Volvo CE in China (Lingong)
- a case study of dual - brand strategy

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Abstract

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Introduction:
The part of introduction is presented to help readers give insight into the setting of our thesis. Firstly, we present the background of Volvo CE and Lingong. With the rapid economy growth and large amount of infrastructure construction projects, the large demand for CE push Volvo to accelerate its pace into Chinese market, the situation of the Chinese market and the importance are introduced continuously. We are aimed to analyze the dual - brand strategy implemented by Volvo and Lingong, and what synergies produced. We will also face two major limitations such as limited materials and hard access to interviewees. Lastly, we also have brief introduction for the outlet of the thesis.

Theory Framework:
This part includes three related theoretical fields. First one is global strategic marketing, as a MNE, Volvo CE entered China, which is one member of BRICs, and took acquisition of Lingong. The following is cross - boundaries culture and customer behavior, if one company wants to gain success in an overseas market, a good adaption to the local culture is essential. The last one is brand management field, brand is a intangible asset, however, in order to avoid cross - boundaries problems, Volvo CE decide to implement a dual - brand strategy, so we can use brand alliance theories to analyze.

Methodology:
Because of the special characteristics, we decide to adopt the quantitative method, case study, because it is impossible for us to gather a large sample of survey on the
CE. We analyze two cases, one is "Danone & Wahaha" and the other is "Shanghai Automotive", the current situation of two cases are totally different, Danone and Wahaha got divorce in 2007, because of the brand conflict, while Shanghai have been making it to become the largest motor manufacturer in China, the experiences behind are very precious for us to analyze the brand alliance of Volvo and Lingong.

**Complementary cases study and analysis**

We will have a detailed introduction on how Danone and Wahaha deal with the brand conflicts and the process of a series of arbitrations and lawsuits. Then presenting how successful Shanghai Automotive integrates with VW and GM. Then we use the corresponding theories to analyze the two cases, why brand conflicts happened between Danone and Wahaha, why Shanghai Automotive can successfully integrate with VW and GM

**Findings**

In this part, we use the cases analysis and corresponding theories to form the finding. Finding is focused on the dual- brand strategy implemented by Volvo and Lingong, and we analyze its feasibility and the synergies.

**Conclusions**

In this part, we come out with three conclusions. Firstly, global strategy management helps us to have a macro view over the dual-brand topic in China. Secondly, the dual-brand strategy can make Volvo gain goodwill from the consumers. Thirdly, Lingong and Volvo can benefit each other and get win-win by using dual-brand strategy.

**Key words:** Volvo CE; Lingong; Dual-brand Strategy; Synergy
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1. Introduction

From the part, we can see the background of Lingong and Volvo, the situation and importance of Chinese market, the motivation of the research, aim and limitations as well.

1.1 Background

1.1.1 Introduction of Lingong and Volvo

Shandong Lingong Construction machinery manufacturer Co., Ltd. was found in 1972. It is at the leading place in the loader industry, one of five largest loader manufacturers in China, with total around 1,800 employees. Currently, Lingong has a 30-year history and becomes one of first 500 construction machine manufacturers in China and national high-technological company, with main product series: wheel loader, roller, backhoe loader, concrete pump. Within them, wheel loader is rewarded as Chinese famous brand product. The company has built a nationwide distribution and service network with approximately 170 dealers, a significant network of service agencies and 10 parts outlets in China. Products are distributed across China and exported to Australia, the Middle East, Malaysia and Mongolia.

Volvo Group was founded more than 80 years ago, a solid position and worldwide reputation has been built up over the decades, providing transportation related products and services with focus on quality, safety and environmental care. The group consists of trucks, buses, construction equipment, aero, financial services and cars. Volvo construction machine is regarded as the representative of engineering machine, the brand - Volvo has gains a lot of reputation in the world, with the premium product quality and brand image. Volvo CE’s products and services are offered in more than 125 countries through proprietary or independent dealerships. Customers are using
Volvo machines in quarries & aggregates, energy related industries (oil & gas), heavy infrastructure, utilities, road construction, building, demolition, recycling industry, industrial material handling, and forestry industry, with product range includes wheeled and crawler excavators (diggers), articulated haulers (dumpers, dump trucks), scraper haulers, wheel loaders, pipe layers, demolition equipment, waste handlers, motor graders, pavers, compactors, milling equipment, tack distributors, road wideners, material transfer vehicles and a range of compact equipment such as mini loaders, mini excavators, backhoe loaders.

From 2006, Lingong has cooperated with Volvo in many fields, such as research and development, manufacture, marketing, and brand building. With one year's integration in the field of product, market, brand construction, the both sides had make a great achievement. Volvo continued to add its investment into Lingong in October, 2007. Volvo CE has invested RMB 327.5 million in exchange for 70% of the equity in Lingong. It showed the satisfactory attitude toward the current situation and the confidence for the future from two sides. And the shareholders of Lingong added their investment according to the same rate. In order to implement Volvo's construction equipment strategy in China, Volvo owned a confident ambition, and Chinese market is the core part of the Asian strategy. Lingong launch its new brand strategy with Volvo on July 9, 2008.

1.1.2 The Chinese Construction Equipments Market Situation

Nowadays, China become the largest construction market, building, railways, express ways, airport and power stations, all of them is far more than other countries, so we can know how large the demand for construction equipments is, like the motor industry, if the Chinese national companies can occupy larger market shares, it means they can take over the leaderships in the world.

In every construction projects, the loader and excavator are essential. As the industry expectation, the demand for the loaders and excavators was very large in 2010, the
sale volume of loaders is 134,160 from January to July, increased of 63 percent; the excavators also increased of 84 percent, to 105,918. In the loader market, the national companies were the winners, Liugong, Longgong, Xiagong, Lingong, and Xigong took account of 72 percent of the total volume of 134,160, and the five companies also gained global reputation, the competition situation among them is rather stable. Like Guangxi Liugong Construction Machinery Group is the listed company in Chinese A stock market, the market value reached $2 billion; Longgong Construction Machinery Group had smaller scale, but was also a listed company in Hong Kong stock market, with market value of $1.8 billion. With adequate capital, the two can gain advantage on quality improvement and technology improvement, and the loaders manufacturers will face a more fierce competition. While the excavator market situation is a bit more complicated, the overseas companies are the winners, Doosan heavy industries, Komatsu, Hitachi, Hyundai, and Caterpillar took account for 75 percent of the total sale volume from January to July in 2010. And national companies, such as Sany Heavy Industry, Yuchai, Liugong and Longgong occupied the rest market shares. Chinese Yuchai International Co. Ltd. is a listed company in the New York stock exchange, and the largest diesel engine manufacturer in China; Sany Heavy Industry is an entity with sale volume of $4 billion and market value of 6.4 billion.

So we can see that, in the loader and excavator market, Lingong has little advantage comparing with the several listed companies and overseas companies. Unlike the listed companies, such Yuchai, Liugong and Longong, they can gather money from the capital market, which can be used for R&D, strategic cooperation with Volvo can minimize the disadvantage of shortage of capital, adopting the premium technology form Volvo. On the other hand, although Volvo has gain great reputation in the international market, expanding into 125 countries, however, facing the largest construction equipment consumption market, Volvo took account so little market shares, far less than the Japanese companies, such as Hitachi, Komatsu and Korean company - Hyundai. So making use of Lingong's established resources, Volvo can
accelerate the space into Chinese market. So cooperating with Volvo, Lingong's core competitiveness competency can be enhanced.

1.1.3 The Importance of Chinese Market

Driven by the aggressive - growth economy, the demand of the construction equipments has been growing rapidly. In 2009, the amount of investment in the railways was ¥600 billion, increased by ¥265 billion, increased of 79 percent, and it was largest yearly investment in the railways in Chinese history. In the whole year, the finished new line was 5,461 km, double line was 4,063 km, new - invested line was 5,557 km, including passenger restricted line 2,319 km, new - invested double 4,219 km, and electrified 8,448. According to the Chinese State Council's express ways plan, China is accelerating the space in developing a comprehensive road network based on the express ways. And the new road network will consist of 7 radiation ways from Beijing, 9 north - to -south ways and 18 east - to - west ways. By 2016, the distance of Chinese express ways will be 100,000km, surpassing USA, becoming the country owning longest express ways miles. The information from Chinese Civil Aviation Authority, the total investment on the airport building projects will be ¥0.15 billion from 2011 to 2015, increasing of 50 percent; the new - built airports will be 45. The huge demand of the construction equipment is due to the high investment on the fixed assets and infrastructure constructions, and the investment will continue, according to the Chinese Government's five - year plan. According to the data from Chinese Engineering Machinery Association, the demand of construction equipment will be ¥900 billion by 2015, and annually increasing by 17 percent from 2011 to 2015. And the demand for the major products from international market will be $2000 billion. Chinese engineering equipment export will be $20 billion, becoming the number one the global major engineering equipment country.
1.2 Motivation of Chose Case

Lingong started its strategic cooperation with Volvo in late 2006. With one year's integration in the field of product, market, brand construction, the both sides had make a great achievement. And both sides signed the added investment contract in October, 2007, it showed the satisfactory attitude toward the current situation and the confidence for the future from two sides. According to the data, the sale volume of Lingong increased a lot, to 180 000, with a sale revenue of ¥3.3 billion, increasing by 28.1 percent and 26.1 percent comparing with last year's, which showed the good effect of cooperation. With two sides' deeper integration of marketing strategy, technology, distribution, Volvo and Lingong can achieve their ambitions.

1.3 Aim of Research and Question

The aim is to analyze the situation and what factors that attributing Volvo to cooperating with Lingong and analyze their brand strategy based on experience from two acquisitions (Wahaha & Danone, Shanghai Motor Industry Group) and the materials we gathered. In order to explore the circumstances that how the two companies to develop themselves with dual-brand strategy, and what opportunities or threats will bring to Volvo, we formulate four research questions with the aim to provide an insight as follows:

RQ1. Why Volvo choose Lingong?

RQ2. Is the brand important in the construction equipment industry?

RQ3. Does Lingong be afraid of being acquisition of by Volvo and cancel the brand "Lingong"?

RQ4. What advantages or disadvantages the dual - brands strategy can bring to Volvo and Lingong?
1.4 Limitation of Study

The study is based on limited materials, and most of the information is gathered from the Internet, academic articles related to the construction equipment market, and Volvo CE and Lingong are limited. In the part of empirical study, firstly, it is impossible for us to gather a large sample of survey, and it is also not suitable to gather survey sample. Construction equipments are the special commodities to us, in the daily life, they are out of reach of us, we can’t gather survey from ordinary customers, while the construction equipment consumers are also the specialize brokers or construction organization, gathering survey from them is hard, and meaningless to us. Secondly, the people who can answer our research questions is hard to access, Lingong is a Chinese company, if we want to gather the primary information, having a interview with them is necessary, so what we can do is make use of the Internet. Thirdly, we are supposed to working with the topic of Volvo car, while now switching to construction equipment field, the framework of the thesis and information will be not comprehensive.

1.5 The Outline of Study

The study presented in 5 chapters. Chapter 1 show the relevant information about Volvo and its present parent company and Chinese construction equipments market, the aim of the research is also showed, to analyze the condition faced by Volvo and Lingong, based on our brand management knowledge and gathered information. Chapter 2 show the theoretical discussion, the theoretical brand management and global strategy management knowledge will be presented. Chapter 3 will show our empirical study, this part we will analyze two cases- case of Danone and Wahaha, and Shanghai Motivate Company, both of the case are similar to the situation of Volvo and Lingong, cooperation between an overseas company and a Chinese national company, while Danone and Wahaha got divorce because of the brand conflicts, Shanghai Automotive Company become the largest automotive
company in China with its success integration with GM, VW, following by the case analysis, inside the analysis, we were supposed to represent the ideas and points from our interviews with officials from writer of Sina.com (one of the main portal website in China), officials from Chinese Engineering Equipment Association and Lingong. However, because of the geographical distance, and other reasons, we can gain none of the reply from them.

As our supervisors suggested, our thesis can be within desk - research. It may be lack of reliability, but we have gained as much primary information as possible. What is more, we will analyze the chosen cases based on the knowledge of global strategy management, cross - boundary culture and consumer behavior and brand management.

Firstly, BRICs is the representative of the global emerging economics, which is at the fast economically developing, and China is the lead one within the BRICs, owning a 8 percent of annual increase of GDP. Driven by the huge market, almost all the MNEs have been entering China since 1980s, and Volvo CE is one of the members in the category. Global strategy management helps us to have a macro view over the dual - brand topic in China.

Secondly, as one MNE enter a new market, nationalization is a big topic it has to consider. And it may be a tough task sometimes, and the result can be very painful if they can’t make it to adapt to the native culture. Culture is various from country to country, and consumer behavior also has the same conditions. So Volvo wants to gain success in the business battle in China, they need to consider the matter of culture and consumer behavior. Cooperation with Lingong can be helpful to handle the problems, as Lingong is a native - growing company. And Chinese consumers are natively emotional toward the industry products, the dual - brand strategy can help Volvo gain goodwill from the consumers.

Thirdly, we consider the brand management, dual - brand strategy makes Volvo and Lingong associated, on one hand, the brand "Lingong" can be enhanced by Volvo, as Volvo is regarded as a top one in the global construction equipment market. Through cognitive psychology, no matter of Volvo or Lingong, their exposure rate becomes higher, thus they form a psychological memory net in the consumers' minds. The
Chinese consumers' emotion can also be considered again through using the brand management theory, thus Lingong can help facilitate the acceptance of Volvo in China, because Volvo is overseas brand after all.
2. Theory

This part consists of three sections. The first section is about global strategical marketing, relating to the fields like MNEs and BRICs, M&A. The second one is about cross-boundaries culture and customer behavior. And last section is about brand management; we focus on the global brand management, and brand alliances.

2.1 Global Strategic Marketing

2.1.1 MNEs and BRICs

In reality, multinational enterprises, defined as firm that engage in foreign direct investment (FDI) by directly controlling and managing value-adding activities in other countries, often have to adapt their strategies, products, and services for local market. For example, the opening case clearly shows that in the publishing industry, one size doesn’t fit all. In the automobile industry, there is no "world car." cars popular in one region are often rejected by customers elsewhere. The Toyota Camry is America's best-selling car but a poor seller in Japan. The Volkswagen golf and the Ford Mondeo (marketed as the contour in the United States), which have dominated Europe, have little visibility in the streets of Asia and North America. The so-called "world drink", Coke Classic, actually tastes different around world (with varying sugar content). The Coca-Cola Company's effort in pushing a set of "world commercials" centered on the polar bear cartoon character presumably appealing to some worldwide values and interests has been undermined by uncooperative viewers around the world. Viewers in warmer weather countries had a hard time relating to the furry bear. In response, Coca Cola switched to more costly but more effective country-specific advertisement. For instance, the Indian subsidiary launched an advertising campaign that equated coke with "thanda", the hint word for "cold." The subsidiary has developed a series of commercial that show a "hidden" kind of
eroticism.

The current brand of "global strategy" seems relevant only for multinational enterprises (MNEs) from development economies, primarily North America, Europe, and Japan—commonly referred to as triad—to compete in other developed economies, whereby income levels and customer preferences may be similar. Emerging economies, a term that has gradually replaced the term developing economies since the 1990s, now command a full one-third of worldwide FDI (Foreign Direct Investment) flow and half of the global gross domestic product measured at purchasing power parity. Brazil, Russia, India, and China are now known as BRIC in the new jargon—command more attention. Many local firms rise to the challenge, not only effectively competing at home but also launching offensives abroad, thus creating serious ramifications for triad-based (Peng, 2009).

2.1.2 Acquisitions and Mergers

Today, company acquisitions, mergers and different kinds of "strategic alliances" have become commonplace. Diverse regions, as well as various forms of companies, from very large to very small, have been affected by the phenomenon (Rankine, 1998). The actual meaning of the terms "acquisition", "merger", and "alliance" is, however, rarely defined and, when defined, is often wrongly construed. Therefore, some clarification is required to explain the different kinds of co-operation between companies, and to pinpoint the type of co-operation analyzed in this thesis.

Some research consider that strategic alliance link companies together in what are described as extended companies, or constellation of firms. Other use the term to distinguish between hostile and friendly mergers or acquisitions. Some researchers only consider alliances strategic if they lead to the creation of a legal entity. The term alliance is defined as "when the partner companies join forces in pursuit of common goals without losing their strategic autonomy and without abandoning their own
specific interests”. This definition of an alliance is the one of used in this thesis (Peng, 2009).

Merger or acquired companies abandon their independence and create a new pursuing a single, coherent set of objectives. Peng (2009) explain this phenomenon. According to this definition, the deal between Damiler-Benz and Chrysler in 1998 was not an alliance but rather what Peng (2009) describe as a merger/acquisition. This view implies that acquired companies may well continue to exist as legal entities and may even maintain separate identities and culture, although they do lose their autonomy in their choice of objectives and definition of strategies.

There are, however, some differences between a merger and an acquisition that are not mentioned in the Peng’s definition. Although mergers and acquisitions are different legal transactions, they tend to be treated in the literature as if they were the same. One explanation for this is that, in practice, a merger is rarely a marriage of equals but instead cooperation where one party is stronger than the other, which could in reality be classed as an acquisition (Keller, 2008).

A merger can defined as a marriage of equals, whereas an acquisition occurs when an organization acquires sufficient shares to gain control of another organization, irrespective of the opinion of the acquired organization. Generally, the relationship between the parties involved in an acquisition differs from that between merger partners. In an acquisition there is a clear internal and a clear loser in the sense of power or control over the organization's strategies. Even if the acquiring organization allows the acquired organization to control the process in which changes are made, ultimately it is the acquiring company that holds the pen that draws the organizational chart. The acquisition is a signal to employees and the business community that the acquiring company is confident of the future whilst the acquired company is likely to be seen as a symbol of failure at organizational level, and in some cases at a personal level too (Keller, 2004).
2.2 Cross-boundary Culture and Customer Behavior

2.2.1 Culture Difference Cross Boundary

Consumption patterns, lifestyle, and the priority of needs are all dictated by culture. Culture prescribes the manner in which people satisfy their desires. Not only does culture influence what is to be consumed, but it also affects what should not be purchased, in addition to consumption habits. Thinking processes are also affected by culture. When traveling overseas, it is virtually impossible for a person to observe foreign cultures without making reference, perhaps unconsciously, back to personal culture values. This phenomenon is known as the Self-Reference Criterion (SRC). Because of the effect of the SRC, the individual tends to be bound by his or her own culture assumptions. It is thus important for the traveler to recognize how perception of overseas events can be distorted by the effects of the SRC.

A country may be classified as either a high-context culture or a low-context culture. The context of a culture is either high or low in terms of in-depth background information. This classification provides an understanding of various culture orientations and explains how communication is conveyed and perceived. The culture context and the manner in which the processing of information occurs may be combined to develop a more precise description of how communication takes place in a particular country (Onkvisit and Shaw, 2004).

2.2.2 Institution/Cultural Distance

Cultural distance is necessary consideration for the MNEs when entering a new market. Cultural distance is the difference between two cultures along some identifiable dimensions. Institutional distance is the extent of similarity or dissimilarity between the regulatory, normative, and cognitive institutions of two
countries as considering culture as an informal part of institutional frameworks governing a particular country (Peng, 2009).

2.2.3 Consumer Behavior

Consumer behavior, as a discipline of study, has been researched extensively in the USA at both the macro and micro levels. Surprisingly, it has not been so rigorously and diligently investigated in the international context. All too frequently, studies that compare consumers in various countries attribute difference in consumer characteristic and behavior to culture differences. This convenient approach is inadequate by itself and does not enhance the understanding of consumption behavior overseas.

Instead of explicitly and implicitly attempting to use culture to explain most variations in consumption, researchers, should redirect their attention toward smaller units of analysis. This requires concepts which are not based solely on cultural determinations.

At the psychological level, relevant concepts such as motivation, learning, personality, psychographics, perception, and attitudes should be closely examined. Because consumer needs vary across countries, as does the degree of importance attached to a particular need, it is unrealistic to expect consumers everywhere to be motivated in the same way. The varying motives that occur are due to in part to individual personality traits and lifestyles. The learning and perception of a product and the attitude toward it will also affect consumer's motivations in acquiring the product.

At the social level, it is redundant to state that consumer behavior is affected by the cultural environment. It is more important to list specifically the cultural norms in a country and to understand why those norms vary from country to country. It is thus important to appreciate how those norms are shaped by reference groups, social class, family, opinion leadership, and the diffusions process of innovation. Consumer
preference depends in part on how well a product fits into the cultural circumstances and on whether the product will have the approval of a consumer's reference group, social class, and family (Onkvisit and Shaw, 2004).

2.3 Brand Management

2.3.1 Brand Positioning

Brand positioning is the core part of marketing strategy. It is the act of designing the company's offer and image so that it occupies a distinct and valued place in the target customers' minds. As it implies, the aim of positioning is to find a suitable place in the mind of the customers in a targeted group or the segment, so positioning is a factor helping the marketing strategy to distinguish the product from other product form the same category, forming unique association, and illustrating how it is similar to the competitive brands and why customers purchase and use it. During the process of the positioning, marketers need to answer the questions: (1) who the target consumers are, (2) who the main competitors are, (3) how the brand is similar to these competitors, and how the brand is different from them.

Target segmentation divides the market into distinct groups of homogeneous consumers who have similar needs and consumer behavior, who thus require similar marketing mixes. The requirement of the target segmentation is the tradeoffs between costs and benefits. The possibility of the implementation of the marketing programs that meet the needs of consumers in any one segment is higher as segmented market is more finely, however can be offset by the greater costs of reduced standardization (Keller, 2008).

2.3.2 Marketing Communication

Marketing communications are the means by which firms attempt to inform, persuade,
and remind consumers - directly or indirectly - about the brand they sell. And now, developing marketing communication programs is considered as an important method to build brand equity.

Advertising is one of the most important approached including in marketing communication program, which is defined as any form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. It is a powerful means of creating a strong, unique, favorable brand association and eliciting positive judgment and feelings.

There are a few ways of advertising methods. Event marketing and sponsorship is a most powerful way. Event marketing is public sponsorship of event or activities related to sports, art, entertainment, or social causes. Event sponsorship provides a variety of opportunities communicating with customers. Sponsorship can broaden and deepen their relationship with their target market through becoming part of a special and personally relevant moment in consumers' lives. And sponsorship can generate the following advantages: (1) to identify with a particular target market or lifestyle: a select or broad group of consumers will link the brand with the events. So the customers can be targeted geographically, demographically, according to the events.; (2) to increase awareness of the company or product name: sustained exposure to a brand can be generated by the sponsorship, can then building the brand recognition: (3) to increase or reinforce consumer perceptions of key brand image associations: events themselves have association that help to create or reinforce brand associations; (4) to enhance corporate image dimensions: sponsorship can help to improve perceptions that the company is reliable, prestigious, and so forth; (5) to create experiences and evoke feelings: events can be part of an experiential marketing program; (6) to express commitment to the community or on social issues; (7) to entertain key clients or reward key employees; (8) to permit merchandising or promotional opportunities (Keller, 2008).
2.3.3 Advantages of Global Marketing Programs

Firstly, economies of scale in production and distribution, from a supply-side or cost perspective, the primary advantages of a global marketing program are the manufacturing efficiencies and lower costs that derive from higher volumes in production and distribution. Like the curve effect shows, the increasing production will reduce the cost of marketing and making a product, and the economies of scale in production and distribution will be better. The second one is the lower marketing costs, the uniformity in packaging, advertising, promotion, and other marketing communication activities arise the advantage of low cost. The third one is power and scope, so appropriate brand profile may communicate credibility. In most of consumers' mind, the products can be sold in diversifed markets means that the manufacturers had gain much expertise and acceptance. When the brand is widely available may indicates the product is high-quality and convenient to use. The last is consistency in brand image, maintaining a common marketing platform all over the world help to maintain the consistency of brand and company image. When the brand reputation widely spreads to national widely coverage through the world-of-mouth or the medium exposure, the brand image can be remained (Keller, 2008).

2.3.4 Alliances

Strategic alliances are voluntary agreement between firms involving exchange, sharing, or co-development of products, technologies, or services and it consists of two ways – non-equity-based contractual agreements and equity-based JVs. Contractual alliances include co-marketing, research and development contracts, turnkey projects, strategic suppliers, strategic distributors, and licensing/franchising. Equity-based alliances include strategic investment and cross-shareholding. A JV is one form of equity-based alliance. It involves the establishment of a new legally independent entity whose equity is provided by two partners.
Despite the diversity of cooperative inter-firm relationships, underlying each decision to engage in alliances and networks is a set of strategic considerations drawn from the "strategy tripod". These considerations lead to a comprehensive model.

From the traditional industry–based view, firms are independent players aiming to maximizing their own performance based on the interests. In the real business frontier, most firms in any industry are embedded in a number of competitive and/or collaborative relationships, thus necessitating considerations of their alliance and network ties if we are going to realistically understand the dynamics of the five forces. The first form is called horizontal alliances. Because rivalry reduces profits, firms do not compete against each other on all occasions. Instead, many competitors collaborate by forming strategic alliances. Secondly, while high entry barriers may deter individual firms, firms may form strategic alliances and networks to scale these walls. Thirdly, although suppliers in the five forces framework are traditionally regarded as a threat, it is not necessarily the case, so it is possible to establish strategic alliances with suppliers or distributors. Fourthly, the market potential of substitute products may encourage firms to form strategic alliances and networks to materialize the commercial potential of these new products.

For the resource–based considerations, real option is one important part of the value. An important advantage of alliances lies in their value as real option. Conceptually, an option is the right, but not the obligation, to take some action in the future. Technically, a financial option is an investment instrument permitting its holder, having paid for a small fraction of an asset, the right to increase investment to eventually acquire it if necessary. A real option is an investment in real operations as opposed to financial capital.

In addition to the usual benefits associated with being a minority partner in JVs such as low cost and less demand on managerial resources and attention, an additional benefit alluded to earlier is the ability to exercise real options. In general, the more
uncertain the conditions are, the higher the value of real options. In highly uncertain but potentially promising industries and countries, M&As or majority JVs may be inadvisable, because the cost of failure may be tremendous. Therefore, minority JVs are recommended to hold investments and seen as possible stepping stones for future scaling up – if necessary – while not exposing partners too heavily to the risks involved (Peng, 2009).

Another factor needed to be considered is risk - avoiding strategy. Risk - avoiding strategy: McCarthy and Norris (1999) showed that high - quality brand partner can enhance the customers' attitude toward the brand alliance. When implementing the brand alliance strategy, the companies will chose the partners with the considerations of difference on the goals, products, brands matching, industry plan, and industry situation. When choosing the partner, the company have to be concerned about the long - term development, firstly, making use of the institution environment and industry environment, measuring cautiously the partner and making reasonable expectation based on the reasonable evaluation for the own brand, the aim is to maximize the systematic effects of the brands alliance, avoiding any damages produced by one brand to another one. Choosing the partner whose brands and products are matching will be helpful with the success of cross - boundary brand alliance. In order to minimize the risks, assigning comprehensive alliance contracts and agreement is necessary, the contracts and agreements should contains the rights and obligations of two sides, the expectation actions before, during, and after alliance. Make sure the labor and other resources investments, marketing methods, decisions, profits distribution and risk when implementing alliance strategy, avoiding the ambiguity as the unexpected events happen, and providing the proofs for solving. At the same time, the agreement should contain the regulations for punishment for the violations, avoiding the opportunism. Besides, in order to coordinate the rights and obligations, the decision - maker and the duty - holder should be sure (Mccarthy and Norris, 1999).
Blackett and Boad think that brand alliance is a method that retaining every partner's brand, forming two or more brands based on the customers. Each legal participant is an entity; the aim is to establish a new product, service or company. The narrow definition is that brands alliance is established to be an unique product or service through one or more brands. Within it, one brand can enhance its power by making use of the others', achieving the effect of "1 + 1 > 2" (Blackett and Boad, 1999).

2.3.5 Cognitive Psychology

Brand alliance is built on the memory networking model of cognitive psychology. Cognitive psychology shows that human memory is like a net with many nodes, and the nodes own certain relationships with each other. Very node is a memory unit, which is the point that memory every piece of information, like a concept or a range. A product's type, name or nature is regarded as consumers' nodes. The nodes on the net has its unique name, such as the name of a product, the name of type of a product, or the name of nature of a product, etc., Relationships among them are the meaningful linkage, when one people resemble the information between two nodes, and the linkage between two nodes is established. Once the linkage was established, relationship between two nodes can be activated. And the activation is the signal sent by one node to another one, one node's activation can spread the signal to the related nodes. In the process of brands alliance, a product's type, name, and nature link with each other, which makes the independent brand forming a net, causing a series of effects, and the effects is what customers need (Levin and Levin, 2000).
3. Methodology

In the part, we have a brief introduction on why we choose the method of case study, over survey research, and how we consider our cases we selected.

3.1 Breadth or Depth

The aim of the method is to obtain a broad and representative overview of a situation, in most of time, survey approaches are always recommended by many methodology guild materials and articles (Fisher, 2007). Random surveys of a suitably large sample is not reasonable for us to achieve, because construction machines industry is not familiar to us, and in our daily life, we rarely get access to it, construction machines belong to large commodities, in the industry, the chain of production, distribution, and sales is operated by large specialized companies or organizations, and the consumers are also the construction companies or organizations, rather than daily consumption commodities, whose terminal consumers are common individual consumers. So it is difficult for us to gather large sample of survey.

At the same time, an in - depth understanding of the Lingong's current situation is also needed, so case study is important. Case studies can help writer to form a holistic account of the subject of the research. In the case study, the interrelationships between all the factors can be considered. There are many cases about the merger between Chinese companies and overseas companies existing, some failed but some didn't, so we take a successful case and failing one as examples, which can help us to form a better perspective toward Lingong. Nowadays, Volvo holds 70 percent shares of Lingong, in other words, Lingong is one of the members in the Volvo group, but the brand Lingong is still remained, under the conditions, both of them need to deal with
the conflicts between two brands, like differentiating the products, avoiding the products competed with each other, but make the two brand motivate each other, like Volvo wants to nationalize the products in China, Lingong would like to promote its sophisticated technology and competitiveness.

We take two examples in the part of case study, Danone - Wahaha, and Shanghai Motor Industry Group. In my opinion, one is the fail case and the other is successful one. The law battle between Danone and Wahaha was a very attractive business matter in the past few years, and arousing many debts about the Chinese national brand protection, and how to promote the Chinese national companies' brand protection competence. While Shanghai Motor made it to integrate the cooperating brands, such as GM, Buick, Volkswagon and itself - establishing brand like Roewe, being one of four largest motor companies in China.

Rely on one particular type of evidence means a lack of representativeness, so using a mixture will be appreciated. In the part of cast study, we use two cases that are on the opposite side, it is very useful to learn how to be successful integrate the brands and gain the experience on how to avoid mistakes that are always happened in the process of integration. What is more, we also make three interviews to gain suggestion from the experts, because of the geographical distance, and Lingong is located in China, our interview only depends on the Internet.

Research the substance of the case study from the different perspectives of the various interested parties or stakeholders. In the case of Danone - Wahaha, we will analyze them from the perspective of Danone, Wahaha Board, Wahaha Worker Union, and two sides' son companies presenting online.

Develop a formal procedure or protocol for use in gathering information so that our material can be collected in a uniform manner. Keep systematic records of our material that could be reviewed by somebody wishing to double - check your work. We also seek a way of creating an audit trail that links our findings and conclusions
about the case study to the raw research material (Fisher, 2007).

### 3.2 Choice of Research Methods

The research methods fall into two categories - quantitative research methods and interpretative research, questionnaire surveys and databases belong to quantitative methods, and interpretative research uses qualitative material and methods and documentary exegesis (Fisher, 2007). As we mentioned above, it is hard to gather a large sample of survey for us, so we will use desk research to be our main research method. The characteristics of data from desk research are more systematic, large volumes and extensive. These data usually published by professional institutes or specialist agencies, so we can gather more useful information than others research methods.

### 3.3 Validity and reliability of the data

Yin (1994) recommends four aspects of the quality to the case study investigators:

(a) Construction validity

(b) Internal validity (for explanatory or causal studies only);

(c) External validity; and

(d) Reliability.

Construction validity is setting correct operational measures for the studied concept. Internal validity is establishing a causal relationship, distinguishing from certain relationship that can lead to other conditions to confused relationships. External relationship is establishing the domain to a generable finding. Reliability is demonstrating the repeatability of operations. And Bryman (1995) addressed reliability as the consistency of a measure and validity as important in measuring quality of case study based research.
In order to make the validity higher, a proper conceptual framework is formed. The concepts are well chosen and developed along with the research questions and purpose of study. As collecting data, because of shortage of information from face to face interviews and surveys, most of the data are from Internet, which is seen as not reliable, but the discussion questions are organized to reflect the conceptual framework, which can minimize the variables of the questions and data. Although the concepts are from different literature, all of them are incorporated in the conceptual framework. These theories are related to global strategic marketing, cross-boundary culture and customer behavior, brand management, all of them help to keep the validity of study. Because of the research is desk-based, shortage of primary data is considered as not reliable, but the data is gathered from reliable literature source and famous website, from which the data is more reliable without too much variables. Furthermore, the data is used along with requirement of development of conceptual framework, so the conceptual framework can enhance the reliability of data when incorporating.
4. Complementary Cases Study and analysis

The fist case is “Danone and Wahaha”, we present the process of law battle for "Wahaha" brand after the brand conflicts happened. And the other is "Shanghai Automotive", we also present the success of Shanghai Automotive through a series of data, on the sale volume, revenues and so on, the process of integration with VW and GM. Then we use the global strategic marketing theory to analyze the Danone - Wahaha cooperation through joint ventures. And then analyze the Shanghai Auto's brand integration with VW and GM, and use cognitive psychology to analyze the synergy yielded by brand integration.

4.1 Experiences form Wahaha and Shanghai Motor

4.1.1 Danone - Wahaha Brand Battle

Danone is the thirdly largest food company in Europe, and starting establishing its factories in China in 90s in last century, the yogurt with the brand of Danone sold very well in Shanghai, Guangzhou and many other large cities. Wahaha was established in 1987, it is currently the largest food and soft drink manufacturer in China, and the fifth largest soft drink company in the world.

In 1996, Wahaha established 5 venture companies in Hong Kong with Danone and Hong Kong Peregrine, producing purified water, and rice pudding with the brand of Wahaha. Wahaha held 49 percent of shares, after Asian financial crisis in 1998, Peregrine sold its shares to Danone, the shares held by Danone increased to 51 percent. At that time, Danone suggested a proposal that the brand of Wahaha would be transferred to the venture companies, and two sides signed a new contract on the
using of brand. And it is the contract that leads to the merger.

By 2006, the total number of JVs between Danone and Wahaha had grown from five to 39. A huge financial success for both Danone and Wahaha, their JVs’ revenues increased from $100 million in 1996 to $2.25 billion in 2006. These JVs, which cost Danone $170 million, paid Danone a total of $307 million in dividends over the last decade. By 2006, Danone’s 39 JV subsidiaries in China, jointly owned and managed by Wahaha, contributed approximately 6 percent of Danone’s total global profits. At the same period, Danone also spent almost another $170 million besides what was spent on Wahaha on buying stakes in more than seven beverage and dairy companies. In 2006, Danone became the biggest beverage maker by volume in the country, ahead of rivals such as Coca – cola and PepsiCo. For Wahaha, it also pursued aggressive growth in China, some of which was beyond the scope of the JVs with Danone. By 2006, Wahaha Group controlled 70 subsidiary companies scattered throughout China. All these subsidiaries use the same brand “Wahaha”, but only 39 of them had JV relationships with Danone.

In 2007, Danone wanted to spend ¥4 billion on merger Wahaha Group with worthily 56 billion total assets and 51 percent shares of other non-venture companies whose avenue reached ¥1.04 billion in 2006. The core of the dispute stemmed from the master JV agreement between Danone and Wahaha, which granted the subsidiary JVs exclusive rights to produce, distribute, and sell food and beverage products under the ”Wahaha” brand. This meant that every product using Wahaha brand should be approved by the board of the master JV. Danone thus claimed that the non-JV subsidiaries set up by Zong and his managers were illegally selling products using the Wahaha brand and were making unlawful use of the JV’s distributors and suppliers. However, Zong thought that the original agreement was not in force or effect, because the agreement for granting exclusive rights had never been approved by the Chinese trademark office. He also further claimed that Danone did not make an issue as Wahaha started using the assets of subsidiaries of JV, the aim of Danone was
preferring Wahaha to undertake the risk first. As Wahaha’ expansion proved successful, Danone wanted to reap the fruits due to the greed. According to Zong, it was not fair for Wahaha to grant the exclusive rights for Wahaha brand from the JVs with Danone, because Danone also actively invested in other beverage and food companies, which competed with Wahaha. The boardroom dispute spilled into the public domain when Zong publicly criticize Danone in April 2007. Danone also launched a lawsuit against a company owned by Zong’s daughter in USA, alleging that it was using the brand illegally. Outraged, Zong resigned from his board chairman position at all the JV subsidiaries with Danone and launched a series of lawsuit against Danone in China.

The result of Hangzhou arbitration between Danone and Wahaha was published on December 7, 2007, as Wahaha's opinion, they were supported by Hangzhou City Arbitration Committee, and Danone failed. The judge made by Arbitration Committee legally decided the matter of belonging of Wahaha, which is the brand transferring contract between two sides stopped, the brand of Wahaha was no longer injected into the Wahaha adventure companies governed by Danone. Hangzhou judge is first result of three law battle, and it was also the critical one. When establishing the venture companies, Wahaha Brand was injected into the venture companies as a asset from Wahaha Group, but due to the delay of Chinese Brand Bureau, the proposal was canceled, while, the non - venture companies governed by Wahaha Group also used the brand.

At the same time, another huge battle took place in Stockholm. In response, Danone issued statements and initiated arbitrations against its Chinese partner in Stockholm, Sweden. Danone sued of Wahaha for 28 litigations and arbitrations, one of the requirements from Danone is Wahaha should transfer the brand as the context of contract.

After that, Wahaha’s trade union, representing about 10 000 workers of Wahaha Group, sued Danone in late 2007, demanding 1.36 million dollars in damages. The
details was that Wahaha Trade Union sued of two son companies of Danone in Shandong Province, China, and Danone reclaimed a suggestion so called integration as reply. As Wahaha Worker Union said, Danone controlled the companies directly competing with Wahaha, like holding most or all shares of Chinese national companies in the same industry or producing same products, and occupied seats in the companies' board, such as Robust, Meilinzhengguanghe (Chinese company name); what is more, Danone assigned directors to the cross board, which damage the interest of venture companies. The union also froze Danone’s ownership in the JVs. This made the dispute worse, and revenues of the JVs only increase 3 percent in 2007, 17 percent less than the industry’s average growth.

December 11, 2007, the another new result of the long period battle appeared, Wahaha secondly won the arbitration, following the Hangzhou arbitration, Wahaha gained a better ground from the arbitration from Guilin Intermediate Court.

December 21, 2007, Xingjiang Province Agricultural and Construction Corps Eighth Court returned the litigation against Wahaha, Wahaha thirdly won the lawsuit after Guilin industry forbid case and Hangzhou brand arbitration.

Danone was the only shareholder of Jingjia Company which is the plaintiff in the case, and Danone had 51 percent of shares of the Danone - Wahaha Venture Company, as plaintiff, Jingjia sued of Qingho Zong, the director of board of Wahaha Group, saying that when Zong undertook the position of director of Hangzhou Wahaha Soft Drink Limit Company, which was mutually owned by Wahaha and Danone, he owned a large operation information on the soft drink company and posing critical influence to the soft drink company. And Zong was also said to privately cooperated joint venture with others, and running the Xingjiang Shihe Wahaha Food Limit Company as shareholder and director of board without the permission of third shareholder and board of Danone - Wahaha venture, which caused damage to the interest of soft-drink venture. Jingjia required that Zong should compensate the loss to the soft drink company and transfer the shares. The court think that Zong didn't sought business
opportunities for his food company, and the food company did not form a competition relationship with the soft drink company, and his was indeed approved by the board of third company, so Zong did not violate the obligation of competition industry forbid. The litigation of plaintiff was lack of fact and legal base, and returned.

Stockholm Commerce Chamber Arbitration Court made the final decision for the case of Danone - Wahaha, the decision said that Wahaha and Zong violated the regulation of the contract, causing a loss to Danone due to the unfair competition. However, at the same day, Danone and Wahaha signed the peaceful conciliation agreement, which means that both sides ended their 12 - year cooperation.

In late 2007 both sides spent most of their energy dealing with lawsuits and arbitrations. In December 2007, pressured by the French President and the Chinese Minister of Commerce, Danone and Wahaha reached an agreement calling off all lawsuits and arbitrations provisionally and stop all aggressive speeches against the other party”. As the writing in March 2008, no resolution was in sight – except the inevitable outcome: divorce.

4.1.2 Shanghai Motor Industry Group's Integration

Shanghai Automotive Industry Company is one of three largest motor companies in China, manufacturing passenger cars, business cars and motor parts, and extending to the field of selling, researching and developing, investment, motor service trade and finance. Shanghai Automotive sold 1.34 million cars in 2006, including 0.915 million of passenger cars, 0.429 million of business cars, becoming the first place on the sold volume list.

Shanghai Motor always sticks on the policy that integrating self- development and research and outward cooperation, cooperation with German Volkswagon, US GM as strategic partners, producing localized series of cars, such as Shanghai GM, Shanghai VW, Shanghai Ssangyoug, Shanghai GM Wuling and so on. At the same time, making
use of the global resource, promoting creating competency, building self - establishing brand, Shanghai building two its self - own brand Roewee and 750 series of products, forming a situation of developing joint venture brand and own brand.

Apart from locally development, Shanghai Motor extends its manufacturing bases to Liuzhou, Yantai, Shengyang, Qingdou, Yizheng. Directly holds and manage 51.16 percent shares of South Korea Ssangyoug Motor Company, 10 percent of South Korea Daewoo Motor Company, setting overseas companies in USA, Europe, Hong Kong, Japan, and South Korea. Additional from directly operating and running motor parts business and motor service business, the core business is injecting its whole car business into Shanghai Automotive co., Ltd, whose 83.83 percent of shares was held by Shanghai Motor Industry Group, and Shanghai Automotive co., Ltd was the largest motor company in the A stock market in China in terms of scale.

Shanghai sold 3.58 million cars in 2010, increased of 31.5 percent, the sale volume of passenger cars is 2.279 million, increased of 41.9 percent, business cars is 1.304 percent, increased of 16.6 percent. At the time, Shanghai Automotive became the largest eight motor companies in the world with above 3 million sale volume.

The major joint venture companies under Shanghai Automotive integration are Shanghai GM, Shanghai Volkswagon, Shanghai GM Wuling, three of them all get to the sale volume of above one million. The sale volume of Shanghai GM is 1.039 million, increased of 42.8 percent, being the champion in the Chinese passenger cars market; Shanghai Volkswagon gets to 1 million, increased of 37.5 percent, being the second place in the Chinese passenger cars market; Shanghai GM Wuling be sold in the number of 1.23 million, increased of 15.9 percent, being a four - year champion in the micro bus market in China. The own brand of Shanghai Automotive got the sale volume of 0.16 million, increased of 77 percent, the sale volume of Roewee 350 was 50000, being in the A level motor market, which is the largest volume of segmentation market.
4.2 Analysis

4.2.1 Analysis of Danone and Wahaha

Contractual alliances include co – marketing, research and development contracts, turnkey projects, strategic suppliers, strategic distributors, and licensing/franchising. Equity – based alliances include strategic investment and cross – shareholding. A JV is one form of equity – based alliance. It involves the establishment of a new legally independent entity whose equity is provided by two partners. (Peng, 2009) And the relationship between Danone and Wahaha is the second one, equity - based alliances, initially, the JVs established by Danone and Wahaha was in 1996 and increased to 39 in 2006.

In the food industry, Danone faced various cooperative inter - firm relationships, regardless in the international or Chinese market, underlying every decision to engage in alliances and networks in a set of strategic considerations drawn from the "strategy tripod". And these considerations lead to a comprehensive model. And the model can help us very much to analyze the two above cases.

From the traditional industry – based view, firms are independent players aiming to maximizing their own performance based on the interests. In the real business frontier, most firms in any industry are embedded in a number of competitive and/or collaborative relationships, thus necessitating considerations of their alliance and network ties if we are going to realistically understand the dynamics of the five forces. Of course the food industry is no exception. In Chinese market, it is very feasible to find a partner which is familiar with Chinese market. In the last century, the food industry is very attractive to international food companies, because of the large demands brought by the large amount of population and fast - growth economy. However, the operation of Chinese market and Chinese institution was not developed. As a new - established company, only with 9 - year history, Wahaha made to grew to a
famous food company in the China. It was no doubt that Wahaha's competency and ability handling with Chinese market was what Danone needed.

So in 1996, Danone launched the horizontal alliance with Wahaha. In one hand, rivalry reduces profits, and it is impossible for them to compete in every aspect. Instead, many competitors collaborate by forming strategic alliances. As one of the largest beverage companies in China, Wahaha had occupied a certain amount of market shares, if Danone entered Chinese market by itself, which would cost Danone a lot, no matter of time, money and energy. And the profits of two sides would be limited by the fierce competition as well. Through the horizontal alliance, the synergy can be illustrated by the data represented above, in the ten years from 1996 to 2006, the total number of JVs between Danone and Wahaha had grown from five to 39. A huge financial success for both Danone and Wahaha, their JVs’ revenues increased from $100 million in 1996 to $2.25 billion in 2006. By 2006, Danone’s 39 JV subsidiaries in China, jointly owned and managed by Wahaha, contributed approximately 6 percent of Danone’s total global profits. So no wonder that, a Danone spokesman said:" if we now have 30 percent of our sales in emerging markets and we built this in only 10 years, it is thanks to this specific strategy. We have problems with Wahaha. But we prefer to have problems with Wahaha now not having had Wahaha at all for the last 10 years." after the divorce.

Resource – based considerations are another important part as well, which includes value, parity and so on. Real option is one important part of the value. An important advantage of alliances lies in their value as real options. From the part of theory, we can know that an option is the right, but not the obligation, to take some action in the future. Technically, a financial option is an investment instrument permitting its holder, having paid for a small fraction of an asset, the right to increase investment to eventually acquire it if necessary. A real option is an investment in real operations as opposed to financial capital. When establishing the JVs, Wahaha owned 51 percent of the shares, and Wahaha was the majority partner.
Being a minority partner in the JVs, Danone could enjoyed several values, such as low entering cost and less demand on managerial resources and attention, Danone still could pour its major attention to the other markets and avoid the uncertainties in Chinese market, we know that the more uncertain the conditions, the higher the value of real options. In highly uncertain but potentially promising industries and countries, M&As or majority JVs may be inadvisable, because the cost of failure may be tremendous. Chinese market was unfamiliar to Danone, so the cost of handling the uncertainties in a unfamiliar market will be huge. On the other hand, if Danone could not make it to open the market, the cost of failure would be very tremendous. So toehold investment is recommended at the occasion. This may be the motive behind Danone’s limited JV relationships with Wahaha, when potential in the China market was yet to be proven. However, after the uncertainties were removed, Danone was now more interested in scaling up investment by proposing to buy out Wahaha’s other businesses. That is another value for the minority partner, exercising the real option. Initially doing the toehold investment in the JV, owning certain real options, seen as possible stepping stones for future scaling up, exposing partner to the risks involved. On the other hand, real option thinking is often difficult to implement, in part because firms often find it difficult to abandon their options by killing unsuccessful relationships. As Danone found out, it is also challenging to scale up when dealing with financially successful relationships. And we can see the result - divorce.

4.2.2 Shanghai Anto Analysis

Shanghai Auto do well in the aspect, its brands alliance with VW and GM make customers' memory net about Shanghai Motor be widen, because the nodes store information on Shanghai Auto be comprehensive. Shanghai VW has above ten motor types, such as Multivan, Tiguan, CC, Santana, Scirocco, Bora, Lavids, Golf, EOS, Passat. And Shanghai GM has several son brands with a product matrix consists of nine series and 33 types such as Buick, Cadillac, Chevrolet, including Cadillac CTS,
Cadillac SRX, Buick Royal, Buick Regal, the Buick GL8 commercial public station wagon, Buick Excelle, Buick Excelle HRV, Chevrolet Epica. And Shanghai Auto also has its own - established brands, such as Roewe and MG. Different brands also own different characteristics, Cadilac is aim to give customers the feeling of luxury, Buick is a symbol of mature; different types also are targeted different segments. Each node of the customers' memory net store Shanghai Auto's car name, type, and nature, the nodes link with each other, making the net becoming comprehensive. So when customers are reminded a particular car information, they can also come up with a whole series of Shanghai Motor family, it will be helpful to build a strong, unique, favorable association with Shanghai Motivate.

Both VW and GM are famous motor manufacturers in the world, which not only own a great reputation in the international market, like GM is the most multiple brands car manufacturer, and VW is the symbol of high - tech and comfort, but also have a long - term technology accumulation. Chinese motor industry started far lately than western country, the Chinese motor companies are less - developed than the international motor manufacturers, in terms of technology or reputation. So many Chinese companies choose to cooperate with developed car manufacturers, and Shanghai Auto is the most successful one. With integration with VW, GM, Shanghai Auto have been in the first place in the sale volume list in China. Making use of the clinging effect, the cars from Shanghai are easy to be accepted by different group of customers, at the same time, its brand image also be enhanced, becoming the symbol of Chinese motor industry. In Chinese customers' mind, Shanghai Auto is the most multiple car manufacturer, with the cars can fit every market segments' needs, no matter high - ending or low - ending market. And delivering the concept of VW and GM, Shanghai Auto are also one of the top brand in China, the representativeness is high - tech and multiple.
5. Findings

We use the overall knowledge and theories to analyze the cooperation between Volvo and Lingong, tell them how to avoid brand conflicts and what synergies there will be. We will show the information from our empirical study, combining with the answers from Lingong, and Chinese Engineering Equipments Association when they released in the presses with our analysis, introduce the synergies yielded from the cooperation between two sides.

5.1 Why Volvo choose Lingong?

The MNEs in the part of theory show that, one size doesn’t fit all. In the automobile industry, there is no "world car", so there no "world construction equipments" in CEs industry too. As we know, Volvo is a very famous brand in construction equipments industry, their products is regarded as the representative of engineering machine, the brand - Volvo has gain a lots of reputation in the world, with the premium product quality and brand image. Nowadays, China, one of the BRICs, become the largest construction market, there are many projects such as building, railways, high ways, airport and power stations, all of them is far more than other countries. If Volvo CEs can occupy larger market shares, it means they can take over the leaderships in the world. But a important situation in China is that the biggest need of construction machine were located in low-ending and medium-ending market, however, Volvo CEs mainly focus on medium-ending and high-ending market.

Lingong is one of first 500 construction machine manufacturers in China and national high - technological company. They has built a nationwide distribution and service network with approximately 170 dealers, a significant network of service agencies and 10 parts outlets in China. Their products are distributed across China and
exported to Australia, the Middle East, Malaysia and Mongolia. To be a local brand, Lingong is cheaper than some foreign products, and much easier to be accepted by Chinese, and their machine more focus on low-ending and medium-ending market, it is suitable for current situation in China. Lingong had good volume and stable states in Chinese loader market, but in the excavator market, there are complicated competition, many overseas companies occupied in China, such as Doosan heavy industries and Komatsu. They took account for 75 percent of the total sale volume from January to July in last year. National brand is very difficult to fight against these overseas companies in excavator market.

In 2006, Lingong has cooperated with Volvo in research and development, manufacture, marketing, and brand building and many other fields. It is the first step of Volvo to join the China market, because Volvo know that they must change their product strategy in many different ways if they want to occupy larger China market shares, because of Volvo's machine was high-technology, most of its are precise instrument, and difficult to operate. According China's market demand, many of projects is infrastructure construction, so high-ending machines are not suitable for China. Therefore, the most effective way to Volvo is cooperating with a Chinese company, Lingong is their best choice. After one year's integration in the field of product, market, brand construction, the both sides had make a great achievement. Volvo CE has invested RMB 327.5 million in exchange for 70% of the equity in Lingong in October, 2007. Volvo established a brand alliance with Lingong through this acquisition. It showed the satisfactory attitude toward the current situation and the confidence for the future from two sides. Like Dussauge and Garrette (1999) said, "when the partner companies join forces in pursuit of common goals without losing their strategic autonomy and without abandoning their own specific interests", Volvo and Lingong they all can get many from the brand alliance. It is convenient for Volvo entering China market, because Volvo avoids the initial investment in construction of factory and the brand "Lingong" easier to be accepted by customers. At same time, Lingong also use the brand "Volvo" to improve their brand image and
reputation.

Like the case study in this thesis, Shanghai Motor Industry Group also cooperates with German Volkswagon, US GM and some other overseas motor companies. Their brands alliance can improve the brand awareness through link with those international motor brands. The dual-brand strategy made sales volume of Shanghai motor increase, and got more profit, because the prices of JV cars are cheaper than original cars. And the overseas motor companies occupied and hold more Chinese market shares, the alliance also can help German Volkswagon, US GM reduce the cost of production.

All in all, cooperation with Lingong is the important and effective step for Volvo to occupy China market. To Lingong, the alliance between it and Volvo is the fast way to enhance their brand image and comprehensive competitiveness, and achieve a stable state in the fierce competition.

5.2 Is the brand important in the construction equipment industry?

The chief secretary of Chinese Engineering Machine Association said in the press of publishing of Lingong's new strategy, the brand image can be the core competency of a firm, and Chinese company need the distinctive brand image, if it wants to have a long-term development. In the construction machine industry, Lingong is not a top manufacturer, the competition is very stiff, there are many domestic competitors, such as Liugong, Longgong, Xigong, Yuchai Heavy Industry, some of them are the listed companies, and also overseas competitors exist, especially the South Korean and Japanese construction equipment companies. Lingong faces a situation of lack of capital and high technology, cooperation with Volvo in the field of R&D, resources, marketing, and branding, the synergies yielded can help Lingong to make a huge progress.
We can know that, brand positioning is very critical part of marketing strategy for a firm to offer its products or services. Of course, the brand positioning of Lingong and Volvo is also different, because the different level of technology and formal image. Both of them occupy different valued place in the target customers' minds. Volvo is regarded as a premium brand in the international market, of course in the Chinese customers' mind, which is the symbol of technology, and representative of high-end equipments. While Lingong is not a top one in China, so customers are hardly regard Lingong as premium as Volvo. So Volvo should targets the high-end groups and segments having sophisticated needs, and Lingong's target segments are those who sought for durable and safe equipments. Through brand positioning, both of them can find a suitable place in the minds of the customers in the targeted groups and segments, distinguish their own products from each other, even the competitors' from the same category, forming a strong, favorable and unique association. As the different brand positioning of Lingong and Volvo implemented, the different target segments came out, the target segmentation of Lingong is the ones are responsible for the basic projects construction, they have the similar needs for durable and safe equipments to dip, load the projects construction wastes. The target segmentation of Volvo is those who are responsible for the sophisticated projects construction. The costs and benefits make tradeoffs.

Lingong implemented its marketing communication method by put the advertisement on the CCTV recently. The nature of marketing communication is the means that firms used to persuade and inform customers about the brand they sell. The marketing communication can be a critical factor contributing to the success of a brand. TV advertising is the most important way with high expense, wide coverage and high exposure. In China, CCTV is the largest TV with nation-wide coverage, and Lingong is exposed to all the audiences at very corners of China at gold time, which is very effective way to promote Lingong's ideas and goods. And it is also a very powerful way of creating a strong, favorable and unique brand association and eliciting positive
judgments and feelings. The advertising can be a very important factor distributing Chinese customers' purchasing decisions. Chinese customers' emotion are very easy to be affected by the advertisements, as they see a brand exposed at the particular occasion, they will have a deep judgment and feeling about it. When Lingong is exposed on the CCTV, most of the customers may think that Lingong is a premium brand, because the ordinary brands can’t afford the high expense of advertising on CCTV. So advertising on the most high - class TV can enhance Lingong’ brand image.

In the international market, a common way for a firm to enter a new market is strategy alliances, through this method, the firm can exchange, sharing or co - development of products, technologies, or service, and there are two ways included. One is non - equity - based contractual agreements and equity - based JVs. Like the cases we are studying, Danone and Wahaha were in the relationship of equity - based, while Shanghai Auto's alliance with VW, GM are the non - equity - based, they focus more on the technology exchanging and sharing. Of course, the alliances between Volvo CE and Lingong is equity - based, Volvo CE already has 70 percent of shares of Lingong. For the resource - based consideration, Volvo takes acquisition with 70 percent of shares of Lingong, indicating that Volvo is very confident with its future performance. Unlike Danone, exposing Wahaha to the risk when firstly entering China, establishing JVs and it left the brand conflicts after. The relationship between Volvo and Lingong is more stable. Because of different brand positioning, Volvo and Lingong should sell the products with one single brand, unlike Wahaha, which has gain great reputation but Danone is unfamiliar to most of the Chinese customers, so they can use the single "Wahaha" brand. But Shanghai Automotive use multiple brands to sell its products, because VW and GM has different brand equity and brand images, so differentiating the products make them successful. That is to said, it is suitable for Volvo and Lingong to implement the dual - brand strategy to differentiate their products.

Consumption patterns and consumer behavior are deeply influenced by the culture. As the above theory said, culture not only influences what is to be consumed, but it also
affects what should be purchased. If a firm wants to enter and gain success in overseas market, it should make it adapt to the native culture, and give insight into the native consumer behavior. Like the consumer behavior, can be affected by emotion at the psychological level. Like the Chinese consumers' industry emotion, the dual - brand can help to facilitate the acceptance of Volvo through maintaining the industry emotion. What is more, social level factors can contribute to particular consumer behavior as well, so the advertising on CCTV is very essential to Lingong. Once the brand image was enhanced, through cognitive psychology, consumers also can form a strong, favorable and unique association with Volvo, because we also can see Lingong's logo, - one member of Volvo Group.

5.3 Does Lingong be afraid of being acquisition of by Volvo and cancel the brand "Lingong".

When Volvo announced it had take acquisition of 70 percent of shares of Lingong, some people said that the Volvo is becoming another Danone. The point from Lingong is that during the negotiation, Lingong had insisted that the brand - Lingong should be retained after merger, and it is because of Volvo's promise that enforce Lingong's agreement, and the joint agreement regulates that, the Lingong 's brand will be retained.

Indeed, in the past a few decades, Chinese economy has been growing rapidly, but lack of strong foundation, comparing with the western MNEs, the Chinese companies are still inferior. In the 90s of last century, many Chinese companies rushed to joint with oversea companies, but it results that many Chinese national brands disappeared. Some overseas companies have interfered Chinese companies' brand management through owning the controlling rights, and some buyout the Chinese companies' brand usage rights, and then make them disappeared.

China is a country owning a very special industry emotion because of the historical
reason. Many Chinese people are very concerned about the national brand, sometimes, the reason if the brand is national or not can determine consumers’ purchasing decisions, such as Lenovo, Haier, Huawei are Chinese national brands, and people are very proud of them. And the products from national brands always own the priority to be considered, when people have the need for the category of products. What is more, people always are against the situation of overseas MHEs hostile takeover Chinese companies and abandon the national brands. Like the case of Danone and Wahaha is a good example, Danone had joint venture with Wahaha when entering Chinese market at 90s of last century, and exposed Wahaha to the risks involved. After the uncertainties were removed, Danone wanted to scale up by killing the relationship with Wahaha. It is the case that alarm many group of people, the experts from industry raise a hot topic of how to protect Chinese national brands, and the ordinary also raised emotion against Danone. So we can know that, retaining the brand "Lingong" can help to facilitate the acceptance of products from both of Volvo and Lingong. At one hand, the products linking with Volvo, can give people the image of high - technology and safety, on the other hand, Lingong is a national brand, the products are very easy for people to accept.

5.4 What advantages do you think that the dual - brands strategy can bring to Volvo and Lingong?

Lingong's resources can help Volvo to providing Chinese market with multiple products, the brand positioning is different, however, in the fields of manufacturing, researching, purchasing, finance service, marketing, and human resource, both of Volvo and Lingong cooperate, and achieving the win - win situation of reducing the waste of resources and sharing the scale effects. In the European market, the products of Volvo is mainly targeted at the medium - or high - ending markets, Chinese construction equipment market has been growing rapidly, the needs for various products are also growing, so they decide to entering the Chinese medium - and low -
In the construction equipments industry, the speed of regeneration is not fast, due to the market demand. China is currently at the period of construction, a large number of infrastructure construction bring a large number of demand. While the infrastructure construction need more construction equipments, like loaders and excavators, those are not sophisticated, but they should be durable and safe. And the loaders are rewarded products in Lingong's products range, wheel loader, roller, backhoe loader, concrete pump are also the products Lingong devotes to develop. And this kind of products can meet the basic need of the infrastructure construction. Combining with the brand image of Volvo, we know that, the Volvo has a very reputation on the earth, famous for its high technology and safe. Now, becoming one member of Volvo Group, it will make the Chinese consumer form a favorable, unique association with Lingong. Making consumers forming a association with Lingong and Volvo, Lingong construction equipments are like that of Volvo, safe and durable.

While we know that, the sophisticated construction equipment is not also needed in the construction, the use of sophisticated is not as much as ordinary construction equipments, but they are high-value adding. As the points from Chinese Engineering Machinery Association, the fields of sophisticated engineering equipment and critical parts should be regarded as invested opportunities. From 2011 to 2015, Chinese government will develop hydraulic excavators above 30 tones, and loaders with loading capacity of 6 tones, the parts in their power system and transmission system. The machines and critical parts are the products Chinese national companies can’t produce, although the demand for that is large, import is the only way. Although the products from Lingong and Volvo are similar to the most of the consumers, both of them are the basic functional products for construction, which sophisticate can be the selling point for Volvo, and durable and safety as selling point for Lingong. So Volvo and Lingong can be targeted to different market segments.
What is more, the dual-brands strategy also can bring several advantages contributing to Volvo's global brand marketing programs. Firstly, the high Chinese construction equipments market demand can bring higher volume of production and distribution, which can enhance Volvo's manufacturing efficiencies and lower the cost. We know that, the increasing production can drive down the cost of making and marketing a product. Secondly, the brand with product selling in diversified markets always seen a premium market, and it is very easy to gain much expertise and acceptance. And if the brand is widely available may signal that the product is high quality and convenient to use. If Volvo can make it to be promoted in China, it is also essential to spread its prestige and status to other Asian countries. Thirdly, the durable and high-tech characteristic can be transmitted through the products of Lingong, which also can maintain the consistency of Volvo's brand image. (McCarthy and Norris, 1999)
6. Conclusions

China is seen as one of the major emerging markets in the world, driven by the economy growth and based infrastructure construction demand, the construction equipment demand growth rapidly, Chinese construction equipment market is seen as one of the largest ones by the MNEs of construction equipment. The Chinese construction equipment market is huge, at the same time, the competition is stiff, Chinese, Japanese, South Korean and German companies have occupies almost all of the market share, furthermore, Chinese market is unfamiliar to Volvo CE, the cross-boundary culture and customer behavior are likely to post a risk to Volvo CE, the late participant. In order to compete for the “big cake”, and lower the risk, Volvo CE chose to cooperate with local competitor, Lingong. Comparing with Volvo CE, Lingong is a much smaller competitor, however, as a Chinese native company, Lingong has its own advantages, Lingong has a national wide channel network and it is familiar with Chinese market. So Volvo CE acquired Lingong, Volvo CE can accelerate its pace into Chinese market and lower cost.

Cross-boundary culture incompatibility is always seen as major barrier causing failure of cross-boundary merger and acquisition, particularly, the risk of acquisition between western company and eastern company is higher, as Volvo CE competes in China, culture compatibility and customer behavior must be considered. China has characteristic industrial culture, Chinese customers are more willing to buy Chinese national brand and against the hostile acquisition of Chinese brand. Brand has a very powerful effect on customers, and customers are accustomed to judge company competency through brand image. So Volvo CE would like to keep “Lingong” brand to get favor from local customers. In terms of differentiation marketing, Lingong can target at the low-ending segmenting market and Volvo at the sophisticated one. That is why Volvo CE didn’t cancel Lingong brand.
Dual-brand strategy helps to achieve a win-win situation. Lingong can share the resources with Volvo, due to Volvo is a giant in the CE field, Volvo has a very great reputation, so Lingong become a member of Volvo Group, customers will have a good brand linkage between Lingong and Volvo. Commonly, if a overseas brand come into a new market, the cost of building a favorable, unique and strong brand image in local customers’ minds in fairly high. Volvo become the parent company of Lingong, Volvo is more easy to be accepted by Chinese customers, which can lower cost of Volvo’ building own brand image. As Lingong is a brand targeting at low-ending segmentation, so Volvo CE can maximize its market share by covering sophisticated and low-ending market without damaging its high-ending reputation, so Volvo can spend all of its effort onto sophisticated segmentation.

However, dual-brand strategy also has some disadvantages, and these disadvantages may make the two brands into others crises. Firstly, if one brand get into some troubles, another brand also be affected most likely. Secondly, these two brands may become competitor in some markets or products. Volvo and Lingong need to consider all of the problems and find solutions to handle and avoid these disadvantages. For the future research, the study of how to deal with these problems and giving some solutions for Volvo and Lingong are necessary. Simultaneously, this study used desk research to be our research method, so the use of interview and questionnaire can help us get more first-hand information in future researching, it will help to improve the reliability of the study.
7. References

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