

The dragon wine exporting company marketing essay

[Business](#), [Marketing](#)



Dragon Wine Exporting Company is a new importing and exporting wine company in Fujian, China. It is a family run company consisting of five partners. Rui Li and her husband comprise 50 percent of the partnership, and the other 50 percent is dispersed among family members. The company has been set up as a Company Limited Company (Co., Ltd). According to business dictionary website (2013) a limited company or legal protection for its shareholders but that place certain restrictions on its ownership, such as shareholders cannot sell or transfer their shares without offering them first to other shareholders for purchase, shareholders cannot offer their shares to the general public. Dragon Wine Importing and Exporting Company are in the business of exporting California wine to the People's Republic of China, penetrating a new market, creating a California wine brand presence in China. Dragon Wine Importing and Exporting Company is a wholly owned foreign entity that has the ability to export and sell wine in China. The company is proud to be able to import California wines; wines that are unique to China. With its newly emerging middle class, now is the prime time to introduce wine to the China market. There are three main reasons why Dragon Wine Importing and Exporting Company will find success in China. First, wine is a new market in China. Also, there is not a lot of competition for importers of California wine, especially in Fujian. In the past, wineries usually drop their wine off at port and that will be it. However, to survive and thrive in China, there needs to be more effectively, that means to get a close relationship with customers, and know what customers want, in this case, our company will send the wine to wholesaler's door. Second, there is high demand among the emerging middle class for a luxury product such as

California wine. The growth in sales to China has been increasing at a rapid pace. According to the Wine Institute, a San Francisco trade group, the value of exports shipped in the first 10 months of 2011 already equal last year's record of \$1.14 billion. Exports to China, which account for about 5 percent of the total, compared with the same 10 month period in 2010 increased 35 percent, the Wine Institute reported (Los Angeles Times, 2011). U. S. wine sales in China are benefiting from a strong economy and a growing middle class become to buying more luxury items, such as automobiles and wine (Huge Growth Rate of California Wine in China, 2011). Lastly, the family business partners residing in China have a colliery. The colliery located in Fujian, China, was first mined in 1996. Right now, the colliery expands from one location to five locations, four in Fujian Province, one store in Tianjing province and one in Inner Mongolia Autonomous Region. The colliery business purchases a lot of wine in order to successfully deal with the government and other business partners. If the imported wine sales are not successful, the colliery will buy the remaining wine.

Company Locations and Facilities

The business will be located in the newly developing Fifty-Four square commercial street in Fujian, China. This area is one of the densest and most prosperous centers of the Fujian province. " Fujian is located in the southeast region of China facing Taiwan across the Taiwan Strait. It spans an area of 121, 400 square kilometres with a population of about 31, 830, 000. Fujian is rich in tourism resources, abounding with numerous places of historical and cultural interest, and beautiful scenic spots" (Fujian, 2005, 1). In Fujian, Dragon's potential clientele is divided between local restaurants, hotels,

karaoke bars, and cafeterias. The company recognizes that sales to tourists depend on a highly-visible location, and on promotional efforts in cooperation with other local businesses. The commercial space is 80 square feet. It will include a wine bar for tasting, and a warehouse in the back of the store. An 80 square foot space rents for approximately \$1000 per month in this area. It is estimated that renovations and utilities, including tables and bar, will cost approximately \$5000 for the first month. The cost for three employees will run approximately \$9000 per month. The Chinese government will determine which tax bracket business will fall under. Shipping costs are estimated to run at \$1175/20' container by UASC, \$60 for documentation fee, \$50 for bill of lading fee and \$50 for shipper's export declaration fee (SED). The following table summarizes the estimated amount of revenue needed monthly and yearly to establish the proposed small, premium wine exporting company. The monies will be used for rent, construction of the tasting room, purchase of the necessary equipment, and to cover the annual operating expenses. The product will sell from \$5-30. For example, a bottle of wine that costs \$7 plus shipping, tax, tariffs, Chinese customs, will be sold for approximately \$20. The company will make on average a \$6 - \$9 net profit. Cheaper wines will make a larger net profit. The planned hours of operation will be Monday through Sunday from 10: 00 A. M. to 10: 00 P. M.

Mission Statement

Our mission is to sell the highest quality wines in China. The company will provide an enjoyable lifestyle and adequate standard of living for both the

owner and employees. Also, the company is to develop in the best location to buy wine in Fujian. Our inventory and sales records will be tracked by computer record. This will allow the company to identify the best selling products, the volumes of the best selling products and profitability, anticipated demand, manage cash flow, assist with plans in revenue growth, and optimize supplier/distributor relationship. Our goal is to maintain and earn a good reputation in the wine industry, as well as to achieve a profitable return on our investment within two years." For the start up business, contrary to popular belief, most start-ups are not funded by grants, angel investors, or banks," said by Darrell Zahorsky (2013, 1), " So do not get discouraged if you do not find the money you need initially. Your seed money will come from your personal savings, friends, family, and any other creative means (2013, 1)." Therefore, our initial capital will be secured through our personal savings and family members. But later on, when we expand the company to other provinces, we may then need to secure funds through grants, business loans, angel investors, etc. There some advantages to utilizing monies from friends and family is that they are more accessible, in close proximity and you have an established relationship with them. There may also present some drawbacks or disadvantages to securing funds through family and friends. There could be a conflict of increase when personal and business relationships overlap, they may also only be able to provide a one-time stipend, which if funded by a reputable bank or investor, angel investor they are accredited. This could also present a challenge in the future.

Industry and Company

Dragon Wine Importing and Exporting Company is an integrated wine company with other California wine providers to marketing and sales of quality California Wines in China.

Current Market Situation

According to How MNCS Choose Entry Modes and Form Alliances: the China Experience, China has been successful in attracting foreign investments, and by 1995 China had become the second largest recipient of foreign direct investment in the world (Tse, Pan & Au, 1997). The emerging middle class will benefit from the introduction of Dragon Wine Importing and Exporting Company. From a CNN (2012) report, about 25 percent of the population is middle class. It is about 50 percent of the urban population. In China, the middle class is usually located in big cities, not like in the United States, where a lot of the middle class are in the suburbs. They are usually has a college education and relatively stable jobs. There are a lot of entrepreneurs and a lot of white collar workers, working for multinationals or state-owned companies. There is also a lot of entrepreneurship. Since Chinese economy growing over the last 20 to 30 years, there have been a lot of business opportunities. Chinese state companies also employ a lot of people. Their income has more than tripled over the last 10 or 15 years (CNN, 2013). Therefore, from this report, we could believe that more people could afford the wine, and getting a better and luxurious life. Because a lot of Chinese, especially younger consumers, are really into the luxury brands. They associate and like the Western luxury brands with quality of life and

sophistication. Although red wine in China has a history over 2,000 years, it is generally perceived as foreign drink. Twenty years ago, Chinese consumers tended to drink beer and baijiu or "grain spirits." In 1987, the Chinese Government began to focus on reducing alcohol-related illnesses and encouraged consumers to drink less baijiu, and more grape wine. In 1996, the Chinese Premier Li Peng decreed that state banquets would no longer include baijiu in their festivities, rather they would include wine (Wine market in China, 2010). Certainly, wine consumption is going to increase in China, and customers are trading up. And the better thing is that in China, wine overtook tea as the most popular meal-time beverage (Hays, 2012). The other reason that the wine market continues to grow in China is that Western eating and drinking habits have become highly influential. Wine has become a fashionable drink for the wealthy younger generations of urban Chinese, and the favored drink of China's elite (Wine market in China, 2010). Although China today is a more open economy than before, but still Chinese firms and governments were welded together into a closed system of networked relationships through ties of state ownership and reciprocal benefits. A close relationship with the Chinese government can help foreign companies understand China's markets better and is an aid in navigating the local business environment. Therefore, it is not hard to understand why many big multinational companies have their own government affairs unit to manage their relationship with governments at all levels (The RightSite Team, 2009). Therefore, our company definitely has some governmental relationship to help us, but also we have a good channel with restaurants.

From these two ways of relationships, I believe our company has good prospects.

Products and Services

The company is currently in the developmental stages, but the initial production plans and growth strategies have been established. The primary products to be sold at Dragon Wine Exporting Company are Merlots, Cabernet Sauvignons, Pinot Noirs, Chardonnays, Sauvignon Blanc etc. Deliveries will be inspected upon arrival in order to ensure the wine's quality and freshness. The company will strive to be innovative, always finding new ways to expand the business to new venues. Customer service is an extremely important aspect of a business's ability to attract and retain customers. In Jan Ferri-Reed's article *Driving Customer Service Excellence*, she said that: The average unhappy customer will tell eight to 16 people about it. Most (91 percent) unhappy customers will never purchase service from you again. It costs five times more to attract a new customer than to keep a current one. If you make an effort to remedy customers' complaints, 82-95 percent of the customers who made them will stay with you. Smart customer service managers know that it's also unwise to ignore "silent customers." You know the ones I am talking about—those customers who don't raise a fuss or bother to complain after a bad experience. They just don't come back (2011, 31). Therefore quality customer service will be emphasized above all else at Dragon Wine Exporting Company. The business recognizes that customer service is the key to improving and expanding business. The owners will be focused on researching quality products with

lower prices in order to please customers. Good quality customer service and a reasonably priced product will be the key to the success of Dragon Wine Exporting Company. The company has been set up as a Company Limited Company (Co., Ltd). A Co., Ltd was selected because of its liability protection, flexibility, and favored tax treatment. A Limited Liability Company simply is a company whose liability is limited, protects its owners from being held personally responsible for the business's liabilities. As long as the business is operated legally and within the terms of the Companies Act, the personal assets of directors or shareholders are not at risk in the event of a winding up or receivership. Operating as a limited company often gives suppliers and customers a sense of confidence in a business. A limited company is when set-up allows entrepreneur to keep their own assets and finances separate from the business itself. This means that people who have invested in the business are only responsible for any company debts up-to the amount that they have invested and no more. It is therefore a good way for a business to get investment without risk to a personal wealth (Griffin, 2013).

Market Analysis

While wine consumption in most European countries is leveling out, China has again grabbed the world's attention with the high growth of its wine market. Wine imports from China in 2010 increased 67 percent and 81 percent by volume and by value respectively from 2009 (EU SME Centre infographic: Importing wine to China, 2012). Wine exporting countries such as France, Australia, Italy, Spain, US, Chile and South Africa have had a

strong presence in China for years. New brands of different origins are finding ways into Chinese homes each year. (China Agribusiness & Food & Beverage Team, 2011) China's demand for wine has attracted exporters from different countries. In the last few years, over 70 countries have thrown their hat in the ring. In 2008, just over 50 countries exported wine to China, but there is a decline showing that the market is not for everyone. As seen in Table above, France is the import leader, controlling 47 percent of the market's value. Even though the United States has experienced tremendous total growth this decade, it has yet to regain market share of 6 percent, held in 2010. This illustrates the point that the United States, much like the rest of the world, has found it difficult to keep up with French wine export growth to China (China Agribusiness & Food & Beverage Team, 2011). When conducting market analysis, one must consider the culture of how business is conducted in the targeted market. To successfully sell wine in the Chinese market one has to know how, the right connections, an understanding of the culture, and most importantly, recognizing that China's market and culture are evolving at a rapid pace. Regardless of business experiences in one's home country, in China it is the right relationship "Guanxi" that makes all the difference in ensuring that business will be successful. By getting the right "Guanxi", the organization minimizes the risks, frustrations, and disappointments when doing business in China (Chinese Business Culture, n. d.). Guanxi can be used to gain access to new customers, keep existing clients, facilitate daily business operations, or even to avoid government investigations. For example, a manager may befriend a government official as a means to avoiding a time consuming approval process on a new

product. Thus, this friendship allows the manager to bypass a government system and bring his product to market more quickly (Dunfee & Warren, 2001). Another concept of "face" is also extremely important. It is essential mark of status and dignity, it is important to respect the Chinese desire to maintain and gain face during negotiations. And the easy way to ruin a working relationship is to let them lose face by belittling them or criticizing them in front of others. The third important cultural consideration in dealing in business in China is the exchange of gifts at the end of a business meeting. It is common to give a small gift to everyone present at a meeting, but not so large as to make reciprocation difficult as this can lead to a loss of face. One should note that in general the Chinese initially decline a gift a couple of times before accepting (Cypress Recruiting Group, Inc., 2007). As one can see conducting business in China is different from conducting business in Western culture. It is important for foreign investors to learn to coordinate with the Chinese government. Guanxi is a complex part of Chinese culture that Westerners often have difficulty with. A special characteristic of conducting business in China includes developing a relationship with the government body, investors, partners and even relationship with your own staff (Lee, 2006).

Providers

Dragon Wine Importing and Exporting Company have a variety of providers, such as Diablo Dragon Wine, Galleon Wines, Liu Wines, Apus Wine, etc.

Some of them are winemakers, and some of them are distributors. We chose those wineries, because they can help us to put wines on the map in China.

As their website mentions, that their growing distribution network combined with strategic relationships with marketing and media companies in China, and they could give us unparalleled support when introducing new wine into China's growing market. Therefore, if our company has a difficult time making a profit, they will come to assist us in order for us to sell in a different way. But the most important is that their wines taste good, they do not cause a severe hangover when consumed, and they offer us their wines at a lower price.

Demographics of targeted area

Our business will be located in the newly developing Fifty-Four square commercial street in Fujian, China. This area is one of the densest and most prosperous centers of the Fujian province. It spans an area of 121, 400 square kilometres with a population of about 31, 830, 000. In 2013, Wal-Mart also opened in the prosperous fifty- four square commercial street.

Competitive Analysis

Competitive analysis is an important issue in the business field.

Understanding competitive advantages helps businesses in decision making.

The wine industry is highly fragmented and very competitive. A small business can expect competition from local, domestic, and international products. Recent increases in domestic wine consumption have enabled wineries to expand their volume and product offerings. The growth of the premium wine market has encouraged a number of sellers to move up the quality ladder into the premium wine market where there are larger profit margins and double digit growth rates (Rachman, 1999). Competitive

advantage depends on where the business is located and where it chooses to provide services; a stable environment, such an area with high demand, but few competitors will allow for a competitive advantage. (Duncan, Gintei, & Swayne, 1998). Competition to a large degree depends on location engenders best in-store sales prospects. Relationships will be cultivated with repeat customers, who purchase high-end product, both individual and wholesale customers. These customers may be allowed discounts based on high volume purchases. Prices in the Fujian marketplace are not subject to much variance. Other competitive factors include product knowledge, customer service, expense, marketing, in-store presentation and overall design, hours of operation, product packaging, customer loyalty, pricing, and reputation. Each of them could affect our company. However, customer loyalty is the most significant factor for success in the Fujian market. As mentioned before, business practices and relationships in China are very different from those commonly encountered in the US. Chinese usually establish the relationship first and if a trusting personal relationship is cultivated, business transactions may follow. This is the concept of guanxi. Cypress Recruiting Group, Inc. also mentions on the article that " Perhaps best thought of as a network of relationships whereby you favor your friends and they favor you. This can work both ways and the Chinese will be careful not to become obligated to business partners until they have carefully researched the personalities involved." Jeannie, how to paraphrase this sentence.

Competitor

Out of China's more than 500 wineries in operation, there are four domestic companies control over 27 percent of the market. They are COFCO, Changyu, Weilong and Dynasty. COFCO is a fully owned subsidiary of China National Cereal, Oils and Foodstuffs Corporation, and their biggest competitor is Changyu. Its established distribution network as a foodstuffs monopoly has made it the market leader, pushing its brand Great Wall to the top ranked wine in the nearly every region in China. (how to paragraphs it?) But those top Chinese wine business companies use the grape from China, they are not importing the wines. One of Dragon's competitors is Yao Ming brand wine. Yao Ming was a Chinese professional basketball player who last played for the NBA's Houston Rockets. He is now the owner of a vintage. " He is launching his own wine label, Yao Family Wines. Yao will release the inaugural vintage of Yao Ming Napa Valley Cabernet in China on Nov. 28" (O'Donnell, 2011). The company released its inaugural wine under the brand name Yao Ming®. Yao Family Wines appointed Pernod Ricard (China) as its sole and exclusive importer and distributor of the Yao Ming® wines in mainland China. Although he also sells California Wine it should not affect Dragon Wine's portion of the market because his wines are in a higher price index than Dragon's. The company will focus on middle and low class margins, whereas Ming focuses on the high- end portion of the market. Our store's goal is to sell large quantities with lower prices, so that anyone can afford to buy California wine. Therefore, the gross margin will increase. There are other salesmen and advertisers come to our territory. But we will do better customer services. We expect our delivery service will be faster and

more responsive than those bigger competitors. Hours of operation are emerging as a long term issue. Other stores around our store usually open 10 a. m. to 6 p. m., we be open longer in comparison to them. We intend to develop our own website and we are aware of the importance of cultivating relationships with our clients, in order to develop a long-term loyal customer base.

Sales Forecast

The balance of our forecasted wine sales, representing some 20 percent of total wine sales, will come from restaurants, hotels, catering services, corporate accounts, and deliveries to individual consumers. About 40 percent of annual sales are expected to occur between November and February, the main holiday period in China, a period that includes Chinese New Year, China's biggest holiday, Valentine's Day, and Lantern Festival. The significance of forecasting is new business ventures is vitally important as it provides a barometer for aiding businesses in determining when to schedule promotions, increase inventory and peak sale periods on the calendar. Since, wine consumption has been growing in terms of sales volume some 8-10 percent annually for the last decade. This trend is expected to continue and perhaps increase to up to 12 percent in the next 15 years (See appendix A). Forecasting can be risky at best, but it can enhance business performance profitability. It helps in the assessment of information about the business, the economy, market trends, the marketplace and competitive advantage.

Import and Distribution of Wine

There is a special licence needed for importing wine from the U. S. If a company intends to manage customs clearance itself, its Chinese subsidiary needs to be registered as a Foreign Trade Operator after establishment; otherwise an import agent must always be engaged (See appendix B). The food and beverage industry is subject to the strict regulation. It must comply with the Chinese food safety law and other relevant regulations (Kuehn, 2012). Foreign investors engaging in distribution of food and beverages have to apply for the food distribution permit at the local Administration of Industry and Commerce (AIC). Furthermore, all companies distributing wine in China must file with the local commercial authorities. To sell wine directly to customers, " retail" must be included in the business scope of the Chinese entire's licence. To apply for the licence, proof of a lease on a physical shop will need to be provided.

Selling online

Regarding online selling, distribution via a third party platform like Taobao Mall, Ebay China or Alibaba, is a possibility for future business. Those platforms are e-commerce or called e-auction companies, specializing in global trading. Alibaba. com is an English language global trade website serving small and medium-sized enterprises. Taobao. com is online auctions web site for customers. EBay is global shopping website and it is the most popular one in the world. To sell online is good way to expand business, but the online seller will charge a fee that will cut into the net profit. Establishing an online shop through stand-alone websites in China is one of the restricted

sectors for foreign investors in China, so it will not be possible for the business to initially establish its own online shop.

Marketing Plan

Before the early 1990s, China's market distribution system had been very slow to develop. Until 1995, the prohibition of foreign wholly owned subsidiaries in distribution was a major deterrent for foreign firms. After that, the entry of foreign ventures in the retail sector has created some fundamental changes. Most retail development has been initiated by private enterprises and foreign ventures (Expanding China's Distribution Channels: a Practical Guide. 1999). Dragon Wine Importing and Exporting Company will use a variety of methods to advertise, including direct selling, direct mailings, flyers, newspaper ads, magazine ads, and television commercials. There are many ways to advertise, so it will be essential to choose a method that will leave the customer remembering Dragon Wine Exporting Company. In Fanny Yee's 2011 article The Use of Humor in Television Advertising in Hong Kong, she writes that humorous advertisement is one of the most effective tools and it plays a significant role in inducing enjoyment on consumers (Cheung, Nessim, and Geoffrey, 1995). Research has shown that humorous advertisements are the most accepted and remembered by consumers. In addition to advertising, Dragon Wine Exporting Company will run a promotion campaign giving every customer a discount from the first day of business. If the customers buy five cases, they will receive a discount. If they buy ten cases, there is a greater discount. The more they purchase the more discounts they will receive.

Target Market

Identifying and understanding our target audience and market is critical.

According to How to Define Your Target Market (2010), Mandy Porta mentions that target customers are those who are most likely to buy from you. And to build a solid foundation for your business, you must first identify your typical customer and tailor your marketing pitch accordingly. And following are some questions to get started, such as are the target customers male or female? How old are they? How much money do they make? etc. Direct selling is also a very important marketing strategy. Once identified developing a well thought out strategic planning for keeping them is key. This will require Dragon to do their homework and not make assumption about the profile of our audience base. We must provide a supply and demand chain business mindset to narrow down and hone in on our target. The primary target will consist of various business groups; the first being wholesale distributors. Distributors are responsible for selling wine to premier restaurants and wine shops located throughout the nation. Secondary target markets will be the in-state restaurant managers and sommeliers. The winery is looking for gourmet restaurants that carry a variety of premium wines. Dragon will hire some sales personnel to solicit these restaurants, hotels, cafeterias, and karaoke bars to promote and sell their wine. State wine shop owners' business will also be solicited. State wine shops purchase wine for gifts and to serve at government related parties, etc. In China, women culturally have not been encourage to drink alcohol, but with increased health consciousness related to wines, now women add wine to their drink lists, and people where usually drinks switch from local

spirits to a healthier wine. There is estimated that 40 percent of wine drinkers in China are women. Also, China's one child policy has left a large demographic of young children, with greater disposable income that are receive; they could buy foreign products and willing to try imported wines. These trends have opened up lucrative markets that local industry is capitalizing on and U. S. wine exporters can target (Sun, 2009). Obviously quality customer service with a quality product is an extremely important aspect of any wine business's ability to attract and keep customers. The employees must be mentally and physically focused on producing a quality product and pleasing the customer.

Design and Development Plan

Marketing strategy plays an important role in any business. There are 4 P's governs the whole marketing strategy and they are product, price, promotion and position. Those 4 P's of marketing will develop both long-term strategies and short-term tactical programmes and evaluate the company's strategy as weak or strong (Palmer, 2004). The main reasons are that the 4 P's as a powerful concept because it makes marketing seem easy to handle and it can change a firm's competitive position (Grönroos, 1994). According to Low and Tan (1995), the marketing 4 P's also has two important benefits. First, it is an important tool used to enable one to see that the marketing manager's job is and also trading off the benefits of one's competitive strengths in the marketing mix against the benefits of others. The second benefit is that it helps to reveal another dimension of the marketing manager's job. In doing so, this will help to instil the marketing philosophy in

the organisation. The following contents will explain the 4 P's strategy of our company.

Product

The primary products to be sold at Dragon Wine Exporting Company are Merlots, Cabernet Sauvignons, Pinot Noirs, Chardonnays, Sauvignon Blanc, Zinfandel, etc. These are California wines, and mostly produced in Napa Valley, Sonoma or Napa County.

Price

The following table lists the Free On Board (FOB) price in US dollar, and the proposed retail bottle prices in Chinese ren ming bi. The prices were determined by looking at competitor's prices and through discussions with other individuals in the wine industry. We try to provide low price and high quality wines to our customer in the regions. Wholesaler and distributor discounts are well established, and these discounts significantly reduce a producer's profit margin. Tasting rooms and direct mail sales are the only outlets where the company sells directly to end consumers and receives retail prices. Direct sales to restaurants and wine shops are made at wholesale prices, which are two-thirds of the retail price. Sales made through distributors are at FOB prices, which are one-half of the retail prices.

Promotion

We may use a combination of advertising, personal selling, sales promotion, public relations, and direct marketing tools to communicate with current and prospective customers. The promotion goal will be one of differentiation, and

all promotion activities will help reinforce company's positioning status. Promotion activities will be targeted at both end consumers and middlemen. A large focus of the promotion campaign will be developing good public relations among customers and the community. A significant percentage of wine will be used for promotional purposes, and the following table shows the amount of wine that will be used for promotional purposes.

Position

We are poised to be the next consumer "super brand" in China, our sales teams have connections in multiple channels in five provinces. We are committed to investing resources to help establish a brand presence and educate as many people as possible in China about the California wine lifestyle. We will host dinners for our customers pairing the many fine wine offerings we have with local cuisine. Dinners will also be hosted for the distributors or managers in restaurants, so that they will become better sales representatives for our California wines.

Management Team

Owner - Five family members. Operator - Ruihua Chen Mr. Chen will be responsible for the day to day operations of Dragon Wine Importing and Exporting Company. Mr. Chen has over 20 years business experience. He ran a small seafood business before. He used to bred fish in the reservoir or sea, and then sell them to restaurant or individuals. Therefore, he will perform such duties as purchasing, budgeting, record management, payroll, and quality assurance. Assistant Manager - Maoyun Wang Mrs. Wang usually worked with Mr. Chen. In the past, most time she training and hiring people,

so she have experience in it. She will continue to be responsible for personnel management, including scheduling, training, and hiring people. U. S. team - Qun Chen/ Rui Li They will work from the United States, negotiating with and overseeing work at the vineyards and exporting wine. Even though, they are novice in this section, but since it is not the first time to do international business, so they have some experience in it. Other Staff - Dragon Wine Importing and Exporting Company will also need three full time employees. They will work 10: 00 A. M. to 6: 00 P. M. These positions will require the person to be at least 25 years of age, knowledgeable in the area of wine, and with experience in marketing. Recruitment will take place as often as necessary. These employees will receive approximately \$3000 per month, depending on their work shifts and their experience. Team of Professional Advisors: Accountant ----- Yiyong Weng Attorney----- Xinyan, Zhang

Critical Risk and Sustainability

The United States maintain a trade surplus with China in the agricultural sector, and the U. S. products are highly regarded as safe and best quality. However, the U. S. wine is not recognized as a quality wine producer by the Chinese consumers. Our company must introduce Chinese people to California wines and to wine culture in general. Our company must attempt to make California wine as popular as French wine.

SWOT Analysis

SWOT analysis is a basic, simple model that provides direction as a basis for the development of marketing plans. It accomplishes this by assessing an organization's strengths (what an organization can do) and weaknesses (what an organization cannot do) in addition to opportunities (potential favorable conditions for an organization) and threats (potential unfavorable conditions for an organization). SWOT analysis is an important step in planning and its value is to underestimate despite the simplicity in creation. The role of SWOT analysis is to take the information from the environmental analysis and separate it into internal issues (strengths and weaknesses) and external issues (opportunities and threats) (Danca, n. d.).

Strengths- The GDP of China continues to grow- Chinese are developing a sophisticated taste for wine- Governmental support behind the growth of wine sector- Society is open to wine culture- Society is open for Western trends, fashion waves- Natural way of health care, a nature friendly product is important to Chinese consumers- Wine plays an important role in social and business life

Weaknesses- Traditionally Chinese do not drink wine- Chinese people do not know much about wine's culture- Wine's symbolic role is more important, than its pleasure value- Wine culture, education is on a low level- Market is not uniform, there are significant regional differences- Customers are often skeptical about the quality of low cost products- Import wines are expensive, because of the high customs and taxes

Opportunities- Good markets in developing, remote cities- Main cities have huge population and huge demands- Decreasing price of import wines- Health care is a good marketing for popularizing wine- Every year wine shops are increasingly opening, wine

culture is spreading
Threats- Wine law is not complex enough, products can be counterfeited- Huge marketing costs- Complicated sales and distribution channels, different way of business culture- Chinese often have a short term way of thinking, which is problematic in establishing long term partnerships- Chinese consumer do not trust products from unpopular countries

Financial Plan

The following table summarizes the amount of money needed the first year to establish the importing and exporting company. The commercial space is approximately \$1000 per month. The two months security deposit is \$2000. The decoration and utilities will cost approximately \$5000 for the first month. Three employees cost approximately \$9000 per month (see Appendix C). The Chinese government will determine the amount of tax to be levied. Shipping costs are approximately \$1175/20' container by UASC (All offers valid for 30 days unless otherwise noted), \$60 for documentation fee, \$50 for bill of lading fee and \$50 for shipper's export declaration fee (SED). The following table summarizes the amount of money needed each month and year to establish the proposed small, premium wine exporting company. The money will be used to rent retail space, and construct the tasting room, purchase necessary equipment, and cover the annual operating expenses. The product will sell from \$5-30. For example, a bottle of wine sell \$7 plus shipping, tax, tariffs and Chinese customs. The total duty paid on wine is calculated using a compounding formula that involves all three taxes: the consumption tax, the value added tax, and the import tax. For bottled wine, total duties equate to 51 percent; for bulk wine duties are 56 percent (Sun,

2009). The final sale will be \$20. The company will make on average \$6 - \$9 net profit. Cheaper wines will make a larger net profit. Some of them are projected as credit card sales. Credit card collection is typically short, and this plan assumes three days collection time. Distributors reward volume purchases with lower costs. Our company plans to take advantage of distributors' volume discounts, and it will pass along these savings to consumers in the form of sales and promotions to stimulate loyalty and further growth.

Marketing Budget

Having an adequate marketing budget is one of the most essential fact of doing business. A marketing budget prevents a company from overspending on low-priority marketing activities with little return on investment. It also ensures that a marketing department has support for their activities and can perform their job functions. Without a budget, a marketer can only spend on random activities and cannot develop a proper marketing strategy (Inge, 2013)

The company will spend \$5 per case for marketing their wines. This marketing budget covers the cost of promotion activities, but does not include labor. In addition to the \$5 per case figure, \$10, 200 is dedicated to the marketing budget in year one to develop a webpage and billboards, and \$1, 000 is added to the marketing budget each year to cover website hosting and maintenance.

Financial Plan Forecast

The following table is the Project Balance Sheet for Dragon Wine Importing and Exporting Company. Those data are base on Yantai Changyu Pioneer Wine Company Limited's data information (2011), but as one knows that they are biggest company in Chinese wine market. Our data has much lower than them.

Best Case Scenario

During the past two decades, China has made great economic progress, becoming a major player in world trade and attracting substantial foreign investment. The number of middle and upper- class people in rural areas will continue to grow. Average rural income will grow from 3, 000 USD to 12, 000 USD per year and there will be 700 million people between the ages of 25-45 (Sümegei, 2011). These people will have a huge expenditure power and are likely to consume wine. Therefore, it is likely that one store will not be sufficient. Our goal is to expand into new locations in different provinces, and introduce California Wine to a wider market. Our company will familiarize our customers with California's wines by hosting wine tastings as well as other educational marketing activities. Currently the majority of Chinese consumers view wine's symbolic role as more important than its pleasure value. We also want to maintain and earn a good reputation in the wine industry, as well as to achieve a profitable return in our investment within two years.

Worst Case Scenario

The worst case scenario will be that our company does not make a profitable return in two years. Since Chinese consumers are not familiar with California wine, it is possible that our U. S. wine will not be recognized as a quality wine producer by the Chinese consumers. In that case we will definitely need assistance from the providers. They will construct a business plan for us, and assist us to raise more capital needed to sell wines. Usually, Chinese have a short term way of thinking, hopefully with assistance from professionals, our company can improve and progress. Another possible obstacle will be wine damaged during the shipping process. The provider will replace or refund any bottle of wine that is damaged during shipping, flawed, or that the customer finds unsatisfactory. However they are unable to offer refunds on wine that is damaged due to adverse weather conditions during shipment, or wine that is ordered in error. So during the summer days, it will be essential that we use cold storage containers to ship the wine. Breakeven point Start-up assets include cash and expenses, those things needed to support operations until revenues reach an acceptable level. Our company is a family business, therefore, it will not take a loan, but investment will come from family members. Our goal is to expand our company into neighboring provinces, so eventually it will be necessary to find outside, private investors to support and invest in the business. The company's expectation is to reach profitability in year two and does not anticipate any serious cash flow problems. We expect that about 429 units per month will guarantee a break-even point (see appendix D).

Conclusion

Price sensitivity and import wariness requires the consumer base to be educated and convinced of the superiority of a wine's origin and quality before the label hopes to compete. Once affirmed of a wine's quality, price sensitivity gives way to brand loyalty. In spite of the United States' leading competitors' head start, such as Yao Ming, Great Wall, Changyu, etc., the growing China market is still a good opportunity for U. S. wines. Establishing an association of the United States as a premium wine producer in consumers' minds remains the key obstacle for U. S. exporters to develop the market; therefore it is likely that with proper marketing, Dragon Wines Importing and Exporting Company is likely to succeed in the Chinese market.