

Resumen n° 39

The strategic thinking of Foshan Tile Industry –

From Large to strong one

Zhang Youzhuo

Senior Consultant, Huaxia Ceramics Exposition City, Foshan, China

Xian Yongheng

Board Chairman, Huaxia Ceramic Exposition, Foshan, China

Rita Jia,

General Manager, Fair Canton, Guangzhou, China

1. Cause analysis of rapid rise

a. Opportunity - driven Foshan Tile Industry

Since the reform and opening to the outside world, the huge demand for tile is due to the following reasons, GDP increase at the speed of two digits for over one decade; house commercialization and increase of city population at the speed of 20 million annually. Huge commercial opportunity, attractive profit rate and low entrance barrier have been leading the rapid development of Foshan tile industry and have formed a complete set of industry chain.

b. Traditional edge and introduction of foreign technique

Why does Foshan become the tile industry center? Foshan has a long history of tile industry and art. Foshan, close to Hong Kong, is easy to learn the experience from developed countries to import technology, equipment, glaze and so on. With the help of import, digestion and innovation, Foshan has made great progress and has formed its own advantage, for example, polished tiles has reached a high standard of quality.

2. The analysis of the current market situation

a. Competition on the price base

Similar products, sales behavior and design result in the competition on the price base. The cultural reason is that some bosses trust in the logic “seeing is believing”. That means when they see something successful, they will quickly copy it.

b. Competition of distribution net

The incomplete distribution net makes factories to pay special attention to set up their own net. The long industry chain, from raw material preparation to production, and then to sales greatly distribute manufacturers' attention, therefore, the industry can not become strong.

c. Lack of valuable brands

The creation of a brand is a long process, during which culture will gradually accumulate, but the over realistic culture makes factories much caring about fast sales promotion that leads to fast sales. Lack of strategy prevents factories from obtaining long term competitive edge.

3. Strategic thinking to be strong

a. Brand strategy

Brand is a best way to distinguish products from others, but the over realistic culture leads to less attention to invisible things. Up till now, not many factories understand STP marketing. Therefore, brand strategy shall start from changing the traditional concept.

b. Technique Route Map (TRP)

This is an advanced method, popular in the world, to make strategic plan for an industry. Huaxia Tile R&D Centre of National level is making the plan supported and participated by government, the industry and factories. Through serious studies, key issues of the industry can be found which is also interested by factories. Then factories, as the main body, will put the plan into practice.

c. Strategic alliance with developed countries

Booz Allen Consulting found that the top 2000 enterprises in the world keep their Internal Rate of Return as high as 17% by the way of strategic alliance. The prerequisite to set up strategic alliance is a reliable commercial opportunity and joint benefit. In China, the opportunity is so huge that every company wants to enter and share the benefit. The main obstacle is the "Intellectual Right", for which Microsoft is an outstanding case. By strategic alliance with 4 Chinese large companies, Microsoft has got large orders and totally changed the previous embarrassed situation in protecting Intellectual Right. In trading, branding and upgrading of tile industry, close cooperation between developed country and China is promising.