ASSESSED FACTOR



- the headquarter assigns the fixed expenses
- branch manager controls the using of admin fees
- sales manager controls the using of business fees;  
branch manager and accountant are the supervisors
- the sales target budgets for each brand and each dept.  
the exceeding portion can be approved only through demanding standards

# THREE MAJOR FUNCTIONS OF MARKETING DEPARTMENT

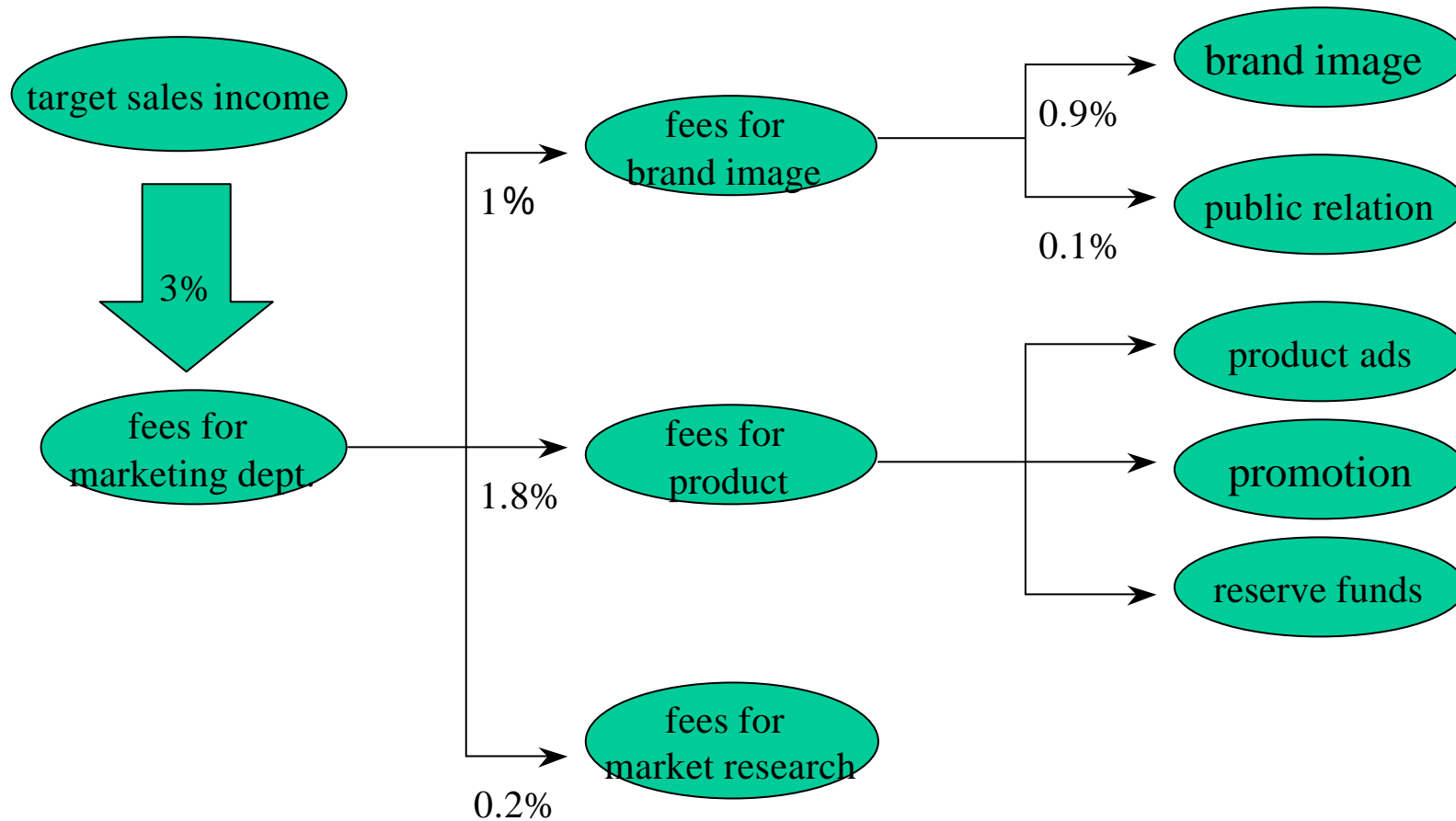
Functions	Itemized Tasks	External Resources
1, Product Planning	<ul style="list-style-type: none"> <li>• Individual Product Strategy</li> <li>• Market Entry Strategy</li> </ul>	
2, Advertising	<ul style="list-style-type: none"> <li>• Brand Advertising</li> <li>• Soft Public Relation Campaign</li> <li>• Promotion planning</li> </ul>	Advertising Companies
3, Market Research	<ul style="list-style-type: none"> <li>• Customer Research</li> <li>• Competitor Research</li> <li>• Research for New Product Positioning</li> <li>• Other Specific Research</li> </ul>	Market Research Firms
Marketing Department provides sales units with strategic advisory services		

# MARKETING DEPARTMENT: ADVERTISING FOR BRAND BUILDING

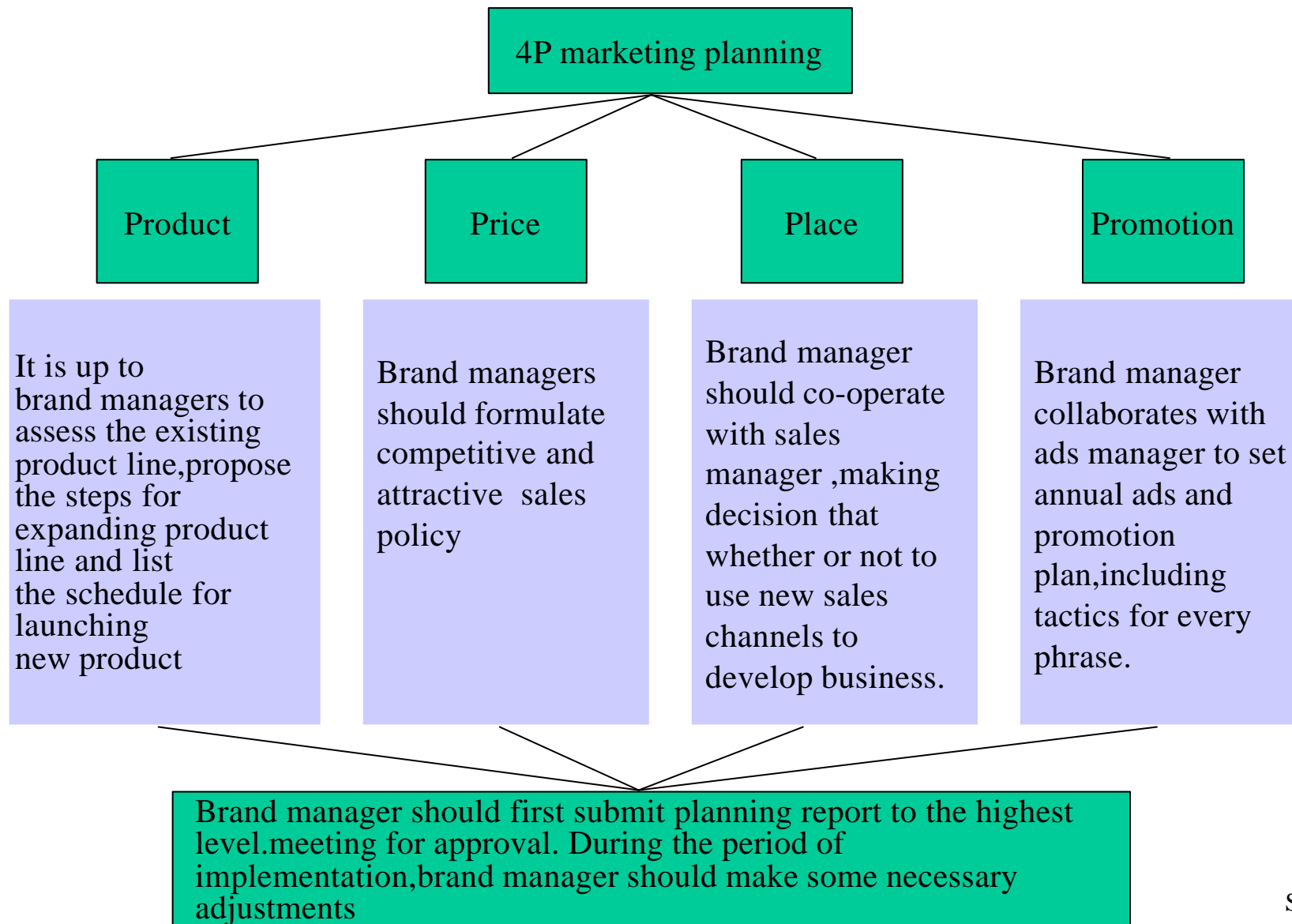
Form	Goal
Advertisement	Short term : increase customer awareness and sales Long term : lift brand image and corporate reputation
Promotion	Immediate effect on sales
Public Relation Campaign	Corporate image building, entrepreneurial image building Sales increase Handling emergent PR issues



## THE BUDGET FOR MARKETING DEPT.IS ALLOCATED AS FOLLOWING



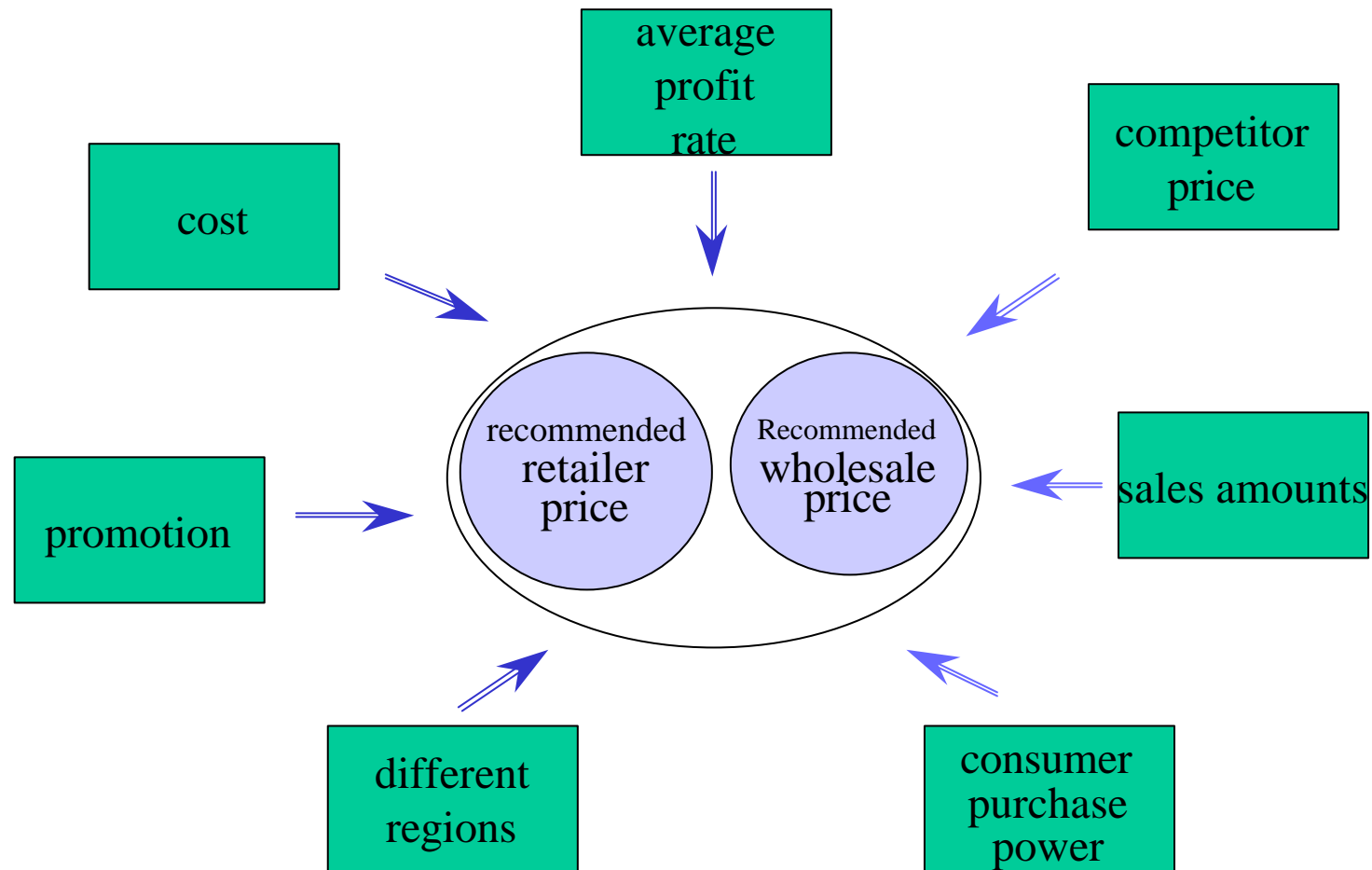
# MARKETING PLAN FOR EACH PRODUCT



# BRAND MANAGER SHOULD COLLABORATE WITH EACH DEPT. TO LAUNCH NEW PRODUCTS

	brand manager	market research	sales	Production	R&D	Finance
reasons	planing	Competitor & consumer	sales amounts	idle productive forces	initiative	profitability
organization	New product developing team					
implement-tation	sales policy	specific research	characteristic	manufacture	technologic developing	funding& cost control
testing	organization	specific research	beta testing	alpha testing	technologic testing	assessment
improve	product line	specific research	situation analysis	manufacture line	technology	funding& cost control
launching	planning	specific research	selling	mass manufacture	maintaining	money collection

# WHEN DECIDE SALES POLICY, BRAND MANAGER SHOULD BE VERY CONSIDERATE



# STRATEGIC PLANNING DEPT. CO-OPERATE WITH SALES ,MARKETING FINANCE DEPT.TO DECIDE DISCOUNT AND REBATE POLICY SUBMITTING TO GM FOR APPROVAL

discount

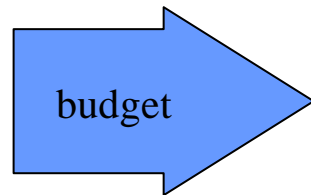
only payment by cash

>100,000	1 %
>200,000	2 %
>300,000	3 %
>400,000	4 %

rebate  
(every year)

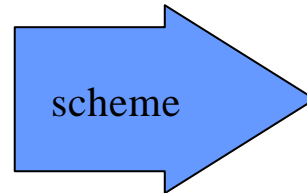
>100 million	0.5 %
>200 million	1.0 %
>500 million	1.5 %
>1000 million	2.0 %

# THE PROCESS OF IMPLEMENTING ADS OF BRAND IMAGE



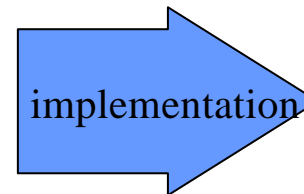
budget

Vice GM and marketing dept. manager preside over budget meeting, consulting professional ads company, then submit budget report to the highest level meeting for approval. Assign the budget to ads dept.



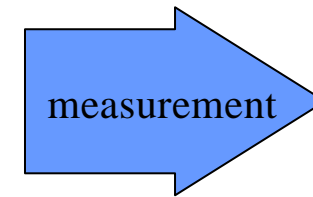
scheme

Ads dept. collaborate with professional ads company to scheme out a method. After receiving marketing dept. Manager approval, ads dept. began to manufacture.



implementation

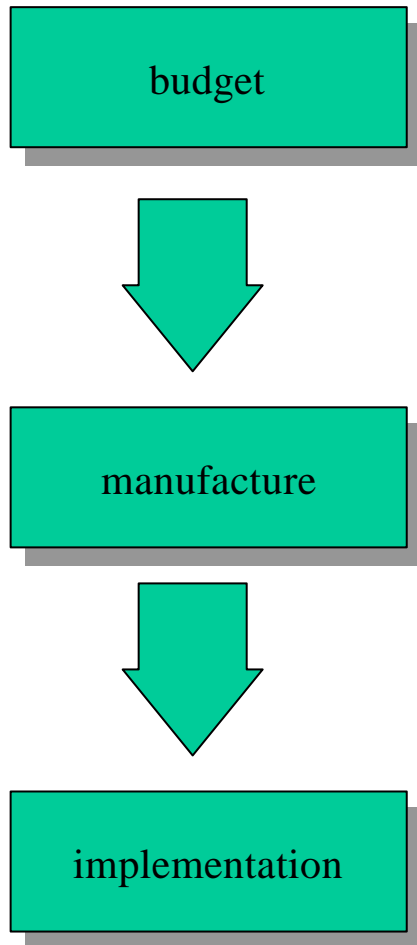
The ads dept. implements national ads;  
  
Market representatives implement regional ads.



measurement

Vice GM and marketing dept. manager are responsible for assessing the ads.

# THE PROCESS OF IMPLEMENTATION OF PUBLIC RELATION

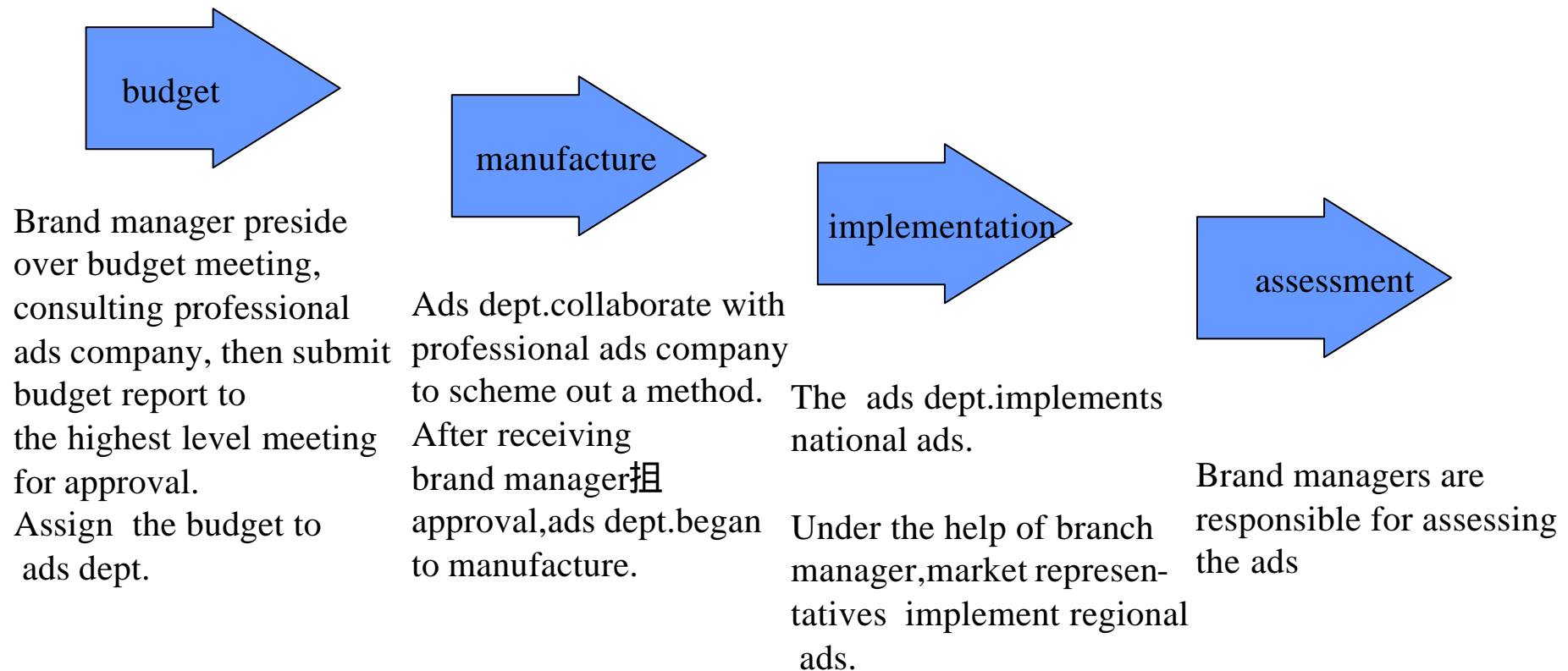


Vice GM and marketing dept.manager preside over budget meeting, consulting professional ads company, then submit budget report to the highest level meeting for approval. Assign the budget to ads dept.

Ads dept.collaborate with professional ads company to scheme out a method.After receiving marketing dept. Manager approval,ads dept.began to manufacture.

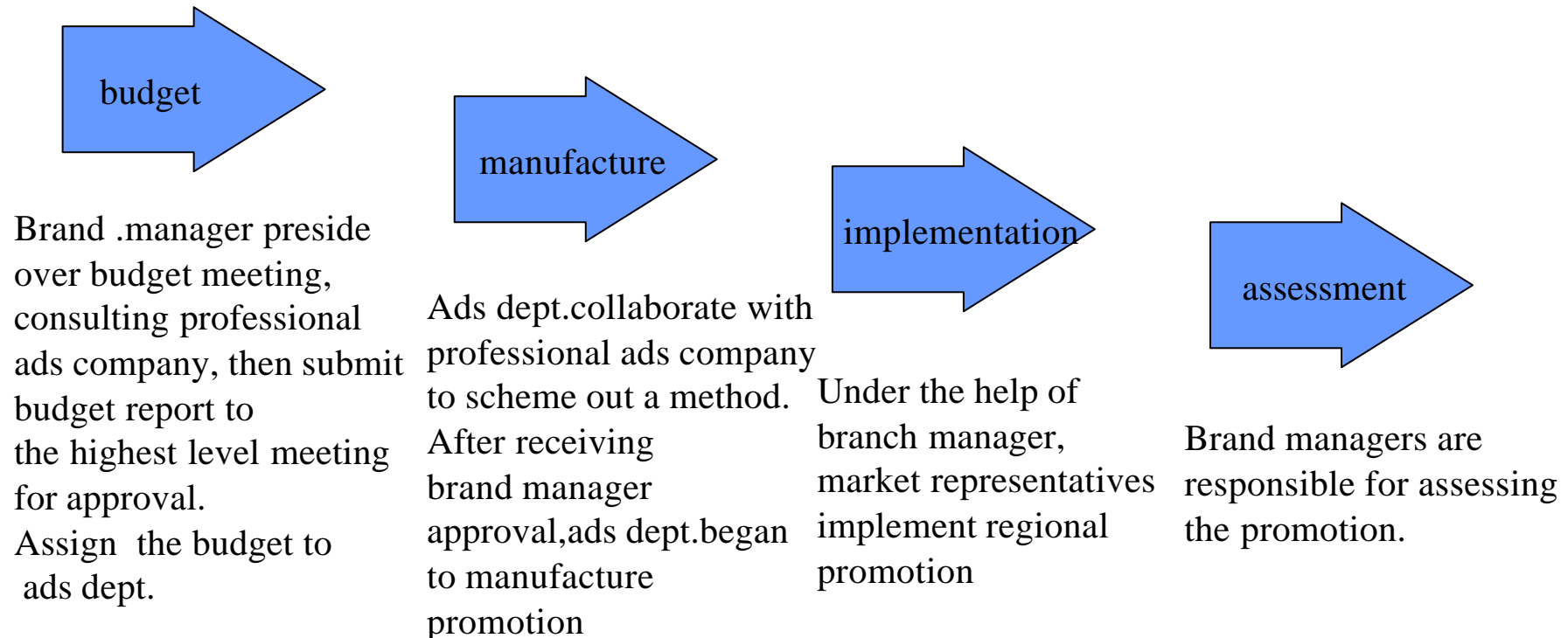
The ads dept.implements national ads;  
Market representatives implement regional ads.

# THE PROCESS OF IMPLEMENTING ADS OF PRODUCT

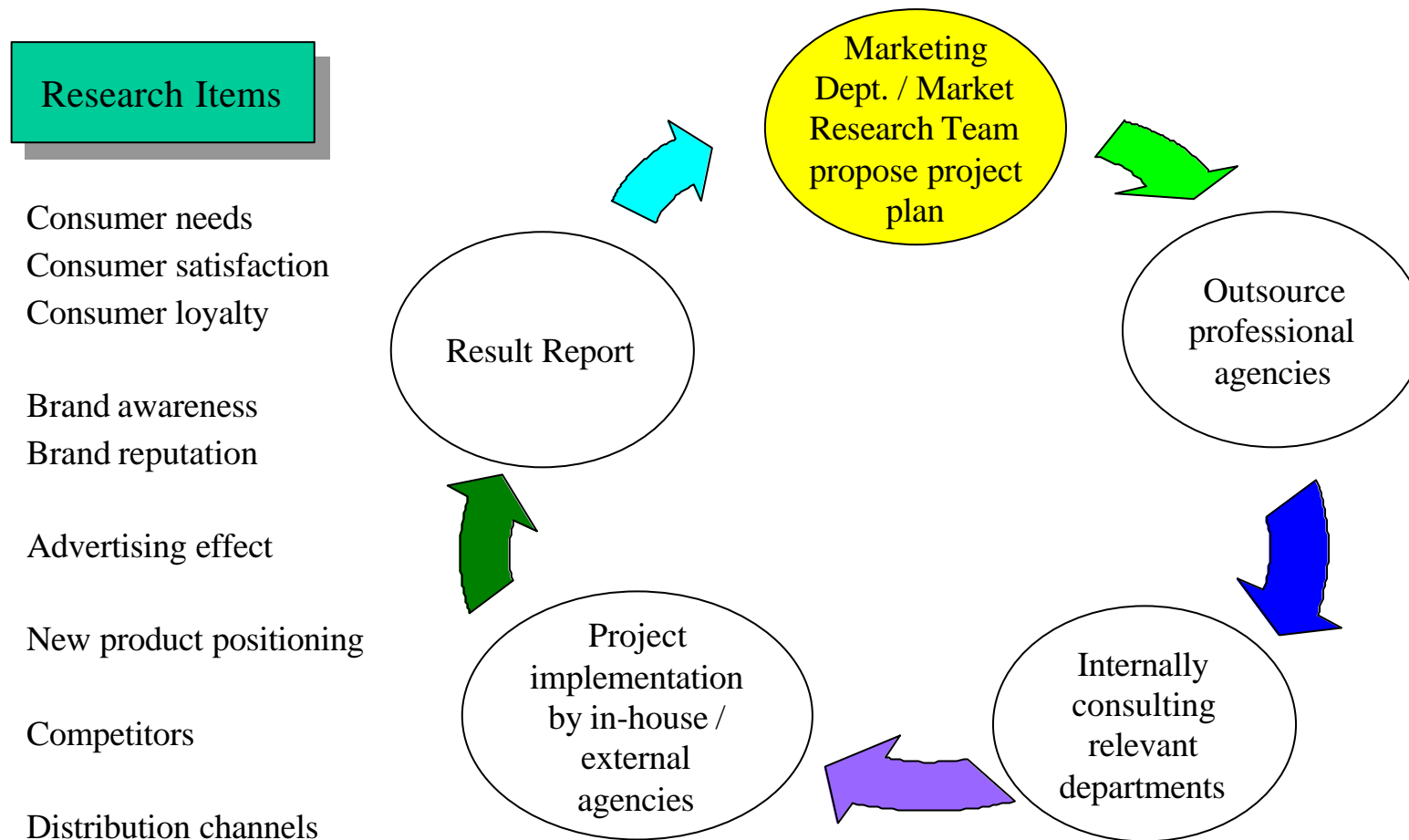




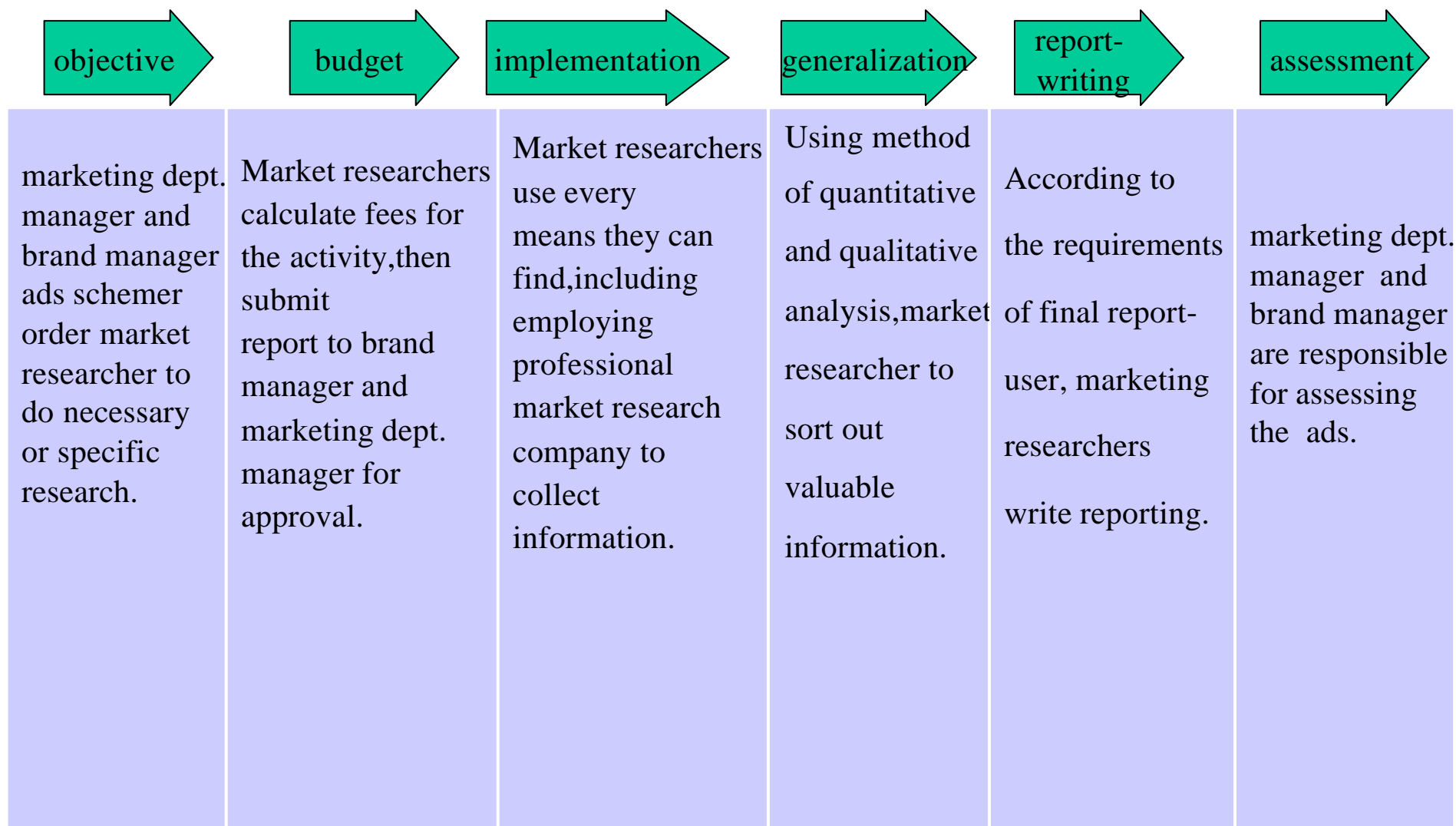
# THE PROCESS OF IMPLEMENTING OF PROMOTION



# MARKETING DEPARTMENT: MARKET RESEARCH



# THE PROCESS OF IMPLEMENTING MARKET RESEARCH



# WHOLESALE DEPARTMENT

## THREE DISTRIBUTION APPROACHES

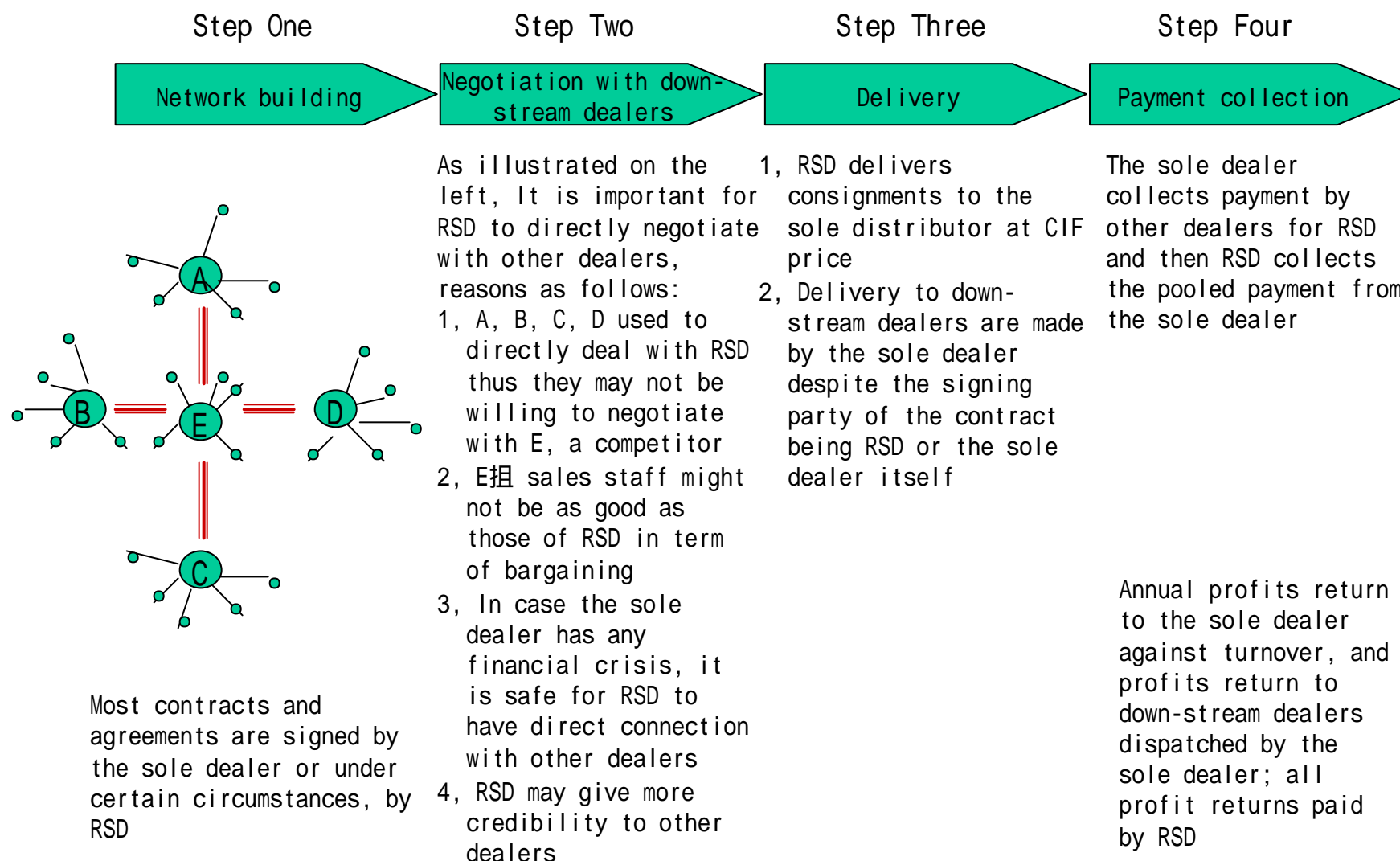
	Wholesale JV	Provincial sole distributor	Provincial distributor portfolio
Key Consideration	<p>Partner picking</p> <p>RSD still directly negotiates with old clients while delivery and payment collection will be done by the sole dealer</p>	<p>A, Choose the best player in province with stable financial status</p> <p>B, Help to expand distribution network for knowledge of down-stream dealers and control over entire network</p>	<p>As usual</p>
Goal	Self-built distribution channel	Price control, more efficient warehousing and transportation, stronger payment collection power	Better market exploitation, maximum employment of current dealer network available
Drawback	High initial capital input	Some regions without suitable sole dealer presence, less network coverage	Chaotic price and product sources

### Three key factors to be considered for all three approaches

- 1, Choosing suitable dealer with extensive network coverage of rural area and good credibility
- 2, Engaging with dealers in network management; staff and IT support provided to dealers
- 3, Setting wholesale quota against dealers?past performance and market survey

# WHOLESALE DEPARTMENT

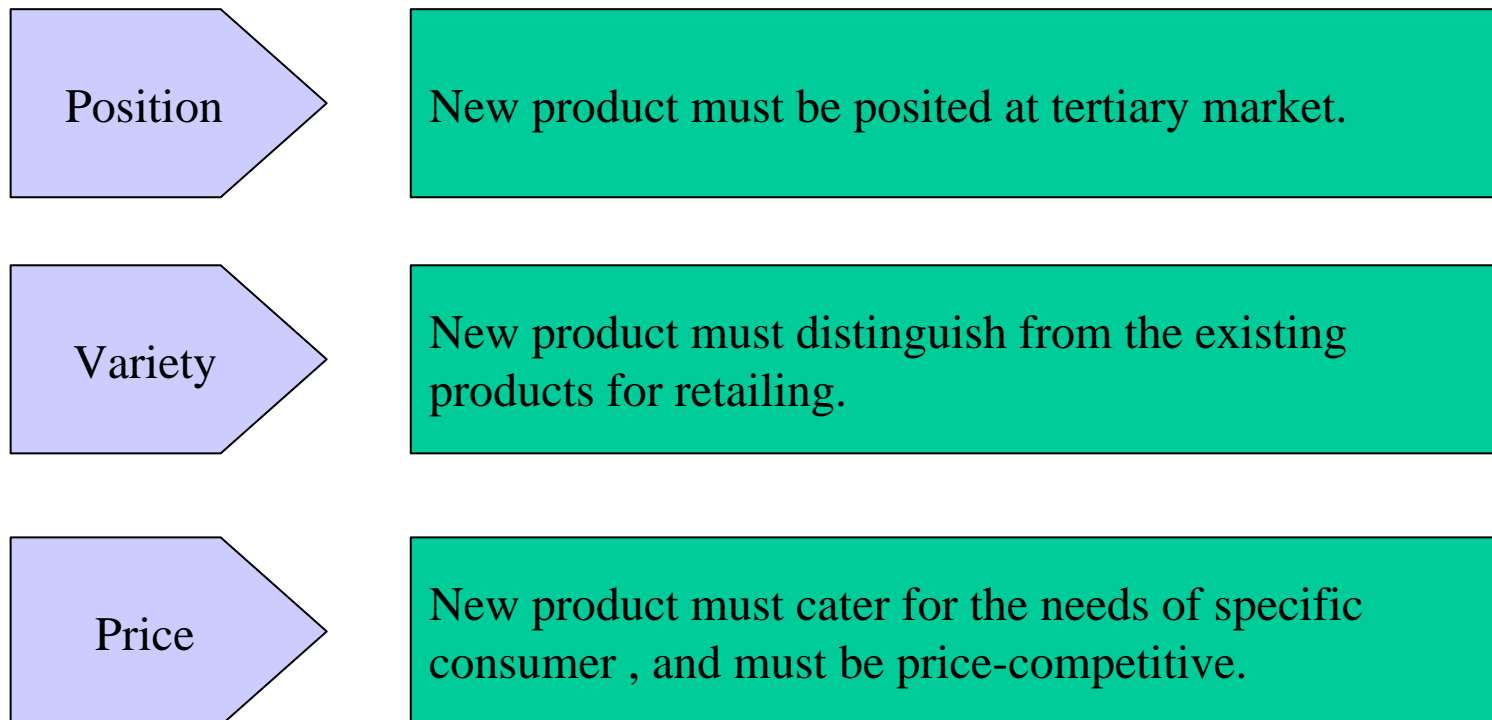
## A DETAILED EXPLANATION OF SOLE DISTRIBUTOR APPROACH



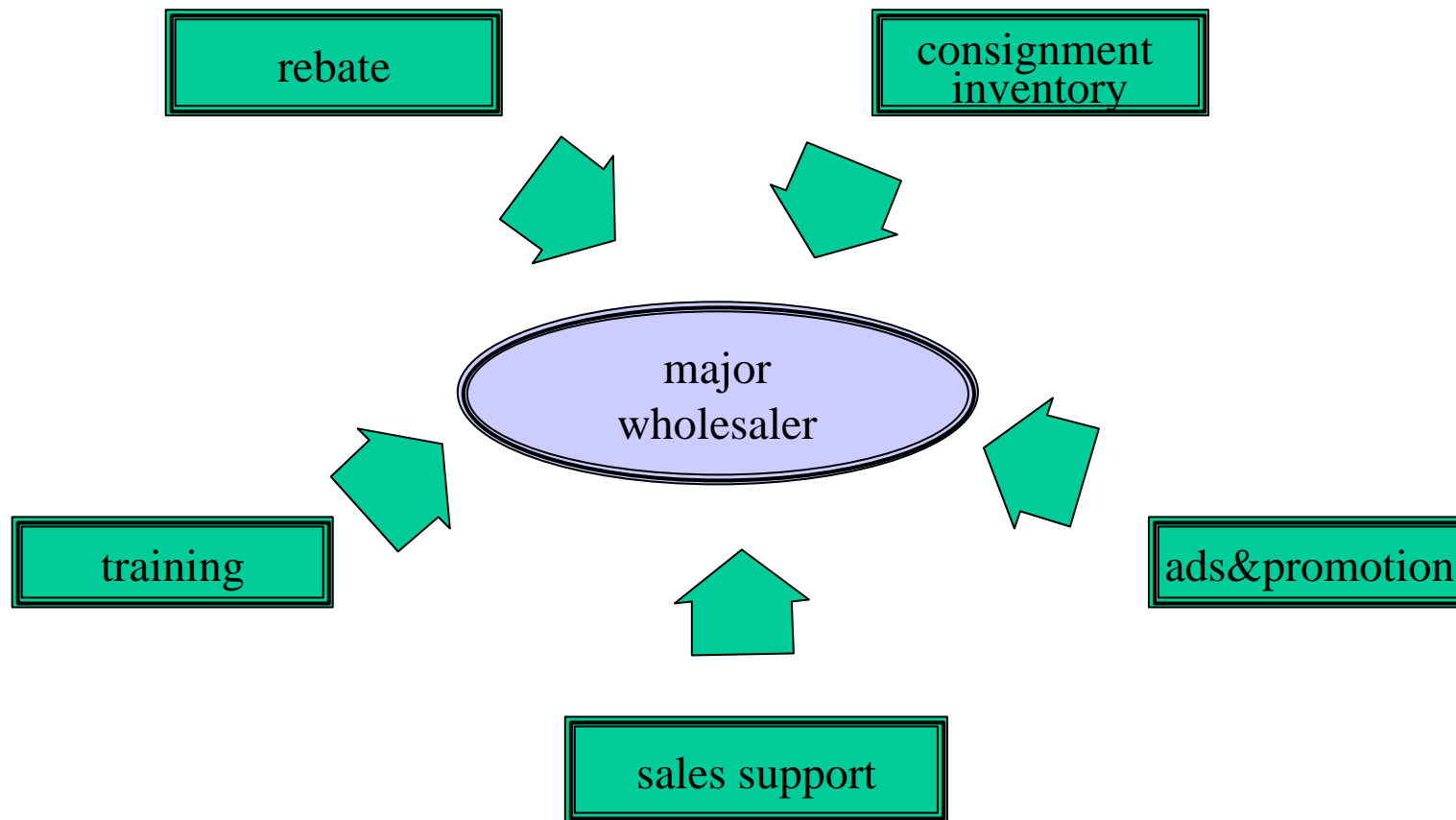
# WHOLESALE DEPARTMENT A BREAKDOWN OF JOINT-MANAGEMENT RESPONSIBILITIES

	RSD	WHOLESALER
Sales Planning	75%	25%
Inventory Management	75%	25%
Warehousing	0	100%
Retail Network	25%	75%
Transportation	0	100%
Credit Rating	0	100%
Promotion Planning	100%	0
Promotion Implementation	25%	75%

# LAUNCH NEW PRODUCT FOR WHOLESALING



**RSD MUST GIVE MAJOR WHOLESALERS A LOT OF SUPPORT AND FAVORABLE POLICY IN ORDER TO NOT ONLY INCENTIVE THEM ,BUT CONSOLIDATE THEIR RELIANCE ON RSD AS WELL.**





# RSD MUST CONTROL MAJOR WHOLESALER STRICTLY.

	contents	means
price control	dumping is not allowable	using computer to issue invoice
sales amounts control	turn down the unreasonable demands	finding the reasons for sales amounts increasing
source of goods control	forbid them to sell goods Trans-regionally	making identifying mark on goods package
rewards& punishments	those who break the contact should be punished	utilizing rebate policy , promotion investment and consignment amount to penalize

# **WASHING MACHINE RETAIL DEPARTMENT PROBLEM AND SOLUTION**

## **Problems**

- 1, Market share in first- and second-tier markets shrank with slow expansion in lower-end markets**
- 2, Inclination to wholesale**
- 3, Lack of POP management skills and retail network building, low input**
- 4, Lack of retail specialists**

## **Solutions**

- 1, Setup of eight regional retail branches and sales units by product**
- 2, Emphasis on retail in major cities, regional branches as retail platform**
- 3, Better retail planning based on demographic data, customer behavior and changes in economic environment**
- 4, Recruitment of retail specialists and enhancing training**

# WASHING MACHINE RETAIL DEPARTMENT

## KEY MISSIONS

### Key Missions

1, Secondary market development

2, Fine-tune of sales policies

### How to do

1, Market development planning of major cities and their vicinities

1, Increase consignment delivery in primary market department stores

2, Expand retail network in secondary market

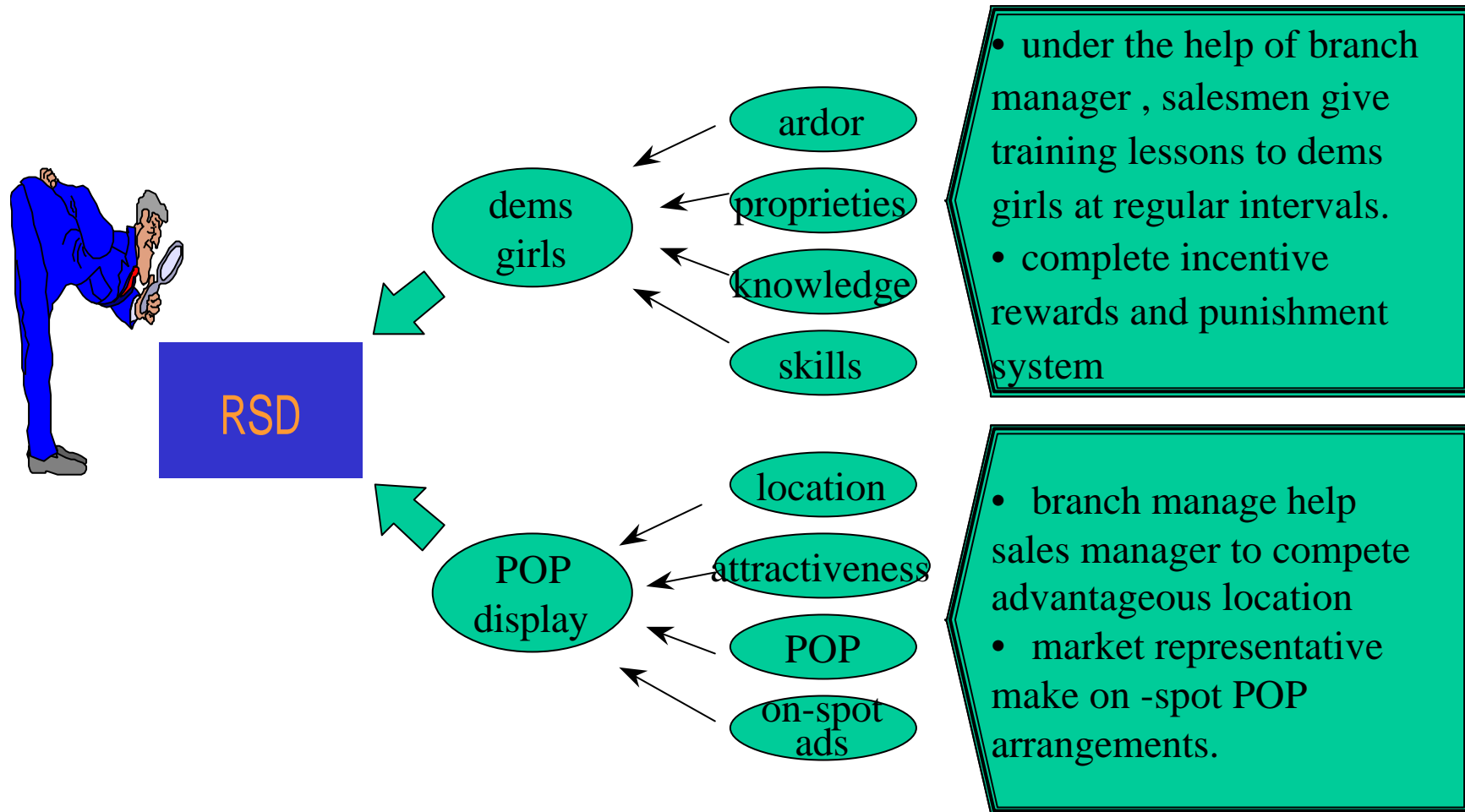
3, Enter newly developed home appliance retail superstore and exclusive store

4, Carry out detailed market research

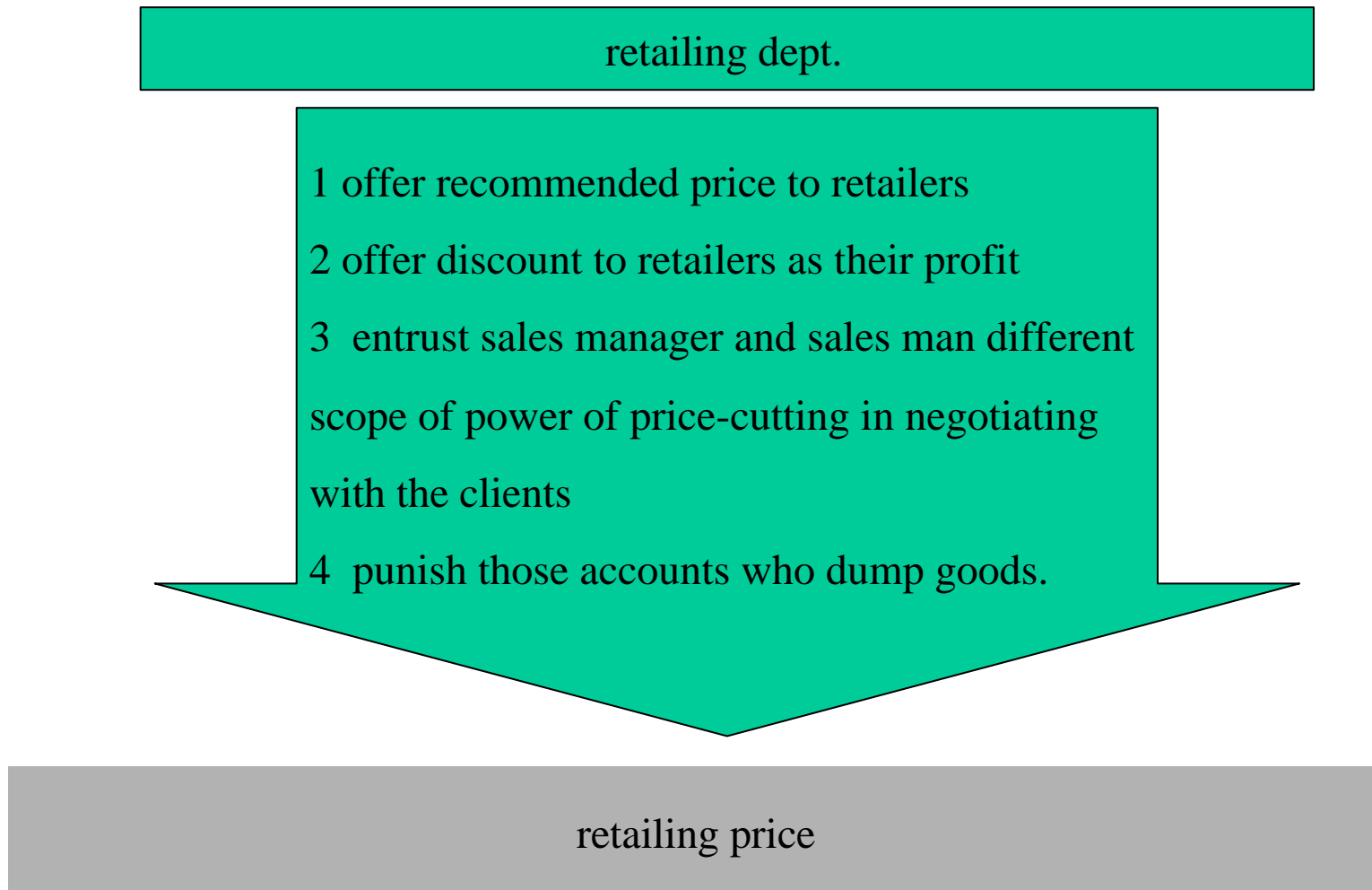
5, Set consignment delivery as part of performance measures

6, Make practical plan to increase consignment delivery

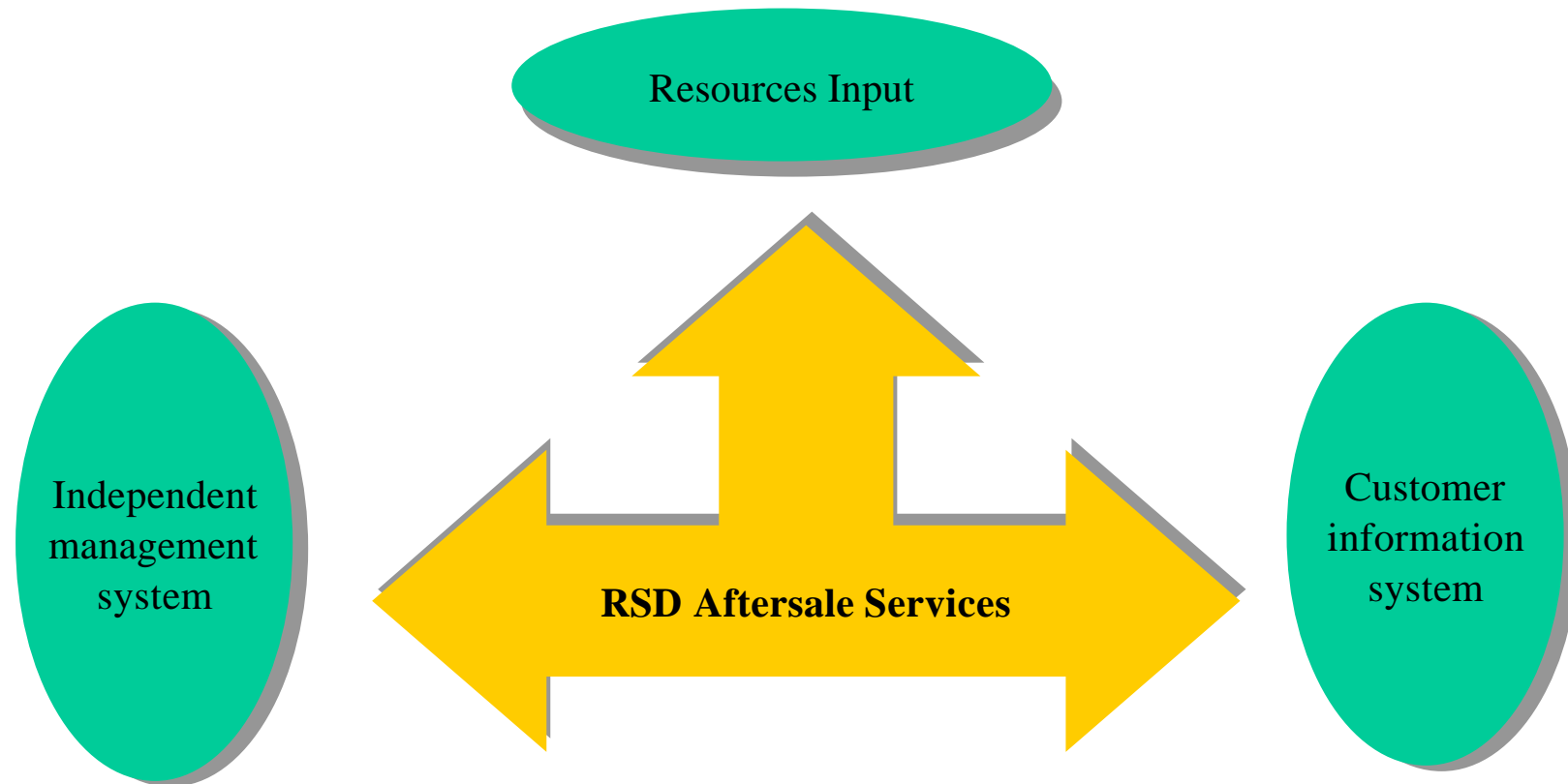
# POP IS VERY IMPORTANT



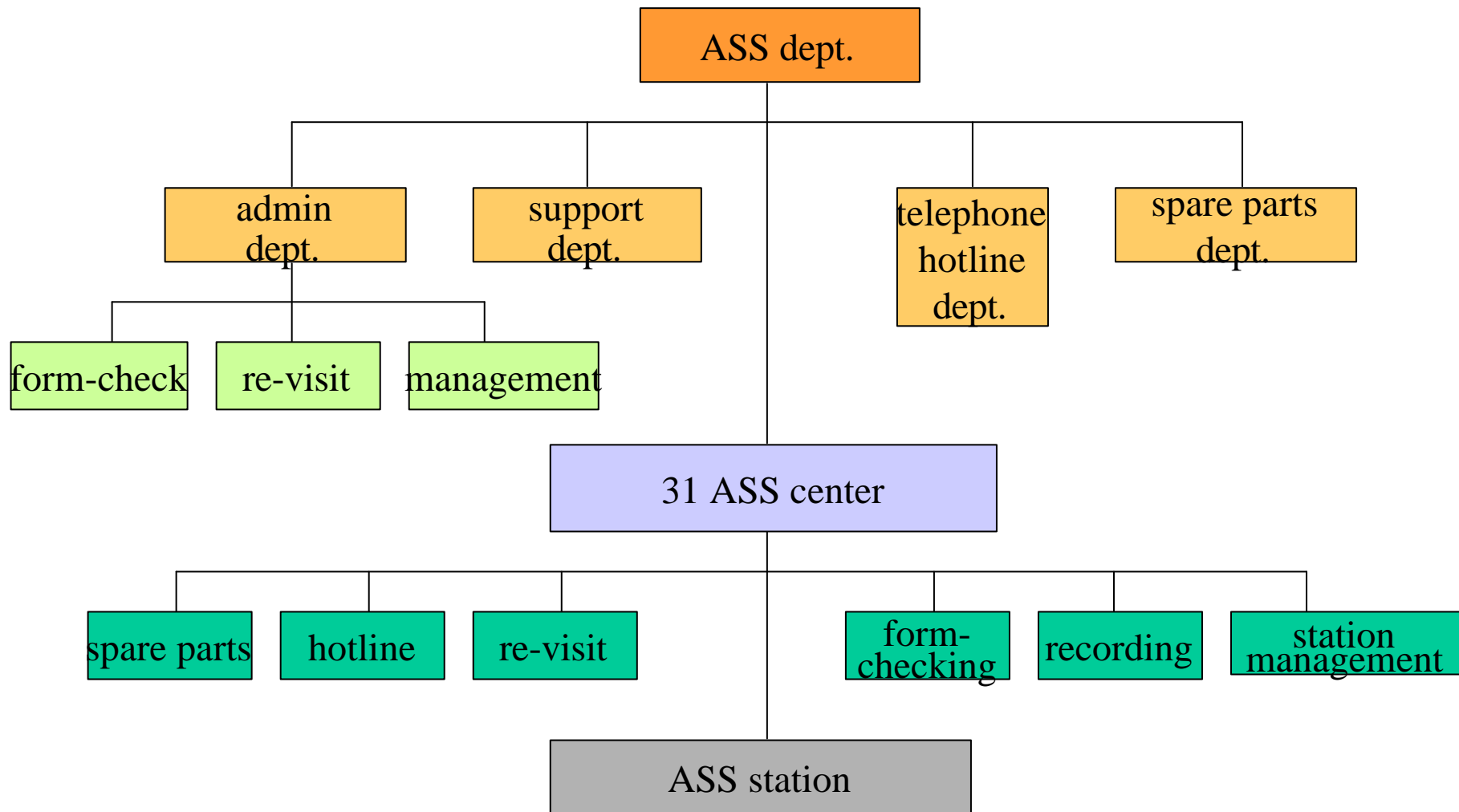
# CONTROL THE RETAILING PRICE



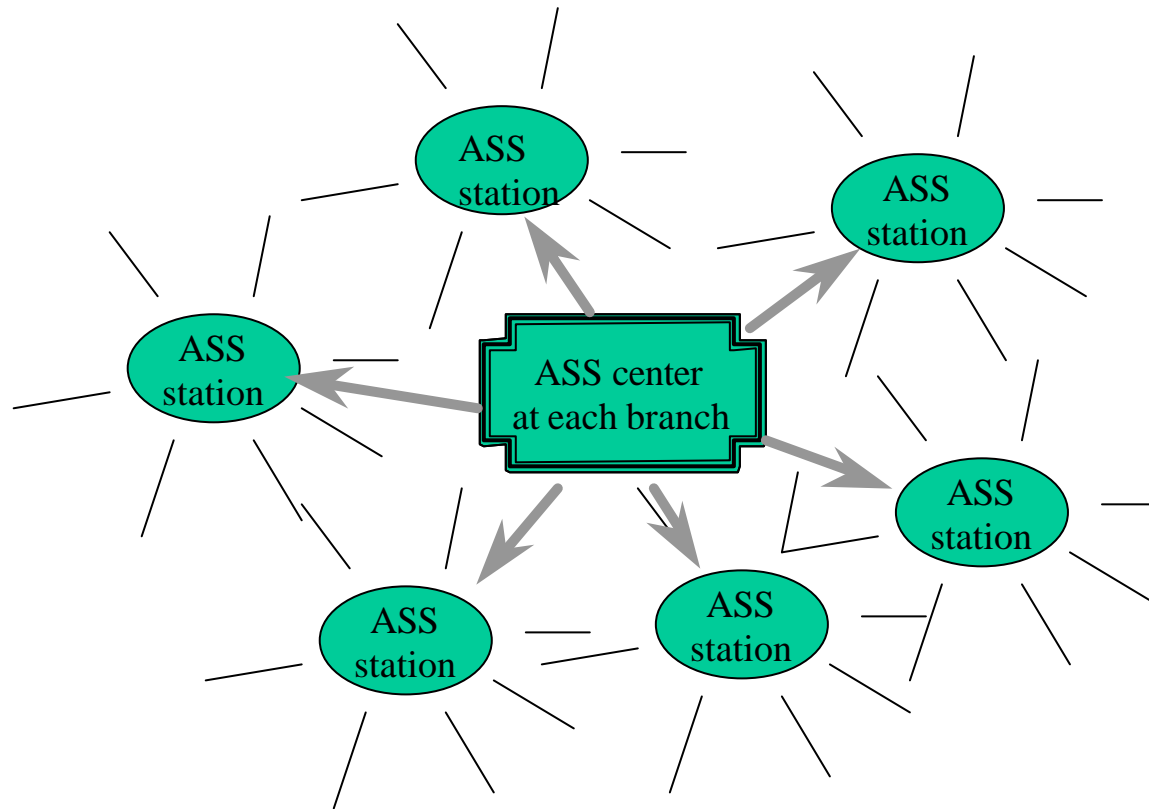
# RSD STRATEGIC EMPHASIS ON AFTERSALE SERVICES



# ORGANIZATIONAL STRUCTURE FOR ASS



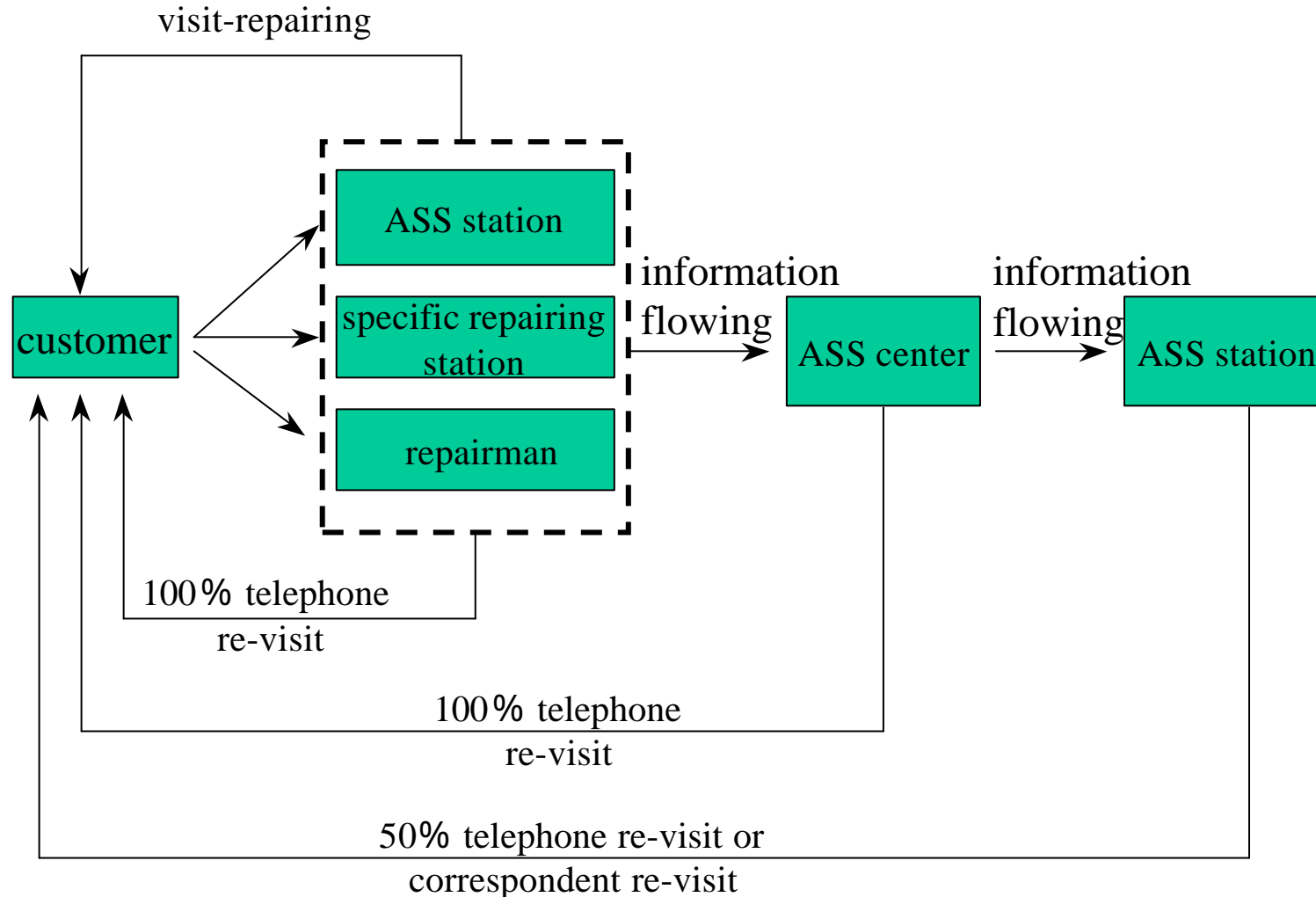
# RSD SHOULD ESTABLISH OWN ASS NETWORK



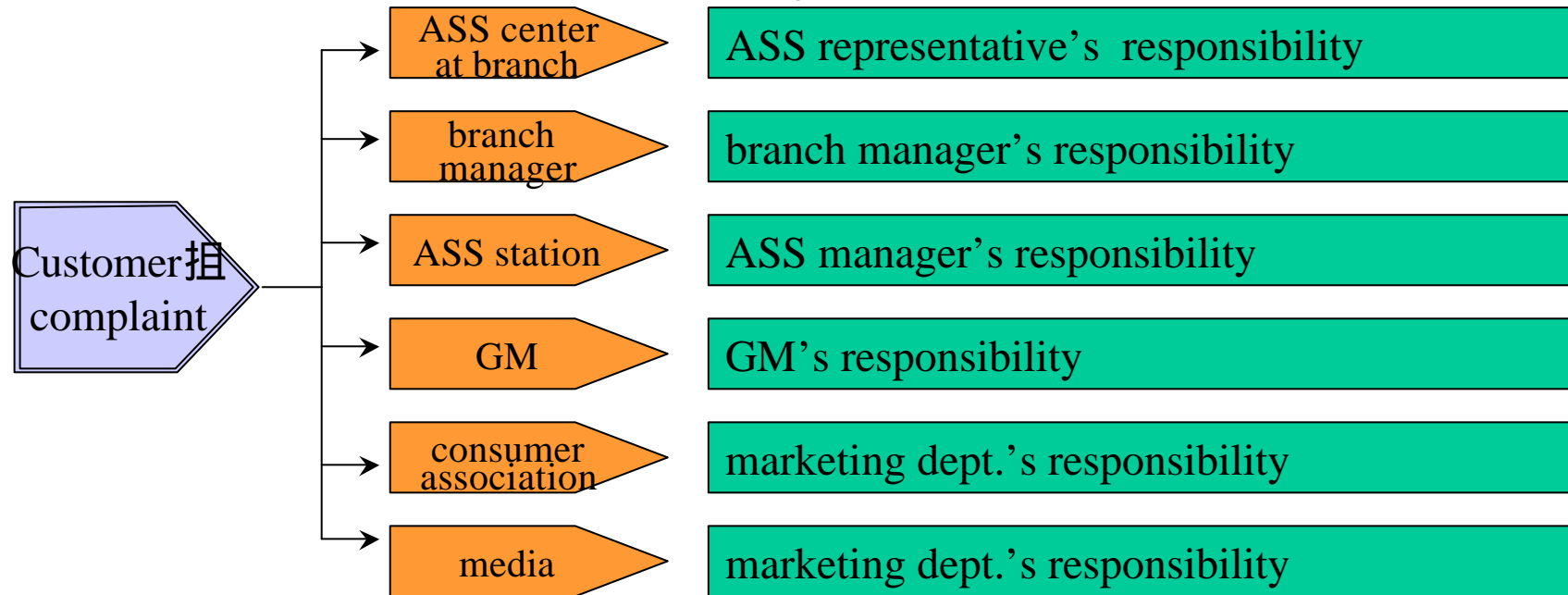
ASS activity protocol  
ASS language protocol



**THE TRIPLE RE-VISIT SYSTEM CAN ENSURE THE  
ASS QUALITY AND EXERCISE SUPERVISION EACH  
OTHER , SO THE RE-VISIT RATE SHOULD BE  
CONSIDERED AS A MAJOR ASSESSMENT FACTOR**



# IN ORDER TO AVOID THE HAPPENING OF PUBLIC RELATION CRISIS,RSD MUST SERIOUSLY TACKLE CUSTOMER 担 COMPLAINT



- On the principle of customer-focused and RSD ASS creed, each ASS member must pay respect to customer needs.
- Put each complaint on record and must pay re-visit.
- major cases should be reported to dept. of higher level
- punish the concerned person.

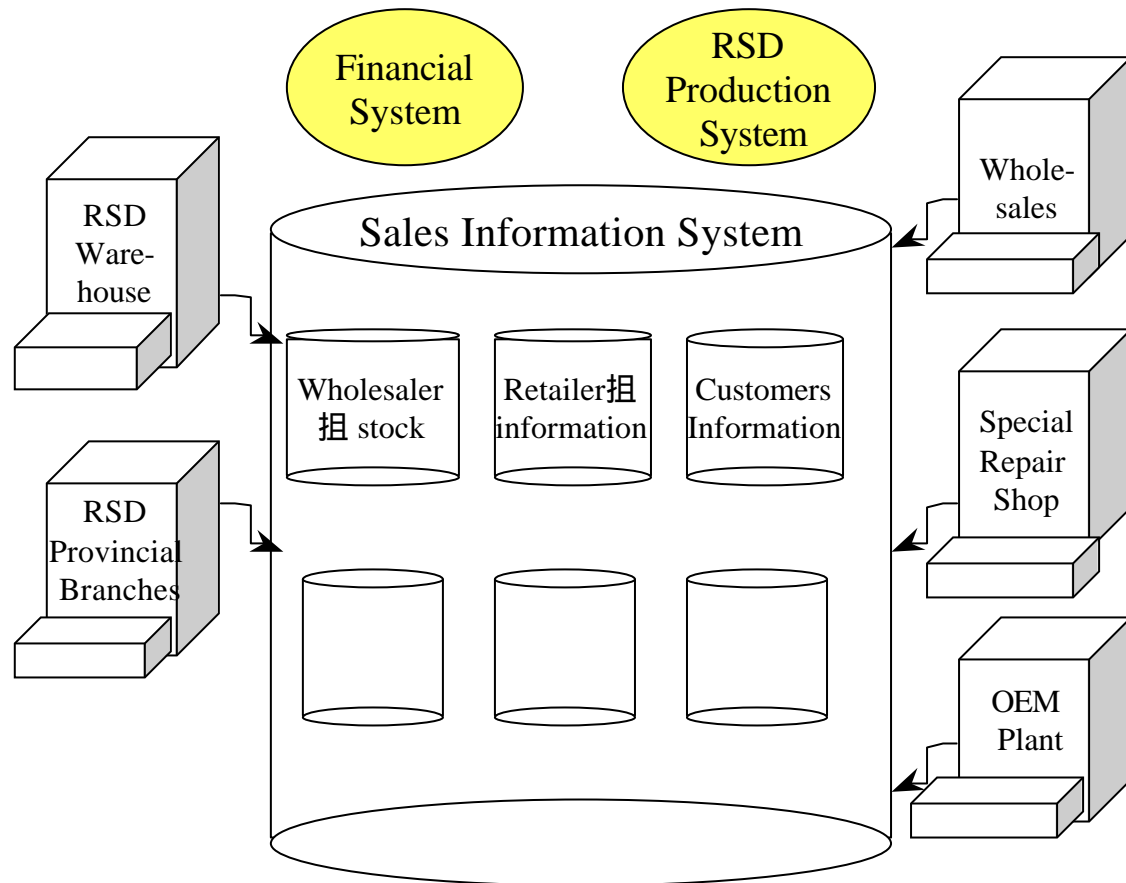
# SALES MANAGEMENT DEPARTMENT

## A SALES INFORMATION SYSTEM FACILITATES REGIONAL RESOURCE ALLOCATION AND SALES PERFORMANCE MEASURING

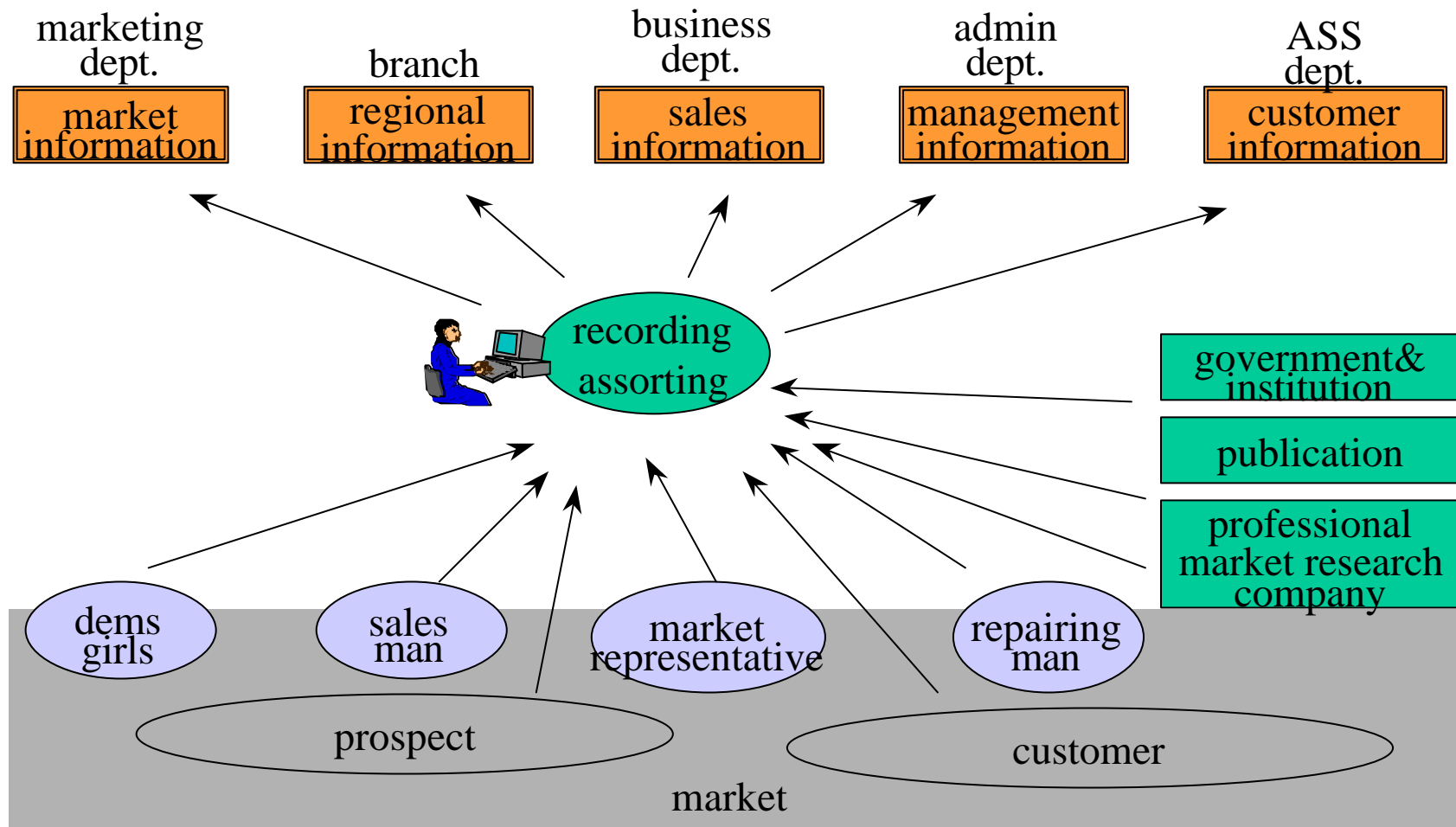
### Problem

- 1, No clear record on regional dealers' stock and sales
- 2, No enough information on retailers
- 3, No full Customer information
- 4, No full record on aftersale services
- 5, No enough data on performance of branch managers and local sales staff

### Solution



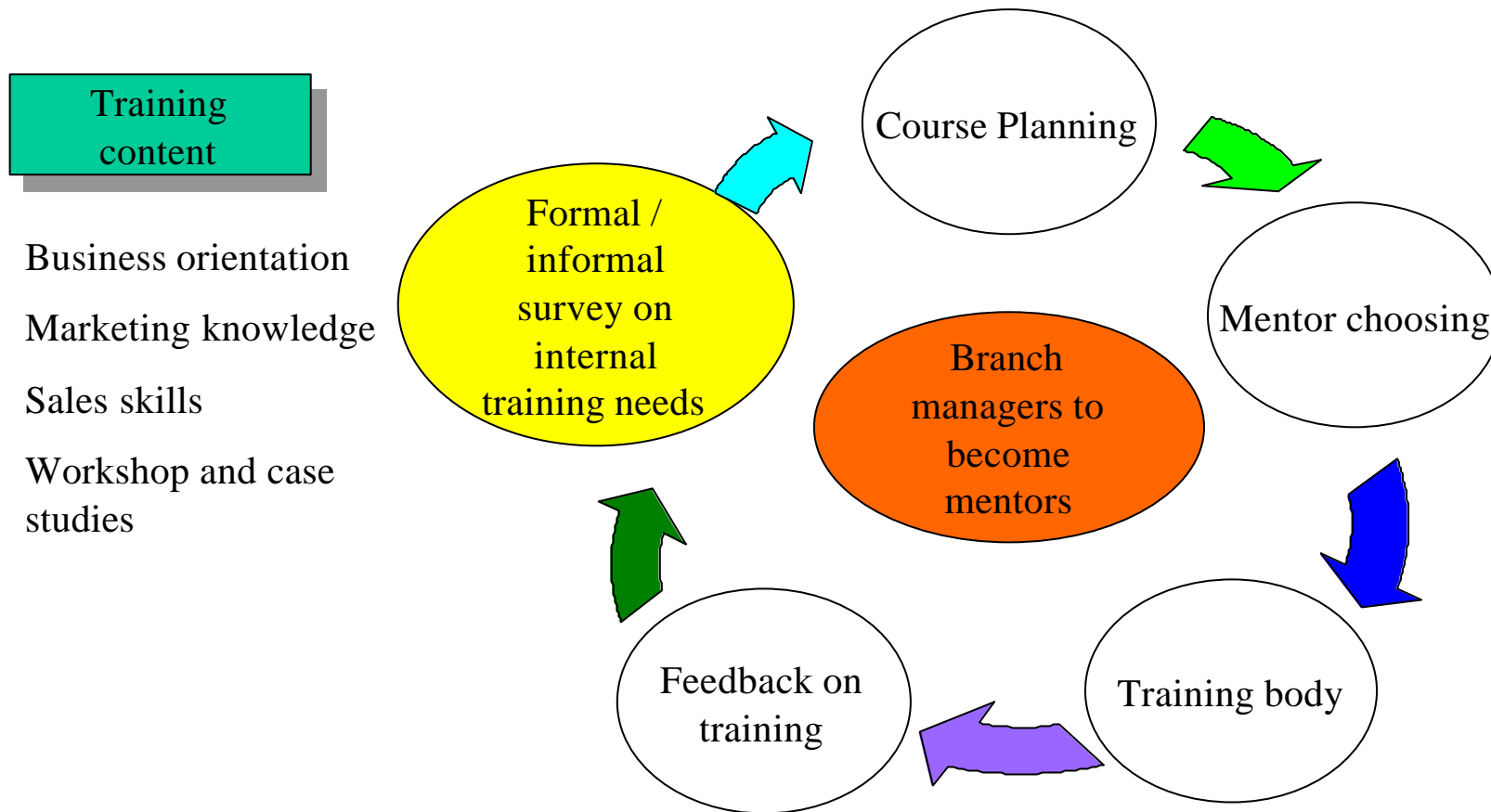
# RSD SHOULD ESTABLISH COMPLETE, ACCURATE, ROLLING INFORMATION DATABANK



# USE FORM TO CONTROL AND MANAGE SALESMAN

	contents	means
handbook	<ul style="list-style-type: none"><li>•Account visit form</li><li>•weekly plan form</li><li>•monthly plan form</li></ul>	<ul style="list-style-type: none"><li>•The form should be printed in unison once a month.</li><li>•Salesman should fill the form everyday and submit it for assessment.</li><li>•Branch manager check the form at irregular interval</li><li>•Form-filling should be assessed as a factor</li></ul>
regular meeting	<ul style="list-style-type: none"><li>•generalization</li><li>•inform new policy</li><li>•mission assignment</li><li>•awards and punishment</li></ul>	once a week meeting presided by branch manager,attended by every branch member

# SALES MANAGEMENT DEPARTMENT SYSTEMATIC TRAINING OF SALES STAFF



# SALES MANAGEMENT DEPARTMENT PERSONNEL PROBLEM

## Problem

- 1, Unclear relation with Sanyo staff
- 2, Lack of security from staff externally recruited
- 3, Generation gap between experienced staff and graduate trainees
- 4, Lack of staff self-discipline

## Solution

- 1, Make formal employment contract with all employees
- 2, Make personal career plan
- 3, Adopt performance related pay and improve performance measuring system
- 4, Provide systematic training

# SALES MANAGEMENT DEPARTMENT

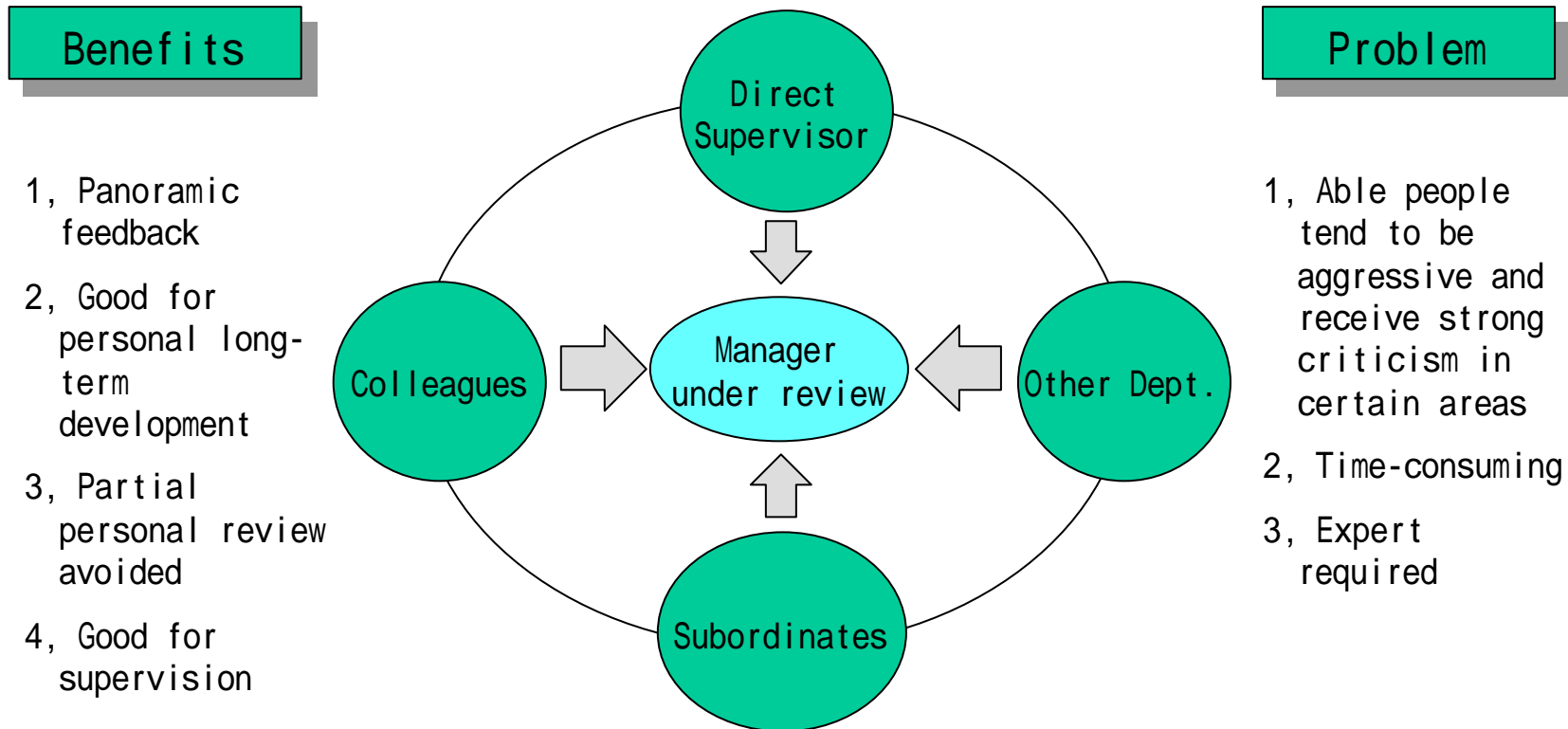
## SPECIFIC PERFORMANCE MEASURES FOR DIFFERENT DEPARTMENTS

	Wholesale Dept.	Washing machine Dept.	Refrigerator Dept.	Aftersale Services Dept.
Hard Indicators	<ul style="list-style-type: none"> <li>• Realized Revenue</li> <li>• Regional coverage</li> <li>• Market share</li> <li>• Growth rate</li> </ul>	<ul style="list-style-type: none"> <li>• Market share</li> <li>• Revenue realized</li> <li>• Consignment delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Market share</li> <li>• Revenue realized</li> <li>• Growth rate comparable with competitors</li> </ul>	<ul style="list-style-type: none"> <li>• Complaints</li> <li>• Customer Satisfaction</li> </ul>
Frequency	Quarterly	Quarterly	Quarterly	Quarterly
Referee Authority	Branch sales manager 70% rated by HQ, 30% by provincial sales management office	Branch sales manager 70% rated by HQ, 30% by provincial sales management office	Branch sales manager 70% rated by HQ, 30% by provincial sales management office	Branch sales manager 70% rated by HQ, 30% by provincial sales management office

When management system matures an all-around 360-degree measuring system aimed at middle management will avoid many potential problems

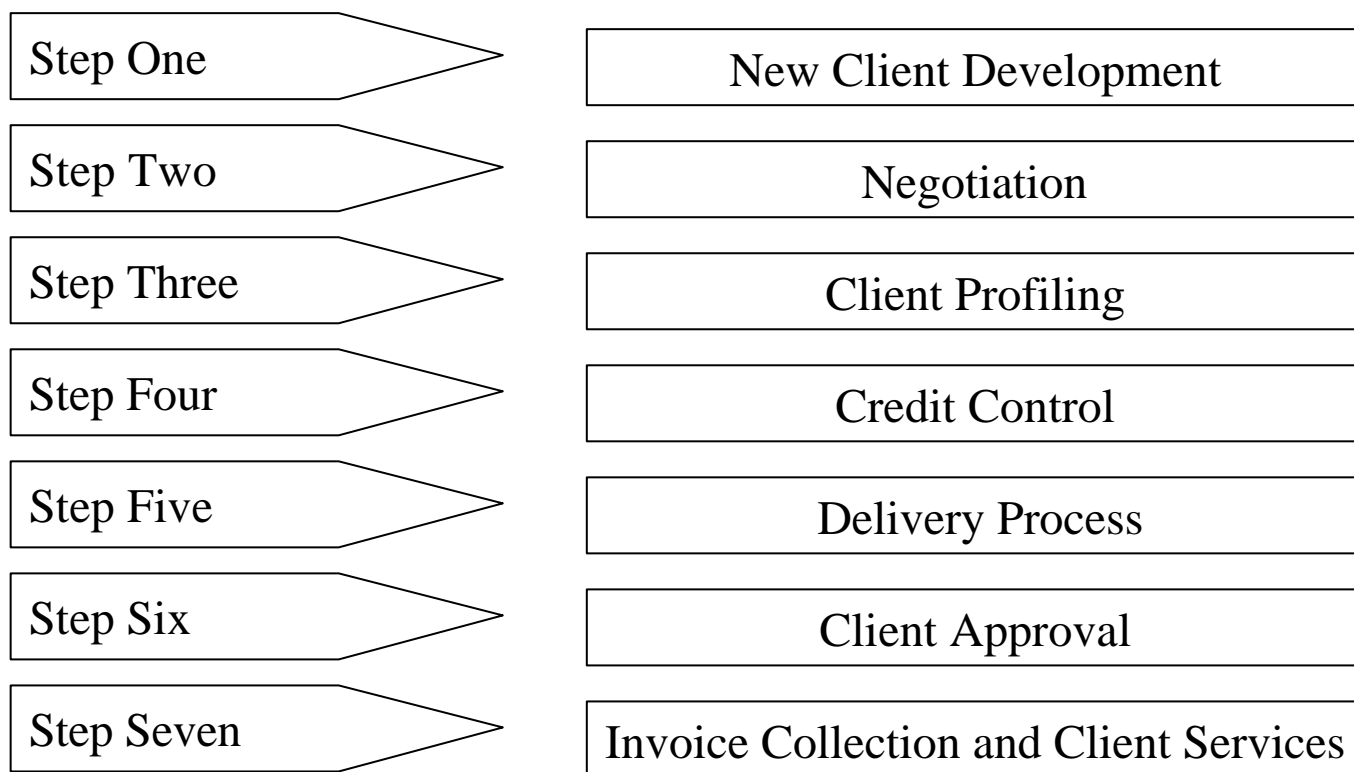


# SALES MANAGEMENT DEPARTMENT MANAGEMENT PERFORMANCE MEASURING, A 360-DEGREE REFERENCE SYSTEM



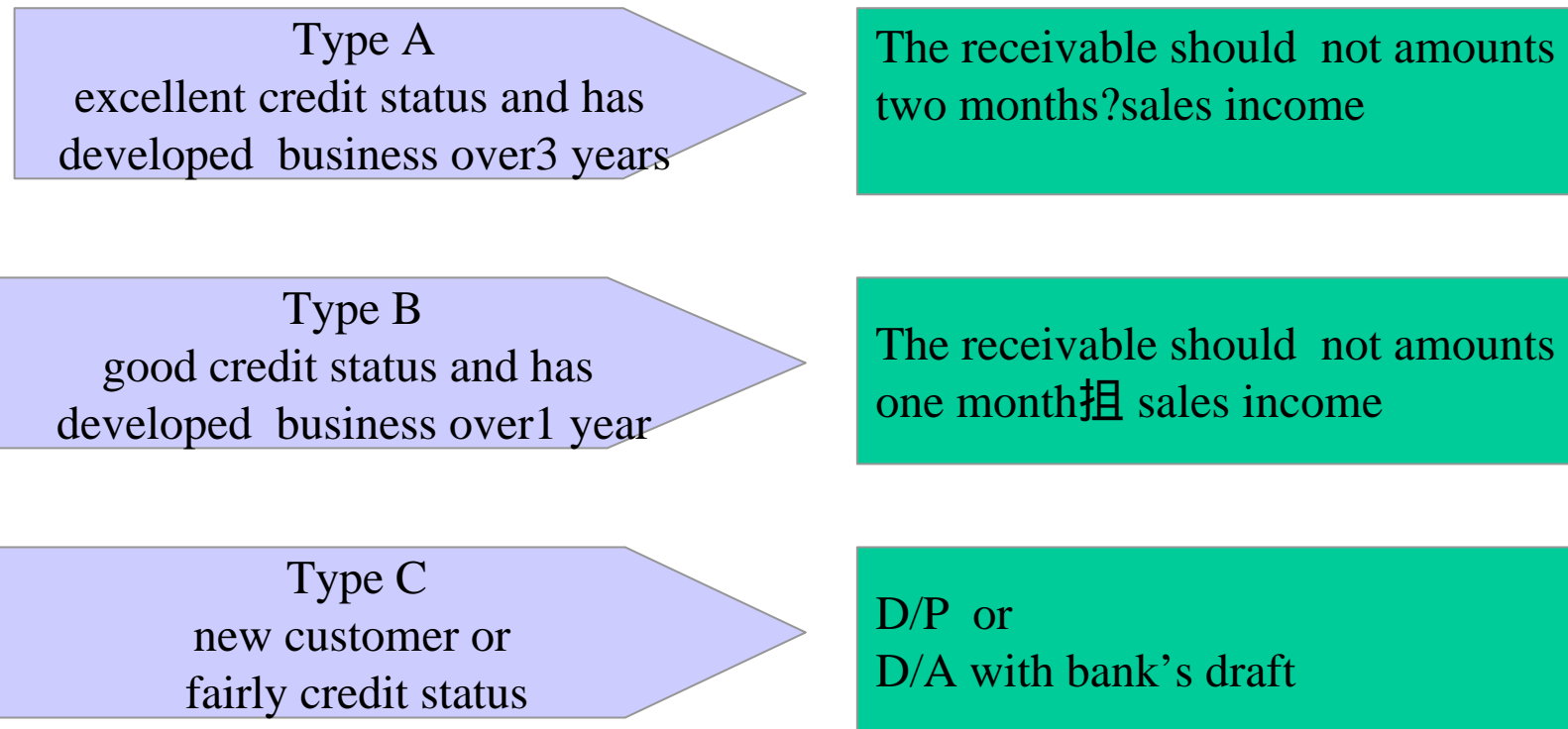
Conclusion: currently only applicable to middle management

# FINANCIAL MANAGEMENT SEVEN STEPS



**Credit management is one important mission of sales staff.**

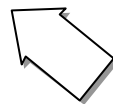
# CONSIGNMENT INVENTORY SALES SHOULD CLARIFY DIFFERENT ACCOUNTS STRICTLY



# **SOME PROBLEMS MAY ARISE WHEN IMPLEMENTING THE PROPOSED STRATEGY KEY SUCCESS FACTORS HAVE TO BE IDENTIFIED FROM NOISES.**

## **Possible Problems**

- 1, Dramatic changes in macro-economic and political environment
- 2, Dramatic changes in market conditions and competitors
- 3, Dramatic changes in RSD BOD
- 4, Obstruction to implementation from within
- 5, Form over substance, strategic direction diverted



**Most  
dangerous!**

## **Key Success Factors**

- 1, Timing for implementation
- 2, Full preparation for implementing new strategy

Note: Product sales departments and branches are new profit centers with different performance measures from those for the old regional offices. A scientific performance measuring system should be designed prior to implementation of the new strategy.

## TWO ASPECTS OF THE NEW STRATEGY SHOULD BE EMPHASIZED.

### Strategy for Sales Network

- 1, To recover the leading position in washer market, how much weight should be assigned to the first-tier market? And how much to the second- and third-tier markets?
- 2, Which form of sales network would increase the sales of twin-tub washer in shortest time?
- 3, Which form of sales network should be developed in the first- and second- tier markets to meet the growth objective of refrigerator sales as set by RSD BOD?

### Strategy for Human Resources

- 1, Development of senior management
- 2, Internal talent reserve for local branch management positions
- 3, Management of Locally recruited staff
- 4, Performance measures for sales staff
- 5, An all-around reference system for measuring performance of middle management

RSD should be well prepared for these two aspects of the new strategy as early as possible.

# SINOTRUST'S SUGGESTIONS ON HUMAN RESOURCES ARRANGEMENT FOR THE NEW STRATEGY

	Position	Requirement	Current Status
HQ	<ul style="list-style-type: none"> <li>•Senior Management</li> <li>•Department Head</li> <li>•Department Staff</li> </ul>	<ul style="list-style-type: none"> <li>•Strategic management experience with sales background</li> <li>•Management experience in specific area with potentials</li> <li>•Operational experience</li> </ul>	<ul style="list-style-type: none"> <li> Fair</li> <li> Poor</li> <li> Good</li> </ul>
Branches	<ul style="list-style-type: none"> <li>• Manager</li> <li>• Deputy Manager</li> <li>• Product / Business Manager</li> <li>• Sales Persons</li> </ul>	<ul style="list-style-type: none"> <li>•Sales experience with management tactics and potentials</li> <li>•Management experience</li> <li>•Sales experience with potentials</li> <li>•Sales background with strong communication skills</li> </ul>	<ul style="list-style-type: none"> <li> Faire</li> <li> Poor</li> <li> Fair</li> <li> Good</li> </ul>
Local Offices	<ul style="list-style-type: none"> <li>•Representatives</li> <li>•Sales Persons</li> </ul>	<ul style="list-style-type: none"> <li>•Sales experience with management potential</li> <li>•Sales background with strong communication skills</li> </ul>	<ul style="list-style-type: none"> <li> Fair</li> <li> Poor</li> </ul>

## Solution:

- 1, To optimally allocate current human resources available
- 2, To recruit from public for high caliber, branch managers not necessarily internally developed

# TIME SCHEDULE FOR STRATEGY IMPLEMENTATION

Item	October 1999				November 1999					December 1999				
	1 Oct	11 Oct	18 Oct	25 Oct	1 Nov	8 Nov	15 Nov	22 Nov	29 Nov	6 Dec	13 Dec	20 Dec	27 Dec	31 Dec
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14
Group strategic planning														
Refrigeration strategic planning														
Washer strategic planning														
Micro-wave product strategic planning														
Aftersale services system planning														
Sales network planning														
Credit management planning														
Human resources planning														
Regional sales planning														

## **RSD REFRIGERATOR STRATEGIC GOAL**

1, To be one of top 6 manufacturers in industry with an interim sales goal of 1 million units

In 2000, sales volume 250,000 units with income of 700 million RMB

In 2001, sales volume 500,000 units with income of 1.4 billion RMB

In 2002, sales volume 700,000 units with income of 2 billion RMB

2, To compete in all product segments

3, To design and manufacture innovative and value driven products for the Chinese market and exports

4, To establish a brand image compatible with above



## **RSD WATER HEATER GOALS**

1, To be the top enterprise with an interim sales goal of 0.2 million units and the sales income of 200 million

In 2000, sales volume 0.1 million with sales income of 100 million

In 2001, sales volume 0.15 million with income 150 million sales

In 2002, sales volume 0.2 million with income 200 million

2, To position the product properly and to compete in all product segments

3, To establish a brand image compatible with the above

## **RSD WASHER STRATEGIC GOALS**

1, To be the top enterprise with an interim sales goal of 2.7 million units and the sales income of 1.8 billion

In 2000, sales volume 1.4 million twin tubs and 0.6 million units of automatic with sales income of 1.3 billion

In 2001, sales volume 1.6 million twin tubs and 0.75 million units of automatic with sales income of 1.5 billion sales

In 2002, sales volume 1.8 million twin tubs and 0.9 million units of automatic with sales income of 1.8 billion

2, To compete in all product segments of top load, front load and agitator type

3, To re-value the positioning of the product for more profits

4, To establish a brand image compatible with the above