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NEW PRODUCT DEVELOPMENT AND MARKETING STRATEGIES IN INTERNATIONAL PARTNERSHIPS : THE CASE OF CHARLES PHILIP SHANGHAI AND THE COCA COLA COMPANY

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CHARLES PHILIP
SHANGHAI

X

Coca-Cola®

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ABSTRACT

This work focuses on the analysis of the international partnership signed between Charles Philip Shanghai Ltd, a Chinese fashion luxury brand running business in the footwear sector, and The Coca Cola Company, the well-known mutinational corporation leader in the beverage industry.

The goal of this collaboration is to develop a new collection of Charles Philip Shanghai products (shoes and accessories) which will be launched immediately after to the Rio 2016 Olympics Games, in whose favor The Coca Cola Company represents one of the most important worldwide sponsors. Starting from the consideration of environmental factors, political trends, external issues, opportunities, risks, and cultural differences, which drove the companies to build the partneship, the aim of this work is to propose a marketing framework capable to explain how international business complexities are crucial for the new product development process, going through the discussion of the elements of the marketing strategies by which Charles Philip Shanghai and The Coca Cola Company have to promote the co-branded 2016 collection. The common strategic objective of alliance between Charles Philip Shanghai and The Coca Cola Company is developing products for distribution among China, and then worldwide. By one side, exploiting the internal channels and the market knowledge of the Chinese brand, getting The Coca Cola Company closer to the Chinese culture; and, by the other, strengthening the image of Charles Philip Shanghai, raising sales, and exporting the new collection around the world through Coca Cola global commercial network. The first chapter presents a review of the literature of the different types of international alliances and an introduction to the companies involved in the collaboration. The second chapter highlights the relevance of external issues and envirnomental factors driving the companies to estabilish the partnership. Opportunities and risks for Charles Philip Shanghai and The Coca Coa Company alliance are analysed in the third chapter. Chapter four considers the differences of national cultures and those of the past collaborations developed by the companies, and it further speculates on their common future impact on the partnership. The second part, composed by chapters five and six, refers to the impact of international business factors on the strategies of branding and distribution, establishing a framework to implement the traditional marketing mix adopted by the opportunistic collaboration to promote the new Charles Philip Shanghai x Coca Cola collection.

INTRODUCTION

It can be argued (BCG, 2011; United States Fashion Industry Association, 2015) that a significant increase of trasnational relations between U.S. and Chinese companies in the fashion industry took place in the last few years. These commercial operations appear to be essentially based on bringing know-how and high technologies from West in exchange of low labor costs and knowledge of the internal markets coming from Chinese local firms. China's low labor cost and its great market potential to estabilish production on international scale, seem to be the most important factors for attracting foreign investors to China. China's fashion industry is set to become the world's second fashion market by 2020, as well as the first one by 2025, and it will account for about 30 percent of the global fashion market's growth over the next five years, following the report of McKinsey&Co. (2014).[1] Nevertheless, the Chinese GDP has registered, for the first time in the last decade, a surprising slowdown. Consequently, the Chinese gross domestic product growth registered in the first quarter of 2016, estimated to be around 6.7 percent, is the lowest since the deep financial crisis in 2009. Indeed, China, for years a key engine of global growth, has spooked international investors and could lead to government startegies such as increasing fiscal spending on infrastructure and looser monetary policy. These decisions could impact the fast-growing rate of Chinese fashion market[2], even if, as claimed by United States Fashion Industry Association (2015), China's fashion market will remain a mature and reliable base with no adeguate replacement.[3] The American Consumer News and Business Channel (CNBC) , not only supports these statements, but also argues that China's goal is set on creating brands and products that will win the world, and that it wants to become known as a design and innovation center and no longer just as a manufacturing powerhouse.[4] As Figure 1 shows, in 2020, total fashion sales in China are expected to be triple their current level, rising to more than RMB 1.3 trillion ($200 billion) from RMB 398 billion ($60 billion) in 2010. [5]

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[1] McKinsey Gobal Institute. (2014). *China's digital transformation.*

[2] Wildau, G., Mitchell, T. (2016). *China GDP growth slips to 6.7% as stimulus eases slowdown. Financial Times.*

[3] United States Fashion Industry Association. (2015). *2015 U.S. Fashion Industry Benchmarking Study.*

[4] Zhang, E. (2011). *Fashion-Hungry Chinese Market Expected to Triple by 2020. CNBC.*

[5] Boston Consulting Group. (2011, July). *Dressing Up, Capturing the Dynamic Growth of China's Fashion Market.*

Projected Fashion Retail Sales in China

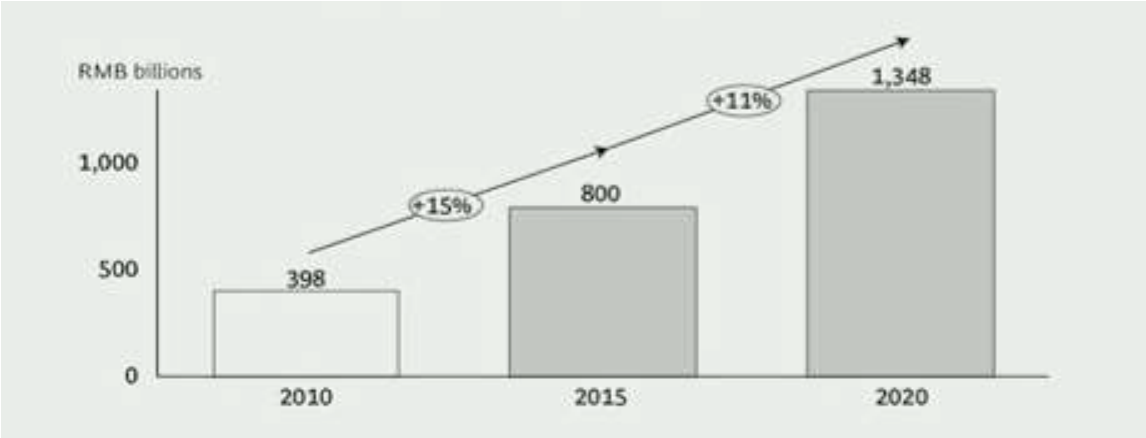

Figure 1. Projected Fashion Retail Sales in China. Source: The Boston Consulting Group (2011).

In addition, as sinthesized by Figure 2, the global Apparel market size will touch US$ 2.1 trillion by 2025, enabling China to achieve the 26 percent of the total market share. [6]

Projected Global Apparel Market Size

Projected Apparel Market Size and Break-up

Values in US$ Bn.

Region	2013	2025	CAGR
EU-27	355	440	2%
USA	230	285	2%
China	165	540	10%
Japan	110	150	2%
Brazil	60	100	5%
India	46	200	12%
Russia	45	105	8%
Canada	30	50	4%
Australia	25	45	5%
Rest of the world	80	195	8%
Total	**1,146**	**2,110**	**5%**

Figure 2. Projected Global Apparel Market Size. Source:. McKinsey&Co. (2014)

In this context, Charles Philip Shanghai, Chinese fashion company founded in 2010, is aiming to increase its market share within China and to strengthen its brand image worldwide. Moreover, The Coca Cola Company, already stably present in more than 200 countries, wants to continue its processes of expansion to Asian markets, exploiting the potential of the Chinese fashion

[6] McKinsey Gobal Institute. (2014). *China's digital transformation.*

industry. The tangible opportunities for a partnership between Charles Philip Shanghai and The Coca Cola Company into the fashion market are likely to derive by the knowledge of the field acquired by the companies in thier past collaborations. On one hand, Coca Cola, has recently demonstrated its ability in obtaining retailing successes in the fashion industry through worldwide alliances with popular brands like Abercrombie&Fitch, ASOS, Macy's, Next.[7] On the other hand, Charles Philip Shanghai products are designed to be sold in leading fashion retail store as well as in selected boutiques, so that it represents an opportunity for Coca Cola to start possible politics of penetration into Chinese medium-upper luxury market. Also Charles Philip Shanghai has already signed successfull past collaborations; relevant to this case is to cite the collection designed for Veuve Clicquot, French luxury Maison, global leader in Champagne production and distribution. [8] However, the complexity of the international business environment through its multiple issues, fast-changing factors, and cultural differences will probably be the principal leading actor to drive the companies to estabilish the right type of the alliance, on which the collaboration will be based, and also to define its marketing strategies.

[7] The Coca Cola Company. (2015). *Global Licensing News Q4 2015*. Pp. 1-61.

[8] Charles Philip Shanghai. (2016). *About*. *http://www.charlesphilipshanghai.com*

PART 1
THE INFLUENCE OF INTERNATIONAL BUSINESS

CHAPTER 1
STRATEGIC ALLIANCES IN INTERNATIONAL BUSINESS

As widely argued within the literature (Cavusgil , S., Knight, G., Riesenberg, 2008; Kabiraj & Lee, 2004; Todeva & Kocke, 2005; Yoshino & Rangan, 1995) strategic alliance is an agreement for cooperation among two or more independent firms to work together toward common objectives. The strategic alliance, also called collaborative partnership, aims for a synergy, so that each company taking part in the agreement should obtain greater benefits than those potentially achievable from individual efforts. Aiming to create synergy between firms involved appears to be one of the most important factors which leads companies to estabilish strategic alliances.[9] Synergy, not only could increase the market power of the alliance estabilishing economies of scale in production and distribution, but it is also claimed to be the principle through which resources available can be more effectively exploited. [10] Furthermore, collaborations often involve technology transfers such as access to knowledge and expertise, shared expenses and shared risks. To summarize, an alliance can be defined as a sort of close relationship between two or more entities which decide to share complementary assets and strenghts with the common goal to create incresed value, or synergy, for both customers and shareholders, that companies could not fulfill independently. This chapter will analyse the different types of international alliances. Particular interest will be given also to Charles Philip Shanghai and The Coca Cola Company, to take in consideration the mission of each company forming the partnership.

1.1 TYPES OF INTERNATIONAL ALLIANCES

Evaluating international alliances is especially complicated, because firms from different countries and cultures generally apply divergent success criteria.

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[9] Tarun Kabiraj & Ching Chyi Lee (2004) *Synergy, learning and the changing industrial structure*. International Economic Journal

[10] Jhonson, A.S., Houston, B.M. (2000). *A Reexamination of the Motives and Gains in Joint Ventures. Journal of Financial and Quantitative analysis.*

Despite such operational difficulties, a variety of factors seem to affect the field of strategic alliance consequences. Once organizations decide to form a strategic alliance, the partners have to implement their activities into strategic policies. As argued by Todeva & Kocke (2005), this implementation phase should require that two autonomous firms put together human resources and material assets, as well as develop a practical governance structure with sufficient power and control and learn how to cooperate for mutual benefit.[11] Consequentely, as supported by Kabiraj & Lee (2008), potential synergies, could arise from combining the productive resources and capabilities of the partner companies. But without strong relationship-building efforts, synergies from the alliance are probable to remain unrealised and the alliance is more likely to fail. In addition, Madhok & Tallman (1998) claims that extracting the value of cooperation is complicated and difficult and it requires a change in the ways firms structure and approach their interactions with their partners.[12] Moreover, several authors (Cavusgil et al., 2008; Madhok & Tallman, 1998; Yan & Zeng, 1999) correlates higher control to higher risk in international alliances, considering resource commitment, switching costs, and exposure of a firm operating in foreign market. The principal types of international alliances are ranked in Figure 3. This classification is based on the degree of resource committment and the increasing level of financial risks related to the level of control owned by the partners in the deal.

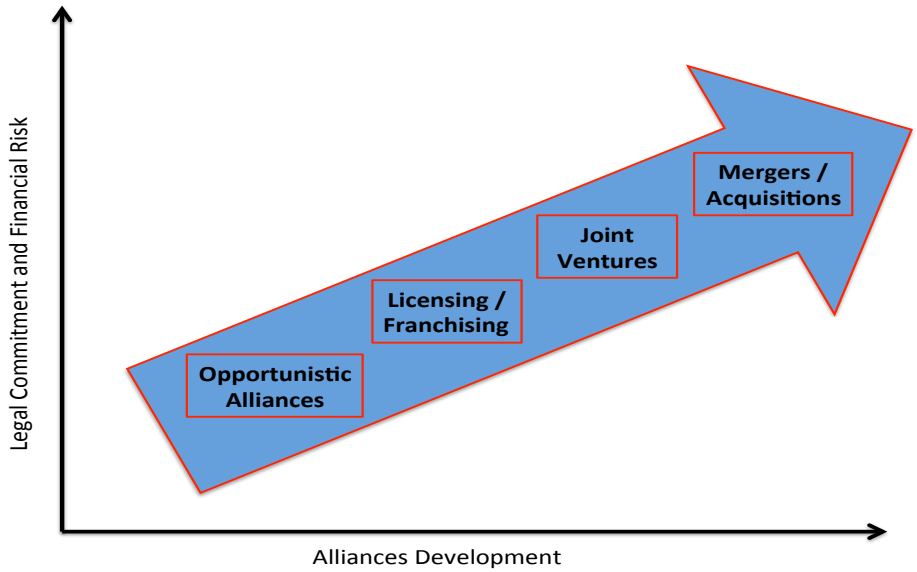

Figure 3. Types of International Alliances. Developed by the Author. Source: Cavusgil, S. et Al. (2008).

[11] Todeva, E., Kocke,D. (2005). *Strategic Alliances and Models of Collaboration. Management Decision.*

[12] Madhok, A.,Tallman, E.S. (1998). *Resources, Transactions and Rents: Managing Value Through Interfirm Collaborative Relationships*. Organization Science.

Authors inspiring the alliances classification of Cavusgil et al. (2008), were Yan & Zeng (1999) which proposed a model by which companies can opt for sharing of control and ownership allowed, in increasing scale, by opportunistic collaborations, licensing and joint ventures or for full control and ownership by choosing mergers & acquisitions (M&A). M&A are indicated by either authors not only as method of entry into foreign market, but also as type of international alliance between firms already operating in a defined country or industry. Furthermore, the decision on the extent of control and ownership appers often linked to three stages. In the first stage, if control is important, firms are likely to choose mergers or acquisitions. In the second stage, if managers accept the possibility of shared control, decisions are made between options such as licensing or joint-ventures. To conclude, the third stage admits low levels of ownership through agreements called opportunistic collaborations, which could show favorable conditions for the companies involved, given the low financial risks.[13]

1.1.1 Opportunistic collaborations

An opportunistic collaboration is a strategic alliance that involves at least two partner firms which have to remain legally independent after the alliance is formed, to share benefits and managerial control over complementary performance and to make contributions in different strategic areas. [14] This cooperation agreement shows the aspect of contractual business networks based on joint multi-party strategic control, with the partners collaborating over key strategic decisions and sharing responsibilities and revenues for performance outcomes.
One difficulty in assessing performance outcomes in opportunistic collaboration is that most of these alliances are intentionally designed to achieve only limited purposes. The partnership may terminate through complete project dissolution or immediately after achieving its formal objectives.[15] The competiteve advantages of this particular strategy can be generated by internalizing the transfer of technology within the entrant firm, and by internalizing the transfer of marketing expertise within the local company. This can only be achieved, by externalizing the flow of outputs, which would lead to the optimization of transaction costs.[16]

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[13] Yan, A., Zeng, M. (1999*). International Joint Venture Instability: A Critique of Previous Research, a Reconceptualization, and Directions for Future Research. Journal of International Business Studies.*

[14] Yoshino, M.,Y., Rangan, U.S. (1995). *Strategic Alliances: An Entrepreneurial Approach to Globalization*. Harvard University Press.

[15] Todeva, E., Kocke,D. (2005). *Strategic Alliances and Models of Collaboration. Management Decision*

[16] Meyer, K., E., Estrin, S. Bhaumik, S., Peng M., W. (2008). *Institutions, resources, and entry strategies in emerging economies. Strategic Management Journal.*

1.1.2 Franchising/Licensing

The process that lead to the creation of a franchising agreement emerges clearly by the researches of Cavusgil et al. (2008). A franchiser grants a franchisee the use of a brand-name identity within a geographic area, but it retains control over pricing, marketing, and standardized service norms. Differently, as explained in Figure 4, in a licensing startegic collaboration, one company guarantees to another the right to use patented technologies or production processes in return for royalties and fees.[17]

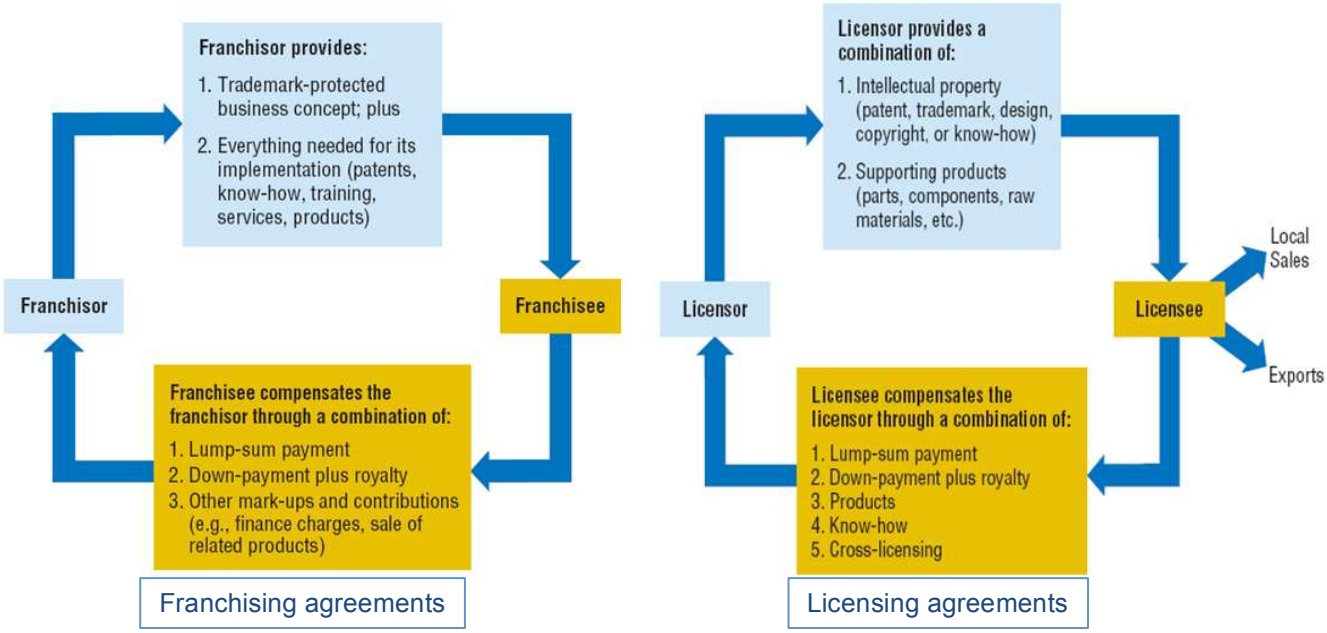

Figure 4. Differences between Franchising and Licensing. Source: Newcastle Business School (2016)

Quinn (1998) considers franchising as one of the most popular strategic alliance for Western firms moving into the newly opened Eastern European markets. The primary advantage of franchising includes the ability to expand the business rapidly and the spreading of costs and risks across the network. [18] As represented by Figure 5, an expansion ethos, a network spread and a learning curve are the core characteristics (or background factors) of franchising, which make it distinctively attractive for international markets.

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[17] Cavusgil, S. et Al. (2008). *International Business, Strategy, Management & the New Realities*.

[18] Quinn, B. (1998*). Towards a framework for the study of franchising as an operating mode for international retail companies. The International Review of Retail, Distribution and Consumer Research.*

Franchising International Strategy

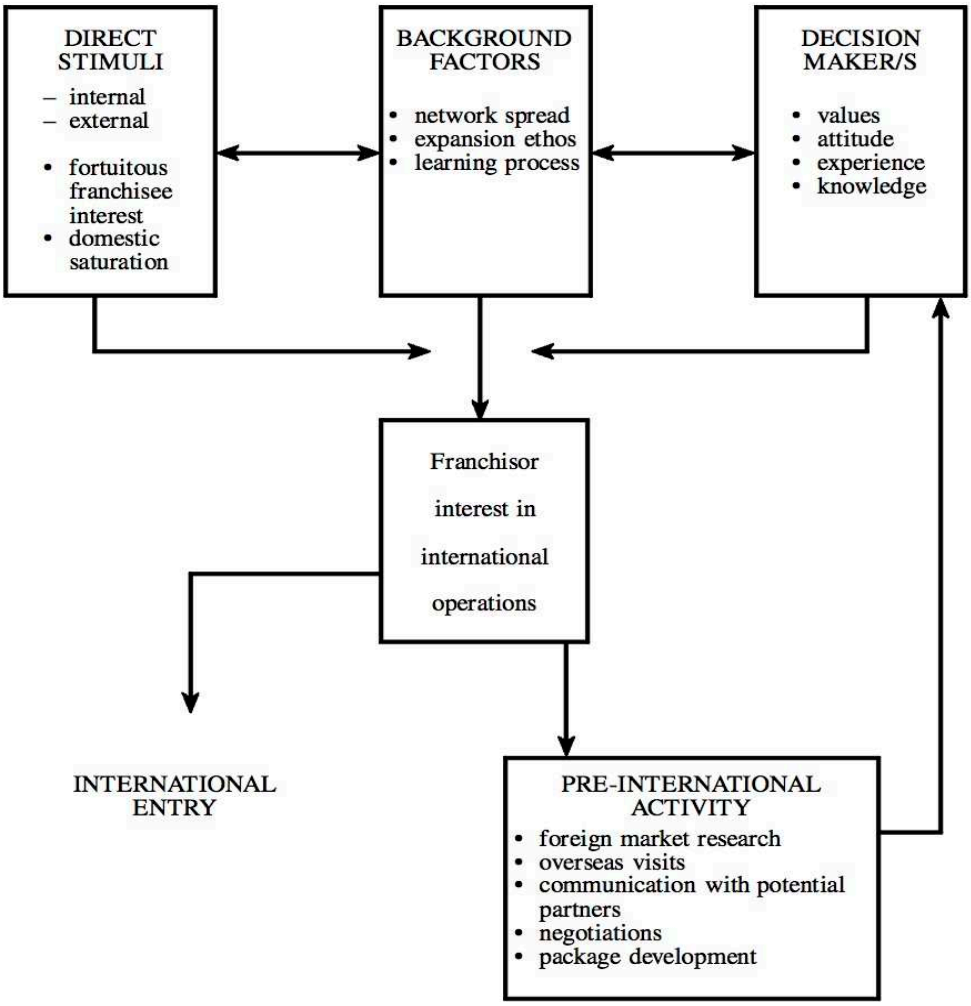

Figure 5. Franchising International-Entry-Strategy. Adapted from Quinn (1998, p. 450).

There are many cases of companies using methods of expansion which are highly growth oriented and which achieve expansionist growth objectives as rapidly as franchising but not all of them are claimed to be successful. Consequentely, as shown by Figure 5, successful domestic expansion creates a widespread network that becomes a very tangible statement to potential franchisees. Having the network, with all its associated advertising and other highly public activities, increases the likelihood of an approach by foreigners. Finally, the learning curve is involved in that the domestic establishment of a franchising chain typically precedes any step towards international franchising. [19]

[19] Quinn, B. (1998*). Towards a framework for the study of franchising as an operating mode for international retail companies. The International Review of Retail, Distribution and Consumer Research.*

It emerges that strategic dimensions, in particular on the degree to which existing marketing and growth strategies can be transposed to new markets depends on the mechanisms franchisor companies use to manage and co-ordinate their ongoing international operations.
Moreover, internal and external stimuli are recognized within the firm. Their action is to lead in a direct way to an interest in international operations. Internal stimuli are defined as the unique competences of the firm, while external ones include effects that competitors' decisions could have on customers. In conclusion, the decision to internationalize seems to depend not only on the characteristics of the company and the environment within which it operates but also on the characteristics of potential customers.

1.1.3 Joint Ventures

Cavusgil et al. (2008) according to Yoshino & Rangan (1995) define joint venture as the alliance by which two or more firms create a jointly owned legal organization. The aspect that mainly differentiates the joint venture from other types of international strategic alliances is the estabilishment of a new legal entity, owned by the partner firms.[20] The current increasing level of globalization of business systems seems to highlight how possible issues are likely to arise from the combination of local and international environments in international joint venture partnerships. By enabling two or more organizations to observe one another's business activities from the inside, alliances familiarize top managers with both corporate cultures and reveal the potential for performance improvements by combining operations.[21]
In these terms, the complexity of diverse cross-national cultures and legal-governmental systems would appear to acquire crucial importance. International joint ventures are probable to be more vulnerable to misunderstandings arising from incompatible national and corporate cultures, in the worse cases resulting in high managerial conflicts and early terminations. Analysis of alliance formation processes should feature more explicit contingency perspectives that explicitly identify how variations in business systems, industries, alliance networks could affect the collaborative efficacy. Furthermore, Barkema e Vermuelen (1997) argues that international joint ventures should be synchronized with the respective time-reckoning systems of the partners, if the objective of the venture is to avoid strategic and operational difficulties. The contractual statement of joint venture duration would seem to not neccesarly

[20] Yoshino, M.,Y., Rangan, U.S. (1995). *Strategic Alliances: An Entrepreneurial Approach to Globalization*. *Harvard University Press*
[21] Cavusgil, S. et Al. (2008). *International Business, Strategy, Management & the New Realities*.

reflect the time orientation of both partners. Each partner's view of its future is in part shaped by its past, that could generate respective different behaviours in time orientations.[22] As suggested by Ganitsky & Watzke (1990), firms with already a decade planning cycle will likely have a different orientation and make different kinds of decisions than would a firm with only a five-year experience. In fact, one firm might have a longer-term view towards investments in financial assets than in building up a relationship with the partner.[23] Such differences will likely create tensions and increase the probability of acquistion, by the stronger partner, or dissolution of the IJV. In conclusion, eventual projects of acquisition or internalization of a joint venture by one of the partners, should be based on a successful realization of the acquiring organization's workforce and capital investments.

1.1.4 Mergers/Acquisitions

Through acquisition , one firm takes full control of another's assets and coordinates actions by the ownership rights mechanism; while the merger process reflects the combination of two companies, in which both sets of shareholder have to approve the transaction into a new legal entity.[24] Following the researches of Herrmann & Datta (2002), mergers and acquisitions (M&A) are called full-control entry modes and are typically more susceptible to environmental uncertainties, involving greater expoure to external risks. On one hand, by the work of Hermann & Datta, M&A represents the step forward in which a partnership can evolve; while, on the other hand , Cavusgil et al. (2008) would seem to include mergers and acquisitions within the types of international partnerships. Their assets constitute exit barriers limiting strategic flexibility and increasing venture risks. M&A strategies requires firms to develop their own knowledge base and competencies to function effectively in the foreign environment, whereas firms using shared control modes have access to local partner's knowledge on markets, competitors, and governmental policies.[25] Developing strategies that could create and sustain competitive advantages appears to be the greatest learning challenges in full-control alliances. Buckley & Casson (1998) claim that the competitive advantage of the acquisition

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[22] Barkema, H. G. and F. Vermeulen (1997). *'What Differences in the Cultural Backgrounds of Partners are Detrimental for International Joint Ventures?'. Journal of International Business Studies.*

[23] Ganitsky, J. and G. E. Watzke (1990). *Implications of Different Time Perspectives for Human Resource Management in International Joint Ventures.* Management International Review.

[24] Cavusgil, S. et Al. (2008). *International Business, Strategy, Management & the New Realities*.

[25] Herrmann, P., Datta , D.K. (2002). *CEO Successor Characteristics and the Choice of Foreign Market Entry Mode: An Empirical Study*. Journal of International Business Studies.

strategy is likely to be that acquisition of the rival's production facility, effectively prevents the rival from entering into competition with the entrant firm. Since the local companies generally retain control on distribution, even if the foreign firm was able to sign an exclusive franchise contract with its local rival, in the long run this contract would expire. Only acquisition of one of the rival's facilities can lead to generate a competitive advantage. [26] This means that the other types of international strategic alliances show higher probabilities to incurr in a loss of revenues compared to acquisitions. Figure 6 shows that in global terms, Mergers & Aquisitions deals may be arresting the decline of the last few years and their value is likely to restart increasing.

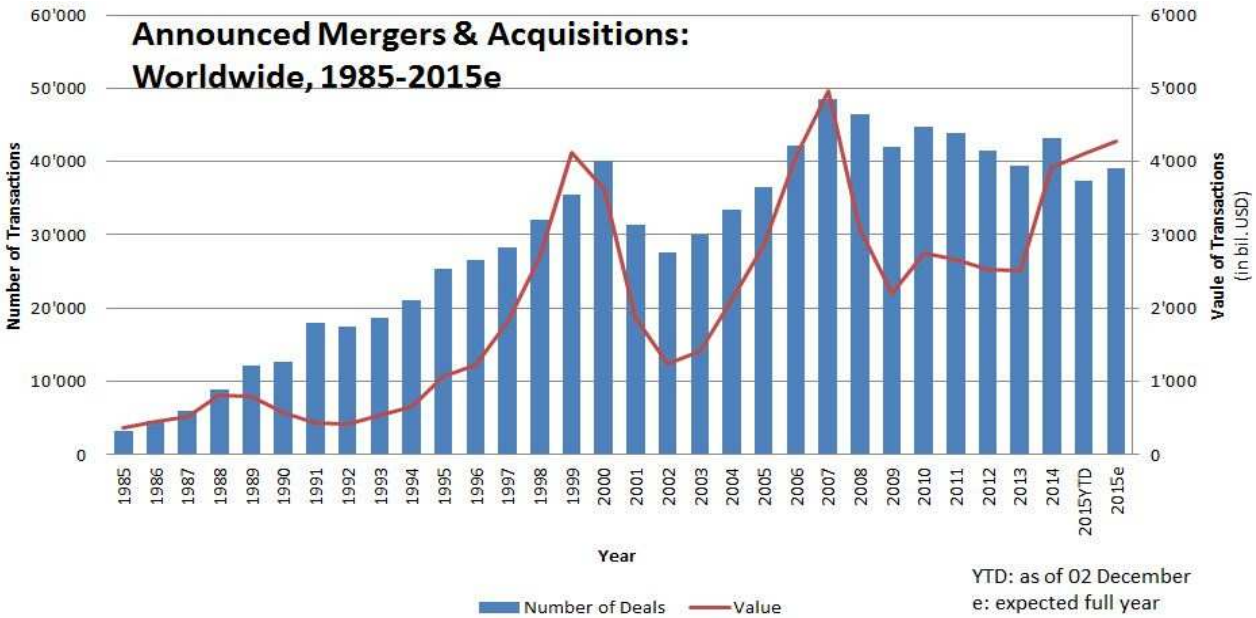

Figure 6. Announced Mergers & Acquisitions 1985-2015. Source: Ctl International (2015)

Some of the evidence (Todeva et Al., 2005; Ganitsky et. Al, 1990; Barkema et Al., 1997) shows that more than 80 percent of the international alliances ended in acquisitions, usually by the stronger partner. A complete merger between organizations represents an extreme outcome of a startegic alliance. So partnerships may serve as a transitional phase in which potential mates explore the feasibility of fusing their identities into a new enterprise. Moreover, M&A modes appear particularly sensitive to the efficiency of markets, especially financial markets and government interventions. Although the local markets for the necessary resources were efficient, markets for international alliances may be especially problematic in emerging

[26] Buckley, P., J., Casson, C., M. (1998). *Analysing Foreign Market Entry Strategies: Extending the Internalization Approach*. Journal of International Business Studies

economies. Figure 7 shows all the possible advantages and disadvantages which could derive from each type of international alliance.

International Strategic Alliances – Advantages/Disadvantages		
Alliances	**Advantages**	**Disadvantages**
Opportunistic Collaborations	• Low financial risks	• Possible tariff barriers
	• Low set-up costs	• High transport costs/ complexity
	• Increased sales and profits	• Dividing loyalties with local agents
	• Wide brand name recognition	• Manufacturing costs not always cheaper
	• Develop useful relationships	
Franchising/ Licensing	**Advantages**	**Disadvantages**
	• Litte capital outlay	• Limited contact with customers
	• Risks limited	• No direct control on operations
	• Potential of rapid expansion	• Shared profits
	• Acquire market knlowledge	• Possible loss of control of technology
Joint Ventures	**Advantages**	**Disadvantages**
	• Acquire know-how	• Differing objectives of partners
	• Develop closer links with customers	• Not balanced power between partners
	• Reduce competitive pressure	• Synergies may not emerge
	• Sharing risks	• Costs of coordination
	• Synergy value	• Difficulties of cross cultural communication
	• Possibility of economies of scale	
Mergers/ Acquisitions	**Advantages**	**Disadvantages**
	• New geographical markets	• High financial risks
	• Maximise shareholder value	• Loss of communication within the company
	• Increase market share	• Loss of key personell
	• Gain control over supply chain	• Possible lack of growth in target market
	• Increase firm size	• Integration and post merger process issues
	• Wide channel capacity	• Cultural risks incompatibility
	• Economies of Scale	

Figure 7. International Strategic Alliances - Advantages/Disadvantages. Developed by the Author.

By the work of Meyer, Estrin, Bhaumik and Peng (2008) the estabilishment of international alliances would seem to depend upon institutions, which have an essential role in a market economy that supports the effective functioning of the market mechanism. These institutions include the legal framework and its enforcement, property rights, information systems, and regulatory regimes. Institutional rules establish the permissible range of international alliances, but legal restrictions may limit the equity stake that foreign investors are allowed to hold, sometimes in favor of locally owned firms. [27] In other words, because the transactions costs of engaging in these markets are relatively higher, companies involved in international alliances have to choose the right strategies to overcome these issues. Institutions also provide information about business partners and their likely behavior, which could reduce possibilities of agreement failure. As consequence, firms have to consider how the relative costs associated with different alliances are affected by the institutional framework. To conclude, on one hand, in terms of acqusition a possible weak institutional framework could make the access to local resources more difficult, raising the costs of acquiring local firms. By contrast, on one hand, joint ventures provide access to local resources where market transactions seem to be problematic. On the other hand, in emerging economies, investing companies usually require also specific skills to achieve competitive advantages. So, foreign firms, which consider the combination of abilities with local resources to be important for their competitiveness, could probably prefer to establish their operation with a local partner through opportunistic collaborations , exploiting low financial and institutional risks, as provided by the allaince between Charles Philip Shanghai and The Coca Cola Company.

[27] Meyer, K., E., Estrin, S. Bhaumik, S., Peng M., W. (2008) *Institutions, resources, and entry strategies in emerging economies. Strategic Management Journal.*

1.2 THE PARTNER COMPANIES

1.2.1 Charles Philip Shanghai

Charles Philip Shanghai was founded in 2010. Since then Charles and his team have been building a footwear brand for men and women constantly on the forefront of fashion and lifestyle.[28] All Charles Philip Shanghai collections are collaboratively designed by Charles and his design partner, Sheila. Products' style and founders are represented in Figure 8.

Figure 8. Charles Philip Shaghai: Logo, Products and Founders. Adapted by charlesphilipshanghai.com (2016)

The aim of Charles Philip Shanghai products is to mix the elegant and chic, with the eccentric. Printing in custom fabrics and though fashion forward techniques, Charles Philip Shanghai soon became a well recognised company among China and worldwide. Today Charles Philip Shanghai is a global brand that can be found in Europe, America, Asia and easily online. The company has recently opened its own Workshop based in Shanghai, moving there both the Flagship Store and Administrative Office as well as all main operations referred to them. It guarantees the advantage to offer customized high quality products according to main customers requirements. In order to deeper highlight the eccentric and chic style which characterises its corporate culture, Figure 9 shows the image of the first Charles Philip Shanghai Flagship Store that was located in heart of the Shanghai French Concession.

[28] Charles Philip Shanghai. (2016). *About. http://www.charlesphilipshanghai.com*

Charles Philip Shanghai First Flagship Store

Figure 9. Charles Philip Shanghai First Flagship Store. Taken by the Author.

Attention for details contributed to make the in-store environment the ideal location in terms of maximisation of the customer experience. It emerges that the ability to adapt traditions to innovation has been well absorbed by the company. Nonetheless, through a persuasive e-commerce local penetration strategy, renewing efforts increased both brand development and customer loyalty , achieving heavy positive results especially among the Chinese market. The local presence of Charles Philip Shanghai rose thanks to its regular partecipation to Shanghainese events such as the KTGA festivals, as Figure 10 shows, one of the most famous exhibitons which take place twice a year.

Figure 10. Shanghai KTGA Festivals 2015. Developed by the Author.Source http://www.kickthegongaround.com

Moreover, each member of Charles Philip Shanghai is involved into the e-shop development process. This empowerment strategy is very useful in terms of ideas sharing and understanding of the fashion trends. The culture of cooperation within the company finds its maximum expression in the job of manufacturers employees, all of them represented in Figure 11, which working together contribute to increase the production capacity and effectiveness, raised month by month since the Workshop opening.

Figure 11. Charles Philip Shanghai Workers. Source: charlesphilipshanghai.com (2016)

Charles Philip Shanghai international business development was initially focused on Western markets. The products were distributed mainly by European and American intermediaries, while China was only exploited as source of low manufacturing cost. Then, once considered the growing rate of Chinese fashion market as well as the attitudes of China to become known as a design and innovation center, replacing its manufacturing advantages' stereotypes, Charles Philip Shanghai decided to set strategies of penetration in the Chinese country. The estabilishment of collaborations and partnerships involving other local brands enabled the company to acquire knowledge and to spread its image within the main Asian fashion markets such as China, Honk Kong and Taiwan.

1.2.2 The Coca Cola Company

As the world's largest beverage company, The Coca Cola Company is owner or licenser of more than 500 non-alcoholic beverage brands. Precisely, as reported by Figure 12, Coca Cola owns fifteen brands exceeding 1$ billion revenue a year.

Figure 12. Coca Cola $1 Billion Brands. Source: http://fortune.com/

Products belonging to The Coca-Cola Company are sold in more than 200 countries around the globe since its incorporation in 1886. The Coca Cola Company's 2020 vision is based on its mission that consists of three parts: to refresh the world, to inspire moments of optimism and happiness and to create value and make difference. Recently the company initiated also a new marketing campaign "One Brand" that aims to unite four different brands – Coca Cola, Diet Coke, Coca Cola Zero and Coca Cola Life under the umbrella of Coca Cola. [29] Research Methodology (2015) supports the "One Brand" campaing arguing that if a multinational is going to become a truly global organization, the diverse individual work values from the various geographic locations of a multinational corporation must converge and be integrated into a common set of values capable of evolving. The mission of The Coca Cola Company, represented by Figure 13, covers six corporate areas and it aims to continue achieving sustainable and quality growth. It is based on characters of a reactive, adaptive, and ready to changes multinational firm.

[29] Research Methodology. (2015, July). *Coca Cola Company Report*.

The Coca Cola Company Mission	
People	Be a great place to work where people are inspired to be the best they can be.
Portfolio	Bring to the world a portfolio of quality beverage brands that anticipate and satisfy people's desires and needs.
Partners	Nurture a winning network of customers and suppliers, together we create mutual, enduring value.
Planet	Be a responsible citizen that makes a difference by helping build and support sustainable communities.
Profit	Maximize long-term return to shareowners while being mindful of our overall responsibilities.
Productivity	Be a highly effective, lean and fast-moving organization.

Figure 13. The Coca Cola Company Mission. Adapted by http://www.coca-colacompany.com

The Coca Cola mission definines attitudes and behaviors that should be required to implement its 2020 planning strategy.[30] What emerges is that values such as leadership, collaboration and integrity are likely to describe the company intention to operate around the world. Furthermore, success achievement and willingness to sustain new ideas seem to be the dimensions which mainly affect the Coca Cola beliefs. The focus on needs of consumers and licensing partners combined with a marketplace world view, an increasing curiosity translated in efficient voluntee to changes, the continue inspiration and the ability to reward people for taking risks on the market, drove the company to estabilish different partnership with firms operating in the fashion industry. This action led to the enlargment of the Coca Cola business, and, more importantly, made the company aware about the potential of the Chinese fashion market.

[30] The Coca Cola Company. (2016). *Mission, Vision & Values*.

CHAPTER 2

EXTERNAL FACTORS AND TRENDS WHICH DROVE THE COMPANIES TOGETHER

The second Chapter focuses on the fluctuating environmental trends and government inteventions of countries such as China and US, which would seem to be the principal factors to the estabilishment of the Charles Philip Shanghai Ltd - The Coca Cola Company collaboration. Through appendices 1-4 are developed PESTLE and Porter's Five Forces analysis: these analyses respectively describe macro and micro external issues which could influence the strategy of both companies. Authors such as Cavusgil et al. (2008) and Worthington & Britton (2009) agree to claim that the PESTLE macroenvironmental analysis can be used to analyse a firm's current and future environment as part of the strategic management process, while the Porter's Five Forces model, with its industry-based approach, moves the focus on firms producing the same or similar products and on the same industry or sector, including the related power of buyers and suppliers and the existing or new entrants threats from competitors.

2.1 PESTLE ANALYSIS

PESTLE Analysis refers to Political, Economical, Social, Technological, Legal and Environmental factors which influence the business environment around the partnership.
Analyses of a macroeconomics uncertain and multiple constantly changing issues will anticipate the probable future scenario Charles Philip Shanghai and The Coca Cola Company will have to deal with .[31]

2.1.1 Political Factors

From a theoretical framework (U.S. Department of State, 2015; DeLisle, 2016; The White House, 2014) it appears almost certain that the United States look forward to build a positive and cooperative relationship with China. As affirmed by the U.S. Department of State (2015), "The United States welcomes a strong, and prosperous China playing a greater role in world affairs and seeks to advance practical cooperation with China".

[31] Makos, J. (2016). *SWOT vs. PEST, and How to Decide Which One to Use. PESTLE Analysis.*

This positive approach is likely to generate favorable conditions to the establishment of the partnership between Charles Philip Shanghai and The Coca Cola Company.

Matters of this comprehensive way of thinking shown by the US in favour of the Chinese Republic might be expanding sectors of cooperation and addressing areas of disagreement, such as human rights and cybersecurity, issues that will be deeper discussed in the following paragraphs of this chapter. To realize this peaceful collaboration, it has been estabilished, between the two states, "The annual Strategic and Economic Dialogue" (S&ED) as a unique platform to promote bilateral understanding, increase consensus, discuss differences, and to build mutual trust. [32] Since 2009, year of S&ED foundation, its strategic structure has produced benefits for both countries through a wide range of joint projects and initiatives for addressing common global challenges such as supporting efforts on environmental protection and climate-change mitigation, and at the same time advancing laws and human rights. [33]

Furthermore, President Obama has recently announced a reciprocal "Visa validity" arrangement with China, increasing the validity of short-term tourist and business visas issued to each other's citizens from one to ten years, and increasing the validity of student and exchange visas from one to five years.[34] This decision could turn into economical benefits in terms of spreading the visibility of the new products developed by the partnership.

Nowadays, the U.S. dialogue programs for the upcoming years in China would seem organised to cover five principal areas: proliferation concerns in Iran and North Korea, tensions between Sudan and South Sudan, climate change, environmental protection, and energy security. [35] All the evidence show that the U.S. opening to China is likely to be an integral part of the U.S. engagement with the Asia-Pacific region. Moreover, the year 2016 is a sensitive year for the China-U.S. relationship, because this is the election year in the U.S. However, whatever will be the presidential result, it doesn't seem that it will influence the political scenario on which the relations between the two countries are going to become even stronger. Other issues include the Democratic Progressive Party's victory in the election in Taiwan and its announced closer position on the Cross-Strait policy, the economical and political agreement that involves Taiwan, United States and China Mainland.

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[32] United States. U.S. Department of State. (2015). *US Relations with China*.

[33] United States. U.S Department of the Treasury. (2015). *U.S. - China Strategic and Economic Dialogue.*

[34] United States. U.S. Department of State. (2014*). The United States and China To Extend Visas for Short-term Business Travelers, Tourists, and Students.*

[35] United States. The White House. (2014). *U.S.-China Joint Announcement on Climate Change.*

Consequently, it appers to be possible that Taiwan will reinforce its request for international space and international economic engagement, pursuing also the opportunity to participate to the United Nations Framework Convention on Climate Change.[36]

Indeed, forecasts about Cross-Strait relations, will probably depend on how the Mainland and the United States respond to Taiwan's statements and actions on the previously mentioned issues. Taiwan is on of the main Asian markets for Charles Philip Shanghai and eventual future tensions with China and United States could damage the relations with Taiwan fashion market, maybe reducing the estimated profits of the partnership. Furthermore, the convergent interests between China and the U.S appear to be linked to the Chinese economic growth trades, which top the agenda of both the Chinese and American governments. Again, as reported by Hufftington Post (2016), during the recent meeting of 27th January 2016, China and U.S. given the idea to strengthen their relations over international delicate questions such as the Iranian nuclear deal and the U.N. Security Council's resolution on North Korea .[37] To summarise, the shared international behaviours of China and U.S. should hopefully protect the growing Asian markets so that Charles Philip Shanghai and The Coca Cola Company will have no objections while setting up the marketing strategies. Nonetheless, several reports (Janmin, 2016; U.S Department of the Treasury, 2015; U.S. Department of State, 2015) show that U.S. - China bilateral investment treaties concerning on problems like increasing pollution and upgrading the Chinese industry, should take the global economy to a higher stage. The first step of this new process of investment cooperation would appear to be scheduled for the G20 Summit of September in Hangzhou, where China-U.S. can play a crucial role in making this summit a success, which is very important to stimulate the global economic growth. A growth into the economic sector would almost certainly involve both Chinese and American fashion markets leading either companies to gain the advantage to operate in a wolrdwide politcal constantly changing environment that could leave open opportunities for Charles Philip Shanghai – Coca Cola collaboration in temrs of boosting sales of the new products and acquiring market share.

[36] DeLisle, J. (2016,). *Taiwan's 2016 Elections and Cross-Strait Relations. Foreign Policy Research Institute.*

[37] Janmin, W. (2016). *Here's What's on the Table for the China-U.S. Relationship This Year*. *The Huffington Post*

2.1.2 Economical Factors

On one hand, as Figure 14 shows, although its favorable position as the actual world largest economy[38], within next years the U.S. market is likey to be affected by the increase of goods deficit with China.

U.S Merchandise Trade Deficit With China 1985 – 2015

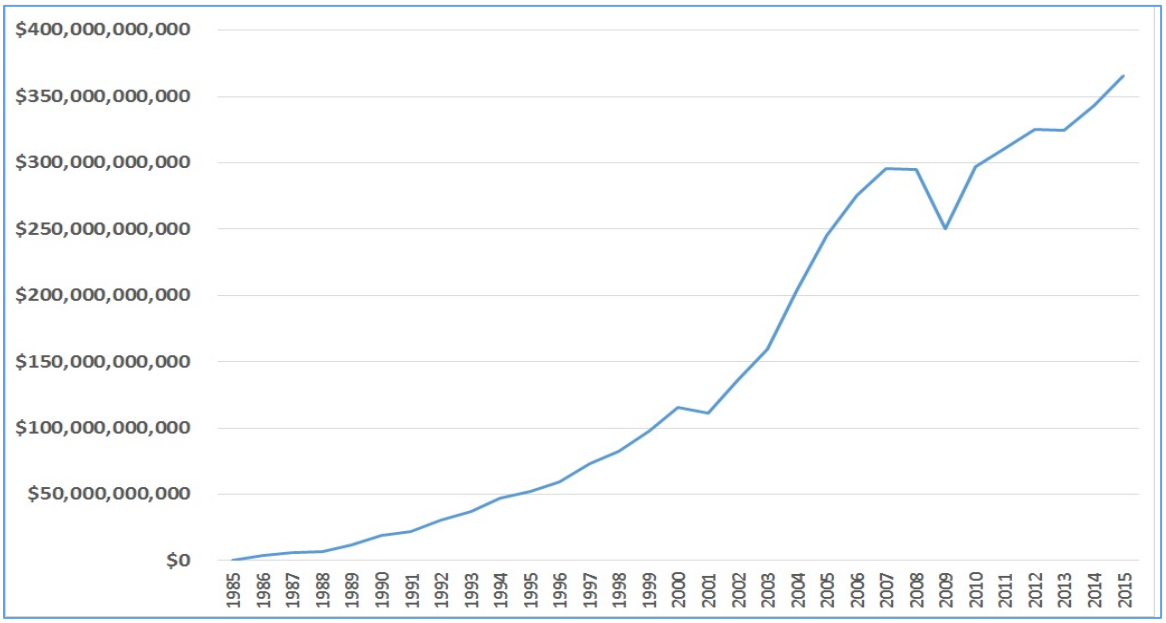

Figure 14. US Good and Services Deficit with China. Sources: United States Census Bureau(2016), http://www.census.gov

This situation is probable to be one of the principal causes of the incresing interest of U.S. companies, such as The Coca Cola Company, to set up their business in China.

Another issue for the U.S. market coming from Figure 14.1, that considers the trend of unemployment rate, which rise in 2008 and 2009 while the trade deficit with China both rose and fell.

[38] S.R., D.H. (2014). *Chinese and American GDP forescasts. The Economist*

Us Trade Deficit with China versus Unemployment

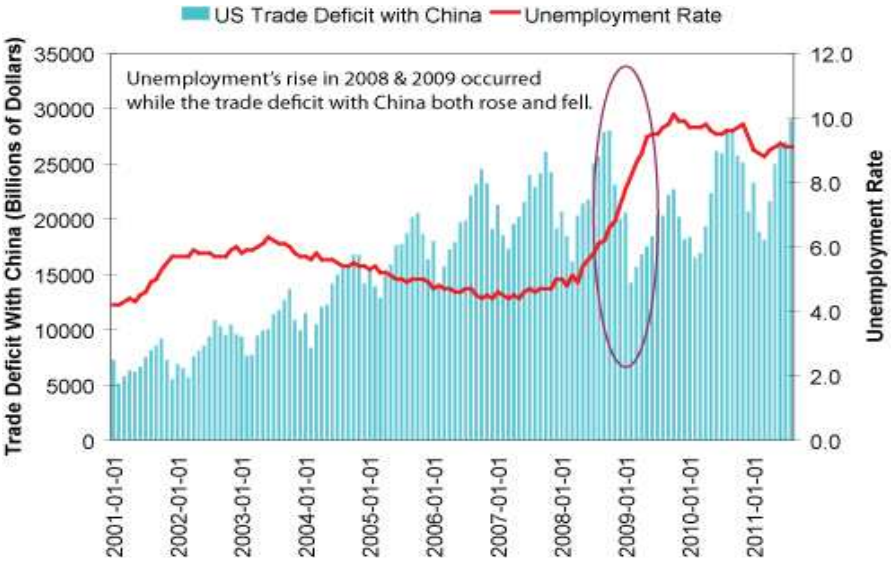

Figure 14.1 . US Trade Deficit with China. Sources: United States Census Bureau(2016), http://www.census.gov

On the other hand, despite Figure 15 indicates that chinese GDP growth is slowing respect last decade[39], from Figure 15.1 emerges that China is expected to surpass U.S. in GDP by 2021[40]

China GDP expected growth

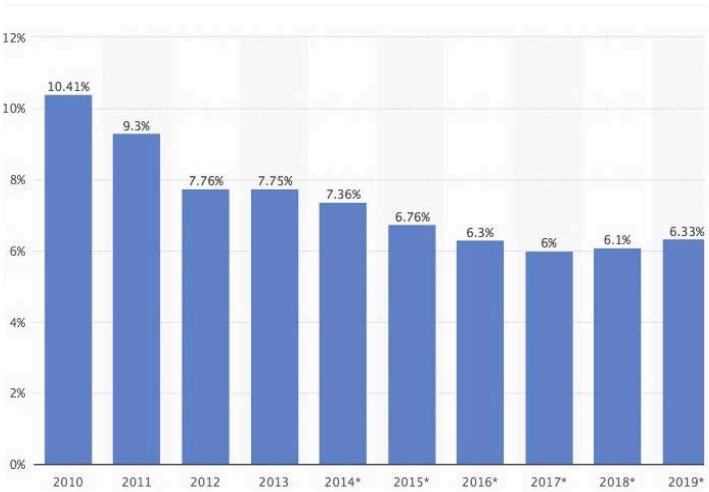

Figure 15. China GDP expected growth.
Source: Statista (2016), http://www.statista.com

China vs U.S. GDP growth

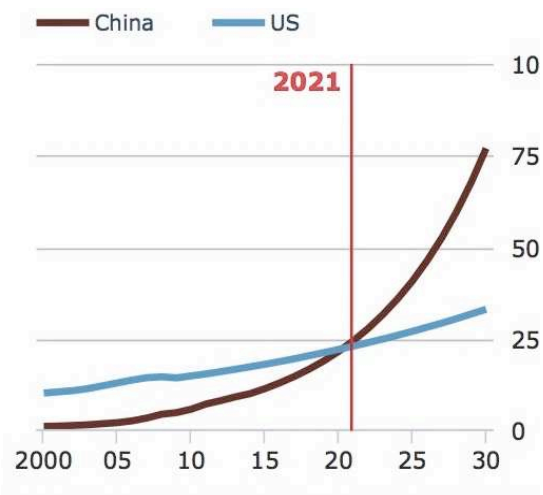

Figure 15.1 China vs US GDP.
Source: The Economist (2014),
http://www.economist.com

[39] Lucintel Corporation. (2012). *China Country Analysis : 2012-2017.*

[40] S.R., D.H. (2014). *Chinese and American GDP forescasts. The Economist.*

Moreover, Figure 16 underlines how the total U.S. corporate tax rate, standing at 39.1 percent, is the highest corporate tax rate in the developed world [41]. With the consequence of reducing investments in the U.S.

U.S. Corporate Tax Rate Forecast

Figure 16. U.S. Corporate Tax Rate Forecast. Source: Trading Economics (2016) http://www.tradingeconomics.com. ; IRS (2016), https://www.irs.gov.com

The U.S. corporate tax rate forecasts for 2016, take in consideration the business tax reform supported by President Obama, that should diminish the U.S corporate tax rate at 28 percent within this year, even if it wouldn't seem to be able to face competition with corporate tax advantages generated by Chinese regulations[42]. The corporate tax rate in China stands at 25 percent, as shown in Figure 16.1.

China Corporate Tax Rate Forecast

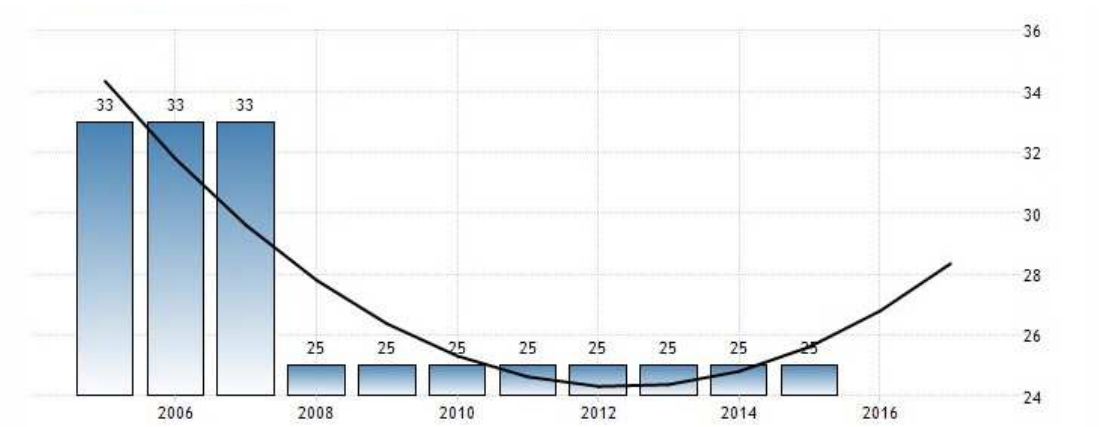

Figure 16.1 China Corporate Tax Rate Forecast.
Source : Trading Economics (2016), State Administration of Taxation (2016),http://www.tradingeconomics.com

[41] KPMG. (2015). *Corporate Tax Rates Table.*

[42] PwC. U.S. (2015). *President Obama's FY 2016 budget calls for business tax reform; proposes new international and individual tax increases. Tax Insights.*

Indeed, U.S. firms partnering with a Chinese local companies could get the advantage to reduce the corporate taxation. Furthermore, Chinese corporate tax mantains the possibility to be reduced to 15% for qualified enterprises which are engaged in industries encouraged by the Chinese government [43]. Another issue that is affecting both the first and the second world economies is the slowdown of the crude oil price. According to the Ernst&Young report about the 2015 global oil and gas transactions, over the last two decades, the Chinese petroleum production has grown by more than 50%. However, this production growth has not been sufficient to meet its domestic consumption.[44] By the researches of the US Energy Information Administration (2015), to deal with its increasing internal demand, despite China was a net exporter of oil until the early 1990s, it became, as shown in Figure 17, the world's largest net importer of petroleum and other liquids in 2013, surpassing the U.S. [45]

Top ten annual net oil importers, 2014

million barrels per day

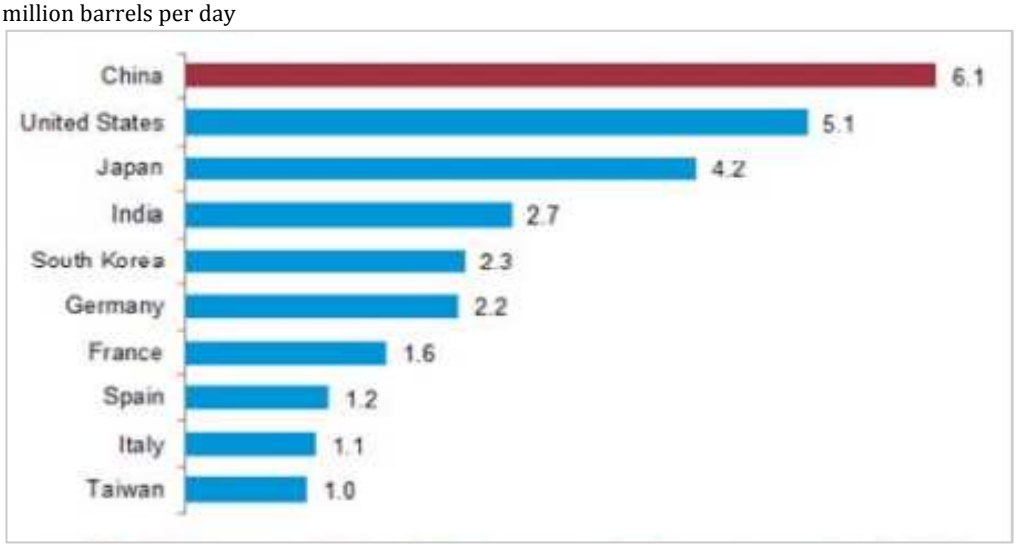

Figure 17. 2014 Top ten annual net oil importers. Source: US Energy Infromation Administration (2015)

Nevertheless, over the last couple of years, China has purposely moved from a manufacturing-oriented economy to a service-driven economy, decreasing the use of energy intensive approach to growth.

[43] PwC. Hong Kong. (2016). *Overview of PRC Taxation System.*

[44] Ernst&Young. (2016). *Global Oil and Gas Transactions Review 2015.*

[45] United States. EIA. U.S. Energy Information Administration. (2015). *China International Energy Data and Analysis.*

As a result, a Chinese oil consumption's slight decline has been forecasted by the EIA for the next years, but China still continues to account for the 43 percent of the overall consumption growth.[46] China's oil production and consumption forecasts are shown by Figure 18.

China's oil production and consumption, 1993-2016

million barrels per day

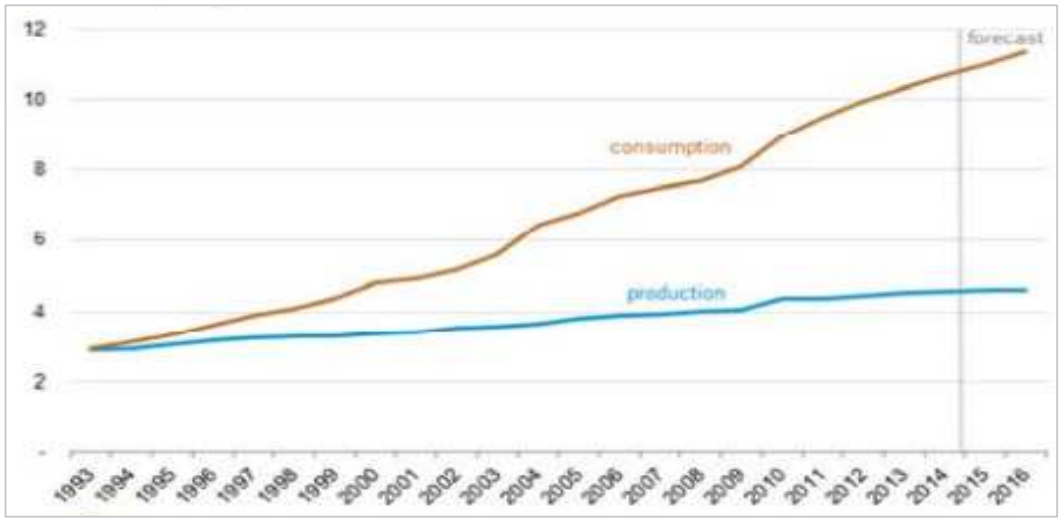

Figure 18. China's oil production and consumption 1993-2016 . Source: US EIA (2015)

In case of a potential slowdown in the Chinese economy and if the oil prices will encounter a further drop, the oil markets are likely to remain oversupplied. All this would lead to a possible recession of the investors, generating turbulences in the global stock markets and, more importantly, reducing power of purchasing of Charles Philip Shanghai-The Coca Cola Company target customers. Actually, it is only a speculation developed by the author, fruit of an unprobable combination of events. Anyway it has to take in consideration in the field of possibilities. It seems valuable to argue that oil prices downfall and the rising debt levels in the global economies since the economic slowdown of 2008-2009, are currently issues the partnership has to deal with. In particular, China's total debt was 282% of its GDP.[47]

The solution for the Chinese state has been consciously allowing its currency to devalue against the US dollar with the goal to boost its exports decreasing its total debt.[48]

Consequence of that government decison, as highlighted by Figure 19, is the depreciation of the Chinese Yuan of almost 6% versus the US dollar over the last year.

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[46] United States. EIA. U.S. Energy Information Administration. (2015). *China International Energy Data and Analysis.*

[47] McKinsey Global Institute. (2015) *Report. Debt And (Not Much) Deleveraging.*

[48] Bloomberg Markets. (2016, April 19) *USDCNY: Currency.*

US Dollar to Chinese Yuan Exchange Rate (May 2015 – April 2016)

Figure 19. US Dollar to Chinese Yuan Exchange Rate. Source: Bloomberg (2016, April 19)

Another advantage for Charles Philp Shanghai and The Coca Cola Company could derive from the positioning of the weaker Yuan that will make the Chinese exports more competitive in the global markets. Both companies involved in the partneship might gain benefits from this exchange rate situation to maximize the volume of sales.

2.1.3 Social Factors

As argued by Cavusgil, S., Knight, G., Riesenberg (2008) social factors can affect attitudes, opinions and interests of People. So, they can impact sales of products, shaping ways of how doing business internationally, alterating the preformance outcomes of the Charles Philp Shanghai partheship. It is generally accepted (Svensson, 2014; Makos, 2015; Xu, 2016) that social media actually represent the most powerful future-driven source in terms of social factors. It enables new forms of interactive and connective actions, more personalized, based on personal sharing.[49] In China, formal organizations, including NGOs (National Government Organisations) produce efforts to make more attractive the civic engagement on social media and may encourage people to take part on social life.[50] But, as reported by Council of Foreign Relations (2016) the Chinese government has long kept total control on all social media to avoid potential criticism to its authority.

[49] Makos, J. (2015). *Social Factors Affecting Business. PESTLE Analysis.*

[50] Svensson, M. (2014). *Connectivity, Engagement and Witnessing on Weibo: Understanding New Forms of Civic Engagement and Connective Action in China. Penn China Center Conference.*

Its stricty controlling measures are described to be monitoring systems and firewalls, disallowing publications or websites, closing journals, blogs, and banning other social activities considered a threat to political stability. This extremist behavior has increased international attention to censorship issues on a dual aspect. On one hand the Chinese economy relies on the web for its forecasted contribution to the economic growth, while on the other hand, the regime needs to monitor the Internet relations to keep the control on the population through the most powerful monitoring body, the Communist Party's Central Propaganda Department (CPD). [51]The Economist (2015) claims that there are around 100,000 people, employed in order to censor blog posts to avoid trouble with the authorities. The internet censorship may even be delaying the radical changes that China needs. [52] At this point it would appear logical to speculate on how the US could respond to the chinese internet chensorship. A possible answer could find its fundament in a recent Reuters' article (2014) about the encouragement shown by United States to China to be transparent in its cyber affairs with both international companies and its local People. Nevetheless, the only way to get around China's internet censorship these days seems to be exclusively the use of a Virtual Private Network (VPN), which allows the access to blocked sites and services. [53] The collaboration between Charles Philip Shanghai and The Coca Cola company should have the competencies to overcome the internet issue. In fact, Charles Philip Shanghai already manages a developed knowlegde of Chinese social media channels on which post the communication and the advertising of the new co-branded products. Moreover, The Coca Cola Company once improved its internet abilities on the Chinese field could support the partnership with its marketing expertises that will have to make the difference in terms of digital promotion.

2.1.4 Technological Factors

Through the web technologies progress either small and multinational enterprises can easily gain the ability to further develop their business, from supply-chain to sales, marketing, and customer interactions. Especially for Chinese enterprises, the greater digitalization provides an opportunity to boost their labor productivity,and expand their sales via e-commerce.

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[51] Xu, B. (2016). *Media Censorship in China*. *Council of Foreign Relations*.

[52] H., E. (2013). *How does China censor the internet? The Economist*.

[53] Carsten, P. (2014). *Google's Gmail blocked in China. Reuters.*

E-commerce in China has grown tremendously in the last few years, involving individuals to spend a high percentage of disposable income in online shopping.[54] McKinsey&Co. (2014), estimates that the Internet new applications could account for up to 22 percent of China's GDP growth by 2025, translated into 14 trillion RMB as shown by Figure 20.

Internet Impact on China's GDP Growth 2013-2025

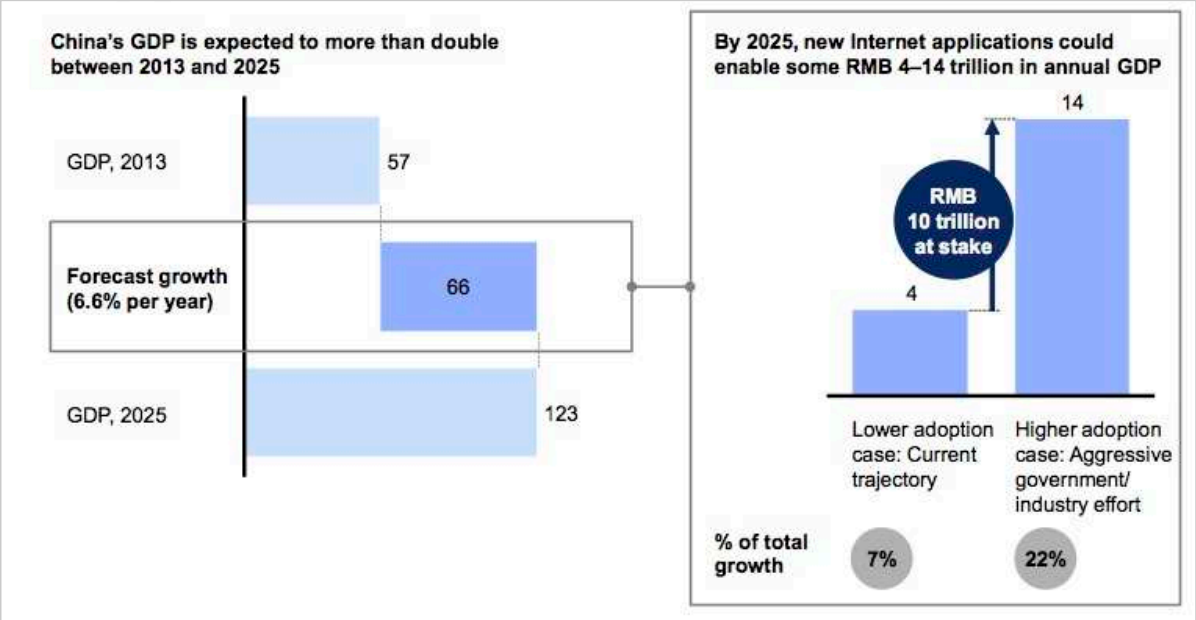

Figure 20. Internet Impact on China's GDP Growth 2013-2025. Source: McKinsey Global Institute (2014)

This forecast has been confirmed by the Hillouse Capital research (2014), comparing in Figure 21, US, China and India as the three major countries for Internet user penetration rate forecasted for the next years.

[54] McKinsey Gobal Institute. (2014). *China's digital transformation.*

Internet User Penetration Curve 1990-2020

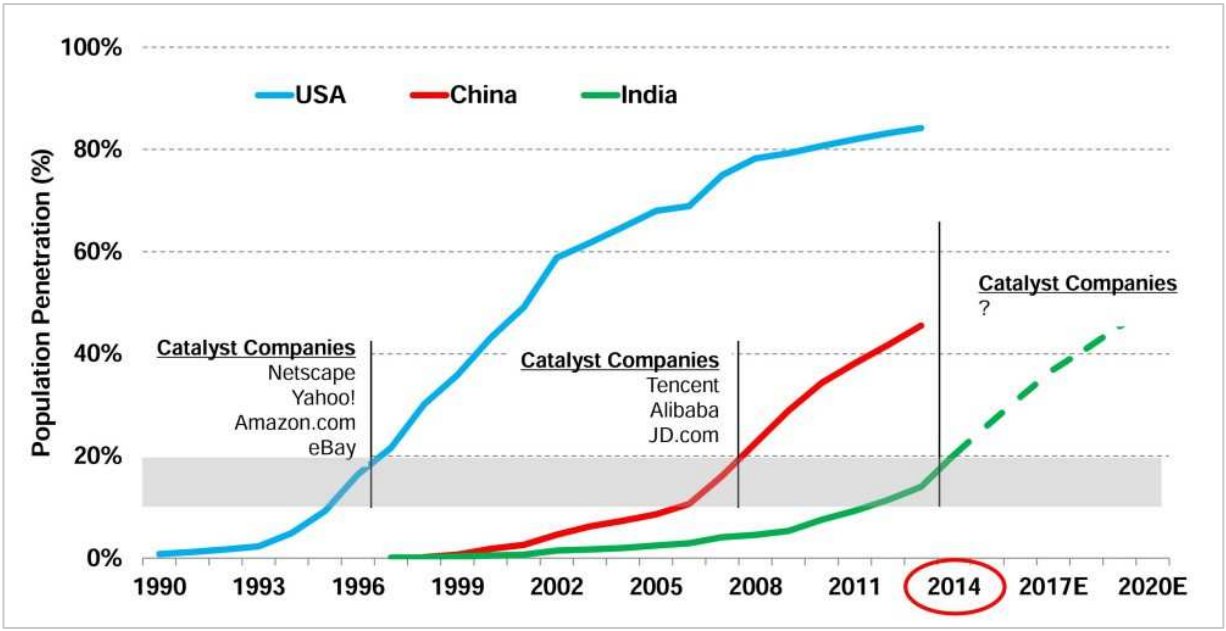

Figure 21. Internet User Penetration Curve 1990- 2020. Source: Hillhouse Capital (2014)

The Internet is showing to the partnership the potential to expand markets rapidly.

Given their worldwide relevant position, a huge adoption of web technologies in China could lead Charles Philip Shanghai and The Coca Cola Company to maximise the width of the introduction of the new products services, exploiting the digitalization process within the country.[55] Nonetheless the increasing Internet adoption rate will support China's objective of creating a more sustainable model for growth based on the service-driven government instead of the alreadry experienced manufacturing-driven approach. [56] It appears also relevant to mention that this climate of mutual collaboration between China and U.S. has contributed to the agreement to eliminate about 1 trillion dollar tariffs a year on global sales of information and communication technology, signed between Chinese and American trade negotiators.[57] Indeed, the e-commerce sales of the Charles Philip Shanghai x Coca Cola collection are likely to account for an important part of the total revenue.

[55] Hillhouse Capital. (2014). *Forescast for India beyond 2014.*

[56] McKinsey Gobal Institute. (2014). *China's digital transformation.*

[57] Davis, B. (2014). *U.S., China to Drop Tariffs on Range of Tech Products. The Wall Steet Journal.*

2.1.5 Legal Factors

Since almost a decade the U.S government is acting with public pressure on China over conduct and norms to regulate intellectual property rights and cyberspace issues. The major problems in China's patent and IP rights enforcement are claimed to be the diffcult evidence rules and the high costs which are the main causes of the scarse results obtained by the Chinese legislator. [58] However, the U.S political propaganda has led the government of the United States of America and Government of the People's Republic of China to act with common intentions develoing a comprehensive framework for intellectual property rights cooperation.[59] The cooperation has been effectively approved in 2012, and the countries also agreed to create a senior experts group for further cyber affairs discussion. [60] Although the bilateral commitment on the cyberspace, the U.S. government in 2016 still fairly maintains the threat of sanctions against Chinese firms, and it does not seem to rely at all on reports according to which China's government has taken action to address specific cyber incidents. [61] Even under the UN supervision the two governments are likely to continue to be engaged in long processes of developing norms for cyberspace which could negatively impact the collaboration between Charles Philp Shanghai and The Coca Cola Company in building mutual trust. Also the intellectual property represents a critical concern for companies operating in China. In US-China relations this issue has been raised different times, in fact IP enforcement would appear to remain a major factor influencing company strategies and operations in China. Despite China has increased efforts to better protect and enforce IP rights, in order to reflect international standards, challenges into Chinese IP legal framework are not yet disappeared. The risks, underlined by the U.S., involves case of legitimate patents and trademarks invalidation that could happen within the Republic of China.[62] So, as suggested by the US China Business Council (2015), to be successful in China, The Coca Cola Company should develop an integrated IP protection strategy.

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[58] Zhan, Y. (2014). *Problems of Enforcement of Patent Law in China and its Ongoing Fourth Amendment.*
[59] United States. U.S Department of State. (2012). *The United States – China Intellectual Property Rights (IPR)* .
[60] Rosenfeld E. (2015). *US-China agree to not conduct cybertheft of intellectual property. CNBC*
[61] Webster, G. (2015). *2015: The Year US-China Relations Went Public. The Diplomat.*
[62] The US China Business Council. (2015). *Best Practices: Intellectual Property Protection in China*.

2.1.6 Environmental Factors

China is the world's biggest emitter of greenhouse gases as illustrated by Figure 22.

2015 Global CO2 Emissions from Fossil Fuel Combustion

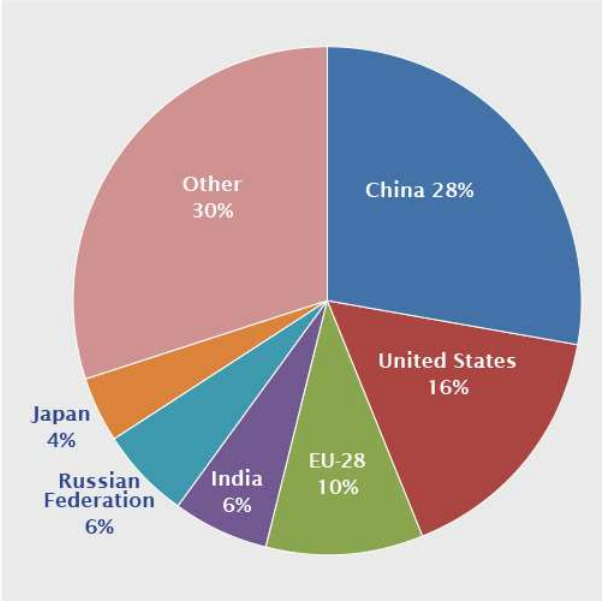

Figure 22. 2015 Global CO2 Emissions from Fossil Fuel Combustion. Source: EPA (2015), https://www3.epa.go

The evidence would seem to show that in 2015, the top carbon dioxide (CO_2) emitters are China, the United States, the European Union, India, the Russian Federation and Japan.

The U.S and China together account for almost 45 percent of the world's greenhouse gas emissions.[63] An article written by The Washington Post (2014) reports the strategies of both countries to deal with this environmental issue. On one hand, China aims to increase the share of non-fossil fuels to 20 percent by 2030; on the other hand, the U.S. president Obama has announced the plan to decrease the U.S. emission of 28 percent by 2025.[64] The efforts claimed by China and the United States would seem to be ambitious, even considered the development of the 2017 international program that will limit and put a price on greenhouse gas emissions.

Given the combined influence of the two states, the goal of the program is to tackle climate change and to pressure other nations to do the same.[65] To summarise, the Charles Philip Shanghai- Coca Cola partnership has been signed under these worldwide reguations, so the

[63] EPA - United States Environmental Protection Agency. (2015). *Global Greenhouse Gas Emissions Data.*

[64] Nakamura, D., Mufson S. (2014*). China, U.S. agree to limit greenhouse gases. The Washington Post.*

[65] Davis J.,Davenport,C.(2015) *China to Announce Cap-and-Trade Program to Limit Emissions.The New York Times*

interest of both companies has to be focused on reducing the greenhouse emission by enablig the Charles Philip Shanghai workshop to stand within the international standards.

2.2 PORTER'S FIVE FORCES ANALYSIS

The Porter's Analysis argues that the environment in which firms operate is mainly conditioned by the intensity of competition in the Chinese fashion industry. [66] This competition is determined by the following five forces, which tend to influence the strategies of the partnership.

2.2.1 Threat of new entrants

The threat of new entrants refers to how difficult it is for outsiders to start competing in an industry. In fact, new entrants might affect the long term profitability of existing industry actors.[67] This threat seems to depend upon significant factors. "Economies of scale" play an important role. If they are significant, entrants are forced to enter at large scale. For example, in the beverage industry, where operates a giant like The Coca Cola Comany, "economies of scale" act as a disincentive to entry, because new firms should accept the cost disadvantage. Moreover, if customers face high switching costs, it is necessary for a new entrant to offer significant value improvements in order to persuade the customer to switch. [68] The Fashion Industry could appear less attractive to potential entrants if the distribution channels are limited or already controlled by existing competitors. Charles Philip Shanghai, exisiting firm acting in the fashion industry, is likely to show certain cost advantages given by managing own production plants, and relying on experience curve effects. Potential entrants would have to sustain high expenses to acquire these assets, or alternatively, they could develop a business model based on suppy chain efficency and functions outsourcing, in order to minimise the costs. Considered the U.S. retailers and brands' focus on purchasing from China for specific products, selecting the best sources based on price and quality, for each type of product, Charles Philip Shanghai should examine all purchasing trends in the U.S. market to determine its potential threats of new entrants in the fashion market.

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[66] Worthington, I., Britton, C. (2009). *The Business Environment. 5th ed. Financial Times, Prentice Hall. Pearson ed.*
[67] Cavusgil, S. et Al. (2008). *International Business, Strategy, Management & the New Realities*.
[68] Vuylesteke, A., Fraser S. (2011). *The impact of industry structure on e-commerce initiatives in the developing word. First Monday Journal*.

China's export advantages has been reduced due to rising labor costs and higher raw material prices, leaving market share to lower cost manufacturing countries like Bangladesh, Vietnam, and Sri Lanka.[69] However, potential competitors would find protection by the fact that Chinese textile and apparel industry is supported by government policy, very protective on its market share.[70] To summarise, the Charles Philip Shanghai-The Coca Cola Company collaboration has to be aware that Chinese government encourages new entrants into fashion market through operations concerning enlargement of economies of scale, quick access to distribution, and by the enormous capital base that characterises the industry with huge investments in IT development.

2.2.2 Bargaining power of buyers

The bargaining power of buyers determines the pressure under which industry competitors have to enhance their value proposition so that potential buyers accept their offer.[71] Actually, the bargaining power of fashion luxury consumers appears to depend on the high number of competitors present in the industry as well as on their capabilities of products differentiation. So, each brand seems to manage a distinctive position for Chinese customers. First of all, it would seem to be hard to promote discounts on luxury goods, so consumers cannot bargain over price. Second, in China, there is a large population of luxury consumers, increasing the attractiveness of the industry. Third, luxury goods are highly differentiated products and the fashion trend is changing rapidly over time. This encourages Chinese fashion consumers to purchase new luxury goods each season. To conclude as the main shopping destination in China, shopping malls benefit from this condition. If a buyer acquire importance in relation to the number of firms in the industry, its buyer power is almost certain to be high.[72]
However, buyers from the U.S. and the E.U., who dominate the purchasing worldwide, could evaluate different choices, switching, eventually, to other suppliers. More in detail, as it emerges from figure 23, during recent years U.S. import prices are generally increased.

[69] China. Chinese Research Intelligence. (2009). *Report of Chinese apparel industry*.
[70] Emerging Textiles. Textile and Clothing Trade Information. (2014) *U.S. Apparel Imports in Major Categories*.
[71] Cavusgil, S. et Al. (2008). *International Business, Strategy, Management & the New Realities*.
[72] WordPress. (2013). *Chinese Luxury Fashion Industry.*

U.S. Import prices trend 2005-2012

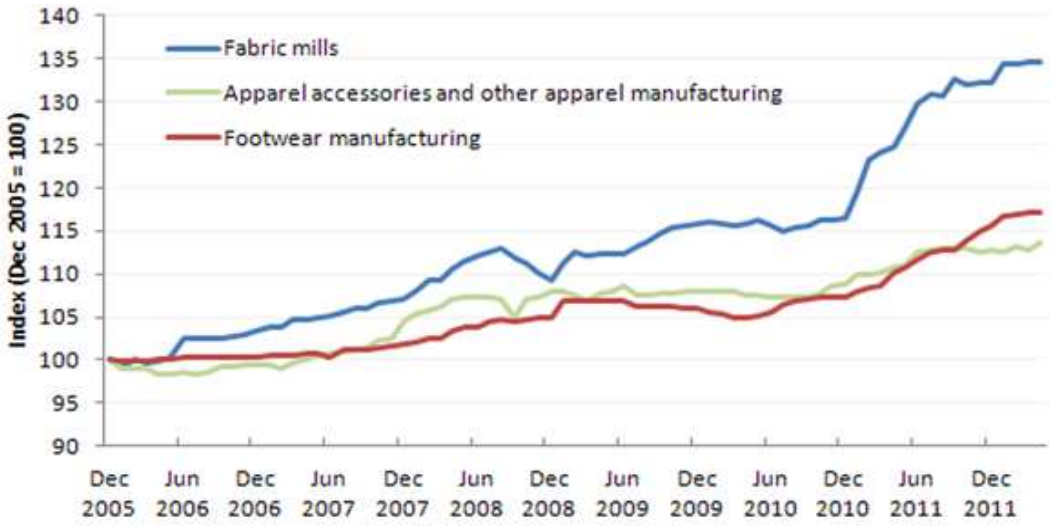

Figure 23. U.S. Import prices trend 2005-2012. Source: U.S. Bureau of Labor Statistic (2014)

In particular, apparel accessories and other apparel manufacturing were higher than footwear manufacturing from September 2007 until October 2011, when footwear prices overtook apparel accessories and other apparel. [73] The parnership has to be able to recognize that the importance of the West as a major source of buyers in the industry, as well as the growth of the U.S apparel import prices are the principal reasons why China depreciated the value of its currency to make sure that its exports were priced more competitively on the global market. This situation has contributed to the enormous trade deficit of the U.S. versus China previously previously mentioned .

1.2.3 Threats of substitute products

The threat of substitute products refers to the alternatives to which customers can turn to satisfy the same basic needs. The existence of alternatives reduces industry attractiveness.
An industry tends to be is less attractive if a credible substitute is available, but the customers may reject the idea of buying a substitute product, because they are attached to the image of their favorite brand. [74]. From the retailing perspective, luxury and medium-luxury retailers are establishing their online presence in China, which enables Chinese consumers to purchase directly from their e-commerce section. So, it appears relevant to claim that there are some

[73] United States. U.S. Bureau of Labor Statistic. (2016). *United States Inflation Rate.*
[74] Cavusgil, S. et Al. (2008). *International Business, Strategy, Management & the New Realities.*

alternatives to shopping at premium malls for luxury consumers. These factors could potential being perceived as a threat for the profitability of shopping malls and physical retailers. In addition, the e-commerce rising purchases guarantee different sources of customer experiences within the fashion industry, encouraging Charles Philip Shanghai and The Coca Cola Company to develop their strategies taking in consideration this trend. Another threat for the partnershp is represented by opportunities offered among the global market to purchase substitute products made in different exporting countries such as India, Pakistan, Vietnam, Cambodia, and Bangladesh with lower costs, quality, and service differentiations, which may affect substitution selections. For Chinese medium-upper consumers, forms of substitute product can be other kinds of luxury goods like luxury cars, villas, yachts. Consumers could use them as substitute articles, especially in the fashion segment. Moreover, rising costs and perceived risks in China are creating more opportunities for low-cost countries. The emerging markets are counting on their low manufacturing costs to build up their capacity to develop potential subsitute products. India, in particular, is expanding its role of emerging market with new capacities gained through the vertical integration, a process that has the advantage to avoid the problem of waiting on components to complete products for shipping.[75]

1.2.4 Bargaining power of suppliers

The bargaining power of suppliers aims to measure the pressure that competitors feel to pay higher prices in order to secure required inputs.[76] The bargaining power of supplier could increase in a dual way: if the industry has no alternative inputs, or in alternatives if there is a credible threat of forward integration by an industry's suppliers.[77] More than that, Charles Philip Shanghai suppliers, sellers within the fragmented Chinese fashion industry, manage a relevant influence on prices, quality and terms. This fact increases Charles Philip Shanghai suppliers' negotiating abilities, which allow them to gain great bargaining power in this industry. Since suppliers determine the price of luxury goods, they also threaten the profitability of shopping malls in terms of net margin on operations' expenses. Another aspect that can give its contibution to increase the supplier power, even if diminishing the appeal of principal retailers, is represented by the image of luxury brands already well established in

[75] Hillhouse Capital. (2014). *Forescast for India beyond 2014.*

[76] Cavusgil, S. et Al. (2008). *International Business, Strategy, Management & the New Realities.*

[77] Vuylesteke, A., Fraser S. (2011). *The impact of industry structure on e-commerce initiatives in the developing word. First Monday Journal*

consumers' mind, so that consumers tend to be loyal to big brand names, managing the possibility to easily shift to other resellers pursuing for a particular luxury brand. [78] To bargain the power of suppliers and their ability to control a large share of the global market, the partnership should almost certainly conclude that costs associated with buyers that may switch from one supplier to another would not necessarily be affected. U.S. and European markets continue to dominate the global textile trade, sector that is going to go through an expected period of growth. China is competing against India in the premium segment categories of apparels and home textiles and it could gain even higher market share in U.S. apparel imports. [79] However, as a result of the U.S. economic slowdown, that could result in lower orders from U.S. retailers and may in lower capacity utilization reducing profitability for textile companies, the Chinese government policy to deal with this issue seems to suggest to transform the fashion industry from labor-intensive to one oriented on technology-intensive sub-sectors.[80] Indeed, the majority of the benefits for Charles Philip Shanghai and The Coca Cola Company are likely to derive from the exploitation of new technological breakthroughs rather than from the no longer exist low manufactuirng costs of China. Furthermore, as the world's largest exporter of textiles and apparel to U.S., and as highlighted by Figure 24, China can exercise a huge bargaining power.

Apparel Imports to the United States 2014

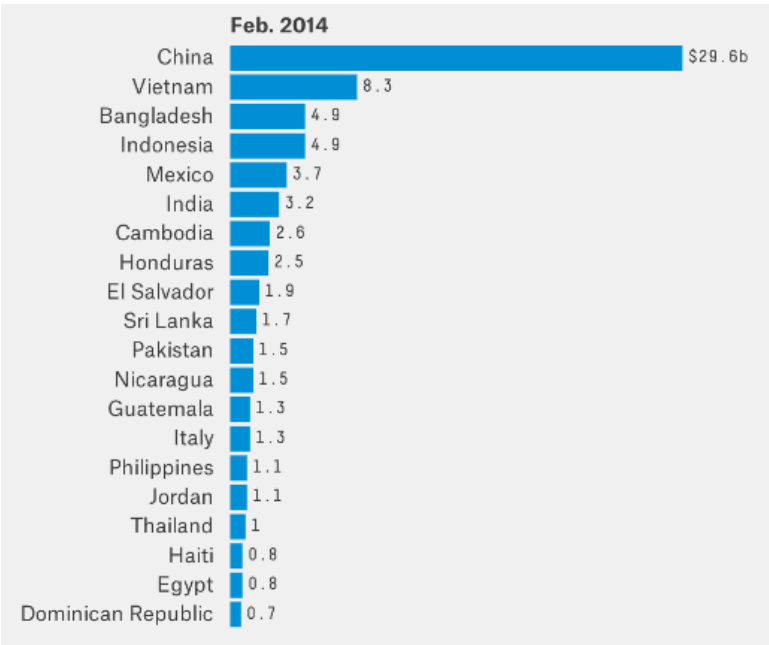

Figure 24. Apparel Imports to the United States 2014. Source: U.S. Department of Commerce (2014).

[78] WordPress. (2013). *Chinese Luxury Fashion Industry.*

[79] Equity Master. (2009). *Textiles.* Retrieved from http://equity master.com

[80] Lu, S. (2009). *The outlook for U.S.-China textile and apparel trade in 2009. Fibre2Fashion.*

1.2.5 Rivalry among existing competitors

The intensity of rivalry between existing industry competitors has an impact on long–term average industry profitability. Rivalry will be more intense when there are a lot of small and equally balanced competitors, and less intense if there are fewer firms or if there is a clear market leader.[81] Problems are likely to arise from challenging aspects such as exit barriers. When it is difficult or costly to exit an industry, weak companies will not exit, leading to price wars and overcapacity. As well, industries with high fixed costs encourage competitors to produce at full capacity, leading to excess output and discounting.[82] Complementors like government interventions or strategic alliances could positively affect the Chinese fashion industry. Government subsidies or investments, such as investments in Intellectual Property Protection which could improve the industry attractiveness to FDI, can directly increase the development and the innovation of the industry. Differently players can benefit from joining forces to promote the fashion industry to the consumer. These players can either be competitors or businesses active in different parts, as Charles Philip Shanghai and The Coca Cola Company used to do in their past collaborations. To stay ahead of exisiting competitors the partnership has to develop and sustain a comparative advantage to earn market share. Charles Philip Shanghai and The Coca Cola Company should focus on strategies such as innovation, customer satisfaction and working closely with customers to understand their needs, successively as argued by Ladha (2009) cost competitiveness can be enhanced by lower duties and taxes, reducing labor, power, financing, and infrastructure costs, and trade agreements with the global markets.[83] Information technology is recommended to be developed in all strategic areas within the Charles Philip Shanghai – Coca Cola collaboration. Moreover, since product differentiation can be difficult in the mature Chinese fashion industry, price competition and product introduction will be essential elements to contrast competitors' rivalry. Healthy competition will ultimately depend on the continued growth of the worldwide apparel and textile market and in a global economy that now offers freer trade, textile and apparel production is expected to shift to developing countries, with a higher comparative advantage than China (the already named Bangladesh, Vietnam, and Sri Lanka).[84] However,

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[81] Cavusgil, S. et Al. (2008). *International Business, Strategy, Management & the New Realities*.

[82] Vuylesteke, A., Fraser S. (2011). *The impact of industry structure on e-commerce initiatives in the developing word. First Monday Journal*

[83] Ladha, K. R. (2009). *Recommending possible solutions to revive the Indian Textile Industry*. Thakur Institute of Management Studies & Research, Mumbai. Pp. 1-57

[84] Globalization101. (2015). *New era opens in global textile & apparel trade*.

Charles Philip Shanghai by managing its own workshop should be able to deal with foreign lower manufacturing costs. To conclude, based on the PESTLE and porter's five forces analyses, the Author supports the belief by which the Chinese fashion industry is argued to be an attractive industry. But how could the partnership between Charles Philip Shanghai and The Coca Cola Company maximize its profitability within the industry? To answer this question important factors to consider could be the reduction of the bargaining power owned both by American and European suppliers and buyers. By this way, Charles Philip Shanghai could increase its profits sas well as absorbing costs, and the overall Chinese fashion market would gain benefits. Furthermore, Charles Philip Shanghai will have also the opportunity to act in order to optimize customer loyalty or to expand the customer base through the cooperation with a brand such as The Coca Cola Company belonging to another industry. By this way, the Chinese firm would be source of attraction for new customers from the beverage industry. By contrast, issues Charles Phiip Shanghai will have to deal with during the optimization of its processes are probable to be the comparative advantage that many asian countries offer in low-cost labor resources, the strong appreciation of the renminbi against the Euro and U.S dollar, the internet growth, and the contemporary internal rising labor costs. In addition, heavy costs of environmental laws and regulations, are making Chinese fsashion industry exports less competitive. However, China has considerable strength in terms of its global market share. China's exports to the larger importing countries (U.S., E.U., and Japan) and the emerging markets will be considered as the main contributors to the growth in the global fashion industry. Key efforts needed to manage the success of Chinese fashion industry could be indentified by scientific and technological progress focusing on innovation, upgrading industrial structure, sustainable energy development, enforcing environmental protection.

All these factors, combined between each other, could allow to Charles Philip Shanghai and The Coca Cola Company to successfully operate among the Chinese fashion industry that is becoming the global leader by continuously analyzing and reacting to crucial external and environmental issues both domestically and internationally.

2.3 ROLE OF GOVERNMENTS IN THE INDUSTRY

2.3.1 U.S. Government

The importance of the U.S government is argued by some of the evidence (International Trade Administration. Office of Textiles and Apparel, 2016; United States Fashion Industry Association, 2015) which show that two apper to be the relevant interventions made by the the U.S. Governement in to improve regulations in the U.S. fashion industry. On one hand, Customs and Border Protection (CBP) and the Federal Trade Commission (FTC) enforce labeling laws and acts in the United States; so that textile and apparel products sold in the United States must be labeled with the following information: the fiber content, the country of origin, the manufacturer or dealer identity, and the care instructions.

As reported by Interntational Trade Administration (2016),

> "Labels containing fiber content, country of origin, the identification of the manufacturer, importer, or other dealer, and care instructions must be present at the time the end user takes possession of the good. Labels containing care instructions must be attached permanently to the item. While the labeling requirements do not apply until the product is ready to be sold to the end user, it is important to note that U.S. Customs and Border Protection may have different regulations and producing the labeling information for the goods being imported may be a determining factor in the clearance process. If goods are being shipped in an intermediate stage of manufacturing it is important that an invoice with the above information accompanies the goods.
> Footwear must be labeled with the composition of the upper, the lining and sock, and the outersole--only if it looks like leather, but is not real leather, or if it looks like some other kind of leather other than the actual leather."[85]

[85] International Trade Administration. Office of Textiles and Apparel. (2016) *U.S. Labeling Requirements for Textile, Apparel, Footwear and Travel Goods.*

On the other hand, The U.S. Fashion Industry Association (USFIA) has recognized the conclusion of the Trans-Pacific Partnership (TPP) negotiations.

According to the USFIA Fashion Industry Benchmarking Study, relased in 2015,

> "The TPP is a trade agreement between several Pacific Rim countries, which will seek to lower trade barriers such as tariffs, establish a common framework for intellectual property, enforce standards for labour law and environmental law, and establish an investor-state dispute settlement mechanism. TPP is considered by the US government as the companion agreement to TTIP (the Transatlantic Trade and Investment Partnership), a broadly similar agreement between the US and the EU."[86]

The USFIA already counts for five TPP partner countries: Vietnam, Peru, Mexico, Malaysia, and the United States.[87] Indeed, the Trans-Pacific Partnership should represent an important opportunity for American fashion industry already widely involved in significant businesses in several TPP partner countries in which China could soon be involved. To summarise, on one hand, the partneship has to be aware about the enhanced reguations of the labeling lwas and acts within the U.S. fashion industry in order to avoid potential legal pittfalls. On the other hand, the probable entering of China in the TTP partner countries will positively influence the Charles Philip Shanghai-Coca Cola alliance through the common frameworks and standars that countries members are adopting.

2.3.2 Chinese Government

In the recent years the favourable policies of chinese government on reform processes and simplification of tax law and FDI procedure encouraged western companies to make consistent investments within China, seen as an ideal destination for expansion and growth.[88] As supported by Hong & Cheng (2001), due to the current scenario, China's government should, therefore, consider the dynamic requirements of its own economic development to find a double-win strategy that serves well both the country and its foreign investors.[89] From a policy

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[86] United States Fashion Industry Association. (2015). *2015 U.S. Fashion Industry Benchmarking Study*.
[87] Kitting Industry. (2015). *US fashion industry recognizes conclusion of TPP negotiations*.
[88] Lucintel Corporation. (2012) *China Country Analysis : 2012-2017*.
[89] Hong, L., Chen, L. S. (2001). *Quantitative and Dynamic Analysis of the Oli Variables Determining the FDI in China.*

perspective, China's government is dealing with multiple challenges. Due to high import tariffs and consumption taxes, as well as higher pricing strategies, prices for luxury goods can be 20 to 30 percent higher in China when compared to abroad. The disparity is caused by the "daigou", the grey market trade, where shopping agents purchase goods overseas and sell them back to customers in China, typically making profits and saving the customer money at the same time, by avoiding import duties. Cross-border commerce has been problematic for Chinese and the so called "daigou" spread so fast that in 2014 its value grew by 20 billion ($3 billion). Then in one year, it has been estimated that the value of the daigou business for luxury goods raised from 55 to 75 billion RMB ($8.8 billion to $12 billion),. After watching the illegal trade grow, the Chinese government has recently taken the decision to tackle it by lowering import tariffs reaching a certain customs controls. In fact, in 2015, the daigou market decreased to approximately 43 billion RMB ($6.5 billion). The government has an incentive to limit the daigou market : each purchase outside China represents tax revenue they are not collecting. So, the government policy wants to avoid that this money goes out supporting campains to increase the internal capital consumption, that should push the sales with the fashion industry and maybe decrease the price of luxury goods. Moreover, by January 2016, Chinese government acted to drop tax for clothing from between 14 to 23 percent, to 7 to 10 percent, and to reduce taxes on footwear from 24 percent, to just 12 percent. The goal is to leverage the price difference between imported luxury goods in China and luxury goods sold overseas. Consequentely, lower import duties on luxury items should make the price difference less significant for customers, trying to eliminate the "daigou" procedure.[90] The combination of these factors, "daigou" elimination and foowear taxes reduction acquire fundamental importance for the partnership between Charles Philip Shanghai and The Coca Cola Company not only in terms of increasing possibilities of being successful and profitable but also, and more importantly, to ensure that Chinese government is supporting the fashion industry, especially the companies operating in the footwear sector such as Charles Philip Shanghai. Furthermore, the environmental impacts of the industry are enormous and constitute the second challenge for Chinese government. First, environmental laws and regulations has been designed to reduce the impact of the textile industry. Second, beyond controlling waste discharge, China has adopted new strict standards for energy and water efficiency for both new and existing textile factories. Belonging to the categories of exisiting textile factories is the workshop owned by Charles Philip Shanghai, that has to efficently adopt the environmental

[90] Chitrakorn, K. (2016). *Can China End the Illicit 'Daigou' Trade?. Business of Fashion.*

regulations promoted by Chinese government. Anyway, despite these regulations, it would seem to be insufficient enforcement from local environmental protection bureaus to ensure that factories uphold these standards. In particular, the artificial low price of water also acts as a disincentive for factories to be water and energy efficient and re-use resources. The main suggestion for Charles Philip Shanghai would be to emulate the action of some multinational brands which have already begun cooperation with environmental organizations, using open information and participation mechanisms to decrease pollution emissions from their suppliers. [91] The Chinese government has also to regulate its approach on the Internet, estimated to be a future source of economic growth. Developing networks as well as loosening the pressure on the Great Firewall is defined as a crucial aspect in order to bring more of the population online and facilitating the adoption of new Internet applications. It would help also the acceleration on analyisis of big data. Increased internet business usage is likely to have a positive return on the composition of the labor market, while the economy demand will probably need for workers with digital skills. Government and industry would seem already working on ensuring the availability of training programs to adapt school curricula to build digital literacy and to generate a sort of continous refreshing process of IT skills. [92] Again, the collaboration between Charles Philip Shanghai and The Coca Cola should work closely with from the Chinese government thanks to its more frequent involvment of in the fashion industry centrally planned by the Chinese instututions. By contrast, the principal objective of this government strategy is to support the growth of the Chinese fashion industry, aiming to develop a sustainable competitive advantage in the world market by one side, and strengthening poitical control over Chinese firms, by the other. Government regulations , price controls, taxes regulation and other activities matter of Chinese institutional intervention, strongly influence China trends of business. To conclude, the factors representing the complexity of doing business internationally within the fashion market analysed by this chapter, underlines the global scenario on which the partnership between Charles Philip Shanghai and The Coca Cola Company has been signed.

[91] China. Institute of Public & Environmental Affairs. (2012). *Cleaning up the Fashion Industry.*
[92] McKinsey Gobal Institute.(2014). *China's digital transformation.*

CHAPTER 3

MOTIVES AND RISKS FOR INTERNATIONAL PARTNERSHIPS

First chapters provided the fundamental knowledge of the structure of international alliances as well as the background analyisis of the Chinese fashion market, in which Charles Philip Shanghai and the Coca Cola Company will operate as partners between each other. This section instead, takes in consideration both motives and risks concerning the estabilishment of the partnership with the relevance of international issues that constitutes the base of the discussion.

3.1 MOTIVES

The motives which lead to establish the opportunistic collaboration between Charles Philip Shanghai and The Cocal Cola Company are ranked in Figure 25.

Motives for the Opportunistic Collaboration CPS – The Coca Cola Company		
Market-seeking motives	• Gain access to new markets or opportunities	- Penetration into chinese fashion/footwear market - Production of new offerings to new customers - Reducing tariffs barries.
	• Follow key customer	- Local operations - Positioning of the company among China, - Satisfaction of customer needs .
	• Compete with key rivals in their own markets	- Increasing market share. - Forcing competitors to expend resources to compete in the market
Asset-seeking motives	• Access to knowledge or other assets	- Understanding of chinese footwear target markets - Distribution systems exchange, benefits for both firms involved
	• Access to technological and managerial know-how available in a key market	- Combination of local market and international branding expertise - Development of knowledge and innovation of chinese firm and clothing/beverage industry
Efficiency-seeking motives	• Reduce sourcing and production costs	- Chinese manufacturers have lower salaries than others - Favorable corporate tax rate in China
	• Locate production near customer	- Production Plant in Shanghai allows to be sensitive to customer needs
	• Take advantage of government incentives	- Chinese government encourage FDI in favour of local firms - The Coca Cola Company will provide transfer skills and technologies, matching the chinese government political orientation
	• Avoid trade barriers	- Avoid tax barriers
	• Shared risks	- Minimizing the risks of entry into a new market - Shared risks between companies involved in the launch of the new product
	• Synergy and competitive advantage	- Increasing distribution - Optimization of resources allocation - Gain market share

Figure 25. Motives for The Opportunistic Collaboration CPS – The Coca Cola Company . Developed by the Author. Adapted by Cavusgil et al. (2008. Pp 419-422).

3.1.1 Market-seeking motives

Market-seeking motives for the partnership are analysed by this paper considering the competencies and the objectives of the companies involved in the agreement. First, Charles Philip Shanghai aims to deal with market competition in the domestic market. Second The Coca Cola Company wants to enhance the presence within foreign markets. Third the goal of both firms is to increase their market share in international countries. Moreover, Charles Philip Shanghi may provide local support function for the internal distribution of the new products, helping Coca Cola to obtain access to information, transportation, financial services, and to overcome trade barriers. To leverage internationalization know-how accumulated in the export processes, The Coca Cola Company will provide marketing expertises, so that higher levels of export experience will contribute to increase market-seeking ambitions of the opportunistic collaboration. The fashion industry in China has created a very competitive environment for local firms. However, the economy is still tightly controlled by the government, while, foreign-invested firms also exert high competitive pressures on domestic private companies. [93]
During the years, given the rising home market competition, Charles Philip Shanghai in order to seek further growth and to diversify its product portfolio, has developed contacts and collaborations with companies operating in highly competitive worldwide industries, which had stronger motivations to enter into chinese markets. [94] Evidence from existing studies (Buckley et Al., 2007; Boisot et Al., 2008) shows that the possibility of international market-seeking objetives is likely to be generated by competition in domestic markets. So the stronger Chinese fashion industry competition should positively infuence the relationship between The Coca Cola Company and Charles Philip Shanghai, offering grater incentives for both firms to deeply internationalise their business. From the Charles Philip Shanghai point of view, entering new markets exploiting commercial networks of the American multinational partner and achieving further growth is probable to be the major motive behind its willingness to stipulate an opportunistic alliance. In addiction, Chinese firms are realizing the crucial importance of expanding internationally, as the domestic market has become part of a networked global economy.

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[93] Buckley, P., Clegg, J., Cross, A., Liu, X., Voss, H., & Zheng, P. (2007) . *The determinants of Chinese outward foreign direct investment. Journal of International Business Studies.*
[94] Boisot, M., & Meyer, M. W. (2008) . *Which way through the open door? Reflections on the internationalization of Chinese firms. Management and Organization Review.*

Following The Coca Cola Company beliefs, partnering with a local brand would seem an effective way of gaining market access and surpassing trade barriers. Moreover, some of the evidence (Lu et Al., 2011; Deng, 2004) indicate that the market-seeking motives are a dominant strategic consideration for multinational corporations firms aiming to strengthening their presence into the Chinese market. [95] To conclude, products such as clothing and footwear, represent industries in which Chinese companies possess a competitive edge that can be exploited in countries with similar or lower levels of economic development. As a result, the Chinese equity contribution to international alliances is often in the form of equipment and machinery, which has significantly increased exports from China.[96]

3.1.2 Asset-seeking motives

Dunning & Lundan (2008) argues that, the most significant change in the motives for cross-border partnership over the last two decades has been the rapid growth of strategic assets, which exploit an existing and specific advantage of an investing firm, also called ownership, and protecting or maximizing that advantage by the acquisition of new assets, or by a partnering arrangement with a foreign firm.[97] For exploitation Dunning does not only include the exploitation of superior firm-specific resources, but also the efficient and effective acquisition and integration of particular knowledge. This lead to the definitionof strategic asset-seeking motives which emerge to be the opportunities of obtaining advanced technologies and acquiring high-quality brands' recognition. Multinationals from emerging countries are most likely to invest in developed countries for sophisticated technology, compensating their competitive disadvantages. Chinese companies are no exception; they are increasingly interested in acquiring advanced technology and manufacturing know-how in different industries, especially in the United States.[98] The ability to assimilate external knowledge will be critical for Charles Philip Shanghai organizational learning. In particular, absorptive capacity[99], which is largely a function of the level of prior related knowledge could be an important factor to be successful in acquiring strategic assets. The learning perspective of internationalization

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[95] Lu,J., Liu, X., Wang, H. (2011). *Motives for Outward FDI of Chinese Private Firms: Firm Resources, Industry Dynamics, and Government Policies. Management and Organization Review.*

[96] Deng, P. (2004).*Outward investment by Chinese MNCs: Motivations and implications. Business Horizons.*

[97] Dunning, J. H., & Lundan, S. M. 2008. *Institutions and the OLI paradigm of the multinational enterprise. Asia Pacific Journal of Management.*

[98] Deng, P. (2004).*Outward investment by Chinese MNCs: Motivations and implications. Business Horizons.*

[99] *Absorptive capacity:* "the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends is critical to its innovative capabilities." (Cohen & Levinthal, 1990)

theory, supporting the position of The Coca Cola Company, claims that firms with higher levels of domestically developed, technology-based competitive advantages are capable of understanding and adapting to international markets.[100] Indeed, to build successful strategic assets Charles Philip Shanghai and The Coca Cola Company should manage related technological capabilities which have to be sufficiently advanced to absorb superior technologies in the market. Charles Philip Shanghai, generally follows an incremental approach both domestically and internationally, even though firms in knowledge-intensive industries such has the Chinese fashion market are more likely to be focused only on their international orientations. However, in this case, instead of developing strategic assets domestically, the Charles Philip Shanghai recognized the possibility of having strong incentives to acquire these assets abroad to overcome institutional and market constraints within China. To secure the competitive position established domestically and to catch up with fast-developing technology, through the partnership Charles Philip Shanghai aims to pursuita the strategy to emphasize learning from The Coca Cola Company that seem to be a good partner to engage in strategic asset-seeking activities.

3.1.3 Efficiency-seeking motives

Kabirai & Lee (2004) demonstrated that through opportunistic collaborations foreign firms can minimize the risk and uncertainty of investing in an unknown place, while local firms gain advantages through learning superior technologies and foreign managerial skill.[101] Charles Philip Shanghai could re-invest the just gained advanced technology to upgrade their domestic manufacturing in order to develop the new co-branded products for international markets. The acquired knowledge and skills can eventually be turned into strengths for the partnership, making the collaboration more competitive at international level. Moreover, by exploiting abundant endowments of natural resources, energy, or other inputs in foreign countries, China can reduce the costs for its domestic manufacturing and export industries, and Charles Philip Shanghai could benefit from this possible decision. Nevetheless, the economic behaviour of Chinese firms seem still to be fundamentally and positively shaped by government policies. In fact, the Chinese government provides strong incentives to enterprises that are in the process

[100] Cohen, W. M., & Levinthal, D. A. (1990). *Absorptive capability: A new perspective on learning and innovation. Administrative Science Quarterly*.

[101] Tarun Kabiraj & Ching Chyi Lee (2004) *Synergy, learning and the changing industrial structure. International Economic Journal.*

of investing abroad, through the promotion of policies on foreign direct investiments which aim to provide a stable and supportive institutional environment so that local firms can acquire strategic assets both internally or abroad.[102] With this powerful support from the government, the Charles Philip Shanghai - Coca Cola collaboration could rapidly modernizing and grow to be competitive on a worldwide scale achieving its objectives. Furthermore, consistent with export-led growth strategies pursued by governments , efficiency-seeking FDI have been undertaken by the institutions achieving the goal to enhance the exportation process in host markets, so that corporations receive incentives to take government policies as an additional input in developing their international strategies.[103] To be rewarded from these policies, firms need to develop some ownership advantages in the home country conditions in order to compete with established multinational enterprises internationally. Lu, Liu & Wang (2011) argues that private companies with technology- based competitive advantages and export experience are more likely to generate revenues from supportive government policies. In this field, Charles Philip Shanghai aims to maximize the fruits of the opportunistic collaboration acquiring fundamental competences from The Coca Cola Company. Indeed, supportive government policies will probably create a sort of effective planning structure between Charles Philip Shanghai and The Coca Cola Company, through their technology-based competitive advantages and export experience as strategic efficiency-seeking motives. Furthermore, the creation of an effective planning structure to dermine international collaboration decisions has been matter of several studies (Hong & Cheng, 2001; Neary, J.P.,n.d.; Cavusgil et Al, 2008), which recommend that factors to consider in order to maximize decisions' effectiveness find their fundaments within the OLI model, quoted by John Dunning in his publishing *Globalization of Firms and the Competitiveness of Nations* (1990), and represented in Figure 26.

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[102] Child, J., Rodrigues, S. B. (2005). *The internationalization of Chinese firms: A case for theoretical extension?* Management and Organization Review.

[103] Lu,J., Liu, X., Wang, H. (2011). *Motives for Outward FDI of Chinese Private Firms: Firm Resources, Industry Dynamics, and Government Policies*. *Management and Organization Review.*

The OLI model (Dunning) CPS – Coca Cola Opportunistic Collaboration	
Ownership advantage	- High level of assets, production development, managerial structure - Patents, marketing skills, distribution networks
Location advantage	- GDP concentration - Cultural distance, language, working behaviour - Infrastracture, transportation, geographical position of suppliers/buyers - Competiton with local enterprises and foreign companies - Political stability, adminstration practices, legal system
Internalization advantage	- Exports - Technological tranfer - Transaction costs

Figure 26. The OLI model, CPS – Coca Cola Collaboration. Developed by the Athor. Sources: Hong, Chen (2001, pp.163-172), Neary, J.P (n.d.), Cavusgil et. Al (2008)

Firstly, Dunning defines ownership advantages as firm specific resources, such as superior proprietary resources or managerial capabilities that can be applied competitively in a foreign country, such as the international competencies owned by The Coca Cola Company which can be applied to the Chinese fashion market through the partnership with Charles Philip Shanghai. Secondly, the internalization advantage suggests that Charles Philip Shanghai should start processes of internationalization with low commitment and with relatively less risky activities, such as the opportunistic collaboration developed by the domestic firm and the Coca Cola Company, based also on exports. Exporting requires fewer organizational resources, provides greater flexibility for managerial actions, and involves low business risks compared with other types of international alliances. As the partnership will gain international experience through early exporting, Charles Philip Shanghai and The Coca Cola Company could increase their commitments gradually and eventually through licensing and joint ventures and maybe FDI. [104] However, the large domestic market has already enabled Charles Philip Shanghai to develop competitive advantages and this has provided a solid foundation for international expansion. In addition, the highly competitive nature of business in the large Chinese market has served as location advantage becoming a training ground for Charles Philip Shanghai, involved in holding

[104] Dunning, J. H., & Lundan, S. M. 2008. *Institutions and the OLI paradigm of the multinational enterprise. Asia Pacific Journal of Management*

local rivals, while also competing with MNEs that operate in China.[105] Exploiting the OLI advantages the partnership aims to sell the new products initially within China, then enhancing firms' technological capacity and R&D activities will likely enable Charles Philip Shanghai and The Coca Cola Company to further strengthen their international commercial network. To conclude, establishing some form of technology-based competitive advantages in the domestic market could be also important for the international expansion of the new products of the collaboration.

3.2 THE LEVEL OF RISK IN INTERNATIONAL BUSINESS

3.2.1 The Ansoff Matrix

The level of risk in international business is measured by the Ansoff Matrix, represented in Figure 27.

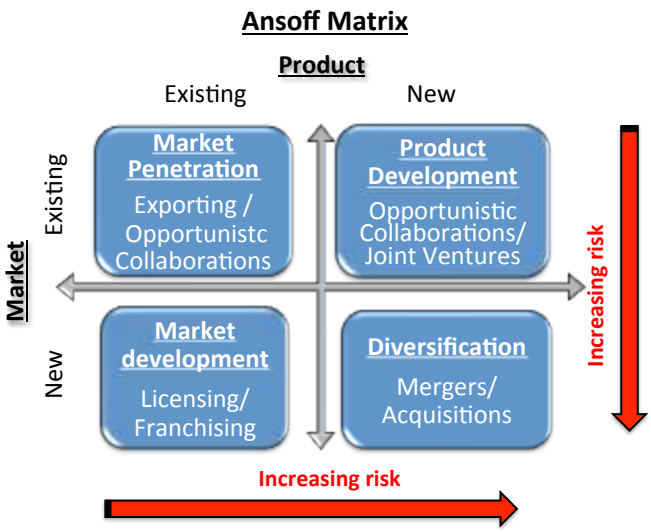

Figure 27. The Ansoff Matrix. Adapted from Cavusgil et Al. (2008)

As it emerges from the Ansoff Matrix, different level of ownership within strategic alliances determines different types of strategies and generates increasing risks for the companies involved. Opportunistic collaborations allow strategies of market penetration and product development, based on the lower variable level of risk. In a normal market penetration, the risk involved in its marketing strategies would be usually the lowest since the products are already

[105] Lu,J., Liu, X., Wang, H. (2011). *Motives for Outward FDI of Chinese Private Firms: Firm Resources, Industry Dynamics, and Government Policies. Management and Organization Review.*

familiar either to consumers and to the existing market. [106] Nevetheless, product line extension could generate rising risks shifitng the objective of the strategy from market penetration to product development. Within the product development strategy, new products are introduced into existing markets. Moreover, the product development can also involve the modification of an existing product.[107] Differently, franchising/licensing are those types of strategic alliances which apply the strategy of market development with their current portfolio of products. These companies tries to compete for an established marketing share in a new market. The new market development may also be known as market extension, although the products can be targeted to antoher customer segment. Either way, both strategies can lead to additional earnings as well as medium-high financial risks for the business. Market development can be made possible through further market segmentation to aid in identifying a new customer base. West et al.(2015) argues that to implement this strategic decision, there are various approaches such as new geographical markets, new distribution channels, new product packaging, and different pricing policies. However, especially in new geographical markets, the market development assumes the meaning of exporting existing products to other new countries, process better known as franchising. The last quadrant of the Ansoff Matrix represents the strategy of diversification. Diversification suggests the process through which an organization is venturing into a new market with a new product. This is the most risky strategy as there are no experience curve and precise knowledge on the market. It is usually adopted as a consequence of mergers or aquisitions. According to Cavusgil et Al. (2008) there are 3 types of diversification: concentric diversification, horizontal diversification and conglomerate diversification. Concentric diversification means that the organization has similar technological knowledge with the new market, therefore can leverage the knowledge in the new market. Horizontal diversification means that the organization has no previous knowledge or similar technological and competencies as the market. Conglomerate diversification means that the company develops a new product that is not similar to their own current products but has the potential for developing new markets. [108] Diversification may be risky, but with an equal balance between risk and reward, then the strategy can be highly rewarding. Another advantage of diversification is that in case one business suffers from adverse circumstances the other line of businesses may not be affected.

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[106] Cavusgil, S. et Al. (2008). *International Business, Strategy, Management & the New Realities*.

[107] West, D., Ford, J., and Ibrahim, E. (2015). *Strategic Marketing: Creating Competitive Advantage. 3rd ed. Oxford University Press.*

[108] AnsoffMatrix.com (2013). *What is the Ansoff Matrix?* Retrived from http://www.ansoffmatrix.com

3.2.2 Risks and The Due Diligence Approach

In order to minimize the international business risks for the Charles Philip Shanghai-Coca Cola partnership, it appears relevant to mention the work of Rhodes ,Nelson and Berman (2003), through which they suggest that the key to successful collaborations is represented by the "Due Diligence" approach. This method would seem encourage managers to be aware of the potential risks attached in the international alliances. [109] The Due Diligence approach is supported by Cavusgil et al. (2008, p.435-36), which underline how both parties forming international alliances, with the common objective of performances maximization, should recognize cultural differences, pursuing common goals, and adjust to shifting environmental circumstances, giving most of the time due attention to planning and management of the partnership. The major risks the opportunistic collaboration between Charles Philip Shanghai and The Coca Cola Company has to be able to avoid, exploiting the already mentioned "Due Diligence", are reported in Figure 28.

[109] Rhodes, I., Nelson, C., Gregory Berman, G. (2003). *The key to successful collaborations : Rigorous and indipendent due diligence. Journal Of Commercial Biotechnology.*

Risks and Due Diligence for Charles Philip Shanghai – The Coca Cola Company	
Commercial Risks	• Ways to access to chinese market • Rate of probability of projected sales achievement • Effects of competition
Management Risks	• Capacity to manage team and systems to achieve the business plan and to work together
Legal Risks	• Charles Philip Shanghai assets ownership • Coca Cola patents ownership • Capacity of combination between assets and patents
Financial Risks	• Accordancy between accounts and GAAP • Efficency of accounting systems • Exchange rate movement
Technical Risks	• Level of quality of technology characteristics • Trend of development of commercial networks
Due Diligence for Charles Philip Shanghai and The Coca Cola Company	• Complementary Knowledge, competences, skills, technologies • Minimised overlap of activities • Trust and shared goals • Recognition and acceptance of cultural differences • Linked strategy

Figure 28. Risks for Charles Philip Shanghai – The Coca Cola Company. Developed by the Author.
Sources: Rhodes,Nelson,Berman (2003), Cavusgil et Al. (2008, p. 435-36)

As shown by Figure 22, the principal risks for the partnership could arise from operations concerning commercial, legal, financial, techincal and management areas. Issues affecting the commercial Chinese networks of the Charles Philip Shanghai - The Coca Cola collaboration could be generated by the lack of information available within China or by the scarse motivation of the companies to agree each other in the definition of the common strategies. These eventual constrasts would likely decrease the probability to fulfill the quantity of sales forecasted, leading to a loss of competitive advantage against competitors. Then, if the Charles Philip Shanghai organisation of the owned workshop or its knowledge of the local market will not correctly match the needs and expectations of The Coca Cola Company or viceversa, legal aspects would be involved by the absence of cooperation between Charles Philip Shanghai and The Coca Cola Company to respectively combine assets and patents. Moreover , the frequent exchange rates movements of the Chinese value which have constantly alterated the price of export as well as the financial trends of China, should be accepted by the partnership as potential negative factors.

To summarise, the difficulties the opportunistic collaboration is likely to encounter within the chinese market could create obstacles to the involvment of new possible foreign shareholders, which could perceive the risks to lose part of their shares. Also, this not positive perception could be probably fomented by the quick changes of Chinese government beliefs, once favorable to foreign investors, once opposed. Furthermore, If synergy between two firms will not emerge, additional risks seem possible to arise. In that case, costs of coordination, difficulties of cross cultural communications, scarse access to information about doing business in china, are aspects which must to be considered by the alliance. Again, lack of legal protection for investors and intellectual property rights, inconsistent application of regulations, burdensome bureaucracy, and corruption are the major risks that can hinder the economic growth of China, affecting also the Charles Philip Shanghai-Coca Cola operations.[110] And finally, also the exchange rates movement tends to be seen as another source of high risk for the partnership, since government polices would seem to be not stable at all. Dealing with this issues and risks is the mission of the Due Diligence approach that should be adopted by each company taking part in the international agreement. This approach would provide efforts to put together complementary knowledge, technological competencies and skills in order to achieve the shared objectives to build an effective and efficient collaboration. Also the recognition and successive acceptance of cultural differences among the structures and the attitudes of the firms is part of the Due Diligence model of the partnership. Only on this basis the strategies related to the new product development can be fairly and commonly defined by Charles Philip Shanghai and The Coca Cola Company.

[110] Lucintel Corporation. (2012, September) *China Country Analysis : 2012-2017*.

CHAPTER 4
IMPACT OF NATIONAL CULTURES AND PAST COLLABORATIONS ON THE PARTNERSHIP

National culture appear to exercise a strong power on cross border collaborations between companies coming from in different countries. The cultural impact is likely to affect also the agreement between Charles Philp Shanghai and The Coca Coca Company, by shaping it and by showing potential advantages and disadvantages. In addition, the past collaborations individually delevoped by Charles Philip Shanghai and The Coca Cola Company with different partners belonging to different nations, have enabled them to increase their respective awarness about which are the leading trends in the fashion market. This chapter will consider all these factors, both positive or negative, discussing how the importance of cultural differences and the acquired knowledge of the market could play a crucial role in the definition of the new product development strategies on which the partnership is estabilished.

4.1 NATIONAL CULTURES

The national culture is defined by Ghemawat & Reiche (2011) as the set of norms, behaviours, beliefs, and customs that exist within the population of a sovereign nation. International companies develop management and other practices in accordance with the national culture they are operating in. The scheme elaborated by professor Geert Hofstede, that shows a high degree of adoption in the literature, recognizes six categories of national cultural dimensions: power distance, individualism, masculinity, uncertainty avoidance, time orientation and indulgence. Power distance it is argued to be the dimension expressing the degree to which the less powerful members of a society accept and expect that power is distributed unequally. In societies with low power distance, people tend to rise the demand of justification for inequalities of power. [111] By contrast in cultures with high power distance the link between marketing and innovation/new product development seems to work better, since it is managed in a centralized way. Looking at innovation, countries with low power distance tend to have stronger innovation capabilities, which might impact a company's way of thinking about alternative locations for work requiring high levels of innovation. Low uncertainty avoidance and high individualism appear also to be correlated with innovation capability.
Individualism, as the second dimension, can be defined as a preference choosen by individuals

[111] The Hofestede Centre. (2016a). *National Culture.*

to take care of only themselves and their immediate families.[112] Contrary, collectivism, shows the belief, in which individuals expectations from other people are based on the concept of unconditioned loyalty. Successively, the Masculinity. represents the preference of the society for achievement, competitiveness and rewards for success. Its opposite side reflects the preference for cooperation and modesty, sharing the ideals of collectivism. As fourth dimension the Uncertainty Avoidance expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. Countries exhibiting strong index of uncertainty avoidance are, in the majority of the cases, intolerant with innvoative behaviour and ideas. Then, the grade of time orientation explain the attitudes of the society to maintain connections with its own past while dealing with the challenges of the present and the future.
Finally, the Indulgence stands for habits which allow to enjoying life and having fun. Restraint standards for a society regulates it as meaning of strict social norms.[113] For a deeper understanding of the field related to the opportunstic collaboration between Charles Philip Shanghai and The Coca Cola Company, it would seem to be fair to give relevance to the differences in cultural dimensions between the US and China.

4.1.1 United States

The graph represented by Figure 29 shows the situation of cultural dimensions within the United States.

Figure 29. United States Cultural Dimensions. Source: The Hofestede Centre, http://geert-hofstede.com (2016)

[112] Ghemawat, P., Reiche, S. (2011). *National Cultural Differences and Multinational Business. Globalization Note Series. Harvard Business School Press*

[113] Browaeys & Price .(2011). *Understanding Cross Cultural Management. Ch.6. Prentice Hall, Pearson Ed*

Once considered the results of the graph, the low score on Power Distance (40) combinined with the high level of individualism (91) seem to be the main distinctive characteristics of the american cultural dimensions. It appears fairly enough to argue that within American organisations, hierarchy is established for convenience, superiors are accessible and managers rely on individual employees and teams for their expertises. Both managers and employees should be consulted and information is likely to be shared frequently. From Figure 23 emergers also the expectation of the society to take care themselves and their families instead of expecting unconditioned loyalty from other people. Americans are probably accustomed to doing business or interacting with people they don't know well; so that are not shy about approaching their prospective counterparts in order to obtain or seek information. A high masculine score on the US cultural dimension indicates that the society is mainly driven by competition and it can be seen as a justification of the most individualist culture in the world. This American cultural combination reflects itself in the behavior among different environments, whcih are based on the shared values that people should strive to be the best they can be, resulting in a tendency to openly show personal successes and achievements.

Moreover, Hofstede claims that many American assessment systems are based on precise target setting, by which American employees can show how well a job they did, increasing their beliefs about the possibility to do things always in a better way. Consequentely they can obtain rewards based on how good one can be. However in the next future, the arising inequality could be dangerous for the democracy, due to the widening gap among the society classes that might push Power Distance up and Individualism down. Another differential factors within the US culture is the fair degree of acceptance for new ideas, innovative products and a willingness to try something new or different, which makes The US score below average on the uncertainty avoidance dimension. By this way, Americans tend to be more tolerant of ideas or opinions from anyone and allow the freedom of expression. At the same time, 9/11 terroristic attack has created a lot of fear in the American society culminating in the efforts of government to monitor everybody through the security organisations. Furthermore, concering the length of time orientation, American businesses measure their performance on a short-term basis, with profit and loss statements on quarterly reports. This also drives individuals to obtain quick results within the workplace. Last, the United States scores as an Indulgent (68) society on the sixth dimension, highlighting people hard working attitudes. [114]

[114] The Hofestede Centre. (2016b). *United States.*

4.1.2 China

Republic of China cultural dimensions are shown by Figure 30.

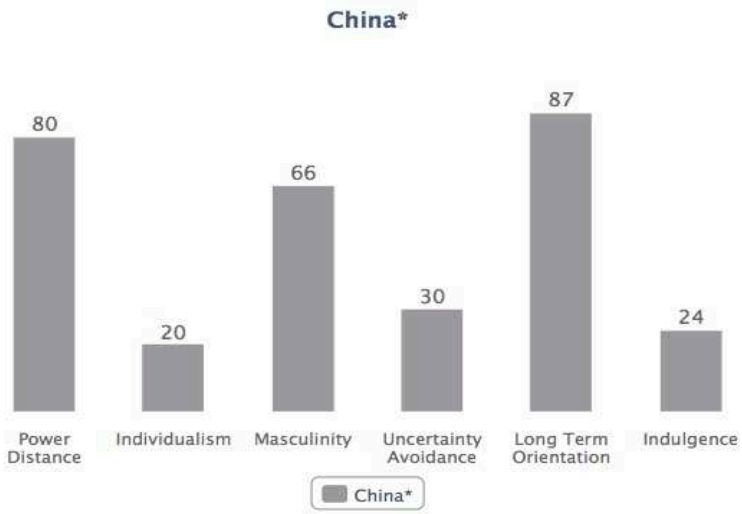

Figure 30. China Cultural Dimensions. Source: The Hofestede Centre, http://geert-hofstede.com (2016)

Contrary to the U.S., China owns one of the highest worldwide rankings of power distance, meaning of a society that believes inequalities amongst people are acceptable. The subordinate-superior relationship tends to be polarized and individuals in the majority of the cases appear to be influenced by formal authorities. As a consequence, to deal with government regulations, China is a highly collectivist culture where people act in the interests of the group and not necessarily of themselves. Employee commitment to the organization is low and personal relationships prevail over task and company. Also the Chinese culture appear to be success oriented. The need to ensure success can be exemplified by the fact that many Chinese are willing to sacrifice family and leisure priorities to work. From the lastest researches of The Hofstede Centre (2016) emerges that farmer workers leaving their families behind in faraway places in order to obtain better work and pay in the big cities. The same researches show that Chinese are comfortable with ambiguity and the society is adaptable and entrepreneurial. The majority of Chinese businesses, such as Charles Philip Shanghai, tend to be small to medium sized and family owned. As represent by Figure 24, China means very pragmatic culture with its long term orientation. Moreover, Chinese abilities to adapt traditions to innovation, their strong propensity to save and invest, and their perseverance in achieving results are likely to generate an added value to China cultural dimensions. Finally, in contrast to indulgent societies, China does not use to put much emphasis on leisure time and control the gratification

of their desires. This orientation is probable to create the perception that People actions are restrained by social norms, regulated by Chinese government.[115]

4.1.3 Comparison between China and US

From the analysis developed by this chapter, based on the cultural differences between the U.S and China, it emerges an amount of factors which would be important to compare between each other. Inequalities of people and formal authority of government are at the basis of Chinese society, while american dream of liberty and justice allows US citizens to receive equally treatments from the State. Furthermore, China is meaning of collectivist culture, employees act in the interest of the group rather than for themselves. By contrast the majority of Americans show the attidude to pursuit individual objectives. Again, where chinese are strongly propense to save,invest and achieving long-term results, American companies prefer to obtain quick results on short-term basis. [116] Cultural differences remain persistent and present an array of challenges for both multinational and local companies. Firms that manage adaptation effectively are able to achieve congruence in the various cultures where they operate while extending their main sources of advantage across borders, and in some cases even making cultural diversity itself a source of advantage.[117] Nonetheless, Figure 31, althouhg many differences, shows that the cultural dimensions of the U.S. anc China present also similarities.

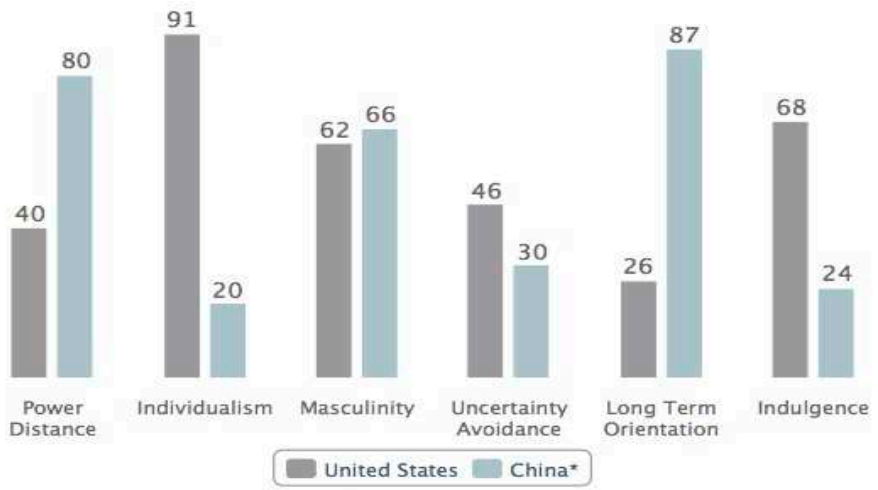

Figure 31. Comparison between United States and China. Source: The Hofestede Centre (2016)

[115] The Hofestede Centre. (2016b). *China.*

[116] The Hofestede Centre. (2016). *National Culture. United States and China.*

[117] Ghemawat, P., Reiche, S. (2011). *National Cultural Differences and Multinational Business. Globalization Note Series. Harvard Business School Press*

New ideas and innovatives products are well accepted from either nations. Nonetheless the attitudes to deal with ambiguity and the propensity to try new ways of development are common factors of both future-driven approach cultures. Indeed, the agreement between Charles Philip Shanghai and The Coca Cola Company would seem to be mainly built on these shared ideals, which appear to be well connected to the national cultures of the companies involved in the collaboration. For The Coca Cola Company partnering with a local firm can increase access to local cultural understanding, business networks, and so on, that would be costly and time-consuming for a foreign company to develop on its own.

4.2 PAST COLLABORATIONS

An effective approach for Charles Philip Shanghai and The Coca Cola Company would be to combine the national similarities with the knowledge of the fashion market derived from past collaboration worldwide already developed by the companies. To attract and cultivate customers through a particular startegy, the focus has to move on how successful agreements previously signed by each firm could help the partnership to respond to national cultural differences.

4.2.1 Charles Philip Shanghai

It appears important to consider the role that past collaborations, developed between Charles Philip Shanghai and other international brands, could play in terms of positive impact on the partnership with The Coca Cola Company. As Figure 32 shows, the limited collection designed for Veuve Clicquot, French luxury Maison, global leader in Champagne production and distribution, to promote the Veuve Clicquot Polo Classic competition, seem more than likely the most luxury product ever developed by Charles Philip Shanghai. Given the worldwide prestige of the French brand, the collection is inspired by the chic polo style of the fashionable event. Moreover, working in close contact with a well known company enabled Charles Philip Shanghai to develop its commercial network reinforcing its distribution capacity within the European continent.

Charles Philip Shanghai x Veuve Clicquot, 2014

Figure 32. Charles Philip Shanghai x Veuve Clicquot. Developed by the author.Source: charlesphilipshanghai.com

Successively, the collaboration with the Chinese fashion brand Ms. Min has been the first tangible sign of the Charles Philip Shanghai strategy of penetration into Chinese market. This collection, represented by Figure 33 with the designer Min, was designed to link Chinese traditions to innovation as the main fundamental ideals shared by Ms Min and Chinese culture.

Charles Philip Shanghai x Ms Min, 2015

Figure 33. Charles Philip Shanghai x Ms Min. Developed by the author. Source: charlesphilipshanghai.com

The last important collaboration has recently been estabilished with Nancy Zhang, global art fashion illustrator firm. The co-branded flat shoes, presented by Figure 34, are available from April 2016 as part of Charles Philip Shanghai Spring/Summer collection.[118]

[118] Charles Philip Shanghai. (2016). *http://www.charlesphilipshanghai.com*

Charles Philip Shanghai x Nancy Zhang, 2016

Figure 34. Charles Philip Shanghi x Nancy Zhang. Developed by the Author. Source: www.nancy-zhang.com

To summarise, on one hand, altough its small company size, Charles Philip Shanghai has already developed international partnerships with brands running business in different sectors or industries. On the other hand, the experience in the fashion field as well as the acquired knowledge of the Chinese market will likely constitue the major touchpoints with the Coca Cola needs and expectations.

4.2.2 The Coca Cola Company

The Coca Cola Company, despite its traditional focus and leadership managed within the beverage industry, has recently initialised a strategy to develop a network of collaborations with worldwide high fashion brands. The goal of the Coca Cola project was to start the commercialisation of clothing, footwear and accessories products to make its business wider and capable to earn profit salso in another industry. Furthermore, The Coca Cola Company aimed to examine the reaction of the customers on the new fashion products designed following Key trends characteristcs such as digital customization, pop art culture and enginereed graphics. First, Ashish, a London fashion designer best known for his fusion of Western and Eastern cultures, developed a unique Coca-Cola collection in 2013 that is a mix of sportswear, glamour and breath-taking craftsmanship, as represented in Figure 35.

Ashish x Coca Cola, 2013

Figure 35. Ashish x Coca Cola. Source: The Coca Cola Company (2015)

Second, The Coca-Cola Licensing Team launched in October 2015 a new clothing collection designed by WILDFOX. WILDFOX Hearts Coca-Cola is the second collaboration between Coca-Cola and WILDFOX and it features the iconic Coca Cola bottle, as shown by Figure 36.

WILDFOX x Coca Cola, 2015

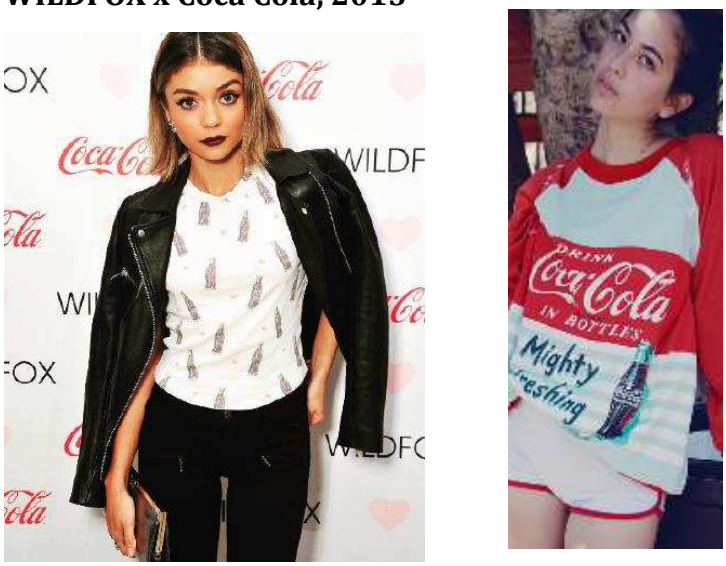

Figure 36. WILDFOX x Cola Cola. Source: The Coca Cola Company (2015)

Third, Coca-Cola collaborated with the american brand Joyrich for the 2015 Fall/Winter collection. This collection, represent by Figure 37, puts Joyrich's casual style on Coca-Cola's classic design aiming to combine fashion and pop culture.

Joyrich x Coca Cola, 2015

Figure 37. Joyrich x Coca Cola. Source: The Coca Cola Company (2015)

And finally, to celebrate the first hundred years of The Coca Cola Company , Carpisa has launched the 2015 Pop Art summer capsule collection in collaboration with Coca Cola. It is shown by Figure 38.

Carpisa x Coca Cola, 2015

Figure 38. Carpisa x Coca Cola. Source: The Coca Cola Company (2015)

Fashion trends of Pop Art culture and digital graphics promoted by the Coca Cola Company and largely adopted through these past collaborations has been fully appreciated by customers. Since this success, The Coca Cola Company decided that those trends will also constitue the

basis on which the Charles Philip Shanghai x Coca Cola collection will be designed.[119] The choice of launching such innovative style among a traditional culture as the Chinese one appears to be justified by the low level of uncertainty avoidance shown by Chinese people. Moreover, the linkages between tradition an innovation are an integrative part of the long term orientation dimension of China. By this way, the partnership would also respect the Chinese government plan to drive the country in the process through which China, and more in detail the Chinese fashion market, aim to become known as a design and innovation center and no longer just due to low manufacturing costs.

4.3 IMPACT OF NATIONAL CULTURES AND PAST COLLABORATIONS ON THE PARTNERSHIP

The future driven orientation of China would seem to be reflected especially into Charles Philip Shanghai past collaborations. This aspect could suggest that primary importance is given to international business affairs rather than internal activities, and future profits might be re-invested in the development of new partnerships. Instead, The Coca Cola Company will have the opportunity to improve its knowledge of the Chinese culture by partnering with a local firm.

4.3.1 The AAA Framework

Considering the researches mentioned before, it appears almost certain that the international alliance formed by Charles Philip Shanghai and The Coca Cola Company will be affected by the structural organisation of their past collaborations as well as by the analysed cultural differences. How could these differencese impact on the partnership? A possible answer would seem to arise from the AAA Framework developed by Professor Ghewamat and adapted to the collaboration in this case in Figure 39.

[119] Charles Philip Shanghai. (2016).

<table>
<tr><th colspan="3">Charles Philip Shanghai – The Coca Cola Company AAA Framework</th></tr>
<tr><th>Adaptation</th><th>Aggregation</th><th>Arbitrage</th></tr>
<tr><td>• Tailoring new products to suit Chinese preferences or requirements, maximize local relevance</td><td>• Considering geographic cluster dimension</td><td>• Risks and costs reduction</td></tr>
<tr><td>• Coca Cola expertises will may have to adapt their knowledge to new environment and culture</td><td>• Achieving in the future global economies of scale or scope through regional or global efficiencies</td><td>• Exploiting cultural and organisational differences within the partnership</td></tr>
<tr><td>• CPS should be tolerant with western behavioural attitudes, given the developed technical skills of The Coca Cola Company</td><td>• Be aware that transnational expansion planned by The Coca Cola Company needs resources and investments</td><td rowspan="2">• Locating parts of supply chain within China, such as the production plant owned by Charles Philip Shanghai</td></tr>
<tr><td colspan="2">• Adaptation and Aggregation for both parts could be costly</td></tr>
</table>

Figure 39. Charles Philip Shanghai – The Coca Cola Company AAA Framework. Developed by the Author. Source: Ghewamat (2007)

Ghewamat (2007) argues that cultural and organisational differences should be exploited between by the partnership between Coca Cola and Charles Philip Shanghai in order to get competitive advantage from the local environment and to maximize market shares.

The combination between the Chinese collectivist culture and the Amrican attitude to obtain short term results, could enable the international alliance to obtain the best of both worlds, creating a collaboration capable to work for its own benefits, simultaneously achieving objective in a short period of time. Moreover the common nationals' future driven approaches added to the tendency of generating revenues emerged by both cultures, are important characteristcs which could lead the collaboration to enhance the potential of its performances.

In addition, the collaborations between The Coca Cola Company and other global brands would seem to drive the new co-branded products with Charles Philip Shanghai on innovative design thinking solutions, dealing with the upcoming arising changes supported by Chinese government. To conclude, the capability demonstrated by the Charles Philip Shanghai to think out of the schemes, launching collections gaining worldwide interest, will probably match the comfortable feelings with the future usually managed by The Coca Cola Company.

PART 2
THE NEW PRODUCT DEVELOPMENT

The second part of this work is dedicated to the new product development processes of the co-branded Charles Philip Shanghai x Coca Cola collection. The focus is oriented to highlight the impact of the relevant international business factors and their effects on the strategic marketing decisions taken by the partnership and concerning branding and distribution, leading, successively, to estabilish a framework to implement the collaboration marketing mix stragies.

CHAPTER 5
BRANDING AND DISTRIBUTION STRATEGIES

Chapter five starts with the introduction of the details of the agreement between the companies and with a summary of the new collection of products. Then, it critical evaluates both the branding and distribution strategies which could be potentially adopted by the collaboration between Charles Philip Shanghai and The Coca Cola Company. Branding topics of segmenting, targeting and postioning are discussed in the first part of the chapter, while retailing, the internet and sales management constitutes the distrubution operations analysed successively.

5.1 THE AGREEMENT AND THE NEW PRODUCT

Referring to environmental factors previously discussed on the international business background, important elements which drove Charles Philip Shanghai and The Coca Cola Company to estabilish an opportunistic collaboration together appear to be the common needs of the companies to develop competenecies and get competitive advantage on both Chinese and worldwide markets. A major interest is given to the Chinese market in which the goals to achieve by either companies consist in attracting Chinese customers as well as enforcing the online brand's appeal. On one hand, Charles Philip Shanghai should move its focus on the development of its Blog, posting CP everyday-life to fulfil a superior involvment of clients on social media, promoting discounts, sharing products, contacting fashion bloggers, and getting closer to key opinion leader. Directly through a well developed e-shop platform, given the worldwide increasing Internet adoption rate ,Charles Philip Shanghai could catch attentions of European and US customers, satisfying also western needs. Partnering with a multinational company like The Coca Cola Company is probable to have fundamental importance for Charles

Philip Shanghai, in terms of keeping the image of international brand and not just Chinese one. On the other hand, The Coca Cola Company objectives should concern the creation of a website section totally built in Chinese language to continuously renew its presence in Chinese costumers' daily routine, being more active on Chinese markets and developing new contacts with agents, distributors and retailers. Moreover, a Chinese website would generate the advantage for Coca Cola to become itself a distributor of the new collection.

The partnership will provide a new collection of products designed and manufactured by Charles Philip Shanghai within its own Workshop applying the Coca Cola intellectual properties licensing. The licensed articles released will be shoes and accessories such as backpacks, mobile phone case, and keychain. The date of starting commercialisation is fixed for September 2016, immediately after the RIO 2016 Olympics Games. The contract of collaboration should expire by December 2017, although both companies reserve the right to extend it in case of mutual agreement. All details of the stipulated contract are shown by Figure 40.

Charles Philip Shanghai - The Coca Cola Company - Contractual Agreement	
Licensed Articles	• Shoes (Athletic, Boots, Flip-Flops, Sandals, Slippers) • Backpacks • Keychain • Mobile Phone Case/Sleeve • Shoe Bags • Handkerchiefs
Commercialisation Date	September 2016 – December 2017
Price Range	• Shoes $ 155 - $200 • Accessories $30
Forecasted Retail Quantity Sold Sept.-2016 Dec. 2017	• Shoes 270 pairs • Accessories 450 pieces
Forecasted Retail Sales Sept. 2016 – Dec. 2017	Shoes $ 47,250 + Accessories $ 13,500 = $ 60,750
Coca Cola Royalties	6% on Retail Sales, 12% on Wholesale Sales

Figure 40. Charles Philip Shanghai - The Coca Cola Company, Contractual Agreement. Developed by the Author. Source: Charles Philip Shanghai (2016)

As it emerges from the forecasted sales the partnership aims to get $ 60,750 total revenues from the new products. The calculation has been done on an average price of $ 175 for shoes and $ 30 for accessories. The Charles Philip Shanghai x Coca Cola collection will be designed in two distinctive styles called "On the Track" and "Pop Art". The intention of the partnership is to keep the design thinking approach of Coca Cola, shown in its previous fashion collaborations, mantaining the shoes' patterns of Charles Philip Shanghai. The new collection amis to insist on a mix of casual and pop culture style on one side, remaining focused on the medium-high target of customers on the other. The first samples of shoes relised by Charles Philip Shanghai for Coca Cola are represented by Figure 41.

Charles Philip Shanghai x Coca Cola

Figure 41. Charles Philip Shanghai x Coca Cola. Source: Charles Philip Shanghai (2016)

To summarise Charles Philip Shanghai and the Coca Cola Company aim to further penetrate into Chinese market with this new collection of products. The common crucial objective to achieve is to be successful for target customers in order to to gain market share. By modifying its product line, Charles Philip Shanghai will probably change its outlook or presentation in favour of the Coca Cola collection, by highlighting co-branding strengths, possibly increasing either the products performance and quality.

5.2 BRANDING STARTEGY

As widely accepted among the literature (Browaeys & Price, 2011; West et Al. 2015, Perner 2010), the process by which branding strategy takes place consists of three main elements: segmentation, targeting and positioning. The author applies these concepts to define the branding position of Charles Philip Shanghai. First of all it appers important to clarify the role of the brand as what identifies the company selling goods or service.[120] The brand identification finds its fundamentals within the SWOT analysis, comparing the strengths and weaknesses of an organisation and the opportunities and threats present in the international environment. Once defined these factors, strategies are build on the strengths, eliminating weaknesses, exploiting opportunities and considering threats.[121] The SWOT analysis of Charles Philip Shanghai is developed by the Author in Figure 42.

[120] Perner L. (2010). *Segmenting, Targeting and Positioning. Ed. Usc Marshall.*

[121] Dyson, G. R. (2004). *Strategic development and SWOT analysis at the University of Warwick. European Journal of Operational Research.*

Charles Philip Shanghai SWOT Analysis

STRENGHTS	WEAKNESSES
• Brand recognition among China and Worldwide • Very Accessible, online and in-store • Own Workshop • Product quality and customisation • Chinese website	• Brand loyalty • No Flagship Store anymore • Small size company
OPPORTUNITIES	**THREATS**
• Chinese Fashion Market Expected Growth • Further collaborations with well known international brands • Opportunity to grow further into other countries	• The threat of new entries in the home market • Large competition within China • Government regulations

Figure 42. Charles Philip Shanghai SWOT analysis. Developed by the Author. Source: West et Al. (2015)

From the SWOT analysis perception, the internal resources managed by Charles Philip Shanghai such as the Workshop and the Chinese website are likely to contribute to increase capabilities and core competencies among the organisation, encouraging future strategies to be based on these foundamentals. In this way, the competitiveness of the company in the fashion industry would tend to be maximised. Moreover the scope of the SWOT analysis to connect internal and external factors like the threat of competition within the fashion industry as well as the opportunities of growth of the Chinese market are important indicators in order to stimulate new successful decisions. The contents of the SWOT analysis should help Charles Philip Shanghai, with the support of The Coca Cola Company, to develop the co-branding strategy, pursuing the common goal of making the products of the collaboration suitable for the target customers.

5.2.1 Segmenting

Market segmentation is the first part of a branding strategy , which helps to identify, evaluate and target potential consumers. A careful segmentation of a market could identify distinct market opportunities. For each particular market, consumers are divided into segments by

different criteria depending on business's needs and nature.[122] So, the segmenting strategy allows identifying a required group of consumers and evaluates their purchasing potential, leading to the knowledge of consumer's needs and preferences as a key to success. To better contestualise the context in which Charles Philip Shanghai and The Coca Cola Company will soon operate, it would seem helpful recalling some datas from the first part of this work. As emerged by the previuos chapters, China's fashion market is growing and it will continue to grow at a fast speed in the coming years and China's fashion industry will become the world's second fashion market by 2020, and will account for about 30 percent of the global fashion market's growth over the next five years.[123] Given the straordinary potential of Chinese market, the segmentation is largely applied by large international brands operating in China. Two types of this marketing strategy are judged as particularly used within the Chinese country: demographic and geographic segmentation. This is because consumers' purchasing habits are more likely to depend on one or both of these factors, Since tastes of potential consumers in China are different from those of the Westerns due to its unique culture. China demographic segmentation, shown by Figure 43, implies dividing customers into groups by gender, age, and other demographic reasons. In China, demographic segmentation is greatly spread when different income-level groups are targeted.

China Demographic Segmentation

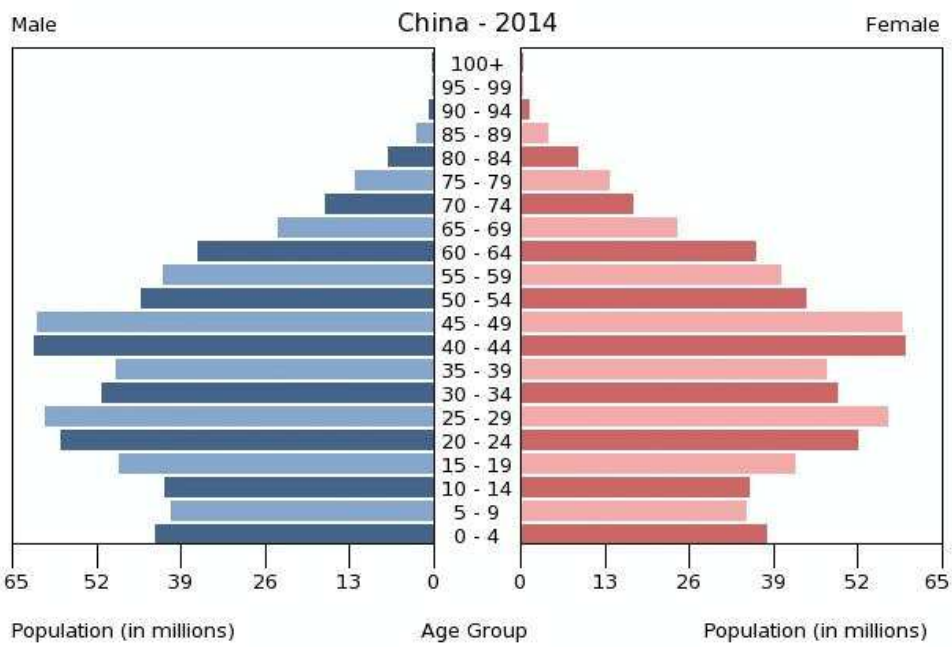

Figure 43. China Demographic Segmentation. Source: IndexMundi (2016), http://www.indexmundi.com

[122] West, D., Ford, J., and Ibrahim, E. (2015). *Strategic Marketing: Creating Competitive Advantage. 3rd ed. Oxford University Press*

[123] Boston Consulting Group. (2011, July). *Dressing Up, Capturing the Dynamic Growth of China's Fashion Market.*

Furthermore, in China, demographic segmentation is greatly spread when different income-level groups are targeted. In this case, increasing luxury trends among Chinese consumers led to a large group of potential customers in the luxury market. [124] These attidudes would seem to be perfectly respected by the nature of Charles Philip Shanghai x Coca Cola products, accessible for the medium-upper range of customers, as it will be discussed in the next paragraph. Complementary, geographic segmentation basically implies dividing consumers into segments in accordance with their location according to the concentration of GDP pro capita, as represented by Figure 44.

China Geographic Segmentation

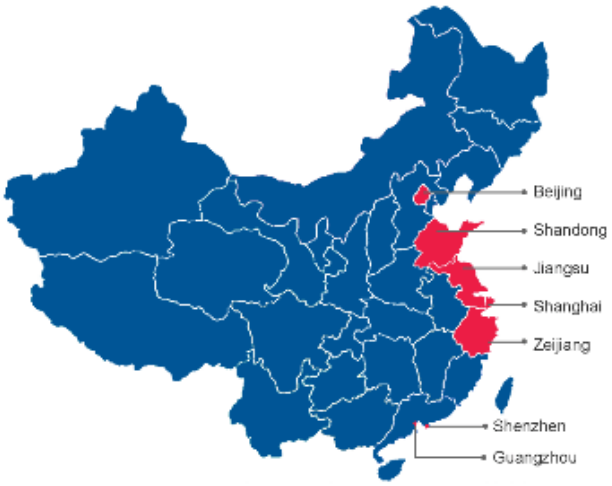

Figure 44. China Geografic Segmentation. Source https://www.b2binternational.com

From the geaocgraphical segmentation appears almost certain that either local and international brands are becoming more familiar to Chinese people, especially among consumers in high-tier cities such as Beijing and Shanghai and along the Chinese east coastal areas, where the income of the middle class of the population is continuosly rising.[125]

5.2.2 Targeting

Once identified different market segments, a correct marketing programme would suggest to consider all elements that could be designed to suit the particular requirements of the segments which will be targeted.[126] The first important factor to analyse is that the number of middle-class consumer households, those with an annual income of more than RMB74,000

[124] Daxue Consutling . (2015, September). *Market Segmentation Strategy in China.*
[125] Boston Consulting Group. (2011, July). *Dressing Up, Capturing the Dynamic Growth of China's Fashion Market.*
[126] Perner L. (2010). *Segmenting, Targeting and Positioning. Ed. Usc Marshall.*

($11,400), is estimated to increase almost threefold to 140 million by 2020, from 50 million in 2010.[127] Indeed, it appers fairly to argue that a middle-class with an increased disposal income in the next future will likely constitute the major target of customers for Charles Philip Shanghai x Coca Cola collection. Secondly, since China's consumers' spend on fashion as percentage of income as they were part of Western market, the Chinese government is highly encouraging more consumption. Thirdly, according to China Daily (2013), consumers below 25 years old, spend more than 40 percent of their disposable income on fashion products, fact that will further enlarge the collaboation's target among young people. The report of Mckinsey (2011) confirms the choice of involving young customers into the segmented target. In fact, it argues that Chinese luxury buyers are younger than their counterparts elsewhere in the world. With an age of 35 or younger, while the average Chinese millionaire is 37, compared with 57 in the United States. And again, the geographic center of middle-class growth is shifting to China's Western and Northern regions, forecasting that within 10 years, the third-tier cities will be the main drivers of growth. These trends strongly suggest to Charles Philip Shanghai and The Coca Cola Company a need for a dual marketing strategy that lets retailers capture the middle-class and upper-middle-class consumers that will be spread across the country.[128] Indeed, the decision through which Charles Philp Shanghai and The Coca Cola Company tends to identify both male and female between 20 and 50 years old, living in China as member of the upcoming upper-middle class, on which the new collection will be targeted, would appear largely justyfied. However, to make the collection successful in China, the Charles Philip Shanghai – Coca Cola alliance should keep in mind the characteristics of the Chinese middle class, widely based on the Chinese culture. First, they have a strong preference for novelty, which leads them to constantly seek out the newest products available. Second, they are early adapters of new technology and have embraced social and digital media. Finally, while they enjoy the status conferred by luxury brands, they usually lack the emotional ties that would lead to brand loyalty.[129] The consideration of these external issues could probably contribute to optimise the Charles Philip Shanghai x Coca Cola collection positioning.

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[127] Zhang, E. (2011). *Fashion-Hungry Chinese Market Expected to Triple by 2020*. *CNBC.*

[128] Atsmon, Y., Dixit, V., Wu, C. (2011*). Tapping China's luxury-goods market. McKinsey&Company.*

[129] China Daily. (2013). *Middle Class Spreading Investments.*

5.2.3 Positioning

According to West et Al. (2010),

> "a product's positioning is the place a product occupies in a given market, as perceived by the relevant group of customers; that group of customers is known as the target segment of the market. Positioning is not what is done to the product or retail brand, it is what is created in the minds of the target customers; the product is positioned in the minds of these customers and is given an image."

To have a complete understanting of the Charles Philp Shanghai products postioning on the fashion market, the researches of the Author firstly involve the total range of goods the company is offering. Charles Philip Shanghai products are classified in Figure 45 by the Boston Consulting Group Matrix[130], which compare their market share with their potential market growth.

Charles Philip Shanghai Brand Portfolio

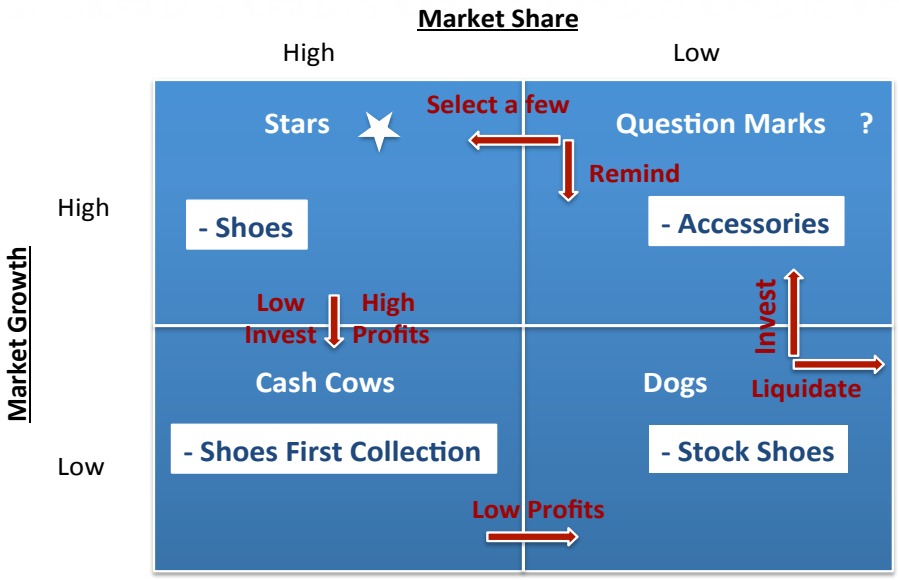

Figure 45. Charles Philip Shanghi Brand Portfolio. Developed by the Author. Source Value Based Management (2015).

According to Professional Accademy (2015) the Boston Matrix is composed by Cash Cows, Dogs, Question Marks, and Stars. Cash Cows are products to be "milked" continuously, but at

[130] Value Based Management (2015). *BCG Matrix.*

the same time with as little investment as possible, because of their high maket share. Referring to Figure 45, belonging to this category is the first Charles Philip Shanghai collection, that presenting its typical stripes patterns is still on the top of sales ranking. Dogs are products making a loss or a very low profit at best. In this case, questions for Charles Philip Shanghai managers are whether the revenue of selling stock shoes could cover the production costs previously occurred. Differently, Question Marks have a potential to gain market share and become stars. They must be analyzed carefully in order to determine whether they are worth the investment required to grow market share, avoiding the recession into dogs. Profits on accessories such as backpacks, keychain, and shoes bags involved in the collection designed for Coca Cola will be important indicators. Finally, Stars are units with a high market share in a fast-growing industry. [131] This is the scenario represented by Charles Philip Shanghai shoes within the Chinese fashion industry. They require high funding to fight competitions and maintain a growth rate. Moreover, Charles Philip Shanghai x Coca Cola product development is based on the concept of line extension, that means exploiting the name of the exisisting brand with the objective to add a new product line.[132] This strategy aims to insist on the targeted market segment, increasing Charles Philip Shaghai product portfolio. Advantages and disadvantages of line extension are shown by Figure 46.

Charles Philip Shanghai Line Extension

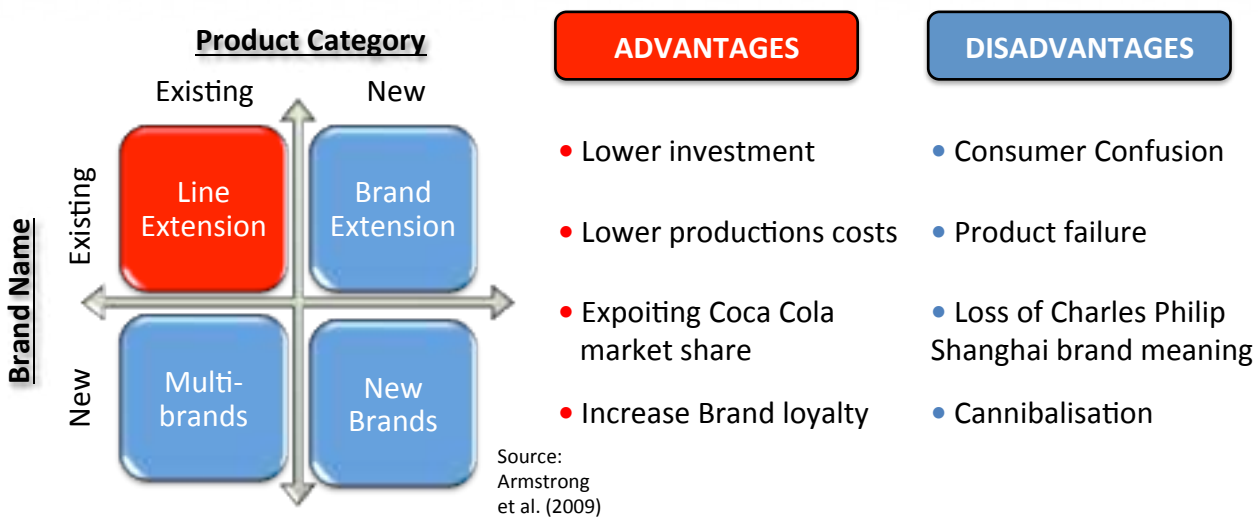

Figure 46. Charles Philip Shanghai Line Extension. Developed by the Atuhor.

[131] Professional Academy (2015). *Marketing Theories- Boston Counsulting Group Matrix.*

[132] West, D., Ford, J., and Ibrahim, E. (2010). *Strategic Marketing: Creating Competitive Advantage. 2nd ed. Oxford University Press*

The line extension strategy differs from the others for well defined reasons. It provides lower investment in timing efforts as well as lower production costs than developing a new brand. In fact, in multibrands or new brands extensions strategies companies would have to create new packaging or new logos. Other benefits could rise by the effective exploitation of the high maket share managed by The Coca Cola Company worldwide, that can lead to enhanced the brand loyalty through the offering of new products. However, it seems also true and right to consider that amendments to this proposal, could arise by shifitng the focus on the possible disadvantages. For example, the target selected will appreciate the new product because it is designed for them, respecting brand attributes and consumers disposal income, but by contrast other types of consumers could preferrable to stay focused on products representing the Charles Philip Shanghai core business. Other risks might be represent by the loss of Charles Philip Shanghai brand meaning that could be obscured by the branding power of Coca Cola and by the possible failure of new products. The first issue will be fairly certain avoided building the image of the new collection on the same attributes which already characterise the brand such as high fashion style and fresh and innovative design, while failure is an unavoidable risk always present in the market. Last, products of the same brand could steal maket share between each others, and consumers could buy new line products instead of the existing ones, leading to the also called cannibalisation. To adress this problem both "Pop Art" and "On The Track" styles developed in collaboration with The Coca Cola Company seem to be neither farly comparable with other Charles Philip Shanghai products, so that they shouldn't generate any cannibalisation. Furthermore, to add value to the new collection of products in order to enable it to became more suitable for the taget customers, Charles Philip Shanghai with the support of The Coca Cola Company would necessitate to maximise the set of assets, which combined, are named Brand equity, shown by Figure 47.

Brand Equity

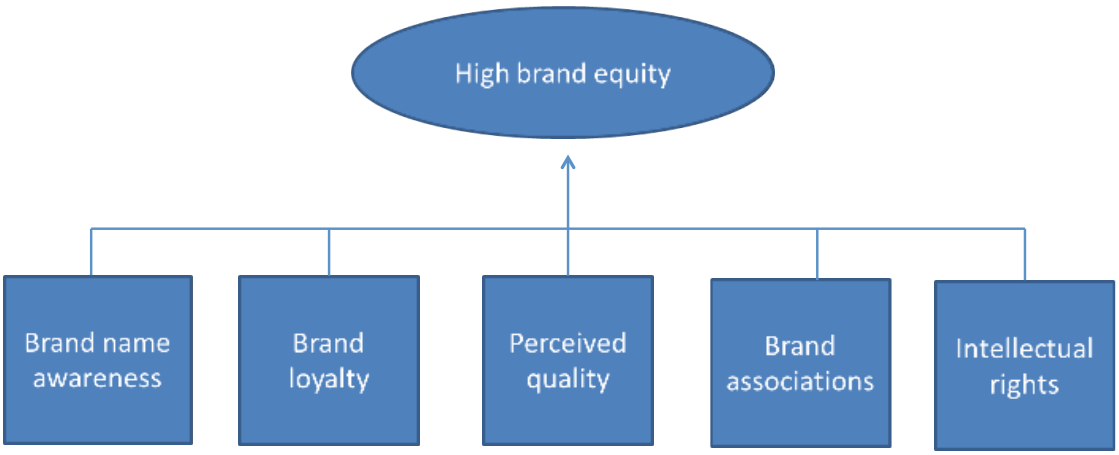

Figure 47. Brand Equity. Adapted by West et Al. (2010).

This concept involves an assumption that there are five types of assets that should be considered when examining a brand.[133] The first one is the brand name awareness. If the consumer is aware of the brand, then familiarity certainly has the potential to generate positive feelings. The second is brand loyalty, which assumes that loyal customers will spread positive word-of-mouth and help attract a new set of customers. The third is the perceived quality, which is strongly associated with profitability. The fourth is brand associations, which involve the various connections and associations made by consumers about the brand.[134] To increase the brand associations, Charles Philip Shanghai through Coca Cola expertises could use a diverse digital channels to offer the new products to the target consumers, promoting the collaboration through various platforms of digital media, including internet advertising, mobile marketing viral, social web marketing. The fifth asset refers to intellectual property rights. Despite the 2012 IP comprehensive cooperation agreement, signed between China and the U.S., challenges into Chinese intellectual properties legal framework are not yet disappeared. So, the suggestion to the partership to enable The Coca Cola Company to avoid to incurr into intellectual property invalidation, is to develop an integrated IP protection strategy. According to the information shown above, Charles Philip Shanghai is a company which has high brand equity that could reach even higher peaks by partnering with a giant like Coca Cola. Moreover, this collaboration will probably lead customers to trust and to easier accept new Charles Philip Shanghai products line. Successively, as the last part of the paragraph, the focus moves on how

[133] Netemeyer, G.R, Krishnan, B., Pullig, C., Wang, G., Yagci, M., Dean, D., Ricks, J., Wirth, F. (2004). *Developing and validating measures of facets of customer-based brand equity. Journal of Business Research.*
[134] United States. U.S Department of State. (2012). *The United States – China Intellectual Property Rights (IPR)* .

Charles Philip Shanghai is actually perceived by the customers, considering the Charles Philip Shanghai brand positioning map tracked by Figure 48.

Charles Philip Shanghai Positioning Map

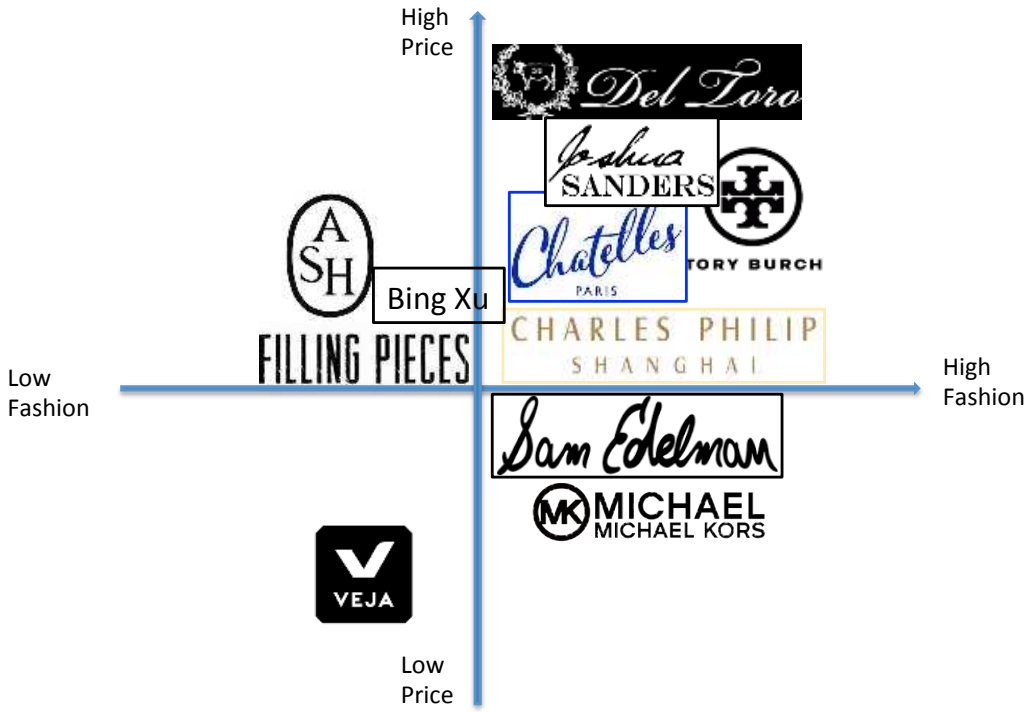

Figure 48. Charles Philip Shanghai Positioning Map. Developed by the Author.

As it emerges by the positioning map, the Charles Philip Shanghai price is quite competitive considering all the other brands and respecting the high fashion quality offered. Managing its own Workshop gives the possibility to the Chinese brand to build a high rate of customers' statisfaction, working on products customisation, and at the same time reducing wastes and costs. To get a comparison between the positioning of Charles Philip Shanghai and its competitors is necessary to move attention to the CP competitors table in Figure 49.

Charles Philip Shanghai Competitors			
Competitor	**Strenghts**	**Weaknesses**	**Chinese Range Price**
Sam Edelman	+ Worldwide strong brand + International customers + High number of retailers, especially important malls + Wide range of products (Shoes,Bags,Accessories,Jewelry)	- No Chinese Official Website - Hardly present in small shops - No flagship store in China	• 900 – 1,190 RMB
Bing Xu	+ Chinese Brand + Supported by chinese people + Present both in stores and big commercial centers	- Website with few information - No sales abroad - For only Chinese customers	• 1,900 – 2,400 RMB
Josha Sanders	+ International well known Brand + Shoes, bags, hats + Stores in America,Europe,Asia (10 in China, 2Shanghai) + China seen as the new emerging market + Made in Italy	- No Official Chinese Website - More present online than in-store - High Price	• 2,000 – 2,500 RMB
Veja	+ Ecological French Brand + Low Prices, made in Brazil + Storytelling about the safety of the environment	- Low Quality, ecological and recyciling material - Just 1 Store in China - No official Chinese Website	• 600 – 800 RMB
Tory Burch	+ Famous and expanded Competitor Brand in the world + Wide range of business + Well known and reasonable prices + Good quality, production in many countries (US,Europe,Asia) + Developed and Efficient Chinese Official Website + Available both in Flagship store and malls + Free standards shipping on online order over 2100 RMB		• 1,300 – 2,400 RMB

Competitor	Strenghts	Weaknesses	Chinese Range Price
Filling Pieces	+ Worldwide Brand (Europe,America,Asia) + Prices (of "New Era" collection) start to decrease + Expansion in chinese market + Handmade in Portugal	- Only Shoes - At the moment only 2 stores in China (Beijing, Shanghai) - No Chinese Official Website	• 1300 – 1800 RMB
Chatelles	+ Well known fashionable French Brand + High Fashion Quality + Online shop assistance	- No Flagship Store in China - No Chinese Website	• 1400 – 2000 RMB
Del Toro	+ High Fashion Quality + Wide range of products offering + Blog "around the world"	- Highest competitor price - Only for selected high target	• 2,800 – 3,500 RMB
Micheal Kors	+ As Tory Burch, famous and expanded Competitor Brand in the world, running business mainly in womenswear + 42 stores in China (5 in Shanghai), production in many countries (US,Europe,Asia) + Shoes,accessories,bags,watches, womenswear brand + well estabilished network of testimonial celebrities (*Michelle Obama),* /Key opinion leader and product placement (nominated in *The Devil Wears Prada*). + Available both in Flagship store and malls + Chinese Official Websites + very popular , low price for selling shoes in China		• 1,200 RMB
ASH	+ Popular American Brand, various production factories. + womenswear,shoes,handbags + "The boho hipster lifestyle" new design for Shanghai and Beijing + 7 Flagship stores in China	- incumbent in China (18stores,4Shanghai) sneakers competitor - No Chinese Official Website - Sales mainly online in UK and US	• 1,400 – 2,400 RMB

Figure 49. Charles Philip Shanghai Competitors. Developed by the Author (2015).

To deal with existing competiors Charles Philip Shanghai could develop different solutions. First, to be accessible for another segment of the market and to slightly modify its positioning Charles Philip Shanghai would seem starting to design a cheaper style, the foldable shoes. Even though about this operation there is no tangible track yet, in a future, this foldable style strategy could have a considerable impact on the possible acquisition of new retailers granting them an higher retail mark-up, given the consequenting lower manufacturing costs. Second, a new line entirely designed for Shanghai or in general for Chinese customers, getting inspiration by the idea of the brand Filling Pieces, described in figure 49, could giustify possible higher prices company policies. Third, planning future investments in product placement and key opinion leader is likely to involve famous celebrities which could wear especially Charles Philip Shanghai x Coca Cola shoes as well as People with hudge appeal and network of followers trough which the new products could be widely promoted.

5.3 DISTRIBUTION STRATEGY

West et Al. (2010) encourage the organisation to distribute the product to the users at the right place at the right time. This statement has been implemented by West et Al. third edition (2015) in which an efficient and effective distribution, capable to avoid to underestimate demand and profitability is demonstrated to be fundamental to meet its overall marketing objectives. Two appears to be the main channels of distribution available to firms: indirect distribution and direct distribution, as suggested by Figure 50.

Types of Distribution Channels

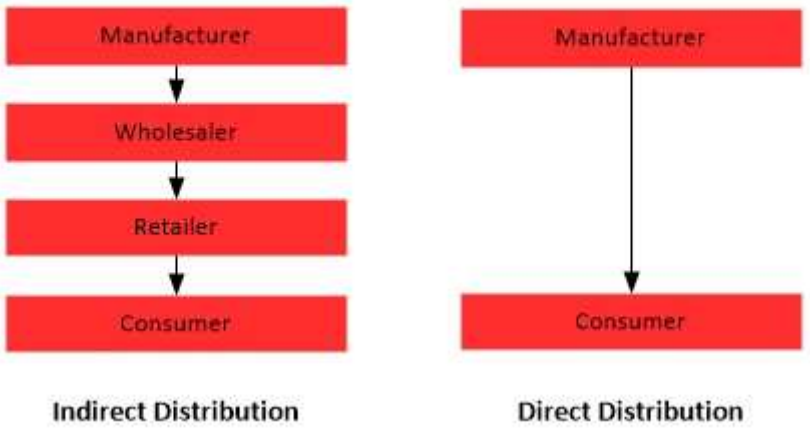

Figure 50. Types of Distribution Channels. Source: http://www.learnmarketing.net

Indirect distribution involves distributing products by the use of an intermediary, for example a manufacturer selling to a wholesaler and then on to the retailer. Contrary, direct distribution involves distributing direct from the manufacturer to the consumer. The advantage of direct distribution is that it gives to manufacturers complete control over their product.[135] Charles Philip Shanghai, being itself the manufacturer, manages the further adavantage to adopt both these channels, in order to maximise its distribution process. This important factor led the company to set up a customised and selective distribution strategy, as provided by the agreement with the Coca Cola Company. The selective distribution allows to Charles Philip Shanghai to spread the co-branded Coca Cola products among a number of retail outlets accurately choosen. Moreover, the Charles Philip Shanghai role of manufacturer, with its competitive geographical position and its reputable intermediaries, combined with The Coca Cola Company experience in worldwide distribution, and knowledge to reach the target audience, are probable to be the characteristics on which the selective distribution of the partnership has been built. Other possible distribution strategies such as intesive distribution or exclusive distribution, respectively concerning the distribution of low priced products or the distribution to a single outlet, seem to not match the intentions of Chrales Philip Shanghai and neither those of the partnership in this case. In fact, given the forecasted growth of the chinese fashion market it would not seem beneficial to keep the new Coca Cola collection exclusive or low priced. The following part of the chapter considers retailing, the internet, and sales management as fundamental parts of the distribution strategies of the Charles Philip Shanghai – Coca Cola collaboration.

5.3.1 Retailing

As argued among the literature by McGoldrick (2002), retailing definitions refer to the ability of an organisation to identify, anticipate and satisfy customer requirements efficently and profitably.[136] Moreover, Berman and Evans (2006) claims that retailing also enables goods to move through distribution system as well as customer to create and add value.[137]

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[135] West, D., Ford, J., and Ibrahim, E. (2010). *Strategic Marketing: Creating Competitive Advantage. 2nd ed. Oxford University Press*

[136] McGoldrick, P. (2002). *Retail Marketing*. 2nd Ed. McGraw-Hill

[137] Berman, B., Evans J.R. (2006). *Retail Management a Strategic Approach. 10th Ed. Pearson Prentice Hall.*

An appropriate retail mix strategy, should increase both customers involment and customer satisfaction, which are the main goals of the partnership formed by Charles Philip Shanghai and The Coca Cola Company. The retailing startegy of the partnership is represented by Figure 51.

Charles Philip Shanghai x Coca Cola Retailing Strategy	
Segmentation strategy	• Undifferentiated, proposing a standardise retail mix for all target customers
Location strategy	• Products available in retailers located in the city centre of the main Chinese cities
Merchandise strategy	• Based on product's life cycle from the retailers prospective
Pricing strategy	• Considers age, lifestyle and disposal income of the customer target
Communication startegy	• Reinforcing positioning on high fashion style
Store image and customer service strategy	• Reserved area for Charles Philip Shanghai x Coca Cola collection

Figure 51. Charles Philip Shanghai x Coca Cola Retailing Strategy. Developed by the Author. Source: Charles Philip Shnaghai (2016).

As suggested by Figure 51, the retailing strategy of Charles Philip Shanghai x Coca Cola collection is divided in six areas: segmentation, location, merchandise, pricing, communication and store image. The segmentation is focused on common needs of the target customers providing availability of the same products of the collection in every store. The retailers selected to host the new collection will be located in the city centre according to competition, customer needs, and following customer shopping habits. This stratetgic decision should generate wide visibility for products. Furthermore the retailers'view of the product's life cycle, shown by figure 52 and described below, will have a strong impact on the retailing strategy of the partnership.

Retailers' Product Life Cycle

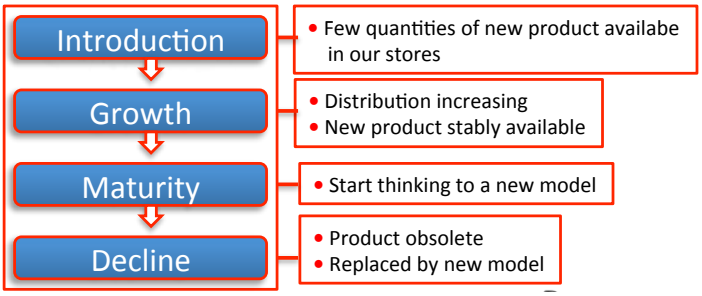

Figure 52. Retailer's Product Life Cycle. Developed by the Author. Source: McGoldrick, P. (2002)

In the introduction stage immediately after the RIO 2016 Olympics Games only a few quantities of new product will be available in-store. This strategy aims to pursuit the objective of getting a first indication on the degree of appreciation of the new collection. Then, during the growth phase distributors should be encouraged to deliver more products of the Coca Cola collection to stores, making the product become stably available. This phase will have a crucial importance in terms of sales and profit maximisation. Successively, the maturity stage will be exploited to start thinking to a possible new model of the product that will may replace the existing one, once it will be going through the decline stage. The maturity should not be underestimated by the partnership because, if properly exploited, it could ensure a possible time extension of the companies collaboration. In addition, once considered age, life style and increasing disposable income for the target customer as well as the existing average price of Charles Philip Shanghai products, the range of price for the new collection has been defined to be $155 - $200. This will be theorically perceived as an almost low price for Charles Philip Shanghai pursuing the objective to be suitable for both middle and upper middle market classes amd also according to the slowing growth of the Chinese GDP estimated for for the upcoming years. Nontheless, the products designed for Coca Cola should contribute to reinforce the positioning of Charles Philip Shanghai in the mind of the customers. In facts, high fashion style and local design create linkages between tradition and innovation, that is one the dimensions at the base of the Chinese culture. To conclude, according to retailers, an exclusive in-store area will be dedicate to the promotion of the Charles Philip Shanghai x Coca Cola collaboration, aiming to maximise the customer experience.[138] The distribution strategy will involve also the online store, in order to get the best of both worlds, and providing to customer the same experience across all touchpoints and network channels.

[138] Charles Philip Shanghai (2016).

5.3.2 The Internet

As reported by Vrechopoulos, A.P. (2004) the enormous information management capabilities available in the Internet retailing landscape today, generate a challenging research opportunity with direct managerial implications for suppliers and retailers . The evolving Internet retailing world enables direct contact with suppliers and customers, especially providing advanced customer services. Enhancing the shopping experience means also to apply requirements of consumer segments to product categories in order to obtain a succesful effectiveness. [139]
Objectives of the Charles Philip Shanghai – The Coca Cola Company internet strategy are apparenty three: identification, differentiation and customisation.[140] Identifying consumer behaviour models, differentiating products life time value and customising business-to-consumer marketing mix. In few words, while the in-store retailing strategies is developed on the concept of undiferrentiation, so that every customer can find the same product in each retail store, the internet offers the possibility of a customised section to make the consumer feeling more comfortable with the brand.[141] Moreover, given the rising internet penetration rate, well developed websites act between customer and firm to accelerate the evolution of distribution processes of products and information making markets more efficient. The Report of China Internet Watch (2015) expects the number of online shoppers to rise to 329 million in 2015 from 145 million last year. Apparel retailers may have the most to gain from this growth, as fashion already is on the top purchases made by Chinese shoppers online[142] , as indicated by Figure 53.

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[139] Vrechopoulos, A.P. (2004) *Mass customisation challenges in Internet retailing through information management. International Journal of Information Management.*

[140] Charles Philip Shanghai (2016).

[141] Pitt, L., Berthon, P., Berthon, J.P. (1999). *Changing Channels: the Impact of the Internet on Distribution Strategy . Business Horizons.*

China Online Retail Market 2006- 2020

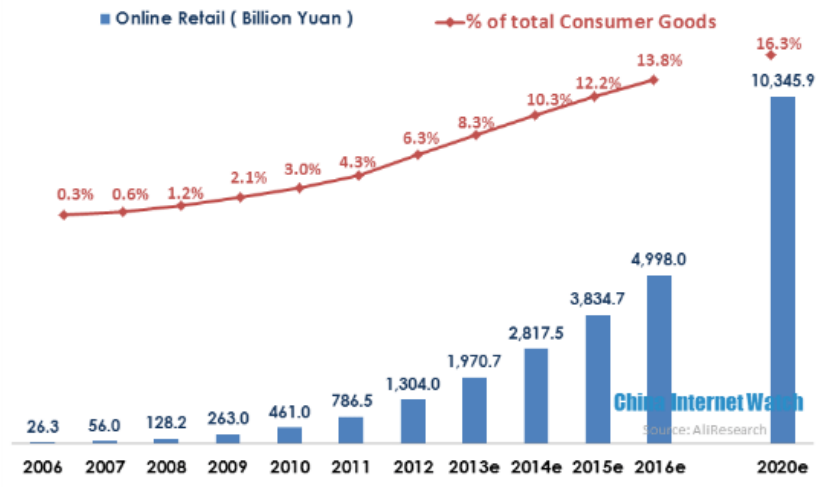

Figure 53. China Online Retail Market 2006- 2020. Source: http://img.chinainternetwatch.com (2015)

Figure 54 underlines that online Internet sales rose about 23% in 2015 and that they are likely to increase at that pace again by 2016. The internet power is further highlighted within the partnership, since from the list of key retailers estimated by the Charles Philip Shanghai and The Coca Cola Company, ranked in Figure 54, the first positions are owned by online platforms .

Top 10 CP- Coca Cola Forecasted Retailers	Type of Retailer
1. Charles Philip Online	Online
2. Charles Philip Taobao	Online
3. Wendy's	Online
4. Catie Lo	Physical
5. Taorino 09	Physical
6. Heirloom	Online
7. iYoho	Online
8. Suzhou Village	Physical
9. Shanghai Village	Physical
10. 10 Corso Como	Physical

Figure 54. Top 10 CP- Coca Cola Forecasted Retailers. Source: Charles Philip Shanghai (2016).

One more important factor to consider is that the e-commerce strategy in China is really different from the strategies outside the country because of the population differences in cultures and shopping habits.[143] Being attractive for chinese costumers requires more efforts than other markets. Chinese websites' home pages has to be structured to guarantee opportunities of getting as many information as possible, meeting chinese requirements (scroll down included). By contrast, Westerns show preferences for shorter home page with information well organized. Chinese like more than Westerns entertainment online sites, so that key success criteria could be represented by Chares Philip Shanghai and The Coca Cola Company blogs and social media functions such as connections with fashion, lifestyles storytelling , outfits teaching. On this concept, since China doesn't admit western social media, Figure 55 is structured to show to the readers which are the funtions of those allowed within the Chinese Republic.

Chinese vs Western Social Media

Figure 55. Chinese vs Western Social Media. Source: http://www.eclipsewebmedia.com

By linking the Charles Philip Shanghai website page on its blog posts on social media, followers will be re-directed to the e-commerce platform where they can easily place their orders. This factor will play a crucial role in the next future, since the Chinese online retail sales'forecasts seem to be favorable to the industry. In conclusion, the Internet ,if exploited properly, could

[143] Charles Philip Shanghai.(2016). *E- Commerce Report.*

lead to increase both e-commerce and in- stores sales of the Charles Philip Shanghai – The Coca Cola Company collaboration.

5.3.3 Sales Management

The declining customer satisfaction ratings for many organizations are creating demands and opportunities that require adaptation and new approaches on the part of organizations sales management. Nowadays, customer expectations are increasing in relation to salesperson knowledge, customization of information and product/service offerings, and they change often faster than organizations can effectively respond.[144] Heavy investments in sales process improvements and in customer relationship management (CRM) can be seen as the main possible remedies. In addition, the facilitation role of the Internet has enabled salespeople to communicate more effectively with customers, in particular they have to be able coordinate the efforts within their organizations in order to assist, sell and provide service to customers over long periods of time.[145] The shoppers are connected and social, and with smartphones and apps they expect a personalized experience everywhere. The importance of the in-store experience is highlighted by the fact that its becoming a touchpoint for increasingly dynamic customer interactions. Acting in this context, the Charles Philip Shanghai and The Coca Cola Company alliance has to develop competencies to remian agile in these fast-changing markets, drive innovation, and reimagine the entire retail experience from in-store to online. This way could lead to a global involvment of the customers through every distribution channel.
Building an integrated shopping experience across every possible touch point through email, social, mobile, e-commerce, in-store, and customer service centers is likely to reward loyal customers with incentives matching their personal wants and needs, or in other words, personalising their shopping experience.[146] Again, by connecting sales personnel, operations, and service agents Charles Philip Shanghai and Coca Cola would always deliver the right offer to the right customer. Sales department and marketing team, being closely linked to each other will share the objective of working together in order to co-create brand awareness.[147]

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[144] Baldauf, A., Cravens, W.D., Piercy, N.F. (2001). *Examining the consequences of sales management control strategies in European field sales organizations. International Marketing Review.*
[145] Jones, E., Brown, P.S., Andris A.Z.,Weitz A.B. (2005). *The Changing Environment of Selling and Sales Management.* Journal of Personal Selling & Sales Management.
[146] Salesforce (2015). *Rewrite the rules of retail.*
[147] West, D., Ford, J., and Ibrahim, E. (2015). *Strategic Marketing: Creating Competitive Advantage. 3rd ed. Oxford University Press*

Nevertheless the launch the new Charles Philip Shanghai collection should not be source of new hiring in the Coca Cola distribution workforce. Rather, even due to the increasing unemplyoment rate in the U.S, it will be provided an in-house training program to educate current sales team about the new co-branded product. However, this strategy will probably enhance the level of qualification of the staff, allowing to sales department to satisfy customer needs.

CHAPTER 6
MARKETING MIX STRATEGIES

Chapter six is developed among the partnership marketing mix strategies. Aimed by the focus on further arguments and speculations concernig the customer engagement base on the Charles Philip Shanghai x Coca Cola collection, in the following chapter the Author suggests the implementation of the traditional marketing mix, through the consideration of consumer's marketing strategies, having the objective to lead Charles Philip Shanghai and The Coca Cola Company to reach a higher degree of customer satisfaction. Once again, the main forces affecting these operations are represented by the international business factors, which still play a fundamental role through their impact on the marketing strategies which could be undertaken by the alliance. The first part of the proposed framework extends the traditional concept of marketing mix by adding to it relevant external components, then, the second part focuses on the influence of international issues in terms of consumer's marketing and customer engagement. The marketing framework suggested by the Author is shown by Figure 56.

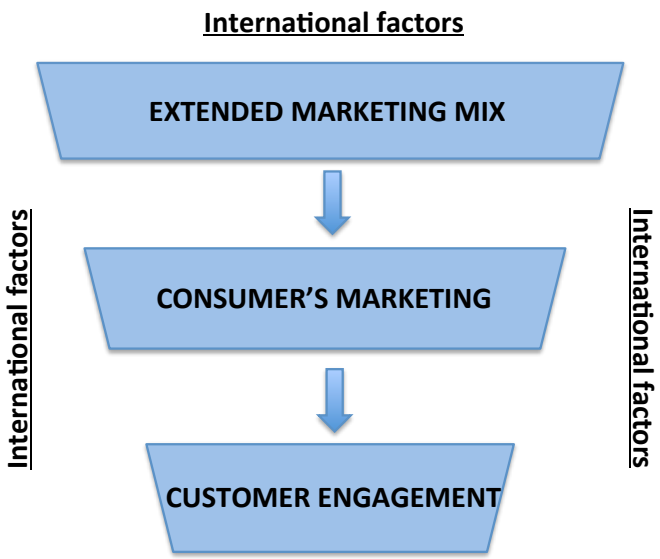

Figure 56. Marketing Mix Strategies Framework. Developed by the Author.

6.1 EXTENDED MARKETING MIX STRATEGY

The traditional marketing mix strategy, based on the so called 4Ps model (Product, Price, Place, Promotion), aims to differentiate the Charles Philip Shanghai x Coca Cola collection in the fashion market, optimizing it for the selected segment and communicating how the products could distinguish itself from the competition. As argued by West et Al. (2010), through marketing mix strategies, the objective are those of avoiding potential pitfalls, and underlining how the products of the partnership could be perceived different from the actual market offerings in that sector. However, some researches (Costantinides, 2006; Goi, 2009), as shown by Figure 57, moved criticisms to the 4ps model. It is claimed that the 4ps model does not consider the characteristics of the service and does not consider the customers in how, where, and when they want choose to buy. Areas which, in a fast-changing environment such as the Chinese fashion market , appear to be often affected by external factors and shaped by institutional interventions and nonetheless by culutral differences. The extension of the 4ps model should be managed by Charles Philip Shanghai and the Coca Cola Company as parts of the marketing mix strategy.

Criticisms to 4Ps Model
• The 4ps does not consider customer behaviour but is internally oriented.
• The 4ps regards customers as passive it does not allow interaction and cannot capture relationships.
• The 4ps is void of theoretical content; it works primarily as a simplistic device focusing the attention on management
• The 4ps does not offer help for personification of marketing activities
• The 4ps does not mention relationship building which has become a major marketing focus, or the experiences that consumers buy.
• The 4ps does not take into consideration the unique elements of services marketing.

Figure 57. Criticism to 4Ps Model. Developed by the author. Sources: Goi (2009), Costantinides (2006)

As Figure 57 indicates, within the literature it is mainly argued that 4ps model does not consider the services through which the product is offered and neither the customer choice process. In order to adress these issues, Booms and Bitner in 1981 shifted the original model into a consumer-focused marketing framework. By adding People, Process and Physical Evidence, an extended marketing mix strategy has been developed, implementing the focus on customer wants and concerns with the goal to ensure customer satisfaction.[148] 7Ps model that should be applied to Charles Philip Shanghai-The Coca Cola Company collaboration is suggested by Figure 58.

7Ps (Booms and Bitner, 1981)
Product, values and benefits
Price, transport,time, delivery options, payment through devices.
Promotion, in store and online experience
Place, how when where why customer make a choice
People, product returns, 24/7 customer assistance
Process, layout of purchase
Physical Evidence, store image and virtual online image

Figure 58. 7ps Model. Source: Newcastle Business School (2016).

6.1.1 Product

Charles Philip Shanghai x Coca Cola collection aims to take a competitive advantage from the other players in the industry, through the high fahion style of Charles Philip Shanghai and the brand values of The Coca Cola Company , usually perceived by costumer.

The Coca Cola collections "On the track" and "Pop Art", shown again by Figure 59, has been realized combining the Charles Philip Shanghai brand's style credentials with The Coca Cola leading fashion trends of pop art and glamour. The new products, thanks to their particular characteristics should avoid potential disadvantages such as cannibalisation or loss of brand meanining, risks considered by the Charles Philip Shanghai line extension.

[148] Goi, C.L. (2009). *A Review of Marketing Mix: 4Ps or More?. International Journal of Marketing Studies.*

Figure 59. Charles Philip Shanghai x Coca Cola Collection. Source Charles Philip Shanghai (2016)

6.1.2 Price

The price for the new shoes has been defined around 150-200 $. Age, life style and disposal income of has been the main factors considered in order to fix a comfortable price easily accessible for the target customer. As already mentioned**,** this pricing strategy could be likely perceived as low price for Charles Philip Shanghai on the international scenario as well as a medium price within the Chinese fashion market. As demonstrated by the researches analysed in the first part of this work, the Chinese middle-class disposal income is forecasted to rise, indeed, the objective of Charles Philip Shanghai and The Coca Cola Company is to launch a product suitable and accessible for middle-upper customers, which are going to enlarge their market segment. Higher prices wouldn't find any justification and they wouldn't agree with the pricing policies suggested by the international fashion market growth. In fact, through this favorable period for the fashion industry, estabilishing medium prices would help the partnership to sell more quantities of product.

6.1.3 Promotion

On of the biggest global event such as the Rio 2016 Olympics Games has been choosen by the partnership as the right situation through which launch the new Coca Cola Collection. The Coca Cola Company is the Olympics worldwide main sponsor, and its developed distribution

channels, combined with its marketing expertises, could be important resources to exploit in terms of products promotion. Moreover, the E-commerce improvement planned by the partnership to spread the communication of the new products as widely as possible among China is likely to be a crucial step. Given the opposition of Chinese government to western social media, a customised advertaising campain,exclusively developed for Chinese customers identified as the principal target, should be created. This complex situation has drove, in 2014, The Coca Cola Company to open, with the local (and also international) WeChat ,a new model of cross-border mobile marketing[149]. This agreement led The Coca-Cola Company to bring its "Share a Coke" advertising campain in China, coming out with its most worldwide inventive and successful twists of 2015, customizing bottles with famous Chinese movie quotes.[150] In addition, the growing Internet-based background will probably give to Charles Philip Shanghai the possibilities to further develop its online blog maybe involving testimonials, famous athletes or fashion blogger. To summarise, creating an unique online-experience to promote the new products should have been made esasier and faster by the already acquired knowledge by both brands in the Internet Chinese processes exploiting international technological breakthroughs, which continuously contribute to increase communication facilities. And,more importantly, being aware of technological innovations and the potential of the social media, to keep people connected with firms worldwide, would avoid to lose competitive advange. Furthermore the presence of the Coca Cola collection in selected retailers within China is probably another decisive factor. Following this belief and considering the collectivism dimension of the Chinese culture, reserving an exclusive space in the store, inviting Chinese athlets to entertain people and consumers would contribute not only to maximise sales related to the new collection,but also to spread the image of other Charles Philip Shanghai or The Coca Cola Company products, generating a successful chain effect for the partnership.

6.1.4 Place

The Charles Philip Shanghai x Coca Cola collection will be available both online and among selected retailers. By this strategy distribution channels will not be limited and, moreover, keeping the products in selected places will enable the partnership to mantain the control over the collection, reinforcing its perceived quality. The target customers will find the same

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[149] Doland, A. (2015, June 05). *Coca-Cola Tries New Twist on 'Share a Coke' in China. Advertising Age*

[150] Marketing China. (2014, May 03). *Wechat + Coca-Cola: Open a new model of cross-border mobile marketing. Markeitng China*

products of the collection in every store, with the possibility to customise their orders through the e-commerce platform. The different types of customer experiences offered by the partnership, aim to add value to Charles Philip Shanghai and The Coca Cola Company products, adressing consumers needs in multiple directions.

6.1.5 People, Processes, Physical Evidence

People, Processes and Physiscal Evidence represents the 3ps that has to be added to the previous model in order to maximise either experience and satisfaction of the customer.
First, the factor People would involve all the staff to get contacts with customers. Ivy (2008) suggested that the image of workforce can affect the customer choice process . Customers, in the case of the collaboration between Charles Philip Shanghai and the Coca Cola Company, could be influenced by the professionalism of sales department, gained through an efficient sales management strategy, or by the degree of competences potentially managed by a reliable customer service. In fact, the aim of People as part of the 7ps model is to build a strong service quality perception for the customers. [151] Second, Processes would seem to play an important role to educate customer to the new product. Costantinides (2006) demonstrated how the lack of customer orientation is likely to reduce the perceived value of the product. Marketing processes should be able to create interaction between customer and product, through well developed communication and transaction activities.[152] Processes such as store opening hours, online sales and customer experience that would need to be continuously implemented , to ensure the success of the Charles Philip Shanghai – The Coca Cola Company new product development and to achieve the highest level of customer satisfaction. Third, Physical Evidence is decribed within the literature (Rafiq & Amhed, 1995) as the least meaningful strategy of the new three variables present in the 7Ps model. [153] This statement could lead to the conclusion that Physical Evidence does not have a relevant influence on the customer judgment of the new product developed by the partnership. Nevetheless, Yoo, Donthu & Lee (2000) claimed that if the store environment does not fit the perceived image of the product, consumers will not be

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[151] Ivy, J. (2008*). A new higher education marketing mix: the 7Ps for MBA marketing. International Journal of Educational Management*
[152] Costantinides, E. (2006*). The Marketing Mix Revisited: Towards the 21st Century Marketing. Journal of Marketing Management*
[153] Rafiq, M., Amhed, P.K. (1995). *Using 7ps as generic marketing mix: an exploratory survey of UK and European marketing academics*. Marketing Intelligence & Planning

impressed enough to appreciate the product.[154] Indeed, since Physical Evidence seem to be the tangible component of the service offering, Charles Phiip Shanghai and The Coca Cola Company have to be aware that the perceived quality of the new collection is probable to be affected from the image and reputation of the selected retailers. To conclude, the three addictional Ps will probably and positively influence and shape the entire consumer's marketing strategy, considered in the next paragraph.

6.2 CONSUMER'S MARKETING STRATEGY

Charles Philip Shanghai and The Coca Cola Company, to strengthen the positioning of the 7ps model, should rely on Consumer's marketing strategy, as the logical implementation of the extended marketing mix. The consumer's marketing strategy aims to maximise the degree of customer satisfaction that could derive from the new Charles Philip Shanghai x Coca Cola collection. Elements through which this consumer strategy should be developed are services marketing relationship marketing, , internal marketing, social and ethical marketing.

6.2.1 Services Marketing

The customer's service experience of the new Charles Philip Shanghai – The Coca Cola Comapany products should already interact with the three additional Ps through the degrees of staff quality service, processes provided by sales management strategy, and physical aspects of the product and its delivery. However, the services that go with the product are very important in terms of ensuring customer satisfaction[155]. Consequentely, as mentioned by Coulthard (2004), customer satisfaction is achieved when customers' experience of a service has been better than their expectations of it.[156] The main point of difference in Coca Cola collection customer's service can be made by the personell delivering factor, defined by Costantinides (2006, p.421) as a "powerful element tool of customer persuasion". Furthermore , a service-oriented culture development within the partnership is fairly certain to be the key factor for implementing the relationship marketing strategy. In this way, the service experience gained through the past collaborations respectively developed by Charles Philip Shanghai and The

[154] Yoo, B., Donthu, N., Lee, S. (2000). *An Examination of Selected Marketing Mix and Brand Equity. Journal of the Academic of Marketing Science*

[155] Cronin, J.J., Taylor, A.S. (1992). *Measuring Service Quality: A Reexamination and Extension.* Journal of Marketing

[156] Coulthard, L.J.M. (2004). *Measuring service quality: A review and critique of research using SERVQUAL. International Journal of Market Research.*

Coca Cola Company with global brands could be exploited by the partnership to maximise the customer service offered for the new collection, positvely responding to cultural differences either among China and worldwide.

6.2.2 Relationship Marketing

Despite, in services, short-term relationships with customers are frequent, some of the evidence (Grönroos, 1990; Gummesson, 2002) shows that achieving long-term relationships would often seem significant in order to fulfill the scope of marketing profitability. [157] How could the partnership estabilish long term customer's relationship exploiting the new products? A possible answer is given by Grönroos (1994) who suggests that first,it is important to attract the target customer, then bulding relationships with that type of customer. [158] In addition, achivement of long term relationship with customer can be successfully supported by the long term orientation of the Chinese culture. Moreover, as shown by Figure 60, communication,personalisation,and interaction with customer would acquire a central role in the relationship marketing strategy suggested for Charles Philip Shanghai and The Coca Cola Company.

Relationship and service values
1. Each customer to be treated as an individual with individual needs
2. Only end results count
3. The customer is in focus
4. A language that communicates on customer conditions
5. A win-win strategy
6. The customer is also knowledge-able
7. The customer is a partner and a co-producer
8. The customer is revenue

Figure 60. Relationship and Service Values. Source: Gummesson (2002)

[157] Grönroos, C. (1990). *Relationship Approach to Marketing in Service Contexts: The Marketing and Organizational Behavior Interface.*
[158] Grönroos, C. (1994). *From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing. Management Decision.*

In summary, the most important values proposed by Figure 60, which could drive the partnership to develop a successful long-term customer's relationship, apper to be reflected by the capacity of relationship marketing to address and treat each customer on its individual needs , and to choose the interaction as preferred way of customer persuasion.[159] Again, it emerges the fundamental role that Charles Philip Shanghai and The Coca Cola Company should play in understanding customer's cultural differences in order to be able to respond to their needs by customising the service for each individual.

6.2.3 Internal Marketing

As affirmed by Grönroos (1994), to make relationship marketing successful "a thorough on-going internal marketing process is required" (Grönroos, 1994, p.13). Moreover, it is generally accepted by the literature (Grönroos ,1994; Varey, 1995; Rafiq & Amhed 2000) that internal marketing stategy, once shifted from its initial focus on employee satisfaction, initially
Developed as part of service marketing, has been more recently proposed as a management approach built on service-oriented and motivated employee to meet the needs of external customers. The main elements of the internal marketing are shown by Figure 61.

Main Elements of Internal Marketing
• Employee motivation and satisfaction
• Customer orientation and customer satisfaction
• Inter-functional coordination and integration
• Marketing-like approach to the above
• Implementation of specific corporate or functional strategies

Figure 61. Main Elements of Internal Marketing. Source: Rafiq & Amhed (2000, p.453)

According to Figure 61, the combination of the main elements of IM aims to achieve the objective to motivate and coordinate employees to implement the company functional strategy in order to deliver customer satisfaction.[160] Figure 62 describes how the Charles Philip Shanghai - The Coca Cola Company internal marketing strategy process should work.

[159] Gummesson, E. (2002). *Relationship Marketing in the New Economy*. Journal of Relationship Marketing
[160] Rafiq, M., Amhed, P.K. (2000). *Advances in the internal marketing concept: definition, synthesis and extension. Journal of Services Marketing*

Internal Marketing Strategy Process

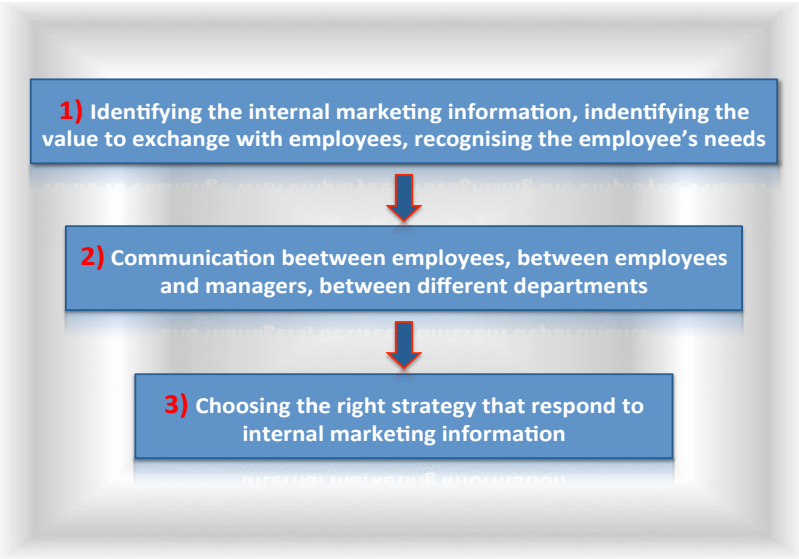

Figure 62. Internal Marketing Strategy Process. Developed by the Author. Source: Lings (2004)

To summarise, Charles Philip Shanghai and The Coca Cola Company benefits from a successful internal marketing strategy could arise in various manners. Firstly, customer satisfied will re-buy the new product again. Secondly, developed communicational and transactional activities between departments, gained through IM and processes strategy as part of 7Ps mode, will help the company especially in the launch phase of the Coca Cola collection. Thirdly, customer-oriented and motivated employees will generate benefits also for other Charles Philip Shanghai or The Coca Cola Company products.

6.2.4 Social and Ethical Marketing

Social and Ethical marketing is claimed by West et Al. (2010, p.447) to be " the application of marketing principles to help with resolving of health and social problems". Socialand Ethical marketing is distinguished within the literature (Lefbvre & Flora, 1988; Thackeray, R., Neiger, B.L., Hanson, C.L., McKenzie, J.F., 2008) by its focuses on non-tangible products and ideas which have the common goal to change public behaviour in order to pursuit a healthy well-being Figure 63 goes through the steps of social marketing plan required to develop an efficient campaign for the partnership between Charles Philip Shanghai and The Coca Cola Company.

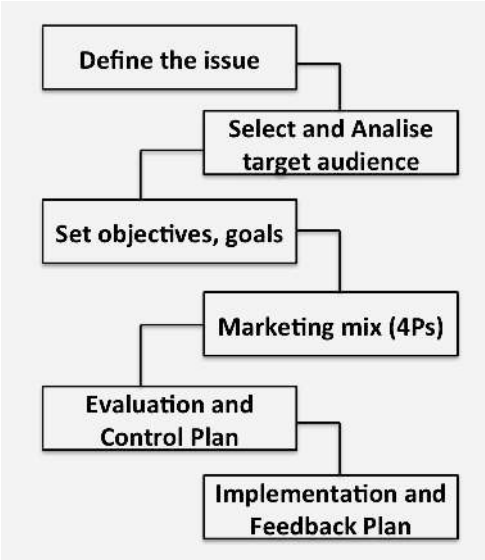

Figure 63. Social Marketing Plan. Developed by the Author. Source: Lefebvre & Flora (1988)

As figure 63 indicates, if supervised by efficient control function and management department, the use of social marketing could potentially lead the Charles Philip Shanghai and The Coca Cola Company collaboration to manage a consumer satisfaction program spreading the communication among large number of People. Social media and the internet can be involved into social marketing promotional plans, considering their increasing potential and penetration rate, especially in China. Maximizing customer satisfaction is even matter of corporate social responsability.[161] Corporate social responsability, as a driver to customer satisfaction operating through market value oriented approach[162], is likely to have strategic importance for the partnership. Luo & Bhattacharya (2006) suggests to Charles Philip Shanghai and The Coca Cola Company that investing in CSR could generate competitive advantage. However, if companies are not enough innovative, CSR will almost certainly decrease its market return. Furthermore, it appers fairly argued (Jahdi & Acikdilli, 2009 ; Carrigan & Atalla, 2001) that CSR looks also at the actions of the company and how to operate in a socially responsible way. To conclude, on this basis, the key for the partnership would probable seem to make CSR part of consumer's marketing strategy, costantly monitoring the correlation between CSR, social initiatives and international business activities. This could be the way to safeguard competitive advantage, leading to achieve the objective of customer satisfaction.

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[161] McWilliams, A., Siegel, D. (2000). *Corporate Social Responsibility and Financial Performance: Correlation or Misspecification?.*

[162] Luo, X., Bhattacharya, C.B. (2006). *Corporate Social Responsibility, Customer Satisfaction, and Market Value. Journal of Marketing*

6.3 CUSTOMER ENGAGEMENT STRATEGY

6.3.1 Customer Engagement

As widely affirmed in the literature (Brodie et Al., 2011; West et. Al., 2010; Sawhnet, Verona & Prandelli, 2005) customer engament (CE) plays an important role in the new product development process, and could generate for the partnership, the competitive advantage of co-creating experience and value with the products. Moreover CE appears to actively partecipate in establishing and maintaining interactive customer relationships.[163] Different reasearches (Netemeyer et Al., 2004; Aaker, 2009; Keller, 1993) also proves that the combination of use-experience and customer relationships with a brand constitutes the fundamental costumer-based brand equity. Customer-based brand equity is defined by Keller (1993) and Aaker (2009) as the differential effect of brand knowledege on consumer response to the marketing of the brand. Figure 64 indicates the value provided by brand equity to customer and to firm.

Customer-Based Brand-Equity

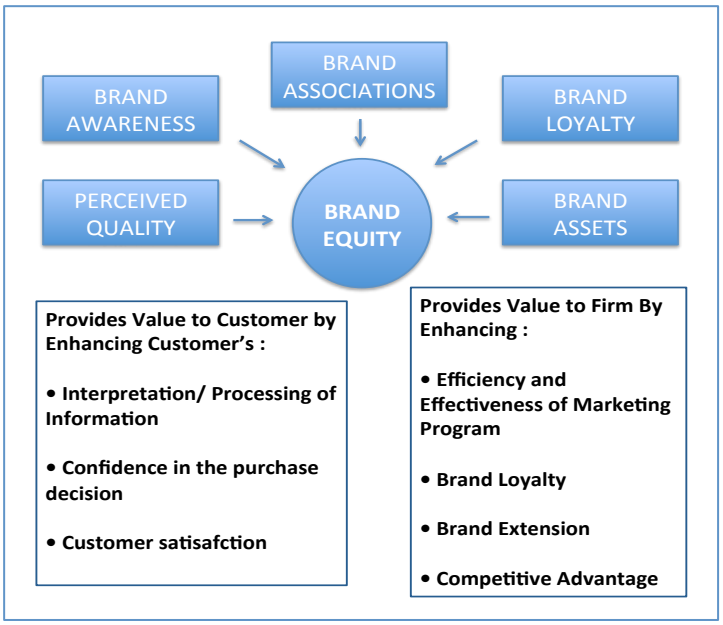

Figure 64. Customer-Based Brand Equity. Adapted from Aaker (2009)

On the base of the model shown by figure 64, the consumer response to the extended marketing mix strategy proposed for Charles Philip Shanghai and The Coca Cola Company

[163] Brodie, J.R., Hollebeek, D.L., Jurić, B., Ilić, A. (2011). *Customer Engagement: Conceptual Domain, Fundamental Propositions, and Implications for Research. Journal of Service Research.*

would result highly exposed to be infuenced by brand awareness and brand image, and that response determines if customer based brand equity related to the brands invoved in the collaboration, is positive or negative. CE process involves also the virtual dimension, approaching itself to the actual increasingly social environment, enhancing customer knowledge through online channels.[164] As result of customer virtual engagement, Sawhney, Verona & Prandelli (2005) identifies the potential managed by strong social relationships, which could allow to individual customer to share continuously its knowledge with the partnership.

6.3.2 Evaluation of Marketing Strategies

The effectiveness of the marketing stategies of the partnership, to lead to customer engagement and satisfaction, can be determined by multiple factors linked between each other. First, the brand awareness and image of Charles Philip Shanghai customer-based brand equity is likely to influence the promotion strategy. In fact, promotional tools should accord to communication efforts, in order to deliver the highest level of customer satisfaction. As seen in this work, customer satisfaction depends on the degree of maximisation of customer experience. Furthermore, customer experience nowadays is developed among online channels, became new sources of customer knowledge improvement. Indeed, a logical consequence is probable to be that the Internet strategy of the partnership could impact both the content and process dimensions of customer knowledge in order to support the new product development. For these reasons promotion should be considered as a critical strategy from Charles Philip Shanghai and The Coca Cola Company. On one hand the complex interactions of this marketing tools could generate risks of paralysis of the strategic operations of the partnership. Nevertheless, on the other hand, promotion of social image linked to the new Coca Cola collection, matter of social and ethical marketing, could provide incentives to Charles Philip Shanghai customer to try the new product, by increasing its value and attractiveness. In summary, improvements in brand equity could be significantly related to Charles Philip Shanghai and The Coca Cola Company combined values. In fact, a brand image widely recognised and strong brand knowlege widespread among customer are important factors that could support the Charles Philip Shanghai line extension strategy. So, introducing the new product by exploiting the power of the well-known brand name of The Coca Cola Company is

[164] Sawhney, M., Verona, G., Prandelli, E. (2005). *Collaborating to Create: The Internet as a Platform for Customer Engagement in Product Innovation. Journal of Interactive Marketing.*

probable to make lower the cost of advertising campaign that has to be sustained by the partnership. Second, Aaker (2009) claims that customer engagement value is generated by the co-creative experience in retailing, between firm and customer. Referring to this assumption, the selective distribution adopted by the partnership show the concrete possibility to involve loyal customers in the new products experience, but, given the decision to keep the distribution reserved only to selected store locations, the new Coca Cola collection could result not accessible for a consistent number of customers. Third, the partnership positioning strategy to keep Charles Philip Shanghai brand attributes into the Chinese fashion market should impact the customers perceived quality position that adds value to the product. The perceived value has a crucial relevance in the lauch of the new product and it is proved (Netemeyer, G.R, Krishnan, B., Pullig, C., Wang, G., Yagci, M., Dean, D., Ricks, J., Wirth, F., 2004) to be on of the strongest measures of brand loyalty. Different can be the reactions of customers, they could feeling different wearing the new Charles Philip Shanghai x Coca Cola collection, thanks to the fashion style, but the proposal to sell the collection to a price premium for Charles Philip Shanghai ($ 150-200) could not be perceived as sign of value for loyal customers, making them farer from the brand. In addition, considered the scarse brand loyalty generally demonstrated by Chinese customers within the fashion market, a possible decreasing perceived value related to the Charles Philip Shanghai x Coca Cola collection would be a negative indicator for the partnership.

CONCLUSIONS

This work leverages international business and marketing theory to analyse the partnership between Charles Philip Shanghai and The Coca Cola Comapny. First, it identifies the relevant diffcuties and risks of the opportunistic collaboration as the model of international alliances choosen by Charles Philip Shanghai and The Coca Coca Company, using existing models to address the industry issues affecting the partnership, considering the environmental opportunities that the Chinese market offers. Second, The PESTLE and the Porter's five forces analyses, included in the paper, provides a novel thinking for addressing the challenges influencing the fashion industry in China. The analyses suggest to the companies the principal international factors to exploit to gain potential advantages and, at the same time, the external issues to consider to avoid threats, in order to provide support for the new Coca Cola collection development. Third, it adopts a method capable to recognize both cultural and institutional differences and similarities between the country of origin of the companies involved in the international agreement. This method combines the diverse approaches and laws China and the U.S. use to regulate the fashion industry, as well as the cultural dimensions of the two states and the behavioral attitudes of their populations. It is evident from the paper that multicultural and long-term oriented approaches are crucial for strengthening the presence of partnership in the Chinese market , and that it requires political and governance encouragements. Fourth, this work provides a framework for estimating the impact of international business factors on the maketing strategies which should be undertaken by the alliance. The Author suggests that understanding the impact of global factors in this fast-changing business context can help Charles Philip Shanghai and The Coca Cola Company to a better management of strategic decisions within the partnership. This framework contributes to extend the marketing operations of Charles Philip Shanghai and The Coca Cola Company, which compared to traditonal strategies, consider also the central role of customers, made highly relevant by the external trends affecting the Chinese fashion industry. The model proposed by this work aims to innovate the marketing mix stategies of the partnership in order to maximise customer engagement and customer satisfaction, either judged as beneficial for Charles Philip Shanghai and The Coca Cola Company. To conclude, considered the the wide amount of information analysed and the high rate of variables present within the discussions in each section, the evidence of this paper suggests that, the opportunistic collaboration between Charles Philip Shanghai and The Coca Cola Company, to be successful in China, and worldwide, does not only requires the knowledge of the field in terms of product development, but also the abilities to

communicate how the new product should be perceived different by the customer. Moreover, to make it possible, the marketing strategies of branding, distribution, and marketing mix have to be based on a global understanding of trends and factors influencing the international fashion market scenario.

APPENDICES

Appendix 1. The Coca Cola Company PESTLE Analysis. Developed by the Author. Sources: Research Metodology (2014), U.S. Cenus Bureau (2016), U.S. Bureau of Labor Statistic (2016), McKinsey Global Institute (2015), Bloomberg Markets (2016).

Pestle Analysis The Coca Cola Company	
Political	• Political situation in the US • US presidential election 2016 • International relations between the US and emerging markets
Economical	• Impact of US foreign trade • Inflation rate in the US • Changes in the US taxation system • Advertising costs
Social	• Rising influence of internet on social life • Values changes in the US • Increasing importance of work-life balance
Technological	• IT development and technological breakthroughs in the manufacturing industry • Increasing popularity of advanced technology • Research of innovative
Environmental	• Increasing importance of Corporate Social Responsability (CSR) • Research and development of renewable energies
Legal	• Intellectual property issues • Legal barriers to enter emerging markets • Changes in the US regulations of fashion industry

Appendix 2. The Coca Cola Company Porter's Five Forces Analysis. Developed by the Author. Sources: from Research Metodology (2014), Mba-Lecturers (2010),

Porter's Five Forces Analysis The Coca Cola Company	
Threat of new entrants	• High levels of cost barriers due to high expenses in Advertising and Marketing • Bulding strong Customer Loyalty/ Brand Image • Developing Retail Distribution
Bargaining power of buyers	• Abundance of offers in beverage industry • Estabilishing presence in Convenince and Food Store • Vending Machines
Threats of substitute products	• Low switching costs for Coca Cola customers • Aggressive promotion of substitute products • Price/Value perception
Bargaining power of suppliers	• Increasing number of reliable suppliers • Availability of substitutes
Rivalry among existing competitors	• Pepsi major competitor • Global scope of competion • High degree of differentiation • Strategic stake and product portfolio

Appendix 3. Charles Philip Shanghai PESTLE Analysis. Developed by the Autor. Sources: Lucintel (2012), United States. U.S. Department of State. (2015), KPMG (2015), PwC (2015).

Charles Philip Shanghai PESTLE Analysis	
Political	• Chinese government regulations and political decisions • Increasing relations with U.S. • Taiwan presidential election
Economical	• Trend of growth of population • Trend and forecast of real GDP growth rate of China • Importance of manufacturing sector • China corporate tax rate • China inflation and unemployment rate • Foreign direct investments (FDI) within China • Exchange rate movement • Crude Oil Prices Slowdown
Social	• High influence of internet on social life • Majority of western websites and social media banned by chinese government • Attraction of chinese population to western cultures • Human Rights
Technological	• Increasing importance of boht R&D and technological factors • Know-how acquisitions • IT and services new markets orientation
Environmental	• World highest level of greenhouse gases emission among China • Research of remediation technologies and sustainable development
Legal	• Lack of legal protection for investors • Low recognition of intellectual property rights in China

Appendix 4. Charles Philip Shanghai Porter's Five Forces Analysis. Developed by the Author. Sources: Lucintel, (2012); The Heritage Foundation, (2011), Ghemawat (2000)

Charles Philip Shanghai Porter's Five Forces Analysis	
Threat of new entrants	• Expansions of IT and services sectors • Cultural differences of doing business with international companies • Access to distribution • High capital investment
Bargaining power of buyers	• CPS diversification of business (shoes, backpacks, bags, accessories) • Buyer profits, information, volume • China Apparel export rate to US
Threats of substitute products	• Rate of penetration of foreign investment companies into the local chinese market, still low • Luxury goods
Bargaining power of suppliers	• Chinese currency value and stock exchange trends • Importance of volume to suppliers
Rivalry among existing competitors	• No competition on price • Low customer loyalty • Own Production Plant

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