



**MARKETING RESEARCH: RESEARCH ON QUESTIONS AND
SOLUTIONS OF HOME TEXTILE MARKETING CHANNELS
—BY TAKING LOVO HOME TEXTILE AS AN EXAMPLE**

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5817193002

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION
GRADUATE SCHOOL OF BUSINESS
SIAM UNIVERSITY**

2017



Independent Study Title: RESEARCH ON QUESTIONS AND SOLUTIONS OF
HOME TEXTILE MARKETING CHANNELS—BY TAKING LOVO HOME
TEXTILE AS AN EXAMPLE

Thematic Certificate

To

SIJUN LIU

This Independent Study has been approved as a Partial Fulfillment of the Requirement
of International Master of Business Administration in International Business
Management

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Abstract

Title: Research on Questions and Solutions of Home Textile Marketing Channels

—by Taking Lovo Home Textile as an Example

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Major: Business Administration

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In recent years, Chinese home textiles industry is continuously developing as the national economy accelerates and per capita disposable income increases. However, compared with mature markets overseas, Chinese home textiles industry is still in the preliminary brand development phase. Nowadays, consumers are ever more critical of product quality, pattern and style, among others; meanwhile, Chinese home textiles has created a more competitive market. Henceforth, Chinese home textile faces a common question of existing and developing against this epoch backdrop. Marketing channels, a key factor in home textiles development, have been competitively sought by all home textiles enterprises.

Let's take Lovo Home Textile Co., Ltd, a renowned home textiles enterprise in China, as an example. In the process of research, this paper, above all, describes theme selection background and foundation, etc. and clarifies relevant theories of channel management. In subsequent research, this paper introduces basic profile of Shanghai Lovo Home Textile Co., Ltd where the author makes a summary analysis of several opportunities and challenges in front of the Company. Then, the current situation of Lovo Home Textile Co., Ltd marketing channels comes under research where the author makes a sophisticated attribution analysis of the current situation and problems of the company's marketing channels. Finally, it comes the research on

marketing channel design and solution of Lovo Home Textile Co., Ltd. The author hopes that the research and related conclusions are of referential value to existing or future marketing channel strategies of the Company or other home textile companies.

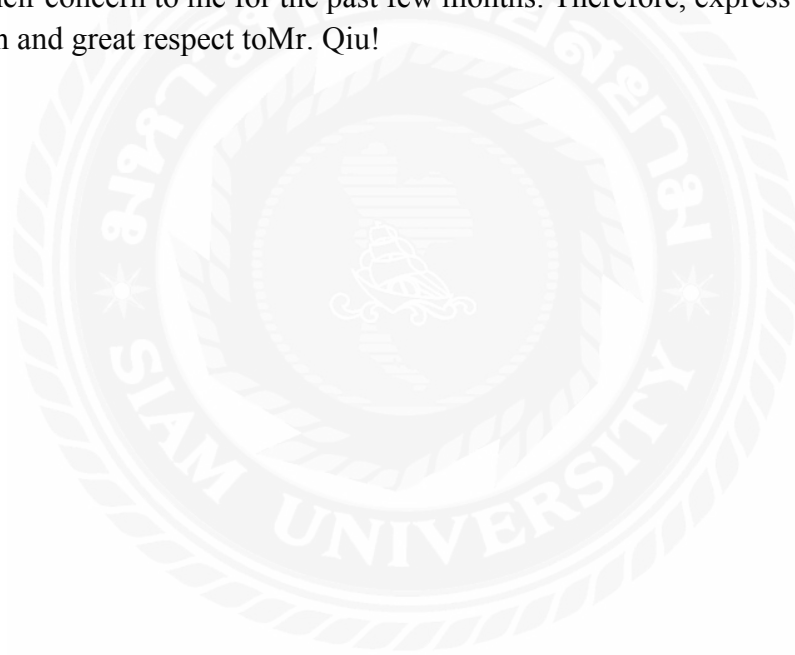
Key words: home textiles, marketing channels, research.



Acknowledgement

I have been here in Siam University for over one year. It is the end of the MBA course and I would like to express my truly appreciation to my school, parents, relatives, teachers and friends. Thanks for my family supports my studying abroad, International college of Siam University provides me the opportunity to keep studying and enhancing myself and the care and encouragement of teachers and friends. I was touched fully by teachers lectured on the stage and even taught a lot after class, and classmates were sincere in learning and passionate action during my study abroad.

I do graduating design at each stage, from selecting of subjects to access information, determining the outline of the thesis, changing of Mid-term paper and post-paper format adjustment in all aspects that all my teachers have given careful guidance. All the teachers have given me not only careful guidance, but also have delivered their concern to me for the past few months. Therefore, express my sincere appreciation and great respect to Mr. Qiu!



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CHAPTER I

INTRODUCTION

1. 1 Background

As the world economy becomes continuously interconnected and ceaselessly deepens development, Chinese brands gradually take a hold in international market, which not only brings in extensive opportunities for Chinese home textile industry to accelerate international market penetration and increase international market share, but also new challenges. Although China boasts an abundant source of raw materials and low labor cost advantage for textile products, Chinese textile industry, as a whole, faces several shortcomings, such as low access barrier, price competition between different enterprises and insufficient new product development capabilities, etc. In such case, many a home textile enterprise attached great importance to marketing channel strategy optimization and implementation by which to stand out from market competition. Currently, Chinese textile industry still lags behind whose problems apparently relate to following areas:

First, relatively backward techniques, obsolete equipment, insufficient new product development capability, etc. According to statistics, among three major sectors of Chinese textile products, the output of textile sector accounts for about 61%, garment sector about 28%, and chemical fiber manufacturing around 11%. However, as regards textile industry, Chinese enterprises lag behind a little international advanced level pertaining to chemical fiber manufacturing techniques, backbone enterprise stitching equipment, etc., but too much as to traditional textile process, such as spinning, weaving and dying.

Second, China has established relatively low rating criteria for excellent, medium and bad home textile products. Currently, from the perspective of overall development, Chinese home textile enterprises are still in the phase of low-end production. According to statistics, around 80% of home textile enterprises produce medium-end products of good quality, 6% produce low-end products of bad quality, 4%

produce low-price shoddy products. Only 10% of home textile enterprises produce top-end products of premium quality.

Third, lack of well-trained and skilled human resource. Another question of Chinese home textile industry is insufficient experience of brand operation and capital management. Compared with overseas professionals, Chinese home textile industry, as a whole, lacks interdisciplinary talents with international operation experience, oriented towards fierce international competition.

Fourth, less enterprise informatization of home textile industry. The home textile industry, as a whole, is equipped with weak software development capability, awkward software product categories, in particular, insufficient enterprise management software application and software informatization popularity. Together with the disadvantage of immature e-commerce and traditional management models adopted by most enterprises, on the short run, it's extremely difficult for Chinese home textile industry to create an effective "small-amount, diverse-category, premium-quality and fast-delivery" market quick-response mechanism.

Fifth, lack of brand management and operation concept. Although there exists many a traditional home textile enterprise, in general, they are on relatively small scale, produce a single product category where labor-intensive processing trade takes a large share. In such event, Chinese home textile product design will be likely to lose its own feature and priority in international home textile market and Chinese home textile designers lose initiative.

Currently, home textile enterprises have evolved into mature phase where Chinese enterprises boast a diverse category of products and consumers have an ever-broader option. "Simulation enables us to create only second-tier products", just as Japanese simulated products which took a hold on market for the time being but persisted for a short time and had a weak impact, which contributed little to stable customer base. In such case, only creating unique design can we produce top-end home textile items with core competitiveness. Common and less creative products will gradually withdraw from market and be replaced by new ones. Also, there exists ever fiercer competition in home textile industry; meanwhile, product life cycle

becomes shortened continuously. Hence, under such circumstance, better products & services and customer experiences have been put on agenda of each enterprise.

From the perspective of developed countries, when a country's economy develops into mature phase, its home textile sector will take a fairly large share in textile market. In many countries, it accounts for almost 30%, which might as well be described as "a one-third share of market". In particular, Japan boasts an astonishing share of 40%. Nevertheless, the reality is, China has made great strides in this respect which will cheer up many home textile enterprises. According to statistics, home textile consumption accounts for less than 1% of consumer spending of Chinese households, which has inspired home textile sector to exploit the unparalleled consumption market potential in China. According to related forecast, over the upcoming ten years, Chinese households will increase their home textile expenditure by around 20% wherein Chinese home textile sector will increase demand of over RMB 30 billion year on year over a few years. Hence, Chinese home textile sector has an extremely bright future.

Specifically speaking, Lovo Home Textile faces different groups of consumers. As far as channel management is concerned, positioning variation makes it difficult for the company to integrate multiple brands by which to maximize channel and customer resources. Traditional marketing channels might have been out of line with current trend. Currently, more people set even greater store by high living quality and fashionable lifestyle. Therefore, Lovo should make the most of customer resource rather than direct brand competition in order to increase market share. There exist not only competitive relationships between various brands. If cooperative and competitive relationships are created, brand effect will be rapidly improved and market share naturally increased. Also, a win-win brand relationship might have met the company's interest demand.

As the research was proposed against such a backdrop, the paper is intended to create a marketing channel design of relatively realistic significance and formulate solutions referentially conducive to the company's marketing channel activities on the basis of current situation of Lovo Home Textile marketing channels and concrete

analysis of questions of existing marketing channels and by virtue of study and analysis of the company, its competitors and market needs, etc.

1. 2 Objective and Significance

1. 2. 1 Objective

The paper is targeted to a renowned home textile company in China, that is, Shanghai Lovo Home Textile Co., Ltd. Earlier, the author has sort out the overall development of Chinese home textile industry and the update of home textile products and concluded that home textile industry has reached its prime time and been blessed with a bright future. Nevertheless, some questions have also been put on table, that is, homogeneous products, different production techniques and differentiated products. Many a Chinese factory is seeking highly targeted marketing strategies and building market channels. Hence, the company faces several challenges incurred thereby.

Overall, the research has two targets:

First, understand the current situation of Lovo Home Textile operation and advise the company on existing questions;

Second, advise the company on existing and future brand marketing channel strategies, which helps the home textile industry development in a healthy way.

1.2.2 Significance

1. Theoretical Significance

To begin with, the paper analyzes the current market situation and puts forward a marketing portfolio strategy from the perspective of market segmentation, target market selection, product strategy, price strategy and marketing channel strategy of Lovo Home Textile, which makes the research on Lovo Home Textile marketing strategies highly operable and supplementary to related marketing theories of Lovo Home Textile.

2. Realistic Significance

The marketing channel strategies herein are of highly referential value to Lovo Home Textile product marketing strategy selection, which is reflected in three aspects:

First, product strategy innovation will put forward new marketing concept;

Second, unique marketing strategy models enable enterprises operate in fairly realistic way

Third, the home textile marketing strategies herein will help some Chinese private enterprises in a referential way.



CHAPTER 2

LITERATURE REVIEW

2.1 Concept of Marketing Channel

2.1.1 The definition of “channel”

In Chinese, “Qu Dao” in general can be decomposed into two words to understand, one is "Qu" which means graffs, water canals and ditches, the other is "Dao" which means a kind of drainage facility, such as riverway, waterway. The channel is usually used to irrigate. In modern society, “channel” can be used to describe the circulation carrier of goods. It is a process that goods “flow” to consumers by various means, which is the so-called marketing channel.

2.1.2 The function of marketing channel

In simple terms, marketing channel means a circulation of products from producers to consumers in various channels. The mode of marketing channel directly influences the speed of goods and costs; thus, marketing channel is of great significance to people’s lives.

The most primitive and direct function of marketing channel is to make consumers get what they want in some way. Nowadays, with the development of times, the function of marketing channel has been expanded, which can be manifested in the following aspects. The first is the function of sale and communication, which needs no more explanation. The second is the function of negotiation, which means members negotiate with others in order to gain their interests, including activities to get orders and to gain interests. The third is the function of logistic, which means aeconomic progress of products and logistic transfer from producers to consumers, including the transportation of goods and storage. In addition, marketing channels usually has derivative functions, such as information communication and fund fusion.

2.1.3 The main mode of marketing channel

Different industries have different kinds of marketing channel pattern, while the pattern of an industry always change with the development of science and technology

as well as life styles. Take home textiles industry as an example, the main modes can be generalized as the followings:

1. Direct sales mode

Direct sales mode can also be called direct selling mode, which means the manufactures directly sell their products and services to consumers. The advantages of this kind of mode are to reduce the intermediate links and the operating costs. But the disadvantages are that it requires more human resources and money. For enterprises in urgent need of rapidly expanding market, it is inefficient.

2. Dealers mode

The word "marketing" is the phenomenon of modern circulation of commodities, namely an individual or an organization buy products from manufactures and raise some price to sell them out. For now, this kind of mode is popular in the traditional channel of home textile, especially some newly established companies prefer this kind of mode to reduce the investment in channel. Sometimes, it is not strange to have multilevel dealers.

3. Branch company mode

This mode is that manufactures set up their own branches in their target market to operate. Nowadays, no one take this mode in home textile. It is easy to be understood in that the investment in early stage is high, the requirement for management level is much higher and it also needs the support of enterprises later, etc.

4. Chain mode

China's mode of chain first appeared in the late 1980s. It has grown rapidly and fully, we can say that now our lives are influenced by it at all time. It greatly improves the efficiency of the goods that we need and saves the costs. The nature of chain is to make the independent and decentralized shop together, forming a one-stop shopping system, which is convenient for consumers. At present, it is common that home textile industry develops chain mode, which is of good effect.

5. Compound channel mode

The word "compound" is opposed to single, so the compound channel mode, just as its name, implies to use a various commodity sales channel modes to sell goods, featuring complexity and diversity. At present, China's market is huge and the structure is more complex, thus the single channel mode is difficult for enterprises to promote the products. It is a good choice for home textile industry to adopt compound marketing channel mode. Smart companies know how to make marketing channel combine together through the analysis of different regions and different markets, according to the actual situation, which also bring amply reward for enterprises.

2.2 Relevant theories on marketing channels

2.2.1 "Channel strategy" theory

The main purpose of the channel strategy is to make the target customer close to or get products. In order to achieve this goal, it is one of the important methods for enterprises to provide products and services effectively to the target market and target customers. Thus, enterprises must effectively and reasonably use a variety of intermediaries and other marketing services facilities. Secondly, "channel marketing" strategy points out that enterprises should have a better understanding of the capabilities of various middlemen, such as channel training capacity, channel development capability and channel maintenance ability and give timely attention. "4ps" portfolio strategy was first proposed by McCarthy in 1960s, which refers to the "product strategy, price strategy, channel strategy and promotion strategy" four aspects. It is the conclusion that made on the marketing practice of 12 factors of McCarthy in Neil Bouton through analysis, generalization and summary. It is convenient for people to find the most important factors of variables from Pin variables in a relatively short period of time. Thus "channel strategy" rose in response to the proper time and condition.

2.2.2 The perform theory of marketing channel

From the perspective of relation among channel members, marketing channel system can be divided into single system of marketing channel and integrated

marketing channel system. A single marketing channel system refers to a kind of loose channel that composed by independent manufacturers, wholesalers, retailers and the downstream purchasers. At present, with the evolving of the economic environment, the single marketing channel is facing severe challenges, more and more enterprises adopt integrated marketing channel strategy, in order to improve enterprise performance to a great extent.

The integrated marketing channel system refers to a system that made by different integration among members, including the following aspects: one is the longitudinal channel system which refers to a unified system integrated by manufacturers, wholesalers and retailers, the prominent advantage of which lies in that it can control the behavior of the channel members and eliminate some potential conflicts. The other is transverse channel system, which refers to a system that is transverse jointed by two or more manufacturers to find new marketing opportunities. Compared with the former, it is a form of a distribution system. It's advantage lies in that it can make up for the two sides in the lack of capital, technology, marketing and other aspects on the basis of sharing some resources. Third, multi-channel marketing system, which refers to a distribution system that take different types of distribution system on one or different markets, which include two types, one is that manufacturers sell the same brand or type of products through two or more competitive marketing channel. The other is that manufacturers sell different brand products through multiple marketing channels.

When companies have a good grasp on the market, they can guide the work of channel members according to the following seven steps, whose main functions are to make the manufacturer and channel member quickly establish fair and mutual trust relationship and avoid risks.

Steps for marketing channel execution	
Steps	Contents
1	Know about the necessity in designing competition environment and channel

2	Formulate selection criterion of channel members
3	Identify channel member and carry out investigation
4	Choose channel members for target market
5	Evaluate factors influencing channel structure
6	Jointly formulate marketing and sales strategy, action plan and targets
7	Formulate confirmation plan of channel members and choose the best channel structure

When manufacturers choose qualified channel members, the associated crowd ought to be told. Suppliers can write letters signed by leaders and mail them in accordance with the lists of distributors and other potential customers, by which to tell them some distributor is your business partner.

2.2.3 Relationship management theory on marketing channel

The so-called relationship marketing management strategy holds that enterprise marketing and the enterprise external environment, channel members, customers and consumers interact and influence each other. The core of relationship marketing strategy is to establish long-term and stable relationship with customers in a variety of ways so as to achieve the goal of enterprise marketing. Relationship marketing management strategy of marketing channel solve the problem that traditional transaction marketing theory cannot be fully applied in areas such as industrial products, services, international markets. The essential characteristics of relationship management strategy can be summarized as communication, cooperation, mutual benefit, contact and coordination as well as loose, management and contract channel relationship.

2.2.4 Marketing channel control and continuous improvement theory

This theory holds that a good marketing channel strategy should have certain elasticity, and can be appropriately trimmed. When the past marketing systems conflict with the trend of market development, enterprises must conform to the trend of the development of the market and make major adjustments to channel system. The

advice for enterprise distribution channels of this theory are: improving existing channels, evaluating existing marketing channels, investigating purchasers, making and choosing schedule, gap analysis, estimating the current channel, seminars and interviews, a comprehensive understanding of the current distribution system, and short-term plan, etc.

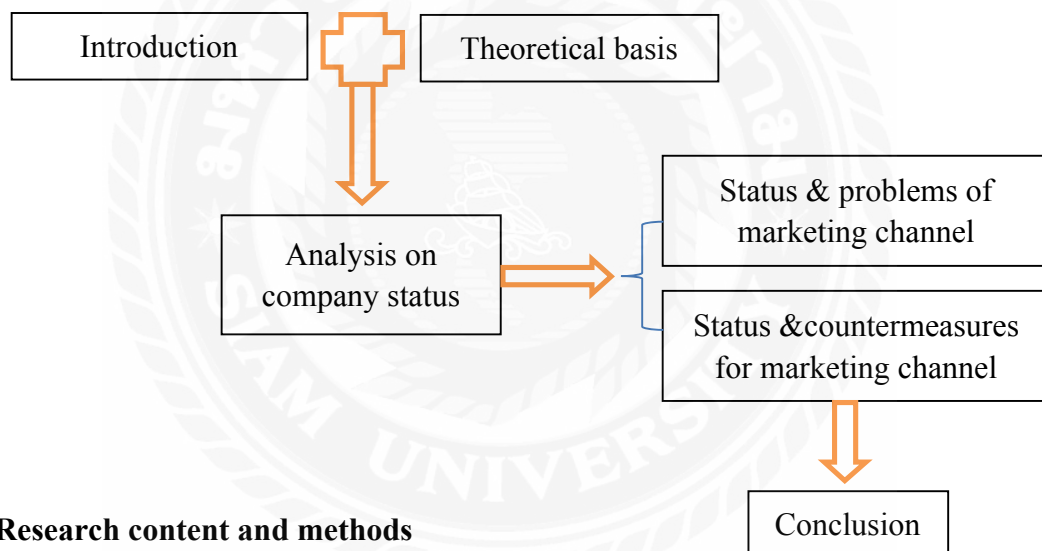


CHAPTER 3

THE RESEARCH METHODS

3.1 Research steps

Through the analysis of China's home textile market, first of all, the author concludes that the current home textile market is facing great opportunities and also points out that Chinese textile enterprises should pay attention to the current situation of market, etc. The second, the author makes a brief introduction of marketing channel strategy of the company and analyses the existing problems of its channel strategy. Finally, the author gives the suggestions and countermeasures and points out the deficiency of the research and future direction.



3.2 Research content and methods

The main content of this article is about the marketing channel strategy of LOVO home textile. The purpose of document research is to generalize the marketing channel documents at home and abroad. Through interviews and the combination of the actual situation of LOVO textile in recent years, we can make a research on the current situation and existing problems. Eventually, this paper adopts comparative analysis, induction, citation method and deductive method based on the marketing channels and marketing strategy theories. Under the support of relevant theories and the analysis of current situation as well as problems of the company, this thesis give some relevant theories and practical suggestions.

CHAPTER 4

PROBLEMS RESEARCH AND ADVICE

4.1 Problems research

4.1.1 The general situation of LOVO home textile and market situation

4.1.1.1 The LOVO home textile and the general situation of the brand

LOVO is an enterprise specializing in home textile. It is the earliest textile company in china with its unique style, combing research, design, production and sales in itself. The company was originally founded in 1992 as the "Nantong Huayuan Embroidery CO., LTD." In 1994, the "Nantong Lovo Bedroom Supplies CO., LTD." was founded. In 1995, Jiangsu Lovo CO., LTD was founded. In 1999, Shanghai Lovo Home Textile CO., LTD was founded, and moved its headquarters to Shanghai. In 2009, the company was first listed among small-medium enterprises.

The brand "LOVO" has won the "Chinese famous brand", "China 500 most valuable brands", and "China home textile association bedding famous brands". LOVO successively won the title of "nation inspection-exempted products," "China textile knitting products expo gold award ", "top 100 of Shanghai famous brand products" and many other honors.

The company mainly produces all kinds of home textiles, which boasts six series of products "elegant, classic, fashion, sweet, hotel, pure". It can be divided into 11 categories and more than 600 kinds of products including "luxury suite series, single combination series, the series of core, pillow core series, mattress series, bath towel series, home dress series, blanket series, cushion series, summer items series, accessories series" in accordance with its function.

Since 2004, LOVO began to implement multi-brand operation. It has its own brands such as "LOVO" and "YOUJIA". In addition, the company also agent some international famous brands such as SHERIDEN (Australia), SAINTMARC (French), YOLANNA (Italy), CHRISTY (Britain), GRACCIOZA (Portugal), MILEFIORI (Italy), SCHLOSSBERG (Switzerland), ZUCCHI (Italy), etc.

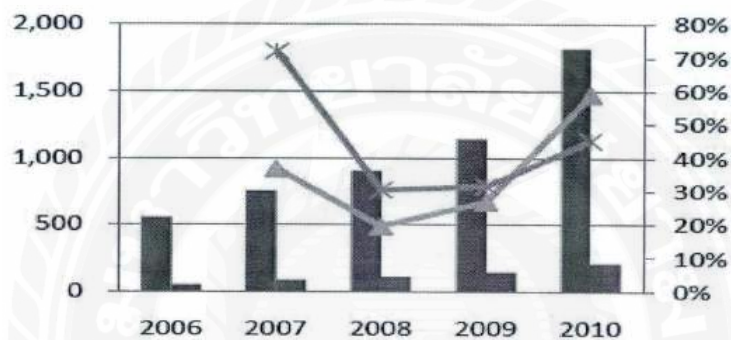
Introduction of Company's Main Brands			
Brands	Release(agency/authorization) year	Main Products	Target client base
Lovo	1992	Luxury suit series, one-piece combination series, children's beddings series, back & seat cushion series, bath towel series, soft mattress series, quilt series, pillow core series, carpet & leisure blanket series, summer product series, furniture & clothing series and accessory series	Group aged 22-25, having middle and high income and pursuing high quality life, Pure style series products for children and teenagers
Sheridan	2004	Luxury series, classics series, beach series and infant's & children's series	Luxury consumer group
Saintmarc	2004	Single-layer and four-piece suit, quilt core, summer quilt, pillow core, back cushion, mattress & bed protection pad, carpet & leisure blanket and bath towel	Young people and white-collars
Disney	2006	Single-piece suite series, core type products, supporting series (blanket, back cushion, bath towel, furniture & clothing and slipper, etc.)	Group, aged 5-50, having optimistic attitude and fond of happy life style.
Youjia	2009	Core type and home accessories	

4.1.1.2 Market situation of LOVO Home Textile

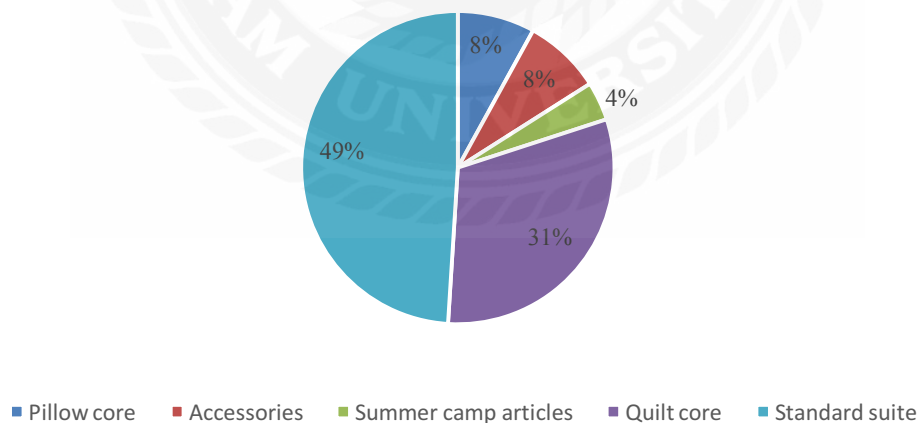
In 2010, the operating income is 1.819 billion Yuan, with an increase of 58.81% than previous year. The net profit of shareholders of listed companies is 209 million Yuan, with an increase of 43.14% than previous year. The products of the company mainly include standard suite, quilt core, pillow core, summer supplies, and other accessories, among which the main business income in the gross profit margin is standard suite and quilt core, which reach 80% and showed a trend of increase year by year.

2006-2010, company's sales revenue, net profits and speed increase

(data source: Guodu Securities)



Proportion of company's product sales revenue in 2010 (data source: Bangde Securities)



The company gives priority to LOVO, which accounted for 85% in 2010. with the growth of other subsidiary brand in recent years, LOVO shows a downward trend. It is expected that in the future the growth of other brands will go beyond LOVO. With so many brands growing up, they can ensure the sustained growth of the company's performance.

East China area is the traditional advantage area for the company, which accounted for 45.7% of the sales revenue in 2010. The company's advantageous area in east China in spite of the high base, still increase 72.44%. The northeast and north China are the high-speed growth areas in the future.

Home textile industry area ranking (data source: Bangde Securities)			
	1st	2nd	3rd
Eastern China	Lovo	Fuanna	Mendale
North China	Lovo	Mendale	Fuanna
Northeast	Lovo	Mendale	Fuanna
Southwest	Lovo	Fuanna	Mendale
Central China	Mendale	Lovo	Fuanna
Southern China	Fuanna	Lovo	Mendale
Northwest	Fuanna	Lovo	Mendale

On the number of channel expansion, our company ranks first in the industry. Up to the end of 2010, the net increase of store was 275, the total number of various channels stores were 2085. The LOVO textile channel is the earliest. What's more, the sales income was far more than the other two. LOVO, FUANNA and Mendale are the leaders in east China, south China, central China area respectively. The common problem that the three must to face is how to transfer from a region leader to a national leader. As for the expansion of blind spot such as Northeast China and the west, we should not only face the competition of local enterprises but also the pressure of the other two companies. So the control of channels is very important. From the point of the channel expansion, both LOVO home textile and Mendale home textile adhere to the principle of "put alignment first and make direct sales as complementary. While the FUNANNA attaches equal importance to direct sales and alignment.

4.1.2 The channel development of LOVO Home Textile

In 1992, Xue Shi brothers earned their first bucket of gold by making wholesale of pillowcase and founded Nantong Huayuan Embroidery CO., LTD. In 1994, they

took the lead in CI identification system in domestic home textile companies, taking office marketing model which was widely used in various industries. They continuously took part in the "national knit, cotton and textile expo" and many other exhibitions. They set up offices in Beijing, Taiyuan, Hangzhou and more than 10 regions. The offices traded with malls. The goods arrive first then pay the bill within 30 days. In just a few months, the products of LOVO cover the provincial capital cities, with prosperous sales situation in the country. In 1996, LOVO depending on the strong momentum of landing Shanghai market, created brilliant results in all parts of the country. The cooperation with various mall in Beijing, Wuhan, Taiyuan, Hangzhou and the eight offices were great successes.

In early 1997, LOVO saw huge business opportunities in hotel textile products and began to set foot in this field. But the state system of hotel was the "obstacle" in the way; the business has run for more than two years, without sales improvement. A surplus of goods took up a lot of money in the company. As a result, the company put an end to this business in 1999.

After 1997, with the sustainable development of social economy, China home textile market transferred from the tight supply of seller's market into a buyer's market with unsalable goods. Stores began to drag money generally, LOVO offices could not immune from this; After many years of operation, the office was pent up with goods unsold and all profits turn into inventory. Day after day, the liquidity was limited. Especially between 1997 and 1998, Yaxiaya in Zhengzhou and Qiancun chain stores shut up successively. Meanwhile, other malls were in danger. It was difficult for LOVO to take back the payment for goods. In 1998, the statistic sales volume reached more than 3000 ten thousand Yuan, with the profit of more than 200 ten thousand Yuan. In fact, there were no currency interests and liquidity almost dried up. The situation is imminent and enterprise could collapse at any time. Companies realized that sales model must be transferred. At that time, FUANNA Home Textile was adapt to the mode of franchise chain alignment, which had good results.

In January 1999, the first LOVO home textile exclusive stores opened in Nantong Renmin road, which was a great success. The company also decided to

transfer office into chain. Whoever buy office goods can become the local alliance business. Meanwhile, it requires commercial franchise stores walk on two legs, which can make complement. What's more, they only make alliance in cities without wholesale and transfer to the mode of alliance and chain. Within one year, all offices transferred successfully. At the same time, LOVO started to recruit alliances in large-scale. With the opening of new franchisees in Guiyang, Dali, Changsha, Nanning, Chenzhou, Yangzhou, Wuxi, the sales volume of ten franchisees reached 3 million Yuan and gain 3 million interests in the end of 1999. The transformation of LOVO finally got on the track and franchise chain operation system was gradually formed. In 2000, the sales volume of LOVO is 57 million Yuan, which could not rank at the top in the field, but in 2002, nearly 2002 franchisees make the sales volume reached 1700 million Yuan, which ranked top three in the industry.

In 2002, the management and operation have been sorted out. The alliances recruited by the method of "ride on a horse to enclose" bring some problems. First, some alliance with low quality should be strongly repelled. A large number of franchisees who operate not so well with fund pressure become impetuous. Once have a chance, they would discount many stores even secretly sold other products. There were a series of complex work to be done. Especially, train and transfer franchisees thoroughly and make them earn money so as to achieve win-win with LOVO. At the beginning of 2004, according to the experience of itself and others', the company summed up the practical method called the 12 successful steps for the operating of franchisees. Then they take this as teaching materials and organize large-scale training in headquarters and other places around the year. As a result, the quality of the whole LOVO franchisees was greatly improved, with rapid growth of sales performance. In 2004, with a total amount of nearly 300 franchisees and 700 stores, LOVO ranked first in the industry with the annual outbound of 3800 million Yuan.

From 2004, LOVO began to implement multi-brand operation. It has its own brands such as "LOVO" and "Youjia". In addition, the company also agent some international famous brands such as Sheriden (Australia), Saintmarc (Franch), Yolanna (Italy), Christy (Britain), Graccioza (Portugal), Milefiori (Italy), Schlossberg

(Switzerland), Zucchi (Italy), etc. All of these adopt the traditional alliance and chain mode.

In 2008, LOVO began to set foot in e-commerce sales, especially for the brand LOVO and built their own sales website with independent domain name lovo.cn to operate online distribution platform. In 2010, the main brand began to build sales platform in Taobao official flagship store. In 2011, it covered many BTC platform except LOVO, WWW. LOVO. CN comprehensive began to sale online, all of which mean fully launch of network channels.

4.1.3 Current situation analysis on LOVO marketing channels

4.1.3.1 The framework of LOVO multi-brand channel and the function of department

LOVO is in charge of the senior vice president in the whole, responsible to the general manager. The general manager report to the board. At present, multi-brand channel is mainly in charge of senior vice president. According to the division of the brand, different channels respectively in charged by two vice President. Other brands in sales channel are directly managed by senior vice president

4.1.3.2 Specific description of marketing channels framework

A vice president in charge of:

1. As the company's main brand, due to large number of websites and franchisees, our company divides the alliance markets into four areas, with aims to explore market potential and promote sales. The four regions are unified governed by four chief inspectors. This channel not only sell LOVO but also bear the mission of expanding channels of Saint Marc, Disney, LOVO Kids and other brands.

2. The direct sale cities of LOVO can be divided into south, north, central three regions. All brands in direct sale cities should be unified managed by the regional head.

3. Superior brand channel is divided into north and south regions, unified managed, respectively by two regional managers who are responsible for the expend and sale management of Christy (Britain), Graccioza (Portugal mat brand), Millefiori (Italy fragrance brand), Zucchi (Italian high-end home textiles brand) and other

brands. The regional manager will report the work directly to major inspector of the development department.

4. The investment promotion center of the group obtains information through various channels, and unified distribute the information to each area and the related personnel of the brand. The director of investment promotion center report the work directly to the president in charge.

5. The KA operating department is mainly run agent brand Disney and our own brand "Dixin" as well as chain stores and supermarkets, according to different stores. It is managed by director in charge who report to major inspector of operating department. What's more, the major inspector of operating department need to report work to the president in charge,

6. Due to huge demand and drainage of sales personnel, human resources department is set up to improve investment of the company. The responsible of the department report work to the president in charge.

The other vice president in charge:

1. E-commerce company, LOVO mall, which is mainly responsible for the whole operation of all brands, including Rover and LOVO independent domain sales website platform, network distributors, sales network distribution platform, etc. Electricity company director reports directly to the president in charge of the work.

2. Group buying center is responsible for direct sale group purchase channels of all brands. It need to assist distributors to negotiate with deals and responsible for the implementation of the bulk product delivery.

3. Yolanno division is responsible for the overall operation of the brand from product design, procurement, ordering, channel management, marketing, which is unified managed by the department of operation. The director report to the president in charge of the work. Sheraton division is responsible for the whole process of the brands from product design, procurement, order operation, channel management, marketing, etc. by the department of unified management who report to the department director. The head of the Hong Kong retail department report to division director who report to the chairman of the board of directly.

As the main sector of LOVO, the head of international business department directly report to the chairman.

4.1.4 The problems of multi-brand marketing channel

1. The mode of multi-brand

There are many problems in multi-brand mode. Almost all brands of the Group adopt the compound mode of putting chain first and taking direct sales as complement, which is not suitable for the development of the current stage. Especially the mid-range brands, such as Saint Marc, Disney. The cheap brand Youjia simply copies the channel mode of LOVO, which is not suit for the sustainable development of the brand. The fundamental of the sustainable development of medium-brand is regional agent. High-end agent brand adopts the mode of putting chain first and taking direct sales as complement, which hinder the rapid development of LOVO in first and second-tier cities. The conflicts between traditional channels and network brand channel cannot be resolved, which limit the development of LOVO in website sales.

Due to short product construction, high price, unique style and single brand, the expansion of high-end brands agent by LOVO become more and more difficult. The development of brand has a lot of bottlenecks.

2. Channel management problems

On the choice of channel member, it lacks some standards and methods, which lead to many problems in marketing thoughts, cooperation willingness, values, business reputation, sales strength, credit and financial situation as well as management ability. All of these make the retarded development of brand in region and have serious influence on the rapid development of the brand.

For many years, LOVO maintain the relationship with distributors mainly through the strong marketing tool of regional personnel. In the process of company development, this kind of strong marketing has obtained good effect, but with the fierce competition of the market, the extensive marketing mode cannot help distributors do better in regional sales. The pure high pressure policy only bring distributors more disgusted and resistance. Channel conflict has become big obstacle to the development of the company.

Channels lead to low proportion of direct sales. The lack of control on channel seriously affects the sustainable development of the enterprise. The conflict between traditional channels and network channel as well as the problems of LOVO in regional channels badly to be solved.

The malformed development of chain operation mode, no matter positioning in high-grade brand or mid-range brand or even low-level brand and high-end agent brands, are not the real chain mode, which hinder the multi-brand development of LOVO.

4.2 Multi-brand marketing channel design of LOVO home textile

4.2.1 The purpose and principle of the channel

4.2.1.1 The purpose of the channel

Designing marketing channel mainly explore the best way to reach the target market in order to improve the efficiency of the distribution. The goals are to make the smooth circulation of commodities, maximize channel flow, make the balance between various channels, facilitate the expansion of new markets, and improve the market share, expand the brand awareness, convenient for consumers to buy, achieve high efficient channel control and so on. For multi-brand development mode of LOVO, it should guarantee the sustainable development of each single brand, at the time of less overlap and conflict, which is particularly important for multi-brand design and the key to the healthy and sustainable development of the enterprise in the future.

Through the analysis of major brands of LOVO textile business, the brands can be mainly divided into the following four categories. The first kind, ample product line, positioning in medium-high level primary brand LOVO; The second category, targeted on the segmentation, young fashionable mid-range brand Saint Marc. The third category is medium-low level of fast fashion Youjia for the third and fourth-tier city. The fourth class faces to high-end consumer groups who like the European and American style and Australia recreational style and agent import brand in market. Different brand and different positioning determines that we should not simply copy

the original channel mode of "directly is complementary, give priority to joint". The development of multi-brand of LOVO also confirmed that the simple copy is wrong, As the development of the brand channels meet the bottleneck as well as sluggish growth of sales, the change of different brand channel become inevitable. Suitable design to different brands, which ensure that the brand can quickly develop a suitable target market so as to maximize the brand sales and market share of the channels.

4.2.1.2 The principles of channel design

In the channel design for enterprises, one is to maximize sales and market coverage. On the other hand, we also need to take investment and costs as well as resource situation into consideration and wonder how to maximize the profit of channel with the minimum investment and the most efficient management. In designing channels, we need science and cannot be arrogant and casual. There is no channel or structure that is absolute perfect. The key point is to design and choose channels according to the specific situation of enterprises.

According to the traditional classification, it can be sorted as home textiles in durable consumer goods, which keeps the features of durable consumer goods. As domestic consumer groups pursuit high quality of life, some home textile products become a part of the fashion. What's more, the number and frequency of buying home textile products are on the increase. Household goods market is also growing fast. For multi-brand LOVO, positioning and gearing to the needs of different consumer groups, it is important to make good use of the traditional channel and customer resources, and effectively integrate multiple brands. At the same time, making full use of the channel of customer resources, LOVO should avoid direct competition between brands. If the channel can be contLovod, LOVO should give full play to the multi-brand and multi-channel so as to achieve win-win and common development. According to the following principles of channel design, you can avoid competition between brands, at the same time, meet the needs of different consumer and achieve the maximization of company sales.

1. Design brand channel according to different market demand

For developed first-tier and second-tier cities, consumers are in relatively high living standards, with higher level of brand awareness and requirements. In addition, brand competition is fierce in these cities. So, it requires that operators should have higher comprehensive strength (capital, business ideas, connections, management ability, etc.). For less-developed third or fourth-tier cities, especially in the vast rural market, the level of consumers is relatively low and the brand awareness is not high. What they want are cost-effective products with relatively modest price. Based on the factors mentioned above, we design channel structure for the existing brands of LOVO, according to the different demands of customers in different cities.

Positioning in high-grade, LOVO has 2000 franchisees with rich product structure and complete channel layout. The main problems of channel are that joining store layout is slow in first and second-tier cities and the number and sales volume of stores are low in third and fourth-tier cities. The key to the company is to speed up the opening of stores and change the channel mode from chain to direct sale in second-tier cities. What's more, LOVO also need to strengthen the management of dealers in the third and fourth-tier cities, improve profitability, urge dealers to set up more shops, choose the high quality regional dealers, give authorization to the region agent, increase the width of the channel, develop the secondary distribution so as to promote regional sales to the greatest extent.

Positing in middle-grade, Saintmarc focuses on fashion style and the product line of is not long, with nearly 200 existing stores and shop counters. The alliance and expansion are slow in both first and second-tier cities as well as third and fourth-tier cities. Based on the situation mentioned above, the company need to establish a direct sale mode for first and second-tier cities and the regional model stores to enhance brand regional influence and promote the investment in the third and fourth-tier cities. As for the third and fourth-tier cities, we should turn the monotonous mode of chain into the mode of regional agent and attach equal importance to both alliance and regional agent so as to speed up the expansion of the third and fourth-tier cities.

Positing in medium-low, Youjia focuses on fashion style and the product line of is not long, with nearly 100 existing stores and shop counters. Nowadays, the speed of

expansion in both first and second-tier cities as well as third and fourth-tier cities is slow, which is far from the company's expectations. The positioning of the brand decide that the brand should focus on the third and fourth-tier cities and abandon alliance and choose strong province general agents or regional agents to increase the length and width of channel through the depth distribution of agents, which are the ways of the brand.

Positioning in high-end products, LOVO agent import high-grade with short product structure line. At this stage, LOVO meets the demand of consumers with the pursuit of individuality in first and second-tier cities through the channel of high-end stores. The contribution of these brands for the company is not big but does good to the layout in first and second-tier cities of LOVO. These brands can help the company bring other brand to high-end mall for these shopping malls have a higher recognition for import brands. The mode of these brand is alliance, which is not conducive to the control of the regional market channels. So, it is necessary to change the channel mode in first and second-tier cities, reduce the length of the channel and turn alliance to direct sales, which is the main form of future import high-end brand channel structure.

2. Design marketing channel according to different brand portfolio

Multi-brand strategy is the base for the rapid development of LOVO. It is difficult to expand independent channels with the limited length of each brand product structure, product positioning, product style, limited ability of single brand. The combination of effective brand will be the future development direction for LOVO and also the key to the sustainable development of the company. According to different existing brand category and positioning to design different channels with effective combination.

The high-end bedding brands agent by LOVO come from four brands of Europe and Australia with different style and relatively short product lines. So it is difficult to set up independent franchisees with general profitability. The effective combination can not only improve the sale ability and profitability of single store but also increase the channel mode of opening franchisees.

There are four import sanitary ware brand agent by LOVO, covering the bath towel, floor mats, fragrance products, body care products. The effective combination can not only improve the sale ability and profitability of single store but also increase the channel mode of opening franchisees.

LOVO set up household life hall with the effective combination of all company brands, which based on different regions and different areas. The one-stop shopping style can meet the needs of different consumers, which is also the trend and the need of the development of the industry.

4.2.2 The main structure of marketing channel

In the business model of LOVO, the franchising system running many years is no doubt the important embodiment of light assets. In the early stages of the enterprise development, the capital and shops of joining trader can speed up the expansion of local market. The company can invest financial resources in research, brand channel and high value-added areas. So LOVO still adopt the compound channel of putting alliance first and take direct sales as complement. The franchise system is suitable for initial stages of enterprises. The company can make full use of franchise business experience and social resources to speed up the construction of channel, which is conducive to enlarge the market share. But as the scale of company expands gradually, franchisees are not suitable for rapid expansion and strategic layout. The higher requirements of capital operation ability and marketing ability for distributors as well as the interest divergences between the company and the distributors will affect the rapid development of the local market. This kind of light patterns of assets will bring the increasing potential to the company. The compound channel will increase this kind of risks.

LOVO needs to speed up the shift as soon as possible, according to the different brand positioning to the channel mode that is suitable for the development of the brand. Vigorously develop the high-grade brand retail stores and mid-range in first and second-tier cities and in third and fourth-tier cities respectively. Make different brand portfolio and open different brand shops to improve the competitiveness of the regional brand and profitability. Speed up to expand stores and make it as one of the

important ways to the future channel competition so as to quickly improve the brand's market share, effectively control channels, and effectively implement the development strategy of the company.

Specific as follows:

The channel structure of LOVO is changed into the compound mode of giving priority to direct sale and alliance in first and second-tier cities as well as third and fourth-tier cities respectively and chooses pilot area to distribute, which guarantee the length and widen the width of the channel and make it possible for the development of area distribution.

The channel structure of Saint Marc is changed into the compound mode of giving priority to direct sales and attach equal importance to alliance and regional distribution in first and second-tier cities as well as third and fourth-tier cities respectively, which speed up the development of area distribution.

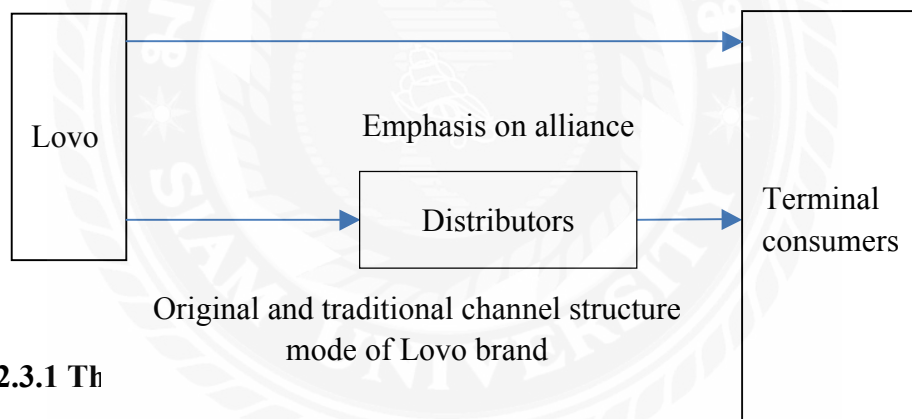
The channel structure of Youjia is changed into the compound mode of putting alliance and regional distribution first and takes direct sales as complement in first and second-tier cities and gives priority to regional distribution in third and fourth-tier cities. The positioning of medium-low brand makes it necessary for regional distribution. Deep distribution is the focus for the development of this brand.

The channel structure of high-end brand is changed into the compound mode of giving priority to direct sale and taking alliance as complement in first and second-tier cities.

Based on what mentioned above, the focuses of LOVO are as follows: speed up the direct sales layout of LOVO, Saint Marc, import brands agent by LOVO in the first and second-tier cities by making full use of listed raise fund. Meanwhile, attract investment in third and fourth-tier cities and try the mode of regional agent. Youjia positioning in medium level choose the mode of regional agent, which achieve deep and rapid distribution. According to different brand positioning and products, the establishment of the high-end household hall, high-end household sanitary pavilion, LOVO household pavilion will improve the profitability and enhance the competitiveness of the company in the regional markets.

1.2.3. Channel design of multi-brand in positioning differences

Due to multi-brand channel strategy adopted by LOVO, it is necessary to achieve difference of various brands. But at the moment, the traditional channels of other brands are nearly similar except online brands and LOVO. The compound marketing channel of direct sales and chain is the main way of first and second-tier brands in the industry. But with the fierce competitive in home textile market and intensified product homogeneity, the key to sustainable development of the enterprises is the difference of brands and channels. Considering the difference in positioning and structure of multi-brand in LOVO, it is difficult to achieve success in multi-brand with one mode. Based on the different positioning and structure, different brands should take different channel modes that are suitable for its positioning, which can give full play to the advantage of resources and maximize the sales volume of brand channel and market share.



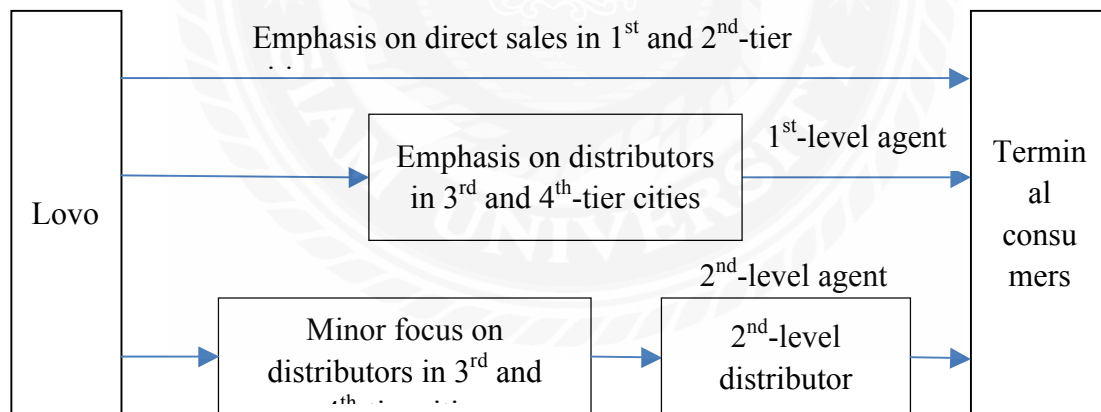
4.2.3.1 Th

The annual sales volume of the main brand LOVO accounted for over 80% of the company. Positioning in medium-high level, it is the main brand with abundant types and products among brands. Currently, it has nearly 700 franchisees and 2100 stores across the country, with relatively mature regional distribution. Due to limited markets to be explored, it is essential to nurture excellent regional franchisees to improve profitability. Traditional channels adopt the mode of "direct sales and alliance" pattern. After finishing the layout of alliance, the company should change the channel mode and take the mode of attaching equal importance to direct sales and alliance. Speed up the expansion of direct sale market in the first and second-tier cities, strengthen the control of channels, accelerate the layout of the third and

fourth-tier cities, choose excellent regional agent for the third and fourth-tier cities with high cost of expansion, and give authorization to regions, all of which can reduce the cost of attracting investment and speed up to launch the vacant markets. The deep distribution of region. Traditional channel should take the mode of attaching equal importance to direct sales and alliance as well as regional authorization, only by which can guarantee the sustainable and healthy development of LOVO.

For the rapid development of network channel, as the main brand, LOVO also need to develop it vigorously through the company's independent domain distribution platform, network distribution platform such as Jingdong, Dangdang, Taobao Tmall mall store, etc. However, the conflicts between the network sales price system and the traditional channel will be inevitable. To establish a strong brand as soon as possible, accelerate the construction of direct sales and unify the online and offline retail prices will be the long-term goals for LOVO. We can avoid conflicts by different structure in short-term, but it increases the inventory pressure and weakened the network sales.

4.2.3.2 Saint Marc brand

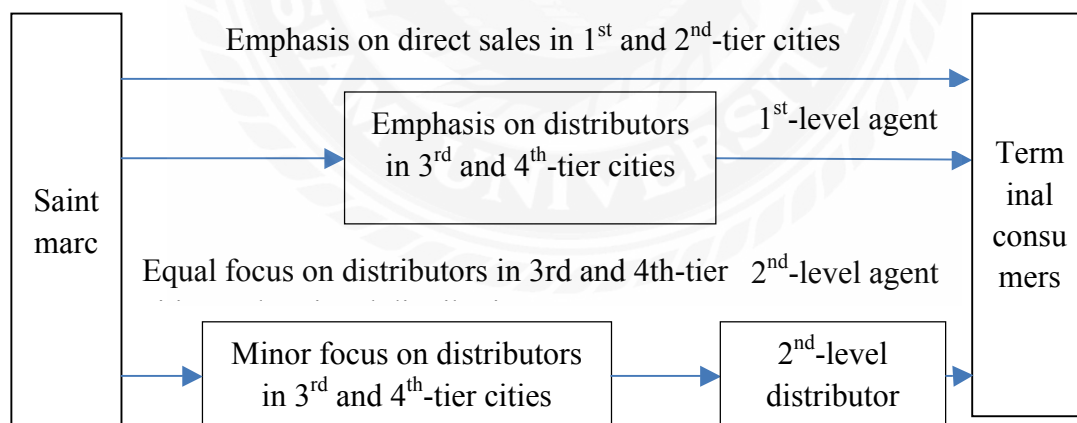


Traditional channel structure mode of Lovo brand

Running for eight years, medium-level brand Saint Marc simply takes the traditional marketing mode of LOVO, with the annual sales volume of more than 100 million. Under the circumstance of no popularity, no brand style, no stable structure, it will lead to the slow expansion of brand channel and poor profitability of franchisees. As a new brand in the fierce competition in the first and second tier cities,

it is difficult to run, which has been testified by the eight years of development. The franchisees and stores in the first and second-tier cities are relative less and the profitability is poor, so it is difficult to enter the mainstream mall. Positioning in middle young fashion, Saint Marc expand market in the third and fourth-tier cities while insist on own style so as to set an example in the region and improve the investment and regional sales. The third and fourth-tier cities are the root for the rapid development of Saint Marc. The compound mode of giving priority to direct sales and distribution in first and second-tier cities as well as third and fourth-tier cities respectively will bring rapid development for the brand in the next five years. Saint Marc should position in third and fourth tier cities with little competition and speed up the speed of direct sales in the first and second-tier cities. Through setting up good example of regional stores to increase the brand awareness and attract investment in third and fourth-tier cities. Training excellent regional dealer, area of the regional general agent mode, depth distribution, regional market quickly, taking the mode of general agent in some regions to occupy the market.

For the brand's network channels, due to the scale of the traditional channels,



Traditional channel structure mode of Saintmarc brand

the network needs to pay attention to the conflict between price and products. The product differentiation is the developing direction for the channel.

4.2.3.3 Youjia brand

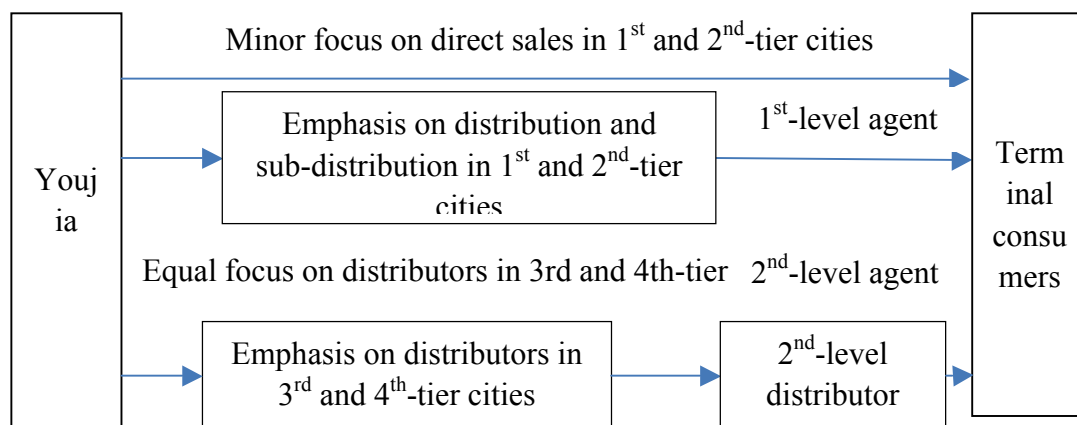
With the rapid development of urbanization in China, the company introduced a fast fashion mid-range brand Youjia for the rapid developed third and fourth tier cities

and vast rural market. But the simple mode of direct sales plus chain is not suitable for the development of this brand. For more than two years' operation of Youjia, the marketing channel is barely satisfactory with slow expansion speed. The profitability of the stores is poor with many closed stores. The brand encounter many problems. The root of these problems is that Youjia take group purchase, which lead to the high price of products without any price advantages. For more than two years, the brand positioning is not very clear, especially the style of suites is varied, which is unable to develop stable consumer groups. The product line is relatively monotonous in early stage, which cannot make profits. The threshold for investment is not high, the quality of dealers is low, many dealers are lack of the sales experience of home textile industry, all of which lead to the bad management, poor operation and loss. In the vicious cycle, these stores eventually were closed.

Youjia of LOVO which focuses on the third and fourth-tier cities should change channel mode, under the situation of low price and rich structure. Only in this way, Youjia can have the opportunities to develop. The compound mode is a good pattern for Youjia. The compound mode of putting distribution first and taking direct sales as complement and putting distribution first and taking sale as complement in the first and second tier cities as well as the third and fourth-tier cities respectively. Adopt the mode of regional agent, train excellent distributor, regional deep distribute, all of which are the root of the rapid development of Youjia.

4.2.3.4 Agent high-end import brand

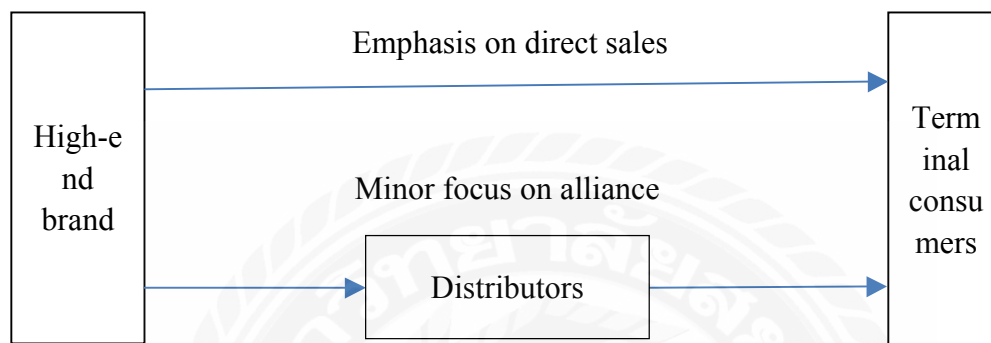
Agent high-end import brand of LOVO include Sheridan, Zucchi, Yolanna,



Traditional channel structure mode of Yojia brand

position in the first and second tier cities. The mode is direct sales plus alliance. Many famous brands are speeding up the layout of direct sales. The mode of direct sales plus alliance is the only way for agent high-end import brand. The main brands and the agent import brands of LOVO need to speed up the speed of direct sales, which is the inevitable trend.

4.2.4 Channel design for different brands portfolio



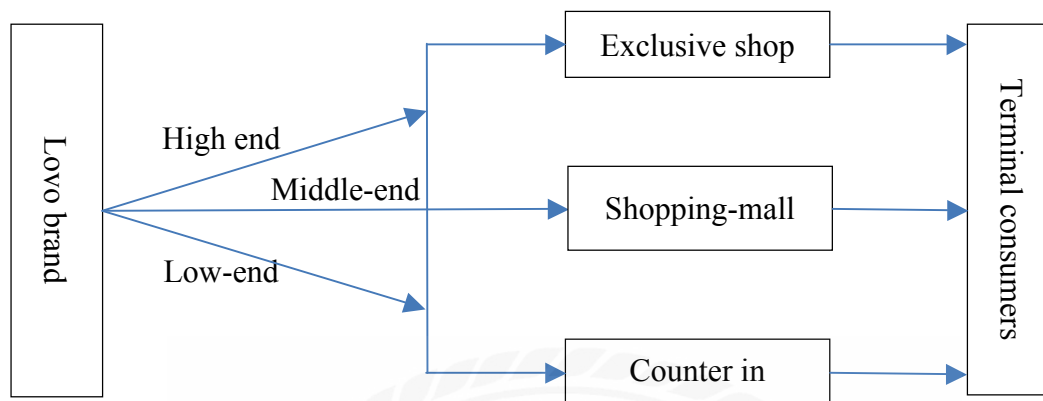
Traditional channel structure mode of high-end brand

Multi-brand marketing refers that enterprises use different decision-making strategy according to the different interests of target markets. Multiple brands can position different market segments, emphasize the characteristics of each brand and attract different consumer groups so as to occupy more market segments. The key to multi-brand marketing lies in resource integration and difference creation. The core competitive advantage of multi-brand marketing is to meet the needs of different consumer groups through the different brand positioning so as to achieve the goal of occupying more market shares, which is often suitable for the growth of consumption companies.

LOVO is the most typical symbol of multi-brand marketing in textile industry. As the leading domestic home textile brands and the first listed company in bedding articles, what should LOVO do to achieve success when other enterprises run into troubles. The following chart is the main channel of multi-brand of LOVO. Brands are relatively independent with their own stores, shopping malls, counters. However, due to resources scarcity in traditional channels and franchisees, brands in the company have internal friction, which impact on the development of regional brand

and the reputation of the company. The effective combination of brand can avoid the contradiction, share resources and expand the regional markets rapidly.

4.2.4.1 Agent high-end bedding combination

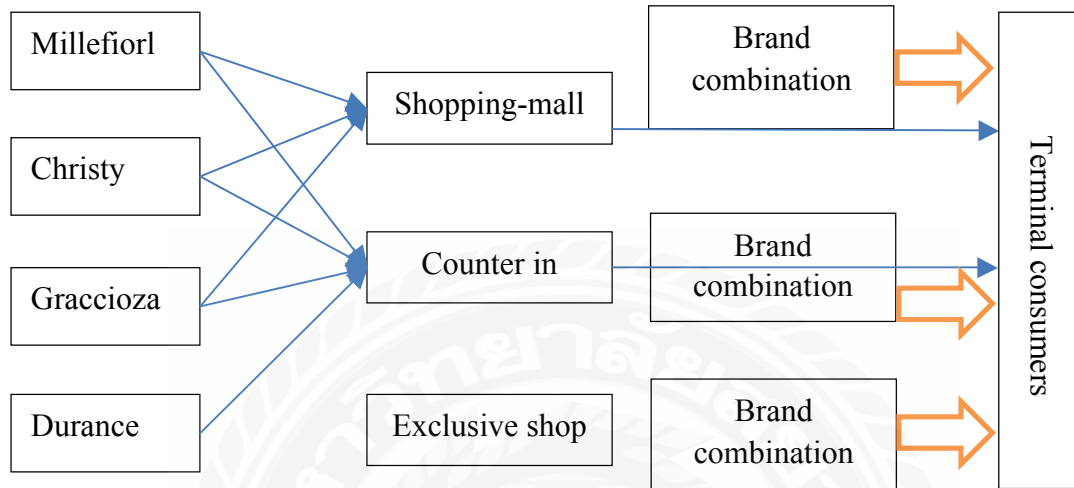


The agent import high-end bedding brand of LOVO focuses on medium-high mall in the first and second-tier cities and some stores of high-end shopping-mall. As shown in the chart 5. 7, it increases the brand portfolio stores and franchisees channel. The effective combination of different style not only provides consumers more choices but also improve sales effectively. At the same time, effective combination also provides the high-end brand franchisees new channel opportunities, with monotonous products, which provide the new thought for the development of high-end brands.

4.2.4.2 Import High-end Bathroom Brand Portfolio

Since 2008, LOVO Company has made itself an agent for home furnishing brands including the well-known Italian fragrance brand Millefiori, the famous British bath towel brand Christy, Portugal's top home furnishing brand Graccioza and the French fashion body care brand Durance. All the brands above are high-end positioned and the products are relatively simple with few categories. The company is currently operating mainly through small-scale counter in high-end shopping malls in first/second-tier cities. Single-store sales is in average level with poor profitability, resulting in difficulties in channel expansion. A model of effective combination with home-furnishing brands based on brand product differentiation and positioning consistency will be the key for these brands to keep long-term sustainable development in China. As shown below, the combination of brands can effectively

expand the area of Shopping malls and shopping-mall counters. When improving the image of products and brands, it can also stimulate the sales in counters and promote the profitability of stores. Effective combination also makes the establishment of imports sanitary life halls possible, creating a new channel model.



Traditional mode of imported high end bathroom brand combination

4.3 LOVO Multi-brand Marketing Channel Strategy

4.3.1 Selection of Marketing Channel Members

Companies should have a clear knowledge about themselves, an accurate prediction of channel development and a deep perception of customers' needs. Only suitable channel members can lay a solid foundation for the future management of channels. However, during the rapid development at preliminary stage, LOVO didn't make much limitations on the selection of channel members and had no scientific methods in the selection, causing problems in marketing ideas, cooperative willingness, values, business reputation, sales strength, credit and financial status as well as management capacity. It seriously affected the brand's development in the region.

To solve current problems, LOVO should carry out systematic criteria and methods for channel member selection as soon as possible, including capacity criteria, controllability criteria and adaptability criteria. It can find out suitable cooperative

members through a series of qualitative and quantitative combined evaluation standards. Ways and strategies for the selection of channel members should be explored so as to change the current mode of single investment attraction. At the early stage of a new brand, its regional market should be operated by lowering the standards and increasing incentives. Dealers can be chosen through test-operation, short-term contract inspection and credit system based on qualitative and quantitative combined way. Avoid business risks through the establishment of channel member credit investigation, credit evaluation and credit management. Channel changing provides the information on regional sales credit based on subjective judgment of regional personnel. Regional personnel are not allowed to issue credit loan randomly, which effectively help the company prevent risks.

4.3.1 Competence Standards for LOVO Channel Members

Competence standard is the main evaluation criteria for the selection of channel members, and regional channel members are selected through the investigation of their marketing ideas, cooperation intention, values, reputation, credit and financial status, sales strength and management ability. Only in this way can LOVO keep sustainable and healthy development in the future. For members of different brands from different channels, they should meet the following requirements:

1. Marketing ideas

(1) Market awareness

Check if channel members are familiar with local market, including the number of counties, total population, economic gap between counties, local traffic, big enterprises and whole sale markets. If a channel member is familiar with the information above, then he has a clear marketing idea.

(2) State of operation

Check if potential clients have advanced business management model, including management of the inventory, personnel management promotion plans and so on.

(3) Service attitude

Check potential clients' attitude towards goods delivery and distribution and their service to off-line distributors. If the client has a clear idea about his own business performance, profitability and the basic features of local market and he can actively visit distributed stores, then he has clear business thoughts.

2. Cooperative willingness

The willingness to cooperate determines the degree and duration of the relationship between channel members and the manufacturer. The manufacturer shall examine the intended client in respect of the product and desire. Recognition of the functions and market potential of LOVO products is a prerequisite for good channel members and product awareness is a necessary condition for regional channel members. Channel members should have good cooperation and development aspirations in achieving efficient communication and improving the efficiency of channel management.

3. Values

Check if intended clients have the passion and ambition for the business and if he accepts the values of LOVO Company. Many channel members had no motivation for future development and lost interest in merger-profit business in home furnishing industry after they made some money. We need our members to have good attitude and entrepreneurial spirit. They can take the initiative to participate in various training, constantly enrich themselves and be confident in future development.

4. Business reputation

Learn about channel members' reputation through reputation rank within the industry. Know the business capacity, business conditions and cooperation reputation of a channel member through other channel members. Take the evaluation from other manufacturers, upstream providers and manufacturers as well as downstream service providers as important references.

5. Sales strength

For the selection of channel members, examination on its sales strength is a very important criterion. It can be done in many aspects including fund strength, inventory area, popularity, number of staff and their quality. Financial strength is the

prerequisite for a channel member. LOVO should choose channel members who has enough funds and good financial conditions. For the dealers, 3 million in cash flow is needed for prefecture-level cities, 1.5 million for county-level city and 5 million for regional distributors. There are also some requirements on inventory area and channel members' inventory management ability should be measured according to product placement and cleanliness. It is very necessary to investigate the credit and financial conditions of a channel member in the registered capital and actual use of funds, its capacity in current business project, its payment way, bank loan ability, its performance of taxation and its degree of whether the operating facilities can bear the current business, the way of payment to the manufacturers, the ability of bank loans and its degree of borrowing and releasing funds.

6. Management ability

Channel members' management capacity is the key to channel member selection, including logistics management, inventory condition, inventory management system, delivery and storage procedures, weekly storage report and damage report. Be familiar with its fund management through availability of financial systems, accountants, cashier, cash accounts and sales reports. Investigate its personnel management ability by checking its business staff, relative proportion in staff, personnel management system, the obedience of personnel, the distribution of posts and effective examination system of business staff.

4.3.1.2 Method for channel member selection

For LOVO Company who has great advantages in products, brand and influence, it's very easy to attract enterprises to choose channel members actively. Only when a company provides competitive product line for channel members, proper advertising and promotion support for the brand and professional management support can the company choose appropriate channel members.

Channel members are chosen through qualitative analysis. For blank market, the company will make test-operation and choose excellent performers as the dealer. Support the dealer with market resources. If the dealer is chosen at the preliminary step, advertising promotion will be conducted after distribution of goods. Short-term

contact period is adopted to examine the dealer. Sign a contract with the time duration less than a year with the dealer to give pressure on him so that he can try his best to run the business. Dealers should have the potential for future development. Special attention should be paid to dealers whose capacity can match with the strength of the company.

Channel members can be selected through the quantitative analysis method. Observation should be used to select intended clients based on the company's own product features, business strength and brand level. Experienced personnel introduce their company to relatives, friends and acquaintances of intended clients to attract channel dealers. In public bidding, enterprises issue investment information through newspaper and TV to attract local distributors. Then it can directly search and select potential clients. In industry exhibition, enterprises participate local or corporate headquarters' industry exhibition, display the company brand and products and recruit intended customers, thus selecting the regional distributors.

4.3.1.3 Avoid the misunderstanding in channel member selection

The selection of channel members determines the company's future channel construction. It is a complicated process. Channel acceptance and concept differences also determine the strategies and methods in channel member selection. Hope that the following recommendations may provide some help for LOVO to choose good channel members. The scale and the number of distributors are just part of the requirements. It is the quality of the distributor that really matters. The strength of a distributor is just a factor. Business idea and developmental distributors are the best choice. Experience of a distributor is important, but it is not so important as the willingness to learn something new. Enterprise cannot fully satisfy the profit requirement of distributors and it should not make big promise blindly. It must make reasonable rules that can fairly performed on both sides.

4.3.2 Marketing channel member stimulation

4.3.2.1 Content and form

Channel stimulation means that manufacturers stimulate channel members through constant stimulation measures to activate their passion for sales and to

improve effective business performance. For years, LOVO keeps a good relationship with distributors through strong sales ways of regional personnel. During the development of the company, the strong sales way gained a good effect. But with the fiercer competition in the market, the extensive marketing way cannot help distributors strengthen regional sales and purely high pressure policy only generates greater resentment and conflicts. To provide distributors with refined marketing services is necessary for market development. Stimulation on channel members should not just be confined to store decoration subsidies and rebate at the end of the year. Currently, stimulation on channel members should combine materials with spiritual incentives.

1. Material incentives. The company should improve the traditional rebate way and explore more rebate ways so that it can flexibly adapt the development of business channels; for high-end brands like LOVO, SAINTMARC and YOUJIA, different rebate systems should be established. For distributors and regional distributors, different preferential policies should be carried out to attract brands like SAINTMARC and YOUJIA. Encourage distributors to grow into regional distributor through preferential policy. All kinds of discount policies should be made to give distributors confidence. Loose the distributor's credit requirements and support the development of regional distributors. Increase additional subsidies for distributors in the process of marketing promotion and population, stimulating the enthusiasm of channel members while strengthening regional marketing promotion.

2. Spiritual incentives. The company should encourage distributors to take part in strategy-making and business management through negotiation and consultation, etc. It should help enterprises directly obtain feedback from target clients and meet the needs of channel members in sense of belonging and respect, improving their enthusiasm to the largest extent. In the management process, the company should empower distributors and stimulate them through regional exclusive right other privileges. It should improve the scope and intensity of cooperation with distributors and expand product supply cooperation to product exploration, market development and promotion as well as after-service activities. Comprehensive cooperation will

enhance the communication and relationship between channel members, maintain a better channel stability and stimulate channel members' willingness. In addition, the company should provide professional and comprehensive training for channel members, reducing conflicts and friction in channels while improving distributors' business operation ability.

4.3.2.2 Channel promotion

The company's multi-brand large-scale promotional activities have achieved great success since the beginning of a large-scale implementation in 2004. The proportion of promotional library accounts for more than 40% of the company's annual library, bringing the company and distribution customers a huge profit. The company made unified planning on large-scale marketing program and assisted regional distributors in the annual promotion activity. In addition to making large-scale library, the company also reduced the storage of products in distributors through promotion, withdrew the funds and sped the circulation of products.

But with the intensification of competition in the industry, the brand's promotional activities appear one after another with large-scale discount. The rapid development of network distribution channels and the emergence of cost-effective products all led to the sharp decline in consumers' sensitivity to traditional channel promotions. LOVO sales amount and profit decline in traditional large-scale promotional activities has become an indisputable fact. The vicious cycle made part of the company's products overstocked, which caused goods backlog in distributors and made cash flow more difficult. In addition, high cost in promotional activities and low rebate seriously influenced the company's operation. The innovation of promotion model has become a new way for the traditional channel of LOVO. In goods supply, the company made some efforts to follow the step of the market, including the original discount of stocked products, promotion in distributors, best-sellers at the first half of the year, promotion products in this year and newly explored products. However, the market changes so fast. The company's pursuit of interests caused higher price for promoted products. Although distributors lowered their own interests and improved the promotion, their products were still of low

competence and the sales can't be improved effectively. As far as I'm concerned, in addition to the control of product costs, preferential activities in distributors should be strengthened and the interest in promoted products should be lowered so as to improve the products' competence. To improve the success rate of promotional product development is also the company's research and development focus in the future.

In promotion spreading, posters, promotional banners, floats, local television and road signs are used. Marketing Department should make full use of non-traditional spreading means and network resources (micro-blog, community discussion, local website, etc.) in this new era. It should adopt new channels including mobile media, TV shopping and group purchasing to spread the large-scale promotion activity to the largest extent while effectively controlling promotion costs. It should stimulate distributors to hold large-scale promotional activities and share win-win with the company.

Since distributors need a large amount of money in making short-term promotional activities, to ensure the success of the promotional activities, the company should provide distributors with support on products under the premise of safe funds and adopt goods credit extension by giving a certain amount of distribution amount to solve the problem of funds shortage so as to ensure the success of promotional activities.

The company's original large-scale promotion was mainly conducted through stores. In shopping malls counters, the area is limited and the cost is very high so it is not very suitable to do large-scale promotion in shopping malls. In the new period, the company should strengthen cooperation with shopping malls, constructing promotion area or large promotion halls and negotiating on discount and cost lowering ways to promote the successful implementation of the promotion activities in shopping malls.

CHAPTER 5

CONCLUSIONS

Since there is no strict technological barrier in the textile industry, the rapid development of LOVO Company is mainly due to market competition. Therefore, it is significant to study the progress of LOVO Texture and its development strategy at all stages. It would be beneficial to other enterprises within texture industry. Multi-brand channel management strategy is the core marketing strategy of LOVO. It is the key to LOVO's rapid development. It will help provide new ideas in finding out the limitations and innovation ways of multi-brand sales channel to study the specific strategies of channel management in LOVO, analyze the effect of multi-brand sales channel and locate problems in channel management.

After the chapters above, we draw the following conclusions:

1. China's textile industry market is still in the early stages of brand development. There is no leading brand so many enterprises still have great potential. With the gradual development of the chain business in domestic textile industry in recent years, some scaled manufacturing enterprises gradually transferred from foreign market to domestic market. Brand competition will be the industry's development trend and the integration of resources will be a key factor in terminal competition.

2. China's textile industry has experienced the state-owned distribution system, the decentralized wholesale market, the professional distribution (distributors, agents, branches), current direct sales, chain operations and network marketing. From the current market reality, despite the popularity of direct sales, chain operations, network marketing and other emerging channels, traditional channels including dealers, agents, and branches still account for a large part of the total contribution. For a long period of time, the traditional distribution model represented by distributors and branch offices will still exist and play an important part in Chinese market.

3. With the improvement of living standards, consumer group keeps expanding and consumption keeps growing. Textile industry will maintain a rapid development and meet the double chances of total market expansion and market share enhancement. With the upgrading of textile industry consumption and competition, the textile industry is in the transition from the initial stage to the development stage, that is, the biggest change in the market is that it has entered the first structural adjustment cycle in the rapid development; the structural adjustment cycle shows a very distinctive feature: large-scale, low concentration and common growth.

4. Brand is one of the key elements for the textile industry to win the market. LOVO Company set and kept its uniqueness within domestic textile industry through multi-brand channel strategy which was an effective means for brand sales.

5. LOVO Company adopted multi-brand channel strategy which accounted for its specialty among different brands. With the fierce competition in textile market, product homogenization becomes intensified and brand and channel differentiation marketing has become the key to sustainable development. Brands of RUOLAI Company keep their own uniqueness in positioning and product structure, which also determines that multi-brand business with a same channel structure model can't achieve success. According to the positioning of different brands and product structure, different brands should adopt sales model suitable for their own positioning so that they can give full play to the advantages of enterprise resources and achieve maximized brand channel sales and market share.

6. LOVO is the textile industry's most typical multi-brand marketing representative. All the brands in LOVO are operating independently and they have their own stores, counters and shopping mall counters. But limited by the shortage of shopping mall resources and store resources, internal friction occurred in the company, which affected regional development of the brand and influenced the company's reputation. Effective combination of different brands can avoid conflicted products, help share resources and rapidly expand regional market.

7. In the selection of channel members, the company should improve the standards and methods of the selection as soon as possible. Choose the most suitable

channel members through competency standard of the channel members, the controllable standard, the adaptability standard and a series of qualitative and quantitative combined assessment criteria.

I hope that the study can provide theoretical and practical reference for enterprises of multi-brand marketing channels, especially for textile enterprises, and help enterprises keep sustainable and healthy development in their ongoing progress.



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