

**Marketing Research for Nordland Fishing Company in the
Chinese market**

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1. Introduction

1-1 Understanding of Chinese economy

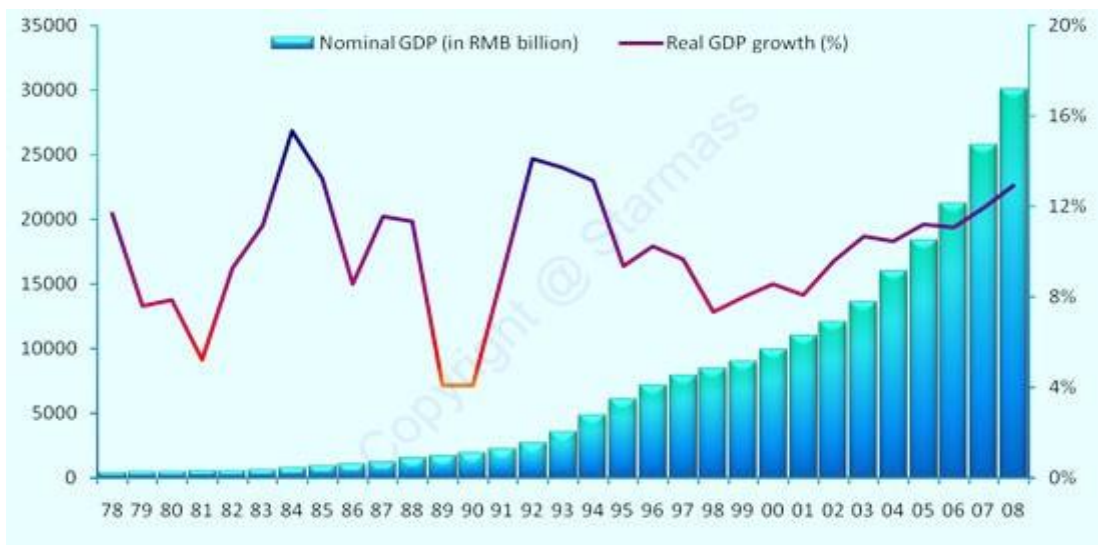
In the past three decades, China played a role of the world's factory in the global market. Many firms which set their head quarters in China were attracted by its fascinated "open door" policy that created a suitable and "cozy" business context. China has a huge labor pool used to and was good at utilizing its cheap labor pool to build comparative advantages. Moreover, with the economic development, in particular after 2001 this country joined WTO, today the Chinese market becomes stronger and stronger in external trade as well as domestic trade. And this emerging economic juggernaut is now providing foreign firms increasing opportunities.

After the Chinese government carried out the reform and opening-up policy in 1978, the growth rate of the Chinese economy jumped to 10% per year. Since 1978, we find that there are many differences in economic policy compared to previous Chinese economic policy. There are many reasons that give answers for why Chinese economy grows up so quickly. For example, the policy changes to promote trade liberalization, and many Special Economic Zones invested sustained growth in education. The most accepted by economist is rapid accumulation of factor input. At that time, China began to generate significant and steady growth in investment, consumption and standards of living. China now participates extensively in the world market and private sector companies play a major role in its economy.

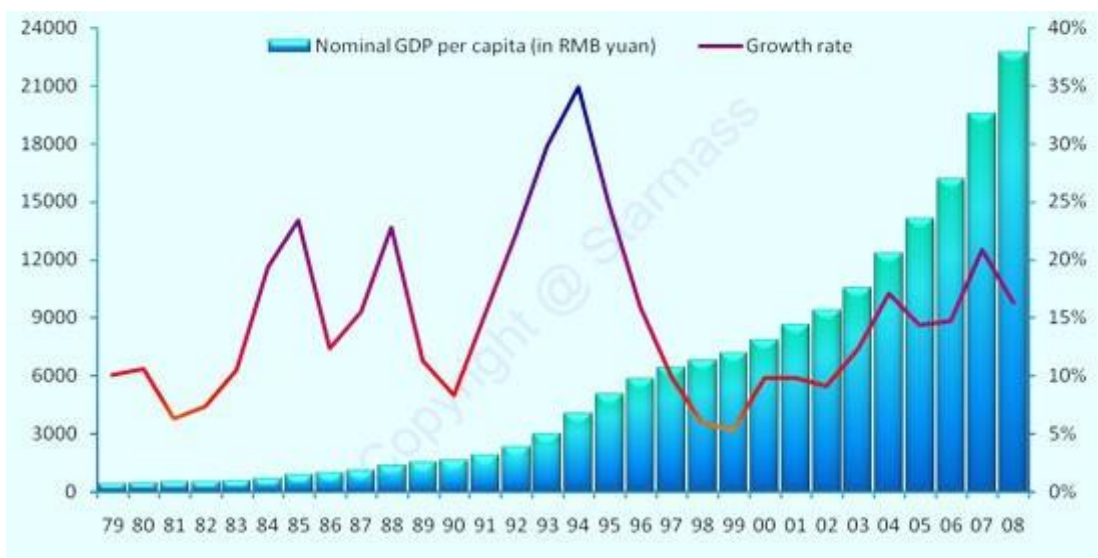
China has the largest population in the world and its enormous potential market. According to the economic statistics, Chinese market gives huge profit for other countries. In 2008, the gross domestic product (GDP) was 30,067.0 billion Chinese yuan, up by 9.0 percent against the previous year. The general level of consumer prices in China was up by 5.9 percent against the previous year. The total value of imports and exports in 2008 reached 2,561.6 billion US Dollars, up 17.8 percent over the previous year. The value of exports was 1,428.5 billion US Dollars, up 17.2 percent, and the value of imports was 1,133.1 billion US Dollars,

up 18.5 percent. In 2008, there were 27,514 enterprises that have establishment business in Chinese market with foreign direct investment in non-financial sector. In 2008, the annual per capita net income of rural households was 4,761 yuan, or a real increase of 8.0 percent over the previous year which the factors of price increase were deducted. The annual per capita disposable income of urban households was 15,781 yuan, or a real increase of 8.4 percent (www.Chinese embassy.com).

Below is the chart of China GDP and real GDP growth rate from year 1978 - 2008:



Below is the chart of China nominal GDP per capita and its growth rate from year 1979 - 2008:



The economy of China is the third largest in the world, after the United States and Japan (2008) with a nominal GDP of USD4.91 trillion (2009) when measured in exchange-rate terms. However, depending on Japan's official 2009 fiscal report which is set to be announced in February 2010, China may have already become the second largest economy near the end of 2009. It is the second largest in the world after that of the U.S. with a GDP of \$8.8 trillion (2009) when measured on purchasing power parity (PPP) basis. China had the fastest-growing major economy for the past 30 years with an average annual GDP growth rate above 10%. China's per capita income has likewise grown at an average annual rate of more than 8% over the last three decades drastically reducing poverty, but this rapid growth has been accompanied by rising income inequalities. The country's per capita income is classified in the lower middle category by world standards, at about USD 3,180 (nominal, 104th of 178 countries/economies), and USD 5,943 (PPP, 97th of 178 countries/economies) in 2008, according to the IMF. China is the largest trading nation in the world and the largest exporter and second largest import of goods (www.mofcom.gov.cn).

Chinese foreign trades have grown faster than its GDP for the past 25 years. China's growth comes both from huge state investment in infrastructure and heavy industry and from private sector expansion in light industry instead of just exports, whose role in the economy appears to have been significantly overestimated.

Some economists believe that Chinese economic growth has been in fact understated during much of the 1990s and early 2000s, failing to fully factor in the growth driven by the private sector and that the extent at which China is dependent on exports is exaggerated.

In these years, the government emphasized raising personal income and consumption and introducing new management systems to help increase productivity. The government also had focused on foreign trade as a major vehicle for economic growth.

But the Chinese economic development is unbalanced. Economic development has generally grown faster in coastal provinces than in the interior, and there are large gaps in per capita income between regions. The three wealthiest regions are along the southeast coast, centered on the Pearl River Delta; along the east coast, centered on the Lower Yangtze River; and

near the Bohai Gulf, in the Beijing–Tianjin–Liaoning region. It is the rapid development of these areas that is expected to have the most significant effect on the Asian regional economy as a whole, and Chinese government policy is designed to remove the obstacles to accelerated growth in these wealthier regions.

As we get information from Chinese embassy, since 1998 when China was in its 12th year of negotiations for accession to the World Trade Organization (WTO)—formerly the General Agreement on Tariffs and Trade (GATT), and his country significantly reduced import tariffs. Previously in 1996, China had already introduced to cuts more than 4,000 tariff lines, reducing average tariffs from 35% to 23%; further tariff cuts that took effect October 1, 1997 decreased average tariffs to 17%. To gain WTO entry, all prospective WTO members were required to comply with certain fundamental trading disciplines and offer substantially expanded market access to other members of the organization. Many major trading entities—among them the United States, the European Union, and Japan—shared concerns with respect to China's accession. These concerns included obtaining satisfactory market access offers for both goods and services, full trading rights for all potential Chinese consumers and end-users, nondiscrimination between foreign and local commercial operations in China, the reduction of monopolistic state trading practices, and the elimination of arbitrary or non-scientific technical standards. China and other WTO members work to achieve a commercially viable accession protocol. (www.Chinese-embassy.no)

1-2 Chinese and Norwegian economic relation

Following the Chinese economic development, the relations of China and Norway become more and more important. China has a huge domestic market and increasing purchasing power that makes up a good choice for Norwegian company to establish business in Chinese market. Just this year 2009 from January to April, the Sino-Norwegian bilateral trade volume reached 2.4 billion U.S. dollars, an increase of 27.3%. In which Norway exported 770 million U.S. dollars, with 64.1% increase compared to the same period last year; imported 1.63 billion U.S. dollars, an increase of 14%. Norway's main products imported from China are the first five categories of textiles and clothing accessories, office equipment, communications equipment, electrical machinery and furniture products; Norway's main export products to China are the first five categories of special industrial machinery, general

machinery and equipment, fish and seafood, professional scientific instruments and organic chemical products and so on (www.Chinese-embassy.no).

These figures allow us to assume how important for Norway business establishment with China. Therefore Norwegian companies tend to enter the Chinese market. Though Chinese market can give huge benefit and large potential for foreign companies, but not all of them can achieve success in it. The company must take care of innovation, price, culture, brand, product, etc.

Norway's exports to China from 2007 to 94 billion kroner (1.65 billion U.S. dollars) grew in 2008 to 110 billion kroner (1.93 billion U.S. dollars), an increase of 14%; the same period, China Norwegian exports from 28 billion kroner (4.9 billion U.S. dollars) grew to 310 billion kroner (5.43 billion U.S. dollars), an increase of 13%. "According to our statistics, this momentum will be maintained in 2009," Giske said that Norway in January 2009 to November exports to China jumped 39 percent, to 13.0 billion kroner (22. 800 million U.S. dollars) (www.Chinese-embassy.no).

China and Norway held their 6th round of FTA negotiations in Oslo from December 15 to December 17, 2009. Officials from over a dozen ministries of the two countries participated in the negotiation. Group consultations were held on issue of investment, rules of origin for goods, trade remedy, SPS and intellectual property rights, etc. H.E. Mr. Trond Giske, Norwegian Minister of Trade and Industry, met with the Chinese delegation. The two sides decided that the 7th round of negotiations would be held in Beijing in March 2010. (Chinese embassy)

1-3 Seafood in Norway

China and Norway are the largest exporters of seafood production in the world. Seafood is Norwegian major items of export products. Over the past few years, Norwegian seafood export in China has experienced rapid growth. Norwegian high –quality salmon and sea trout were highly successful in the Chinese market.

Norwegian aquaculture development in the past three decades has been a global leading position. Norwegian aquaculture equipment manufacturers develop and produce a series of marine farming equipment, including breeding cages and feeding systems, monitoring equipment, and seafood processing technology.

In 2009, Norwegian seafood exports is 2.6 million tons, the value is 44.7 billion Norwegian kroner, an increase over the previous year 268 thousand tons, the value of the additional is 60 million Norwegian kroner, 6 consecutive years of record exports.

For Norway side, the fishing industry is the economic backbone of the Norwegian coastal areas. Norway's annual export value of fish and fish products is 300 million Norwegian kroner making it one of the country's largest export industries.

In recent years, China's imports of Norwegian seafood increased about to surpass Japan to become the largest market for Norwegian seafood in Asia. In 2009, Chinese imports of Norwegian seafood increased 60 percent over last year, up to 2.3 million tons, the value was more than 800 million NOK.

1-4 Purpose of study

In our paper we will write about how Norwegian companies do seafood business in China. The aim of this paper is to understand how a foreign company can be successful in the Chinese market. The opening up and reform policies of Chinese government made it become attractive for a foreign company to invest into Chinese market. And the huge market and increasing of purchasing give a huge benefit for foreign companies. But not all the foreign companies can be successful in China. On the other hand we need to understand how the international firm can choose a market and operate in China.

In our paper we will analyze how the Vester ålen Fiskeripark (VFP) does marketing research in the Chinese market, and we will take Nordland county council and Zhejiang province cooperation as background to better understand how government cooperation impacts the company marketing strategy.

VFP is a company to help Norwegian aquaculture to make marketing research. Our problem is to study seafood in the Chinese market. Because of the economic development unbalance in China, it is important to choose the area of focus in research. The problem we study will include the areas as follows:

1. How to choose a market.

As we said before, Chinese economic development differs from area to area, so we should have a clear understanding which market company should focus on.

2. How to operate in the market

Because China is an Asian country and Norway belongs to Europe, it makes different company scales between 2 countries. To choose the best method to enter the Chinese market for Norwegian companies is very important.

3. How to make consumer feel the value of production

The price of seafood in the Chinese market is very high when we compare it with other countries, so we can say that the Norwegian seafood can be the kind of “luxury” product. Therefore to make consumer understand the value of production is very important.

4. How a company can create advantage in Chinese market

VFP makes marketing research for seafood industry firms from Nordland. There are many competitors existing in Chinese market, so they need to have advantage in order to take place in the market. Through our analysis we can investigate how to create an advantage that is very important for companies.

1.5 structure of the thesis

There are 5 main parts in thesis (theoretical framework, methodology, empirical study, analysis part and suggestion of marketing strategy). After introduction, next part will be theoretical framework. It is an overview of about relative theory. Through this part we will get general understand of marketing research theory which we will use in our paper. The third part will be methodology. This part used for grasping insight into the present

phenomena. The fourth part will be empirical study. We will study from macro (Norwegian and Chinese economic) and micro (VFP) aspect. The fifth part is the analysis part, we will use Porter's diamond to analysis VFP and product. In the last part, according to the problem we find, we will give some recommendations to VFP.

2. Theoretical Framework

2.1 Absolute advantage and comparative advantage

Carman said that the international marketing is not a single theory, but rather a discipline containing a number of theories when applied become the operating technologies of practitioners engaged in the international marketing process. There are two kinds of advantage can be found, absolute advantage and comparative advantage. Absolute advantage refers to the ability of a party (an individual, or firm, or country) to produce more of a good or service than competitors, using the same amount of resources. Adam Smith had developed absolute advantage; arise because of differences in factors such as:

- Climate;
 - Quality of land;
 - Natural resource endowments including (labour, capital, technology or entrepreneurship)
- (Bradley P33)

According to this theory, countries export goods and services which they have absolute advantage and import goods and services which another countries has the absolute advantage. In the real international business we don't need to think about absolute advantage, it is just a theory. It comes comparative advantage.

David Ricardo said that a country may have an absolute advantage in producing both products, but as long as the weaker country has a comparative advantage in the production of one of the products, trade will occur. Comparative advantage analyzes international trades in terms of differences in relative opportunity cost. The theory suggests that countries should specialize in the goods they can produce most efficiently rather than trying for self-sufficiency and argues strongly in favour of free international trade.

It is very important for the firm which will entry another country's market to make competitive advantage. Competitive advantage is very basic words, how a firm manages to keep making money and sustain its position against its competitors.

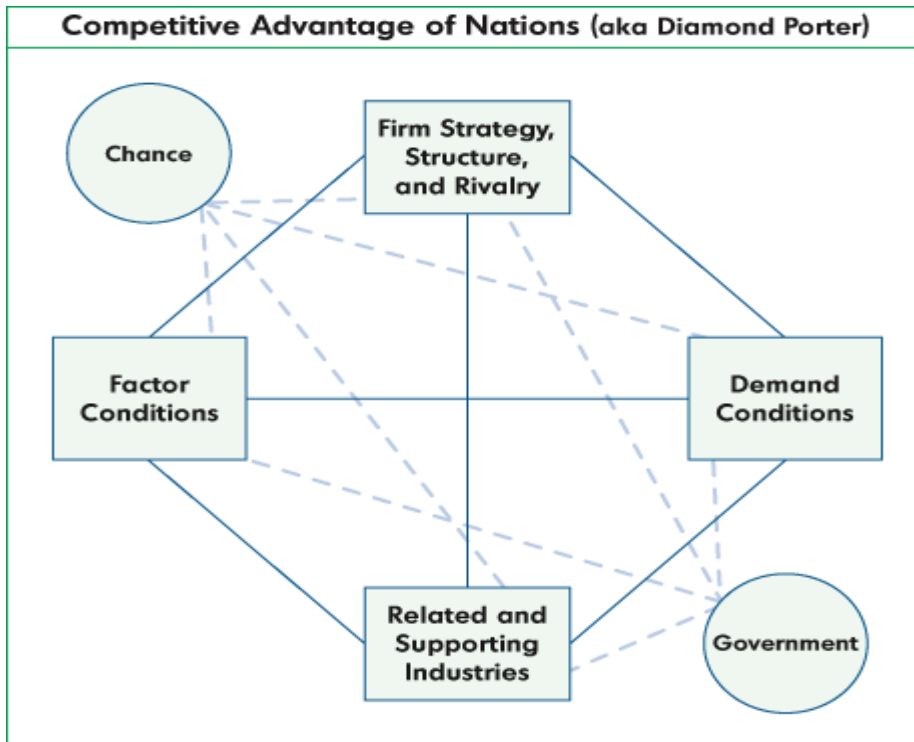
According to Michael Porter, the three methods for creating a sustainable competitive advantage are through:

1. Cost leadership - Cost advantage occurs when a firm delivers the same services as its competitors but at a lower cost
2. Differentiation - Differentiation advantage occurs when a firm delivers greater services for the same price of its competitors. They are collectively known as positional advantages because they denote the firm's position in its industry as a leader in either superior services or cost
3. Focus (economics) - A focused approach requires the firm to concentrate on a narrow, exclusive competitive segment, hoping to achieve a local rather than industry wide competitive advantage. There are cost focus seekers, who aim to obtain a local cost advantage over competition and differentiation focuser, who are looking for a local difference.

In the international marketing system, there are five major participant groups: Customers; competitors; partners; suppliers and the company itself. The company wants to make advantage in the market; they must to take care of these five groups. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost, or deliver benefits that exceed those of competing products. A competitive advantage enables the firm to create superior value for its customers and superior profits for itself. There are three levels for development of firm's international competitiveness, Macro level: analysis of national competitiveness; medium level: competition analysis in an industry; micro level: value chain analysis.

The purpose of Porter's diamond model is to analyze how one country's industry creates competitive advantages. Porter's analysis deals with the dynamic process by which competitive advantage is created. The basic method in these studies is historical analysis. The phenomena that are analyzed are classified into six broad factors incorporated into the Porter diamond, which has become a key tool for the analysis of competitiveness (Wikipedia):

1. Factor conditions are human resources, physical resources, knowledge resources, capital resources and infrastructure. Specialized resources are often specific for an industry and important for its competitiveness. Specific resources can be created to compensate for factor disadvantages.
2. Demand conditions in the home market can help companies create competitive advantage, when sophisticated home market buyers pressure firms to innovate faster and to create more advanced products than those of competitors.
3. Related and supporting industries can produce inputs which are important for innovation and internationalization. These industries provide cost-effective inputs, but they also participate in the upgrading process, thus stimulating other companies in the chain to innovate.
4. Firm strategy, structure and rivalry constitute the fourth determinant of competitiveness. The way in which companies are created, set goals and are managed is important for success. But the presence of intense rivalry in the home base is also important; it creates pressure to innovate in order to upgrade competitiveness.
5. Government can influence each of the above four determinants of competitiveness. Clearly government can influence the supply conditions of key production factors. Demand conditions in the home market, and competition between firms. Government interventions can occur at local, regional, national or supranational level.
6. Chance events are occurrences that are outside of control of a firm. They are important because they create discontinuities in which some gain competitive positions and some lose.

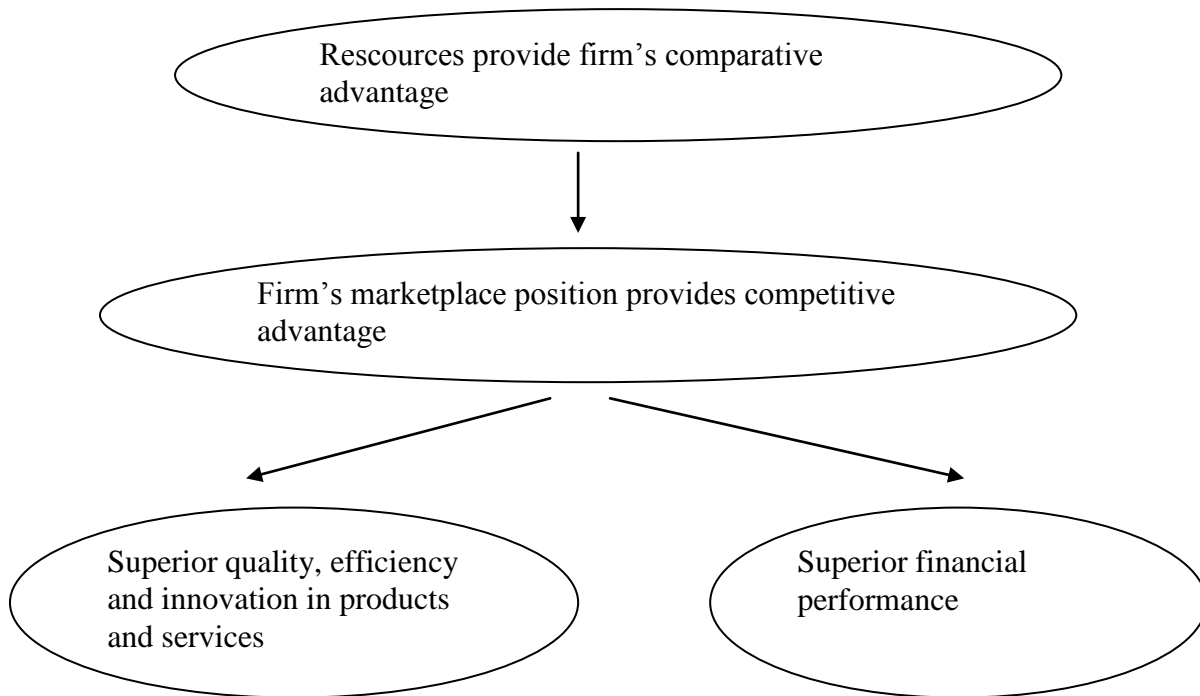


2.2 Company and environment

2.2.1 Resources and capabilities in a company

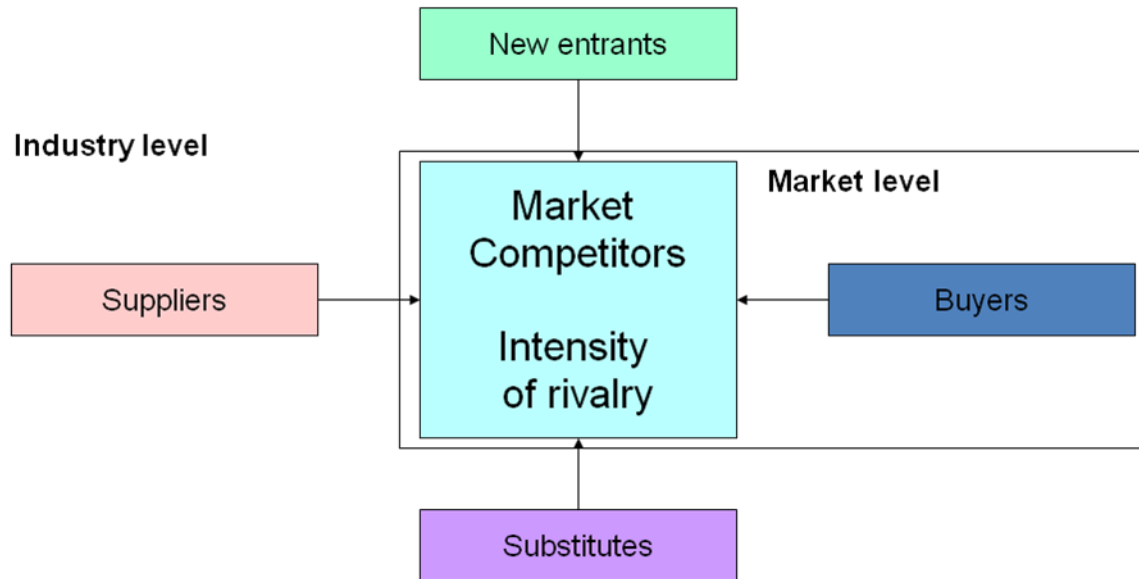
There are five factors influencing internationalization of the firm: goals and objectives, size of firm, location, technology and innovation, products and services. The firm must to know what they want to get in the market. The company must to make the goal and then to make a strategy for this goal. For example: product portfolio. Resources of firm can be a very important factor for firm. According to Hunt and Morgan (1995) competition consists of a constant struggle among firms for a comparative advantage in resources which will yield a competitive advantage to them in the market, and in turn, a superior financial performance. Resources for firms can be classified as: financial; physical, legal; human; organizational; informational; relational. The resource is very difficult for other firm to copy. According to Hunt and Morgan a comparative advantage in resources exists when a firm's resource assortment enables it to produce a product or service that, relative to existing competitors, is perceived by some market segments to be of superior value and/or can be produced at lower cost. Company resources provide the firm's comparative advantage that in turn allows the

firm to develop a competitive advantage. Competitive advantage introduces the possibility of superior quality in the firm's products and services and superior financial performance (Frank Bradley P45).



Now we will discuss little about Porter's five forces. "Porter's five forces" is a framework for the industry analysis and business strategy development developed by Michael E. Porter of Harvard Business School in 1979.

Porter referred to these forces as the microenvironment, to contrast it with the more general term macro environment. They consist of those forces close to a company that affect its ability to serve its customers and make a profit. Porter's five force include three forces from 'horizontal' competition: threat of substitute products, the threat of established rivals, and the threat of new entrants; and two forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers. According to Porter, the five forces model should be used at the industry level. It is not designed to use at the industry group or industry sector level. An industry is defined at a lower, more basic level: a market in which similar or closely related products and/or services are sold to buyers.



2.2.2 Management of the international firm

According to Bradley, there are six key success factors:

- Attitudes toward company growth;
- Cognitive style of managers;
- Managerial aspirations for internationalization;
- Commitment to international markets;
- Managerial expectations and internationalization;
- Motivation to internationalize (Frank Bradley P49)

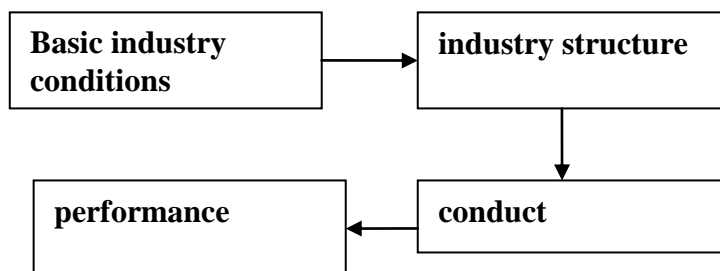
There are two important incentives for management for company growth, internal incentives and external incentives. Internal incentives to grow arise largely from the existence within the firm of a pool of unused productive services, resources and special knowledge. External incentives to growth include increasing demand for a particular product or service, reflecting changes in the marketing environment and changes in the product technology environment which call for development.

2.2.3 Competitors

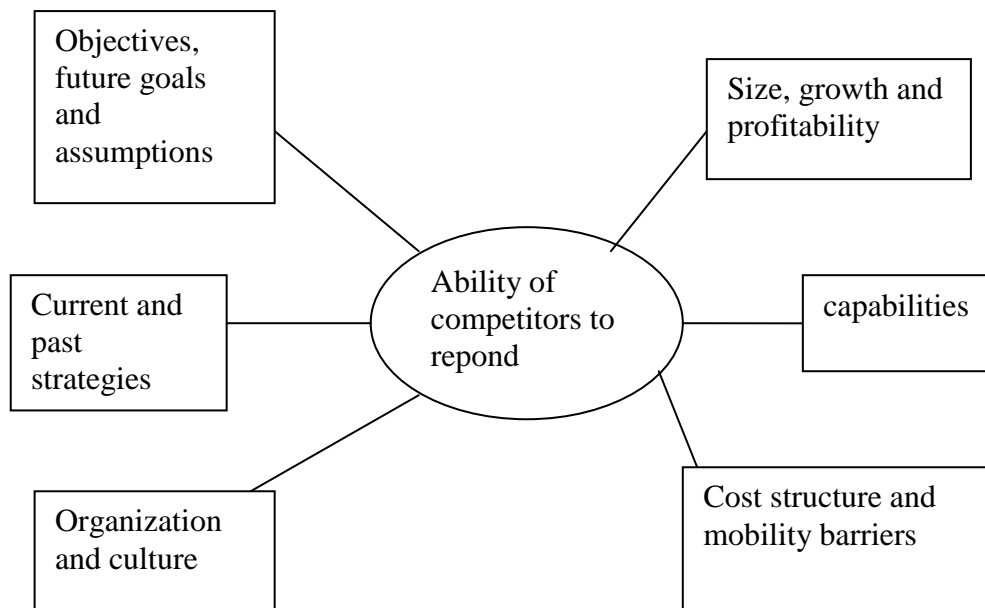
For international firms they cannot just analysis own company situation, they also need to understand and analysis competitors. According to Bradley, international competition requires the firm to (Bradley P65):

- Anticipate the challenge of innovative newcomers, especially with less cost, high-quality substitutes
- Acknowledge the impact of an increasing number of new suppliers- a widening of the competitive cycle
- Understand that technology allows cross-category competition
- Access low-cost market information, outsource, reducing manufacturing intensity and avoid barriers to market entry
- Provide more customer information to reduce customer-switching costs.

For international firm to analysis competition, there are four steps: basic industry conditions, industry structure, conduct, and performance. For basic industry conditions, firm should understand supply and demands in the market. For our case, the Norwegian export of cod is not only to Chinese market, USA and Russia export too. The firm should understand of market supply and demand, public policy, product quality, technology and price. For industry structure firm should understand the behaviour of competitors. For example, how many main competitors exist in the market, the product is standardized or differentiated, whether firm can get profits from market. Cost is a very important factor for companies. They have to consider about the lower cost, it can give firm competitive opportunities. Here is a table about analysis of industry competition.



According to Porter and Aaker, there are six factors can help firm to understand competitors: objectives, future goals and assumptions; current and past strategies; organization and culture; size, growth and profitability; capabilities; cost structure and mobility barriers. Firm should understand competitor objectives, for example it is long-run or short-run objectives, what are competitor’s future goals, it is better for firm to make strategy for itself. Market strategy for firm is very important, so firm should review competitor’s strategies, when they will produce new product, competitor’s portfolio and service. Understanding of competitors’ organization and culture is a good way to understanding of competitors thinking and work. It can provide valuable information for firm. For our research firm should understand Japanese and American firms’ organization, they are different with Norwegian firm organization and culture. Firm should to know what is advantage and weakness for competitors, because firm normally use competitive advantage to get market. If firm can understand weakness from competitors, it can be very useful for firm to make strategies to get competitive advantage. Knowledge of competitor’s cost structure can help firm to make low-cost strategy and pricing strategy (Bradley P70).



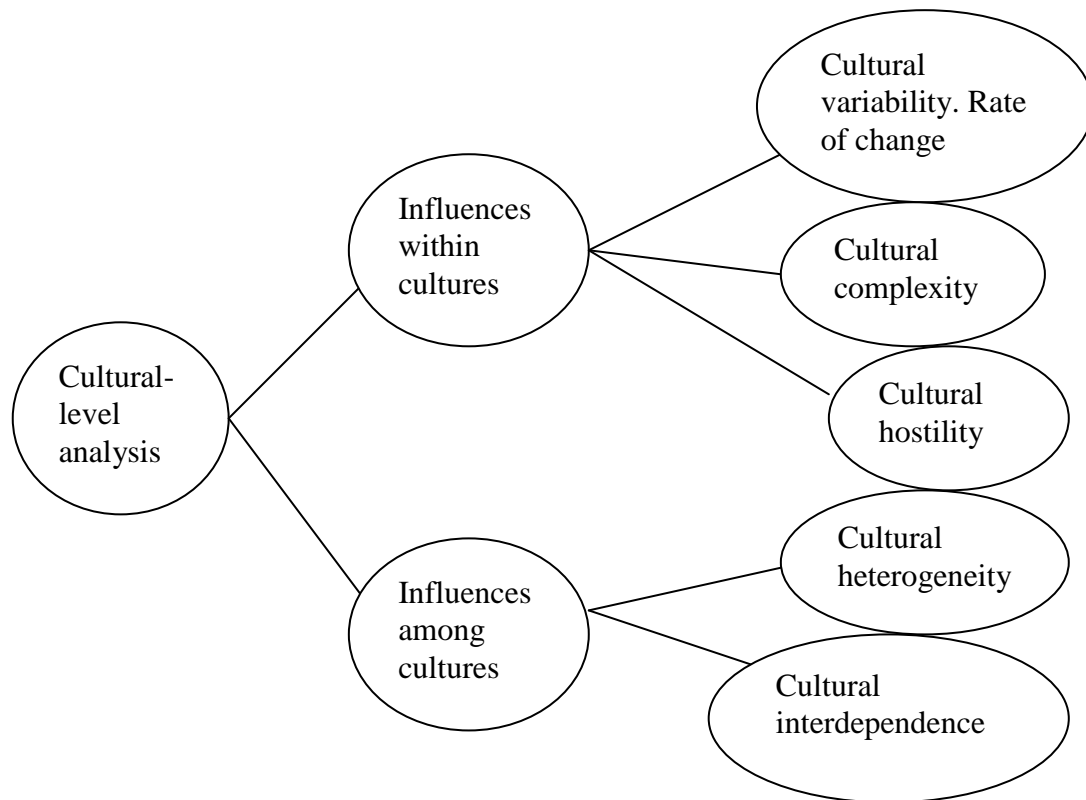
2.2.4 Culture in international market

Before a firm entry international market, firm should require knowledge about knowledge in the market or region. There are four factors that can be considered in cultural environment:

- The learned behavioural features shared by people of the same culture

- Real physical attributes or appearances
- Physical idealized traits, i.e. advertisement stereotypes
- Demographic characteristics such as population size, age distribution

In our case the firms should to understand the Chinese business culture. The Chinese culture is different, it depends on which part of China. Therefore the firms should focus on which part of China they want to entry, and which region is the best for them. Demographic factors are consisting by population, population growth, age distribution and geography. According to Terpstra cultural-level analysis (Bradley P91):



From this figure we know that there are five factors can consider in cultural analysis. We can give an easy explanation that firm should take care of social class, age group, method use in local for communication, language. Before firm make decision of strategy, it is best for them to understand the business culture in the market. The Chinese market and economic develop unbalance, so firm should understand economic culture in demographic market. Culture for different group also different, for example the young generation people are relative opened,

they like to try some news, that is why for us the product cod can be a good choice for young age group.

2.2.5 Demand

Demand is the desire to own anything and the ability to pay for it and willingness to pay. The term demand signifies and ability or the willingness to buy a particular commodity at a given point of time. Demand is also defined elsewhere as a measure of preferences that is weighted by income.

Good's own price: the basic demand relationship is between the price of a good and the quantity supplied. Generally the relationship is negative or inverse meaning that an increase in price will decrease in the quantity demanded. This negative relationship is embodied in the downward slope of the consumer demand curve.

Price of related goods: the principal related goods are complements and substitutes. A complement is a good that is used with the primary good. The other main categories of related goods are substitutes. Substitutes are goods that can be used in place of the primary good. The mathematical relationship between the substitute and the good in question is negative. If the price of the substitute goes down the demand for the good in question goes up. Income: the more money you have the more likely you are to buy a good.

Taste or preferences: the greater the desires to own a good the more likely you are to buy the good. There is a basic distinction between desire and demand. Desire is a measure of the willingness to buy a good. Demand is the willingness and ability to affect one's desires.

Consumer expectations about future prices and income: if a consumer believes that the price of the good will be higher in the future he is more likely to purchase the good now. If the consumer expects that her income will be higher in the future the consumer may buy the good now. In other words positive expectations about future income may encourage present consumption

2.3 Product and brand strategy

According to Andrews (1980), "Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be and the nature of the economic and non-economic contribution" it intends to make to its shareholders, employees, customers, and communities".

"Strategy is a plan, a "how," a means of getting from here to there. Strategy is a pattern in actions over time; strategy is position; that is, it reflects decisions to offer particular products or services in particular market; strategy is perspective, that is, vision and direction" (Mintzberg, 1994).

2.3.1 Company and product strategy

There are three kind firms you can find in international market: consumer products firm, industrial products firm and services firm. In our case because of we will research and analysis the firm that want to export cod to Chinese market, but firm will not direct sell cod and fish oil to customers, so consumer products firm and industrial products firm theory will be used in our paper.

Consumer products can be food, clothing, toys, and cars and so on. For consumer products in developing countries are growth faster than developed countries. There are three factors can discuss in consumer products: core product, packaging, service. The core product is supported by packaging and service. Firm should make differentiation with other countries or other firm, for example quality and service. Make differentiation also need to think about customers different. Because of food culture is very different between Chinese and Norwegian, so firm should make develop new product from cod or fish oil. How to make communication and information to consumers, firm should not just focus on product they also need to take point for information technology. For our case we think differentiation is very important strategy for firm.

Differentiation strategy is a part of Porter generic strategy as before. But we will go deep to this strategy here. Michael Porter has described a category scheme consisting of three general types of strategies that are commonly used by businesses to achieve and maintain competitive advantage. Michael Porter has argued that a firm's strengths ultimately fall into one of two headings: cost advantage and differentiation.

Cost leadership strategy: this generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. Some of the ways that firms acquire cost advantages are by improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions, or avoiding some costs together. Cost leadership often has the following internal strengths:

- Access to the capital required making a significant investment in production assets; this investment represents a barrier to entry that many firms may not overcome.
- Skill in designing products for efficient manufacturing, for example, having a small component count to shorten the assembly process.
- High level of expertise in manufacturing process engineering
- Efficient distribution channels.

Cost leadership includes several methods such as:

- 1) Product simplification strategy. In other words, the added unnecessary product or service is cancelled;
- 2) Product design improvement strategy;
- 3) Material cost-saving strategy;
- 4) Lower labour cost strategy;
- 5) Innovative production process and automation strategy

Porter generic strategy as follow:

Target group		Competitive advantage	
		Lower cost	Differentiation
Competitive scope	Broad Target	Cost leadership	Differentiation
	Narrow Target	Cost Focus	Focused Differentiation

Differentiation strategy, it calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. Firms that succeed in a differentiation strategy often have the following internal strengths:

- Access to leading scientific research
- Highly skilled and creative product development team
- Strong sales team with the ability to successfully communicate the perceived strengths of the product
- Corporate reputation for quality and innovation

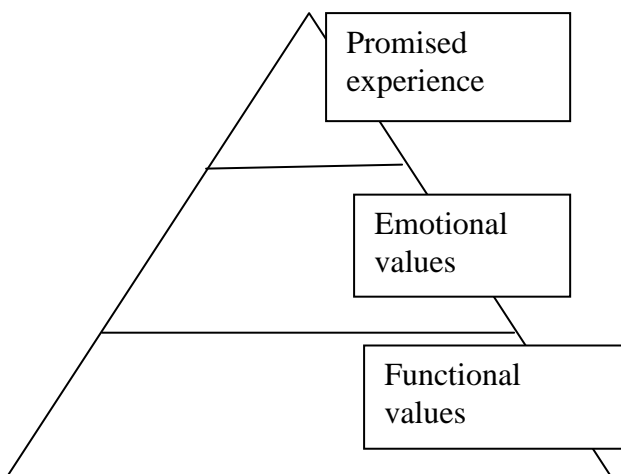
There are four main strategies for differentiation strategy as below:

- 1) Product differentiation strategy. Firms can improve product's features, performance, consistency, durability, reliability and easy to repair, design and style to differentiate from others.
- 2) Service differentiation strategies. It means that firm's delivery, installation, customer training, consulting services, etc. are differentiating from others.
- 3) Personnel differentiation strategy. Well-trained staff should be able to reflect the following six features: competent, courteous, credible, reliable and responsive, and good at communication.
- 4) Image differentiation strategy.

Focus strategy, is concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly.

2.3.2 Brand strategy

Brand is a name or trademark connected with a product or producer. Brand can be a way for communication with customers and signal for a firm. A way of visually conveying the characteristics of a brand is to make everyone aware of the promise they are to deliver, is through the brand triangle as below:



Perceptual associations leading to stakeholder’s beliefs about the honesty of the provider to deliver their promise characterize brands. Brand associations are driven by brand identity- what the organization wants the brand to stand for in the consumers mind. A key to brand building then is to develop and implement brand identity. In other way we can say that brand associations are brand meanings in the mind of the consumers. How to build international brand is a very difficult process. As Kim and Chung note that in considering the transfer of brand image across different regions, brand popularity should be considered a key strategic variable for building long-term and global positions for a brand. Brand popularity positively influences brand performance not only directly in the short run but also indirectly in the long run by creating a favourable brand image. The successful consumer products company in

international markets draws its strength from brand equity-real differentiation and genuine innovation that meet the needs of consumers while providing a good value proposition for the consumer; financial strength- company size measured by market capitalization and cash flow; and international distribution- international sales in the company to provide distribution scale effects to create high entry barriers.

There are three different types of brands you can find: functional brand; image brands and experience brands. What is important for brand that can give to customers? Strong international brand can give confidence to customers that can get consumer trust. Brand can be a part for customers understand firm's story. Brand can be also a symbol for quality for product. And there are some advantages for strong brand:

- Leads to brand loyalty (in marketing, consists of a consumer's commitment to repurchase or otherwise continue using the brand and can be demonstrated by repeated buying of a product or service or other positive behaviours such as word of mouth advocacy)
- Becomes difficult for new brands/trademarks to establish themselves in the market-protecting against price competition
- Gives an opportunity to ask for high prices, increases profit
- Enhanced bargaining positions towards distribution channels
- easier to launch extensions since the brand has a high trustworthiness

In our research, it is a new company wants to entry Chinese fish market, so how to make a brand in the market is a difficult process. This brand should give the characteristic for Norwegian fish quality, make consumer value for trust. For the culture differentiation, brand should take care of the local culture and language. From the beginning firm should give experiences to consumers that can get brand value and make consumers feel product and brand. As Keller said: the power of the brand lies in what customers have learned, felt, seen, heard, etc. about the brand as a result of their experiences over time. The challenge is to ensure that customers have the right type of experiences with products and services and their

accompanying marketing programmes so that the desired thought, feelings, images, beliefs, perceptions, opinions, become linked to the brand.

2.3.3 Market selecting

Before we decide to sell product we should select which market should entry. Vester åen Fiskeripark has decided to entry Asia market special in Chinese market. So the problem is which part of Chinese market should entry. Because Chinese market and economic developed unbalance, so it is not the same strategy and profit they can get from different part of Chinese market. According to Liander provide a link between market grouping and market selection that is dependent on (Bradley P209):

- The level of economic development
- Political and cultural factors
- Size of the firm's business in a country
- The firm's ownership or distribution pattern in a country
- Sales growth potential in the country
- The stage of development of the target market (Bradley)

There are three strategies for generic market segmentation: undifferentiated strategy, differentiated strategy, a concentrated strategy. In our case firm does not have strong brand now and Chinese market has great demand of quality product, so we think a concentrated strategy is good for firm. Firm should focus on the coast city and developed city in Chinese market.

There are three preliminary screening can be found according to Bradley for marketing selecting (Bradley P215):

1. Physical and geographical features of the market, it is focus on quantitative economic and social statistics, GNP est.

2. Population statistics including total population figures, it is focus quality and future growth potential
3. Local economic conditions

From we discuss above we can see give a key work for select international market is demand and potential.

2.4 Entry international market strategy

In this part we will see the method can use entry an international market. From Brandley we can find three main method, exporting, strategic alliances, acquisition and direct investment. We will see the condition, different and advantage between these methods and which are suit for VFP.

2.4.1 Exporting

Export is any good or commodity, transported from one country to another country in a legitimate fashion, typically for use in trade. Exporting is the quickest way and the simplest way of entering a foreign market.

First we will see which kind firms want to use exporting entry to international market as Bradley (P226):

1. The firm is small and lacks the resources required for foreign joint ventures or international direct investment
2. Substantial commitment is inadvisable owing to political risk, or uncertain or otherwise unattractive markets
3. There is no political or economic pressure to manufacture abroad

The advantage for entry international market through exporting method is (Bradley P226):

1. the simplest way of entering foreign markets; risk and commitment minimized

2. Ideal for firms with few resources or where resource commitment is inadvisable due to risk, uncertainty or unattractive markets; where
3. Objectives include geographic expansion, increased sales, lowering unit cost
4. Exporting is part of a continuum of market entry modes

The disadvantage for entry international market through exporting method is:

1. May compete with low cost location manufacturers
2. Possible high transportation costs
3. Tariff barriers

For firms how to make decision to entry to other country market are four processes we need to think according to Cavusgil and Nevin (Bradley P230):

1. Managerial expectations about the effects of exporting on the firms growth
2. The extent to which management systematically explores exporting possibilities and plans for exporting
3. The presence of differential firm advantages, including firm size
4. The strength of managerial aspirations towards growth and market security

There are some costs factors need to consider when assessing export competitiveness (Bradley P237):

1. Cost of product modification, special packaging and labeling
2. Information costs-obtaining and interpreting relevant market based information
3. Payment-business practices, lapsed time between shipment and payment
4. Cash flow-significant for smaller firms particularly
5. Services costs-distributor margins, agent commissions.

2.4.2 Strategic alliances

Strategic alliance means a group of rival firms agreeing to cooperate in some aspects, the firms coordinate their production levels to lessen competition, and share their distribution networks to obtain synergies. According to Oliver, strategic alliances allow firms to procure assets, and capabilities that are not readily available in competitive factor markets. The basis for a strategic alliance usually involves a combination of the following assets (Bradley P241):

1. Product-market knowledge
2. Access to markets and distribution
3. Product and process know-how
4. Production capacity
5. Unique management resources

There are three main methods for strategic alliances: licensing, franchising and joint ventures. The key considerations for choose which form for strategic alliances are environmental and company policy changes.

2.4.3 Licensing

Licensing involves one company (the licensor) agreeing to permit another company (the licensee) to use the manufacturing, processing, trademark, know-how or some other skill provided by the licensor for a fee. Licensing is very useful for small firms that might not have the capital or foreign experience to establish a joint venture or a wholly owned subsidiary abroad. The prerequisites of licensing are the licensor must have exclusive and internationally easy to transfer property rights to the product or process technology being licensed. There is several factors combination by licensing: a brand name, operations expertise, manufacturing process technology, access to patent and trade secrets (Bradley P243). We can find two kinds model for licensing:

1. A current technology licence that gives that licensee access to the technology which the licensor possesses at the time of the agreement.
2. A current and future technology licence that gives access to exist technology and technology get to be developed by the licensor.

Now we can see the advantages and disadvantages of licensing.

Advantages: access to difficult markets, low capital risk and low commitment of resources, information on product performance and competitor activities in different markets at little cost, improved delivery and service levels in local markets.

Disadvantages: disclosure of accumulated competitive knowledge and experience creates possible future competitors, lack of control over licensee operations, passive interaction with the market, possible exclusion of some export markets, organizing licensing operations: cost of adaptation, transfer and control.

2.4.3.1 Franchising

Franchising is another form of licensing. Franchising is a derivative of licensing where by a business format is licensed rather than a product or process technology. The Franchise holder may help out by providing training and marketing the services or product. A franchise is an ongoing business relationship where one party ('the franchisor') grants to another ('the franchisee') the right to distribute goods or services using the franchisor's brand and system in exchange for a fee. According to Adams and Mendelsohn there are four distinct characteristics for franchising (Bradley P246):

1. the franchisor licenses the franchisee to carry out business under a name owned by or associated with the franchisor
2. control by the franchisor over the way in which the franchisee carries on the business
3. provision of assistance to the franchisee by the franchisor in running the business
4. the franchisee provides and risks capital in the venture

The major advantage of franchising is that it allows the company to rapidly enter a number of international markets thereby expanding the business over a wider area more quickly than is possible if done organically.

Franchise is an operation's method to develop business for company. The method retrieves knowledge from different subjects which is organization, economic, logistic, and psychology.

--- Franchise is a method to distribute business concept

--- It happens through contract, partnership between two independent partner which franchise employer owner, develop, tests and documented a completed business concept that they gives a local driver, a franchise employee to establish and drive this business concept.

--- Franchise employer has responsibility to transfer necessary knowledge about the concept and help franchise employee to understand and completed this concept during the contract period.

2.4.3.2 Franchise employer

Franchise employer makes the business concept and builds the franchise system for their products and then they will recruit franchise employees. They teach franchise employees about the concept and how to work with this concept as well as possible. They will tell franchise employees about experiences, problem solving and motivation for this concept during the contract period. Franchise employer developing and completing the concept by themselves or they will through franchise employees to build brand of theirs product and create traffic in the local places.

Franchise employer will organize some necessary courses for franchise employees. Through these courses franchise employees will be much better to understand the concept and how to market this concept in the market. At the same time, they will make many documents around the concept and develop a franchise system which includes franchise concept, franchise contract, franchise packing, franchise employee under a special product brand.

2.4.3.3 Franchise system

The franchise system including:

- Franchise concept
- Franchise agreement
- Franchise packing
- Franchise employer

--- Franchise employee

These elements must be identified under the brand.

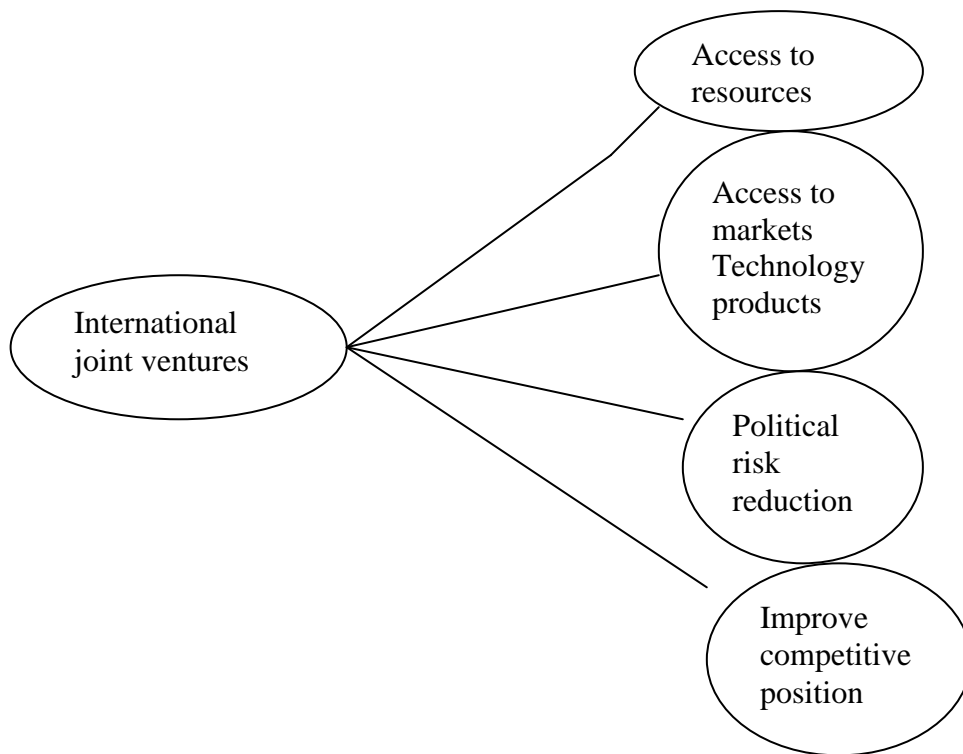
Advantage: 1) Getting more franchise employee to invest for the concept. 2) Getting more motivation from franchise employee because they work with private company. 3) To develop the concept very fast in the market

Defect: 1) It must to have a clear concept, document and test process. 2) It must to guarantee the quality of the concept. 3) Must be willing to share value recourses

2.4.4 Joint ventures

A joint venture (often abbreviated JV) is an entity formed between two or more parties to undertake economic activity together. The parties agree to create a new entity by both contributing equity, and they then share in the revenues, expenses, and control of the enterprise. A joint venture is formed when two or more firms form a third to carry out a productive economic activity. To share the risks of market entry into a foreign market, two organisations may come together to form a company to operate in the host country. The two companies may share knowledge and expertise to assist them in the development of company, and profits will have to be shared out also. The key factor in joint venture formation is human resources with appropriate education and cultural background.

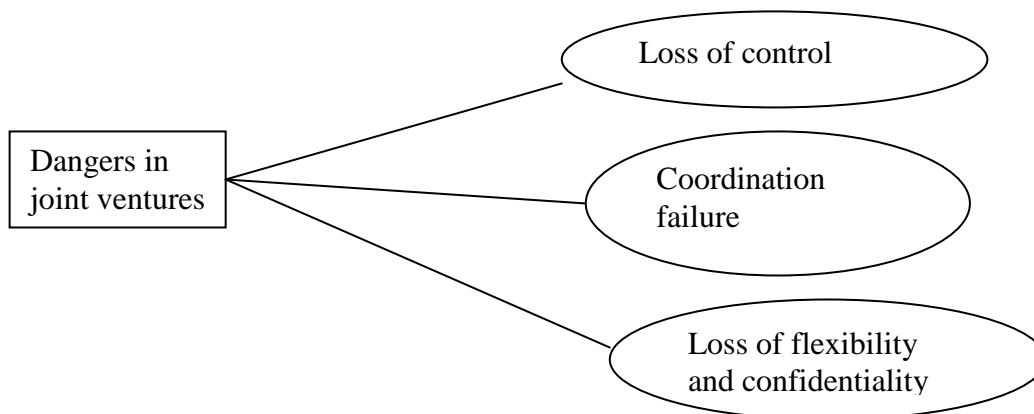
Joint ventures in international markets facilitate technology transfer, provide access to resources and markets, help to reduce political risk and can improve the firm's competitive position (Bradley P249).



There are four major advantages for joint ventures as Bradley identified (P 250):

1. Reduction in costs, or economies of scale from combining common administrative, transport and marketing expenses in two or more stages of production or distribution
2. Avoidance of inter firm contracting, transactions and negotiations costs
3. Internalization of technological or administrative secrets within a firm which minimizes the risk of dissipation of competitive advantage arising from these secrets
4. Implementation of technological changes more quickly and over more stages of production

There are some dangers in joint ventures: loss of control, coordination failure, loss of flexibility and confidentiality. Loss of control over foreign operations can arise when there is a large investment of financial, technical or managerial resources that would indicate the need for greater control than is possible in a joint venture. If it is large joint ventures between both partners that can increase possibility of conflict of interest among the partners (Bradley P254).



There are some conditions for joint venture success that classified into dominant and shared partnership arrangement (Killing). Dominant partnership: the international partner should be dominant when it is important to have long-term control of know-how, the local partner should be dominant when the international partner's skills are needed only temporarily and can easily be transferred. Shared partnership: choose a partner with complementary skill, give the joint venture autonomy and allow partners to buy/sell out for a change in conditions.

2.4.5 Acquisition and direct investment

2.4.5.1 Acquisition

Foreign acquisitions occur when one firm acquires a foreign based firm which possesses information, assets, brands, distribution networks or skilled management which can be used to improve the performance of the first firm. Acquisition is a corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm. According to Bradley there are some advantages and disadvantages for acquisition.

There are two major advantages for acquisition we can found (Bradley P265):

1. The firm obtains assets that are already in use so the return is quicker than from fixed-asset investment

2. Acquisitions provide the firm with immediate market share without any increase in manufacturing capacity.

There are three major disadvantages for acquisition we can find (Bradley P267).

1. Foreign acquirers often pay more than would domestic buyers and hold inflated expectations of future synergies
2. Differences of language and culture may aggravate the integration of two management teams
3. Misperceptions about the new foreign market can lead to marketing mistakes
4. Employees tend to be even more frightened of new management if they are from another country

A key influence in acquisition strategies is the possibility of reduced unit costs arising from better marketing and distribution arrangements and research and development work as applied to manufacturing.

2.4.5.2 Direct investment

Foreign direct investment (FDI) is a measure of foreign ownership of productive assets, such as factories, mines and land. Increasing foreign investment can be used as one measure of growing economic globalization. FDI refers to the establishment of a new venture abroad and the management and effective control of the enterprise.

How to choose location we need to consider some factors: size of host country market, proximity of host country, size of the firm, previous FDI experience, perceived need to mimic competitors actions (Bradley P272).

According to Dunning, he has identified four reasons for FDI

1. resource seeking-complementary resources.
2. Market seeking - access to customers
3. Efficiency seeking: deregulation of markets, entrepreneurial environment, enhanced competitiveness and cooperation among firms, reduced costs-tax breaks

4. Strategic asset seeking: exchange of localized tacit knowledge of markets, access to different culture and market areas, different consumer demands and preferences

There are several advantages and disadvantages for direct investment. Advantages: reduced transport costs, scale economies, host government incentives, reduced packaging costs, tariff and duties elimination, access to resources, management control, market access, effective marketing. Disadvantages: high initial capital investment, high information and search costs, nationalization or expropriation, management constraints, loss of flexibility, increased marketing complexity.

2.5 Marketing operations

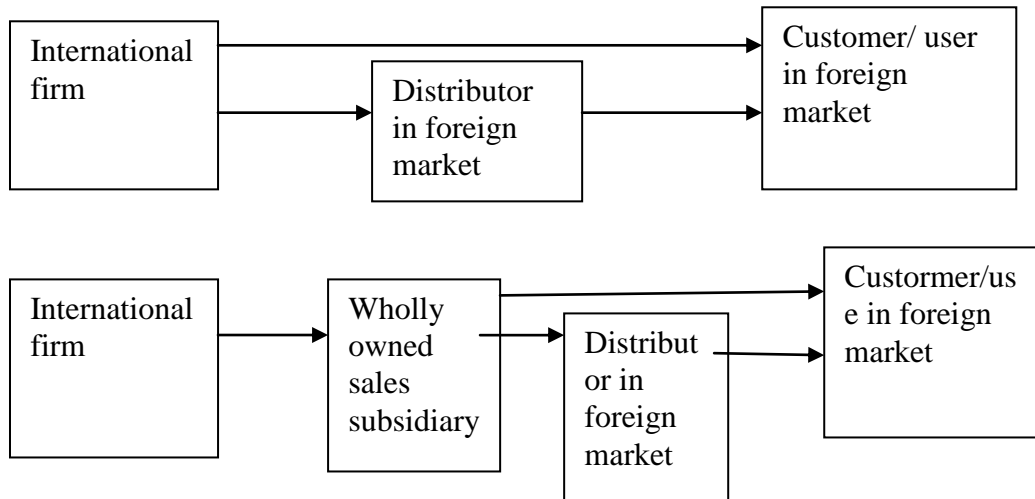
2.5.1 Distribution

In international business distribution channel decisions can directly influence the strategy for how to enter international market. There are several differences between domestic and international channels of distribution:

1. Higher complexity of variables involved in the international distribution channel
2. Different markets have different distribution requirements
3. A successful domestic approach not always transferable abroad
4. Common elements may exist which are transferable
5. The interaction of cultures in both the domestic and foreign markets must be considered

For international distribution there are some participants we need to consider: manufacturers, distributors, wholesales, retailers, end-users and consumers.

We can see how these participants' work in channels of international distribution through figure (Frank Bradley P302):



Before firms make decision for choose which channel will be used in international distribution, there are two decisions must be consider: decide the way in which its products and services will be made available to users in designated foreign markets, decide the combination of intermediaries and services to be used.

In our paper we will focus on Norwegian firm enter Chinese market so how firms to choose intermediaries is very important. There are four broad criteria for evaluate potential foreign intermediaries (Bradley P310):

1. Resources of firm and product characteristics
2. Buyer procurement strategy and commitment
3. Markets and market segments served; outlet penetration, channel inventories
4. Firm's marketing programmer, promotion and selling support, market intelligence, value added downstream

According to Cateora five Cs, for international distributions the firms should consider some essential factors (Bradley P312):

1. Coverage-ability of channel to reach customers to achieve market share and growth objectives
2. Character-compatibility of channel with the firm's desired product positioning

3. Control-ability of the firm to control total marketing programmer for the product or service
4. Cost- investment required to establish and maintain the channel- variable associated with sales level. Fixed costs required to manage the channel: inventories, facilities, training of sales force

2.5.2 Price

Price is a very important factor for international business. And international firm must to consider how to make price and get advantage in international market. Price in economics and business is the result of an exchange and from that trade we assign a numerical monetary value to a good, service or asset. There are four main factors that can influence international pricing (Bradley P329): technology and competition, exchange rate movements, price coordination across markets, distribution channels and price escalation. In setting prices in international markets there are a number of obstacles to standardization: currency fluctuations, different factor costs, different product requirements and government regulation, standards and official limits on pricing and discounter, extent of dumping, requirement of transfer pricing policies.

For a successful international firm, there is some steps need to combination consider on international pricing (Bradley P341):

1. Estimate the price of the product landed in the foreign market by considering international customer costs, e.g., documentation, freight, insurance
2. Determine the price the distributor or importer is likely to charge by accounting for tariffs and margins of intermediaries
3. Specify the target price range for end users, lowest price, most likely price and highest price
4. Assess company sales potential at different price levels

In our case, the Norwegian firm export food to Chinese market, so the price is main factor that can direct influence the result for business and it is a challenge for firm. Because economic develop difference between Norway and China, so for raw material in fish relative expensive for Chinese customers, but with good quality. So for firm, it is possibly to reduce the cost of distribution and reduce intermediaries.

2.6 Nine Strategic Windows

Nine Strategic Windows' framework defines nine international marketing strategies for internationalizing firms or business units. Each strategy matches a strategic window that is opened by a logical combination of a certain degree of industry globality a firm is facing and the firm's preparedness to internationalization.

The basic idea of the framework is that a successful internationalizing firm should line up with its internal and external environment.

As a consequence, none of these nine international marketing strategies, including the global strategy, is expected to be appropriate in all situations (Solberg 1997).

When industry globality is low and the firm's or business unit's preparedness to internationalize is limited, Solberg's (1997) framework suggests focusing on the home market in order to improving the company's position. As the industry globality increases while the firm's preparedness to internationalize does not, it is suggested to follow an international niche strategy or, at the extreme, to prepare for a buy-out. As a financially strong firm's preparedness to internationalize increases with a low and stable degree of industry globality, it is advised to develop an export-based 'multidomestic' strategy or, eventually, to develop new businesses, thereby enhancing the ability to compete aggressively once globalization occurs.

Why do we "go international"?

Preparedness for Internationalization		Industry globalism		
		Local	Potentially global	Global
Preparedness for internationalization	Mature	3. Enter new business	6. Prepare for globalization	9. Strengthen your global position
	Adolescent	2. Consolidate your export markets	5. Consider expansion in international markets	8. Seek global alliances
	Immature	1. Stay at home	4. Seek niches in international markets	7. Prepare for a buyout

... international experience and a weak position in the home market there is little reason for a firm to engage in international markets. Instead the firm should try to improve its performance in its home market"



Solberg 1997, p. 11; Hollensen 2004, p. 4.

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3. Methodology

3.1 Philosophy and methodology

Philosophy is the study of general and fundamental problems concerning matters such as existence, knowledge values, reason, mind and language (Wikipedia). Philosophy can help us better to understand the questions and how to do the research and why. And it can help us to achieve knowledge and solve problems.

Methodology can be:

- 1 the analysis of the principles of methods, rules, and postulates employed by a discipline
- 2 the systematic study of methods that are, can be, or have been applied within a discipline
- 3 a particular procedure or set of procedures

Methodology refers to more than a simple set of methods rather it refers to the rationale and the philosophical assumptions that underlie a particular study relative to the scientific method (Wikipedia: Methodology). Hellevik states that methodology gives the reader an idea of how to conduct a scientific research and what tools are to be used to collect empirical data as well as the validity and reliability of the results. It is worth reminding that there are neither good, nor bad methodologies, but more or less adequate methodologies under specific conditions in order to achieve a goal (Hellevik 1980). In this part I will introduction 2 important part of philosophy which uses in market research today, positivism and social constructionist.

3.1.1 Positivism

Positivism: the social world exists externally and its properties should be measured through objective methods rather than being inferred subjectively through sensation, reflection and intuition, include two assumption, ontological assumption that reality is external and objective; epistemological assumption that knowledge is only of significance if it is based on observations of this external reality.

Positivism is a philosophy that holds that the only authentic knowledge is that which is based on actual sense experience. The key idea of positivism is that the social world exists externally, and that its properties should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition. As Auguste Comte said, positivism contains two assumptions, first, an ontological assumption, that reality is external and objective; and second, an epistemological assumption, that knowledge is only of significance if it is based on observations of this external reality (Easterby-Smith P57). There are some key words for positivism: independence, value-freedom, causality, hypothesis and deduction, operationalization, reductionism, generalization, cross-sectional analysis. Positivism has become very important for people thinking and for qualitative research.

3.1.2 Social constructionism

Social constructionism: the reality is not objective and exterior, but is socially constructed and giving meaning by people, focuses on the ways that people make sense in the world through sharing their experiences with others via the medium of language as interpretive methods.

Social constructionism refers to the development of phenomena relative to social contexts. Social constructionism is typically described as a sociological construct. And continue with social constructionism come deeply social constructivism. It focuses on the ways that people make sense of the world especially through sharing their experiences with others via the medium of language (Easterby-Smith P59). The most important part for knowledge is human beings society and reconstructed by human beings should be accordance with objectivity. Social constructionism works most with the qualitative data, so it uses most for qualitative method rather than quantitative method.

There is a table to show the main different between positivism and social constructionism:

	Positivism	Social constructionism
The observer	Must be independent	Is part of what is being observed
Human interests	Should be irrelevant	Are the main drives of science
Explanations	Must demonstrate	Aim to increase general

	causality	understanding of the situation
Research progress through	Hypotheses and deduction	Gathering rich data from which ideas are induced
Concepts	Need to be defined so that they can be measured	Should incorporate stakeholder perspectives
Units of analysis	Should be reduced to simplest terms	May include the complexity of the whole situations
Generalization through	Statistical probability	Theoretical abstraction
Sampling requires	Large numbers selected randomly	Small numbers of cases chosen for specific reasons

Esterby-Smith P59

3.1.3 Relativism

Relativism is the idea that some elements or aspects of experience or culture are relative to, i.e., dependent on, other elements or aspects. Relativists claim that humans can understand and evaluate beliefs and behaviours only in terms of their historical or cultural context.

The term often refers to truth relativism, which is the doctrine that there are no absolute truths, i.e., that truth is always relative to some particular frame of reference, such as a language or a culture. Relativism suggests that our own cognitive bias prevents us from observing something objectively with our own senses, and notational bias will apply to whatever we can allegedly measure without using our senses.

In this paper we will introduce about social constructionism. Because in our master thesis we will see other companies invested in Chinese market from other countries. And we will discuss about the different experience from the people. And we will think about what people thinking and feeling to their market behaviours to help better understand situation in Chinese market. So in our case social constructionsim can better help us to get rich data than positivism.

3.2 Research design

There are many different ways to definition research design. By Easterby- smith research designs are about organizing research activity, including the collection of data, in ways that are most likely to achieve the research aims. And Green points: a research design is the

specification of methods and procedures for acquiring the information needed to structure or to solve problem. It is the overall operational patterns of framework of the project that stipulate what information is to be collected, from which sources, and by what procedures. Nachmias (1992) states: guides the investigator in the process of collecting, analyzing, and interpreting observations. There are many kinds of factors that can be used or affect the decision of how research should be designed and implemented in practice. For example, a topic of a thesis, questions, as the important factors, will influence on the choice of specific research. The topic of research will be directly influence the process of research and what kind of data need to be collected and the data they can get. There are many kinds of design, qualitative and quantitative designs, positivist research designs, relativist research designs, constructionist research designs. And research design can help us to understand and arrange what kind of survey should be taken.

In this paper, we will analyze the problem of how we can get qualitative data from the company they can or should face in the Chinese fish market. We will see what kind of research design is better for our research. Because of the large population in China and unbalanced development in the Chinese market, so we think qualitative method and quantitative designs are better for the research. Because of the unbalanced economic development in the Chinese market, so we will take more part about the qualitative market research.

The goals of the research are determined and kinds of data required is planned, the researcher should decide on a research design, which in turn will make impacts in the entire research. The research design explains what procedures are supposed to apply in connections with collecting necessary information (Parsuraman, 1991).

3.3 Qualitative method and quantitative method

In this part we will discuss these two methods. These methods are tools for collection of information and data. It is difficult to say which method is better. It depends on what kind of research will be made and what is the objective and what kind of data or information the company wants to get. Qualitative and quantitative methods may be used according to both constructionist and positivist epistemologies, and be underpinned by both nominalist and realist ontology (Easterby-Smith 1983).

3.3.1 Qualitative method

Qualitative research is a creative process which aims to understand the sense that respondents make of their world. Qualitative research is a field of inquiry that crosscuts disciplines and subject matters. Qualitative researchers aim to gather an in-depth understanding of human behaviour and the reasons that govern such behavior. The discipline investigates the why and how of decision making, not just what, where, when. Hence, smaller but focused samples are more often needed rather than large random samples (Wikipedia: Qualitative research). Skritic (1995) states that qualitative methods are preferable to quantitative methods when the phenomena to be studied are complex human and organizational interactions, therefore not easily translatable into numbers. Qualitative methods provide less explanation of variance in statistical term than quantitative methods, they can yield data from which process theories and richer explanations of how and why processes and outcomes occur can be developed (Macus & Robey, 1988).

Qualitative research is much more reliant upon, interviews and case studies and deals generally with much smaller numbers. Qualitative research often categorizes data into patterns as the primary basis for organizing and reporting results. Qualitative researchers typically rely on the following methods for gathering information: Participant Observation, Non-participant Observation, Field Notes, Reflexive Journals, Structured Interview, Unstructured Interview, Analysis of documents and materials. Qualitative research is base on in-depth interviews, group and focus interviews, avoiding bias and laddering. The advantage of using qualitative methods is that they generate rich, detailed data that leave the participants' perspectives intact and provide a context for health behaviour. The focus upon processes and "reasons why" differs from that of quantitative research, which addresses correlations between variables. A disadvantage is that data collection and analysis may be labour intensive and time-consuming. In addition, these methods are not yet totally accepted by the mainstream public health community and qualitative researchers may find their results challenged as invalid by those outside the field of social marketing (Earle, Lloyd, Sidell, Spurr, 2007). There are three levels for qualitative interview: highly structured (market research interview), semi-structured (guided open interview), unstructured (ethnography). In qualitative method researcher must know what they want to know and have to have the knowledge about the research. There are six factors can influence qualitative research:

obtaining trust, being aware of social interaction, using the appropriate, getting access, choosing the location for the interview, recording interview (Easterby-Smith P143).

3.3.2 Quantitative method

Quantitative method is the reliance on experimental and statistical control as the defining feature of the research (Kaplan & Kuchon, 1998).

Quantitative research is the systematic scientific investigation of quantitative properties and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and/or hypotheses pertaining to natural phenomena. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. Quantitative research is widely used in both the natural sciences and social sciences, from physics and biology to sociology and journalism. It is also used as a way to research different aspects of education. The term quantitative research is most often used in the social sciences in contrast to qualitative research. ([wikipedia.org/wiki/Quantitative_research](https://www.wikipedia.org/wiki/Quantitative_research))

Quantitative method is a research method that relies less on interviews, observations, and small numbers of questionnaires, focus groups, subjective reports and case studies but is much more focused on the collection and analysis of numerical data and statistics. There are three ways to collect quantitative data: collecting data through surveys (postal questionnaires, structured interview, telephone interview survey), collecting data through observational methods, using secondary data.

Qualitative methods might be used to understand the meaning of the numbers produced by quantitative methods. Using quantitative methods, it is possible to give precise and testable expression to qualitative ideas. There are several advantages and disadvantages for qualitative method. Advantages are allow for a broader study, involving a greater number of subjects, and enhancing the generalisation of the results; can allow for greater objectivity and accuracy of results. Generally, quantitative methods are designed to provide summaries of data that support generalisations about the phenomenon under study. In order to accomplish

this, quantitative research usually involves few variables and many cases, and employs prescribed procedures to ensure validity and reliability; using standards means that the research can be replicated, and then analysed and compared with similar studies. Kruger (2003) confirms that 'quantitative methods allow us to summarize vast sources of information and facilitate comparisons across categories and over time; personal bias can be avoided by researchers keeping a 'distance' from participating subjects and employing subjects unknown to them. Disadvantage are collect a much narrower and sometimes superficial dataset; results are limited as they provide numerical descriptions rather than detailed narrative and generally provide less elaborate accounts of human perception; the research is often carried out in an unnatural, artificial environment so that a level of control can be applied to the exercise. This level of control might not normally be in place in the real world yielding laboratory results as opposed to real world results; in addition preset answers will not necessarily reflect how people really feel about a subject and in some cases might just be the closest match; the development of standard questions by researchers can lead to 'structural' bias and false representation, where the data actually reflects the view of them instead of the participating subject.

There is a table that can show the different between qualitative methods and quantitative methods.

Qualitative Methods	Quantitative Methods
Methods include focus groups, in-depth interviews, and reviews	Surveys
Primarily inductive process used to formulate theory	Primarily deductive process used to test pre-specified concepts, constructs, and hypotheses that make up a theory
More subjective: describes a problem or condition from the point of view of those experiencing it	More objective: provides observed effects (interpreted by researchers) of a program on a problem or condition
Text-based	Number-based
More in-depth information on a few cases	Less in-depth but more breadth of

	information across a large number of cases
Unstructured or semi-structured response options	Fixed response options
No statistical tests	Statistical tests are used for analysis
Can be valid and reliable: largely depends on skill and rigor of the researcher	Can be valid and reliable: largely depends on the measurement device or instrument used
Time expenditure lighter on the planning end and heavier during the analysis phase	Time expenditure heavier on the planning phase and lighter on the analysis phase
Less generalizable	More generalizable

Research method in our paper

To choose which method is dependent on the question should be research and assumption. In this paper we will use both methods to research. Because of there are large population in China, so quantitative method can help us to get general information to the market. As philosophy believe that the truth is what all people agree with and inside social interaction. But qualitative method will be taking more important place in our research. Because we will consider many factors for example, government, social construction, language est. In China, economic develop very different and unbalance. So we need to define which part of our research is more important, and we need to use more depth interview to understand the market. We can not just use high structured, sometimes it should be unstructured. Sometimes we need to change the questions follow to different situation, language, and social position. So quantitative method will help us to get the general data, but qualitative method will give us the data which want to know from the designated market.

3.4 Case study

In our paper, we will discuss about the company export cod to Chinese market, and we will focus on the challenges and problem they can face. Case study can help the researchers better to explore the problem. So according to the huge success from export company case study can be a useful method to further explanation.

Case study is one of several ways of doing research whether it is social science related or even socially related. It is an intensive study of a single group, incident, or community. Other ways include experiments, surveys, or analysis of archival information. Case study should not be confused with qualitative research and they can be based on any mix of quantitative and qualitative evidence.

Case studies are particularly useful in depicting a holistic portrayal of a client's experiences and results regarding a program.

Rather than using samples and following a rigid protocol to examine limited number of variables, case study methods involve an in-depth, longitudinal examination of a single instance or event: a case. They provide a systematic way of looking at events, collecting data, analyzing information, and reporting the results. As a result the researcher may gain a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research. Case studies lend themselves to both generating and testing hypotheses. (wikipedia.org/wiki/Case_study).

Yin (2003) is the best known exponent of case method in social sciences. He described the different application of case study as below: the most important is to explain the presumed causal links in real-life interventions that are too complex for the survey or experimental strategies. A second application is to describe an intervention and the real-life context in which it occurred. Third, case studies can illustrate certain topics within an evaluation, again in a descriptive mode. Fourth, the case study strategy may be used to explore those situations in which the intervention being evaluated has no clear, single set of outcomes. Fifth, the case study may be a metaevaluation- a study of an evaluation study.

In our paper we will take point on the environment for Chinese market and to analyze what they should do and better to understand the economic environment and culture in Chinese market. We will use methods to get data which can give us competitive advantages.

At least we will see a little about grounded theory. Grounded theory means looking at the same event or process in different settings or situation. When we make decision about research design or use different methods to analysis data, we should consider about different

factors, we can not use see from one side or the same situation, we should from different settings to understand situation and make decision how research will be.

3.5 Data collection

Data collection is a term used to describe a process of preparing and collecting data. The purpose of data collection is to obtain information to keep on record, to make decisions about important issues, to pass information on to others ([wikipedia.org/wiki/Data collection](http://wikipedia.org/wiki/Data_collection)). There are two kind data we should know and understand secondary data and primary data.

3.5.1 Secondary data

Secondary data is data collected by someone other than the user. Common sources of secondary data for social science include censuses, surveys, organizational records and data collected through qualitative methodologies or qualitative research ([wikipedia.org/wiki/Secondary data](http://wikipedia.org/wiki/Secondary_data)). The advantages for secondary data are: 1) it saves time. It does not need to spend much time to collecting. 2) It can provide larger and higher-quality databases than do research individual. 3) Save cost. The data is already finish, so can be found on internet or government papers. The disadvantages for secondary data are: 1) Quality of research. 2) Not Specific to Researcher's Needs.

For our case secondary date can be very useful when we cannot get data from research. We can use secondary data to better understand the situation of market. Because of the rate develop of Chinese market so we must careful of the quality to research, for example when the research was taken and for what.

3.5.2 Primary data

Primary data is a term for data collected on source which has not been subjected to processing or any other manipulation. We can say that primary data collected direct by first-hand experience. Primary data, that is—the information you can get directly from people in

the community—presents a much different set of challenges than the numeric and statistical data you have encountered as part of your secondary data collection. For one thing, it requires you to deal with actual people, which can be a daunting task after staring at a flickering screen full of Excel charts all day (Richard, Lommel & Hartz, 2005). In our case, we will use both method to get data, but we take focus on qualitative method to get primary data. There are three approaches to get primary data according to Mark Easterby-Smith. There are collecting natural language data, ethnographic approaches and understanding through interaction. We will take point on natural language data we can say that interview.

3.5.3 Interview

Interview is the main tool to get data in our research. Summary by Burgess: The interview is the opportunity for the researcher to probe deeply to uncover new clues, open up new dimension of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience. Most interviews are conducted on a one-to-one basis, between the interviewer and the interviewee (Easterby-Smith, 2008 P143). There are three level of structure of interview: highly structured (market research interview), semi-structured (guided open interview), unstructured (ethnography). In our research we will consider on two kind interviews: personal interview (one to one), group and focus interviews. Level of structure we will most use semi-structured and unstructured.

3.5.4 Personal interview

Personal interview is the way to get primary data through one to one (face to face) method. We will use personal interview for CEO and manager of department. As we said before different level of interview, we will use semi-structured interview for this part. That is means that we will design questions before interview, but questions will be asked flexibly and can discuss new questions during interview. The time for personal interview it will take maybe 60 min, because it should be in-depth interview. In personal interview we should focus on something, like interview skills, language skills, and trust from interviewee. The place for personal interview is one factor for interview too. It is better out from work place.

3.5.5 Group and focus interview

Focus group interview is a form of qualitative research in which a group of people are asked about their attitude towards a product, service, concept, advertisement, idea, or packaging. Questions are asked in an interactive group setting where participants are free to talk with other group members (Wikipedia: Focus group interview). We will take group and focus interview for employees. So we will use unstructured. But it not means it will be free talk. It will be open talk for questions. We can get some new information from employees. As the same as personal interview the place of interview should out work place, make interviewees feel free and better feeling, then we can get better advice for questions.

There are some other interviews we can take, like telephone interview, video interview, but for use we focus on qualitative data, so these kinds interview just can be a helpful method for us. We will not take point on these interviews.

3.6 Data analyze

After we have collecting primary and secondary data, then we should to analyze data. There are several different ways to analyze qualitative data and quantitative data. Data analysis is a process of gathering modeling, and transforming data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making (wiki/Data_analysis). For our paper, we are making sense on qualitative research and qualitative data.

Follow Easterby-Smith we can find six different methods to analyze qualitative data: content analysis, grounded analysis, discourse analysis, narrative analysis, conversation analysis and argument analysis. And there is a modern method to analyze data: using computer and software.

In our paper we will focus on two of these six methods, they are content analysis and grounded analysis. In the first approach, content analysis, the researcher interrogates the data for constructs and ideas that have been decided in advance. In the second, he or she tends to let the data speak for itself and although the researcher is still the development of understanding of the data (Easterby-Smith 2008 P173). We will focus on the content of our research and find the key words and take out the most important data from qualitative data.

Grounded analysis is offers the more ‘open’ approach to data analysis and is closely linked to the concept of grounded theory. Grounded theory is an inductive type of research, based or “grounded” in the observations or data from which it was developed; it uses a variety of data sources, including quantitative data, review of records, interviews, observation and surveys (wiki/Qualitative_data_analysis). And there are seven man stages to grounded analysis: familiarization, reflection, conceptualization, cataloguing concepts, re-coding, linking, and re-evaluation (Easterby-Smith 2008 P178). So we should re-read the research that we have done and give a concept to make us better understand the data, we should make sense with data and theory together.

And there is something we need to consider when we make data analysis. There are missing values and imputation. Missing values occur when no data value is stored for the variable in the current observation. Imputation is the substitution of some value for a missing data point or a missing component of a data point.

3.7 Validity and Reliability

When we collect data and analysis there are two concepts that can influence the result of qualitative research. Validity implies reliability: a valid measure must be reliable. But reliability does not necessarily imply validity: a reliable measure need not be valid.

3.7.1 Validity

Data validity is the correctness and reasonableness of data. "Any research can be affected by different kinds of factors which, while extraneous to the concerns of the research, can invalidate the findings" (Seliger & Shohamy 1989, 95). Validity entails the question, “does your measurement process, assessment, or project actually measure what you intend it to measure?”. Yin (1989) suggested using multiple sources of evidence as the way to ensure construct validity. As Easterby-Smith validity is the extent to which measures and research findings provide accurate representation of the things they are supposed to be describing. Validity has two important parts: internal validity and external validity. For our research we should make sure what we want to know and do not make so much strategy make interview. In our paper should close my research questions.

3.7.2 Reliability

Reliability is the consistency of your measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. In short, it is the repeatability of your measurement. As Easterby-Smith, reliability is the consistency of measurement in a composite variable formed by combining scores on a set of items; can be measured by Cronbach alpha coefficient.

Kirk and Miller (1986) identify three types of reliability, which relate to: (1) the degree to which a measurement, given repeatedly, remains the same (2) the stability of a measurement over time; and (3) the similarity of measurements within a given time period. In our research we cannot believe all the things from research. We should decide which data are reasonable for our research. We should choose the data can be representative of majority of the company.

High reliability is a necessary prerequisite for achieving data with high validity. Data validity depends on the relationship between collected data and issue of the survey, so data will not be forced into a fit to answer the given problems.

4. Empirical study

This part study is divided into two parts: macro part and micro part. The macro part will give many general understandings on the topic. Through this part we can achieve better understanding of particularity of the Chinese market and consumption ability as well as get more information on Norwegian seafood case. In micro part we will use VFP and other three marine product firms from Nordland as examples for understanding of the for market researching.

4.1 Macro part

4.1.1 Structure of the Macro part

This paragraph will contain six parts. In the first part we will discuss imbalances in regional Chinese economic development. The second part illustrates the Chinese consumption ability. The third part talks about seafood in China. In the fourth part we lay out seafood consumption in China. After we will take point on import for Chinese market and Norwegian seafood. At last, the cooperation between Nordland and Zhejiang province is revealed.

4.1.2 Imbalance in regional Chinese economy

China is a big territory; its economy has always been unevenly distributed. After the economic reform and opening up, China's economy has entered a stable, high-speed development period, this economic development in the performance of east and west are different, and regional economic development is extremely uneven, and the main feature is East's economy stronger than West's. Why we need to understand imbalance of Chinese economic? Because it helps better understand which market or regional a foreign company should go in or take focus on.

The eastern region relies on convenient transportation, the huge market size, a rich talent pool, smooth information channels, and the concentration of social wealth, technology and

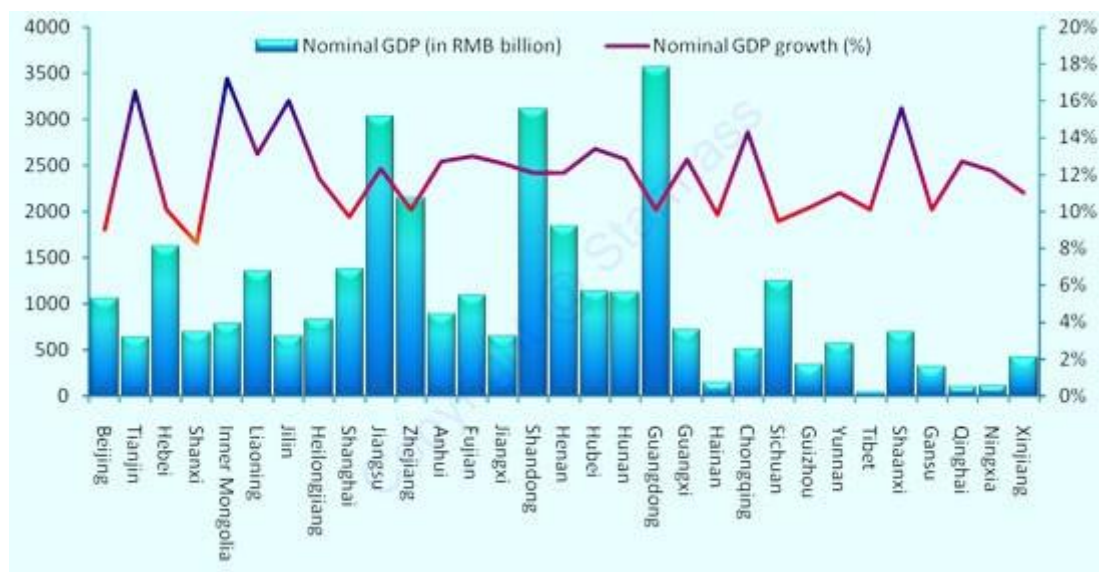
knowledge spillover which are not available in the western to attract a very large number of funds. So eastern has a very strong financial backing in economic development.

Since the reform and opening up, Chinese provinces and autonomous regions as a unit presented the economic development gap between “U” types. The early reform period to 1990, Chinese provinces and autonomous regions economic development narrow the gap between the present trends. After 1990, provinces and autonomous regions economies showed widening development gap.

The top 4 provinces in China in terms of nominal GDP were Guangdong (USD 444 billion, US\$1=RMB7), followed by Shandong (USD 371 billion), Jiangsu (USD 367 billion) and Zhejiang (USD 268 billion). Shanghai was ranked No. 7 with GDP of 174US\$ billion and Beijing was ranked No. 10 with GDP of 134USD billion.

The largest province in terms of GDP is Guangdong, which counted for 11.23% of China total GDP in 2007, GDP of top 10 ranked provinces / cities accounted for about 63% of China total GDP. (www.Starmass.com/china)

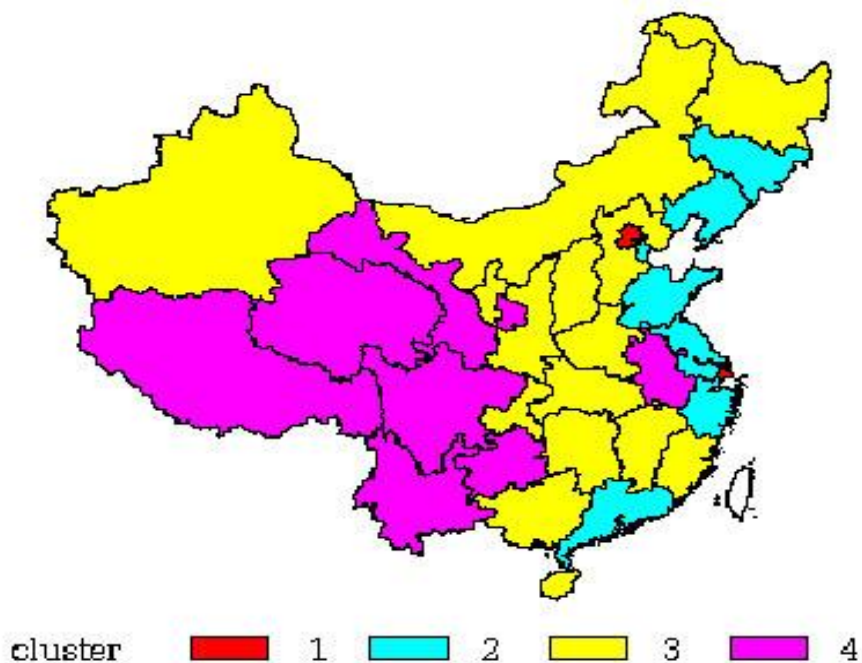
Below is the chart of GDP for all provinces and nominal GDP growth in China for the year of 2008:



In China all 31 provincial- level administrative regions, the overall average of 25% in the former sort is in Beijing, Shanghai, Tianjin, Zhejiang, Jiangsu, Shandong, Liaoning and Jilin, which are relatively high in Chinese overall development level of the region; over all index came in last the 25% of the provinces are Shanxi, Sichuan, Anhui, Qinghai, Yunnan, Gansu, Guizhou and Tibet, these are the comprehensive development of Chinese relatively backward areas. (www.baidu.com/tianjboy)

Health index	Education index		Living index		Social environment		General index			
	region	index	region	index	Index	Region	Index	Region	Index	
1	Shanghai	101.42	Beijing	106.68	Shanghai	104.54	Beijing	91.61	Beijing	99.37
2	Beijing	98.21	Shanghai	96.58	Beijing	101.59	Jiangsu	86.93	Shanghai	95.43
3	Tianjin	89.97	Tianjin	91.01	Zhejian	93.08	Shandong	84.08	Tianjin	87.85
4	Jilin	86.59	Liaoning	85.57	Tianjin	87.61	Zhejian	83.22	Zhejian	85.42
5	Liaoning	86.41	Xinjiang	84.35	Jiansu	87.13	Tianjin	83.04	Jiansu	84.86

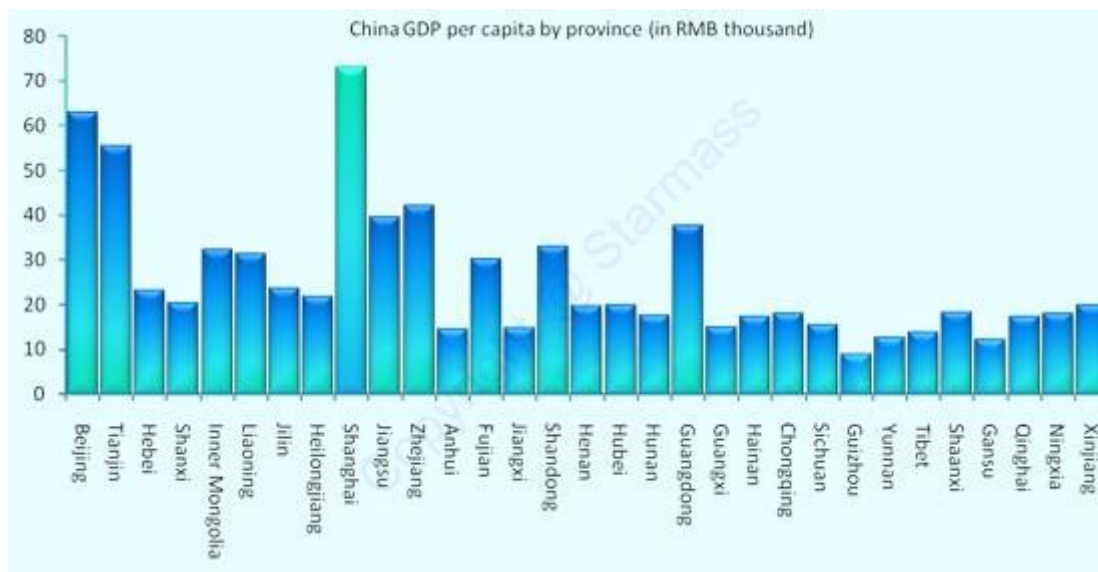
Shanghai is the economic leader in China, Jiangsu and Zhejiang are its wings. This region is the most developed area in Chinese economy, technology and culture, and it is one of the most dynamic regions in the world.



First two classes in the eastern coastal region, they are the most relatively developed regions in Chinese economy. It reflects the level of comprehensive development of Chinese current social and economic development level is positively correlated. The third classes areas are mostly in Chinese current economic and social development of middle-level, they are mainly located in the eastern region of China. In the fourth classes most part are in the western region of China, they are Chinese current low level of comprehensive development areas. We can see it from the map as follow, it can give you a intuitive understanding.

Although Zhejiang is the fourth largest province in terms of GDP, it was the province which had highest rank in GDP per capita in 2007, which reached USD 5286, the other top 5 provinces are Jiangsu (USD 4847), Guangdong (USD 4735), Shandong (USD 3972) and Fujian (USD 3701). (www.Starmass.com/china_review)

Below is the chart of GDP per capita for all provinces in China for the year of 2008:



We can see from above data and analysis that Chinese economic develop is very imbalance. Chinese market is a huge market but it is also a special market. Different regions have different attractions for different kind foreign companies. If for a manufactural firm which wants cheaper labor, it is better to go in west or middle of Chinese. If it is a tradecompany, it is better to choose to locate in east China, special Shanghai or Zhejiang.

4.1.3 Chinese consumer ability

Consumption of the residents of a country is an important factor an export company needs to consider. Similar to economic development, the consumption ability of the residents in China is imbalance. There are significant differences of consumption level of Chinese residents between urban and rural areas, different regions and different income and consumption groups. The top 10 developed regions are all in eastern and coastal areas, accounting for the same period in the country total retail sales of social consumer goods is 56 percent. The lowest 12 developed regions; accounting for the same period in the country total retail sales of social consumer goods is 17.6 percent.

In 2009, Chinese urban and rural residents continued revenue growth, the growth of income of urban residents is accelerated, and the growth of income of rural people's is slow. Statistics show that: from January to September 2009 of urban residents per capita disposable income of 12,973 yuan after deducting price factors, the actual growth is 10.5 percent, 2.1 percent increase over the same period the previous year. Per capita cash income of rural residents was 4307 yuan after deducting price factors, the actual increase of 9.2%, but the rate dropped 1.8 percentage points a year earlier. Among them, wage income is 1493 yuan, up by 9.9 percent, family-run income of 2391.8 yuan, an increase of 5.5 percent, property income 112.9 yuan, up 11.8 percent, metastatic income of 308.9 yuan, an increase is 26.3 percent. (www.Chinese embassy.com)

The Nielsen Company has released the first half of 2009 Global Consumer Confidence Index Survey report (investigation period March 19 to April 2). The results show that China's consumer confidence has dropped somewhat, but still ranked 10th in the world.

According to national consumption growth over the past decade and the revised status of China's consumption and growth, conservatively estimated at five to seven years China may overtake France, Britain and Germany to become the world's third largest consumer country, and in the 13 to within 16 years will replace Japan's second largest consumer of the status of the residents.

The growth of consumption expenditure will remain as the major driving force for China's economic development in the next ten years despite restrictive factors in supply and demand, conception, circulation, and policy, according to the report published by MasterCard international on August 16th 2009.

The proportion of individual consumption in GDP will climb from the present 46% to 50% by 2014.

Individual consumption has been increasing at an annual rate of 12% along with rapid economic growth in the past few years. It is hopeful that in the next ten years, consumption of individuals under 40 years old will grow 18%, while the number of consumers with over 5,000 USD incomes will grow 24% each year.

The consumer price index is generally a reflection of household consumer goods and services purchased by the price level changes in indicators. CPI (consumer price index) is the urban and rural residents to purchase consumer goods and services to pay the price of social goods and services, with the ultimate price of life with the people closely related to the price system in the whole national economy has an extremely important position.

In Chinese current consumption the highest city is Shanghai, ranking 18 in the world. Beijing was the 5th in the world in 2000, now dropped to 22. Consumer Price Index for the one in Shanghai, then the currently highest consumer price index 10 cities in China is as follows:

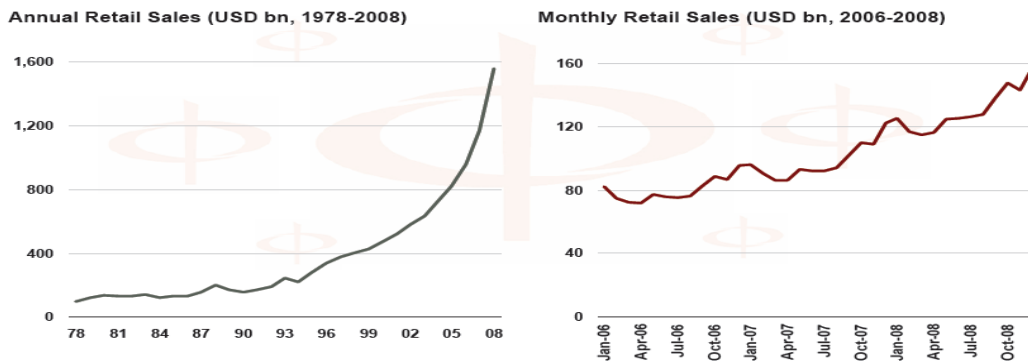
- 1, Shanghai (1)
- 2, Beijing (0.95)
- 3, Shenzhen (0.93) Guangdong
- 4, Guangzhou (0.89) Guangdong
- 5, Xiamen (0.88), Fujian
- 6, Hangzhou (0.86) Zhejiang
- 7, Ningbo (0.85) Zhejiang
- 8, Wenzhou (0.82) Zhejiang

9, Changsha (0.80), Hunan
 10 Foshan (0.80) Guangdong
 (www.bbs.house.sina.com.cn)

Personal consumption of the Chinese people today is undergoing important structural changes – not only in terms of quantity and quality of the goods consumed, but also as far as the range of purchased goods is concerned

Annual disposable income of Chinese urban residents was 1'510 Yuan per capita in 1990 (Shanghai 2'183 Yuan) and increased to 6'280 Yuan (Shanghai 11'718 Yuan) in the year 2000. The figure increased to 9'422 Yuan (Shanghai 16'883 Yuan) in 2004, corresponding to about 1'160 US\$ (Shanghai 2'080 US\$). (www.sinoptic.ch)

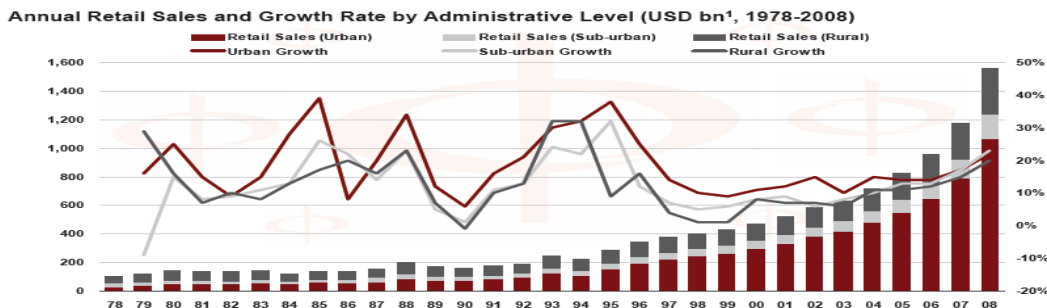
REFLECTING CHINA'S DEVELOPMENT, PERSONAL CONSUMPTION HAS BEEN ON THE RISE (II)
 The sustained growth in retail sales reflects China's development and the consequent increase in the purchasing power of the population



Source: China Statistical Yearbook; China Monthly Economic Indicators; THE BEIJING AXIS Analysis

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REFLECTING CHINA'S DEVELOPMENT, PERSONAL CONSUMPTION HAS BEEN ON THE RISE (I)
 Whereas retail sales were quite volatile in the 1980s and 1990s, there has been substantial, stable growth in the current decade



1. Figures converted from RMB to USD using the average exchange rate for the respective years; however, the growth rate does not factor in exchange rate fluctuations.
 Source: China Statistical Yearbook; China Monthly Economic Indicators; THE BEIJING AXIS Analysis

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With the increase of consumer income, food consumption has become greatly diversified. The consumption of meat, eggs, and aquatic products in rural areas has increased by 85%, 278%, and 222%, respectively. For urban areas, the increases are 29%, 113% and 69%.

It is believed that there is considerable latitude for food consumption growth in China and China will become one of the fastest-growing markets for food products in the coming years, due to its high prospective rates of economic growth.

Today, China is by far the world's largest supplier of aquatic products, both by means of capture and aquaculture. At the same time, China is also one of the most important consumer markets for seafood, with a fast growing appetite for exotic and high-end seafood products.

4.1.4 Seafood in China

China has a coastline of 14,500 kilometers, and an exclusive economic zone (EEZ) of 877,019 square kilometers. The fishing grounds range from sub-tropical to temperate zones and include 431,000 square kilometers of continental shelves (within 200 meters deep).

Areas of marine fishing grounds in km²			
Region	Area	Continental shelf	EEZ
<u>Bohai Sea</u>	24,000	24,000	24,000
<u>Yellow Sea</u>	127,000	127,000	103,000
<u>East China Sea</u>	252,000	151,000	160,000
<u>South China Sea</u>	630,000	129,000	531,000
Total	1 033 000	431,000	818,000

Chinese distant water fishing activities started in 1985 when China gained access to new fishing grounds through agreements with foreign countries. By 1996, these fisheries had extended to 60 regions around the world, employing 21,200 fishermen, 1381 fishing vessels, and caught 926,500 tones.

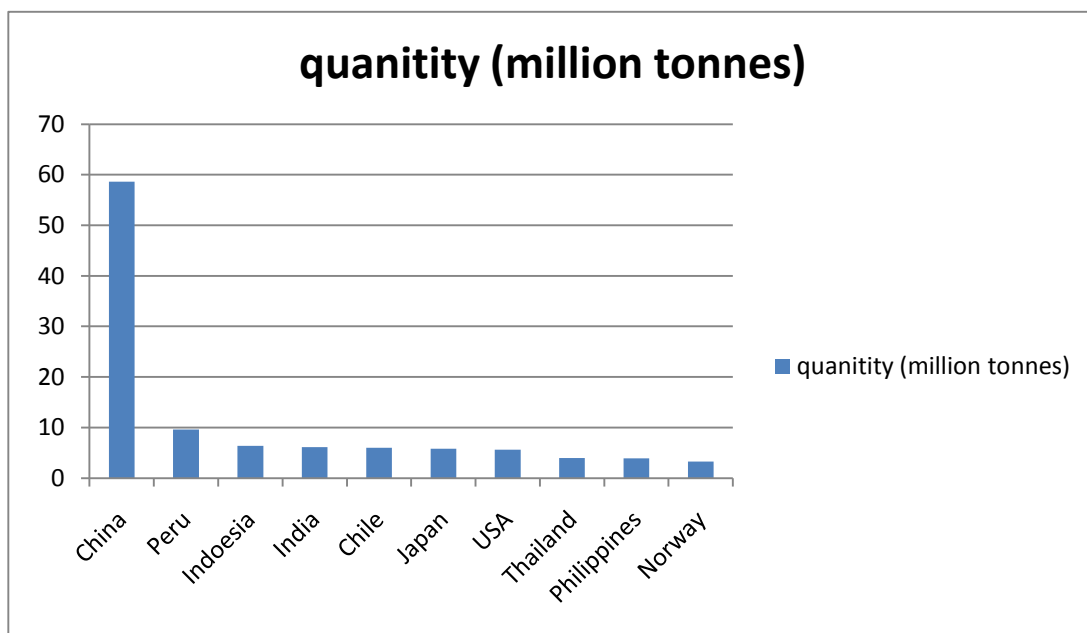
2010 marine fishery targets		
	2002	2010
Motorised fishing vessels	220,000	192,000
Fishing fleet power	12.70 million kW	11.43 million kW
Marine catch	13.06 million tone	12 million tone.

China is playing the role of seafood processors but at the same time, China has gradually become a pillar of the world's fish consumption. Marine fisheries have been not just the traditional understanding of the "fishing expeditions," but combines aquaculture, marine fisheries, marine fisheries and marine aquatic products processing services, and other activities. Now China has been rapid development of fishery economy, China is the world's largest producer of aquatic products, aquatic products output has been for 15 consecutive years ranking first in the world. In 1978, the national gross output value of marine industries was only 60 billion yuan, In 2008, the National Oceanic GDP 2.9662 trillion yuan, accounting for gross domestic product increased from less than 1% to 9.87%. Marine fisheries have also gone through a steady and rapid development, in 2006 the output of marine fisheries reached 453.3 billion yuan, while it was 9.74 times in 1992.

There is no question that China is one of the world's seafood superpowers. China is the largest producer of seafood in the world, representing some 35 per cent of the total global

production. China is also the largest producer of aquaculture products in the world, and the only country in the world where farmed-fish production exceeds the wild catch. According to a recent statement from the Chinese Ministry of Agriculture, China's aquatic production is anticipated to reach 60 million tons by 2010, up 18 per cent from 2005 production. Of that total, 45.5mmt will come from aquaculture, an increase of 34 per cent from the 34mmt grown in 2005. The remaining 14.5mmt will come from the ocean, a decrease of 17 per cent from 2005. As we see the figure as blew, it showed the top ten seafood suppliers countries in 2004 of the world.

The largest seafood suppliers, wild catch and aquaculture 2004



In 2007 the world's seafood consumption, market price value of 92 billion U.S. dollars, growth of 7% compared with the same period in 2006. Developing countries in the world's seafood exports accounted for 50% to 25 billion U.S. dollars. China has become the world's seafood trade power, in 2007, seafood exports 9.7 billion, and imports 4.3 billion. In 2007 the world's seafood production reached 145 million tons, of which 5.5 million tons exported to international markets. (www.fishingnet.cn)

Chinese aquatic production in 2007 increased to 47.37 million tons, it was ten times than 1978's, per capita rose to 36.4 kilograms, an increase of 7.2 times

China has been the first largest seafood exporter. Over that period, the value of China's seafood exports has grown at an average annual rate of 17 per cent, reaching almost US\$10 billion. Japan is the major export destination of China's processed products (many of which have been imported as raw materials for reprocessing) taking more than half of all seafood exports. At the same time, China's imports are also growing rapidly to keep pace with the ever-expanding reprocessing business, of which Shandong province is the centre. Principal imports are cod (primarily Russian) and fish meal (from Peru) to feed China's expanding aquaculture sector. Last year alone, the value of China's seafood imports jumped 22 per cent to more than US\$4 billion.

CHINA'S SEAFOOD TRADE (in mt and US\$ billion)

	Exports		Imports		Total	
	Volume	Value	Volume	Value	Volume	Value
1996	800,000	\$3.0	1,390,000	\$1.2	2,190,000	\$4.2
2000	1,530,000	\$3.8	2,520,000	\$1.8	4,050,000	\$5.6
2003	2,103,080	\$5.5	2,332,174	\$2.4	4,435,898	\$7.9
2005	2,570,000	\$7.9	3,660,000	\$4.1	6,230,000	\$12.0

And this is an overview for most important province for Chinese seafood:

No. 1 in aquatic production: Shandong province (7.4 million MT)

No. 1 in seawater catch: Zhejiang province (3.22 million MT)

No. 1 in freshwater catch: Hubei province (400.000 MT)

No. 1 in seawater culture: Shandong Province (3.42 million MT)

No. 1 in freshwater culture: Guangdong province (2.7 million MT)

Shandong, Guangdong, Liaoning, Fujian, Zhejiang, Hainan and other coastal provinces is still Chinese main areas of export aquatic products, exports of aquatic products, and accounted for 91.9% of total exports.

Main export provinces in 2009 (www.number.cnki.net)

Quantity: million tons; value: 100 million US dollars

Provinces	Quantity	Increase %	Persent of all export	Persent of all export value
Shangdong	0,922	-8.1 %	31.3	31.5
Guangdong	0,396	4.1 %	13.5	15.8
Liaoning	0,499	-7.5 %	17	14.7
Fujian	0,399	36.1 %	13.6	14.3
Zhejiang	0,419	-5.9 %	14.2	12
Hainan	0,112	2.2 %	3.8	3.4

December 2009 Chinese export of aquatic products had substantial growth, the export volume is 319 thousand tons, and value is 1.24 billion U.S. dollars, up respectively 20.9% and 23.7%, the highest monthly export value of the all-time history. Annual export of aquatic products is amounted to 10.7 billion U.S. dollars, an increase by 1%. Japan South Korea, the United States and Europe is still the major aquatic products market for Chinese export, but the value of export of aquatic products is decline in the proportion of total export. Export to Taiwan and ASEAN is getting strong growth and continues growth to export to Hong Kong.

In 2009 China's total import and export of aquatic products 6.679 million tons, value is 15.96 billion U.S. dollars, decreased by 2.4% and 0.13%. Export volume is 2.942 million tons, down 0.6%, value of exports is 10.7 billion, an increase of 1%. Imports are 3.737 million tons, and the value of imports is 5.26 billion U.S. dollars, decreased by 3.8% and 2.6%.

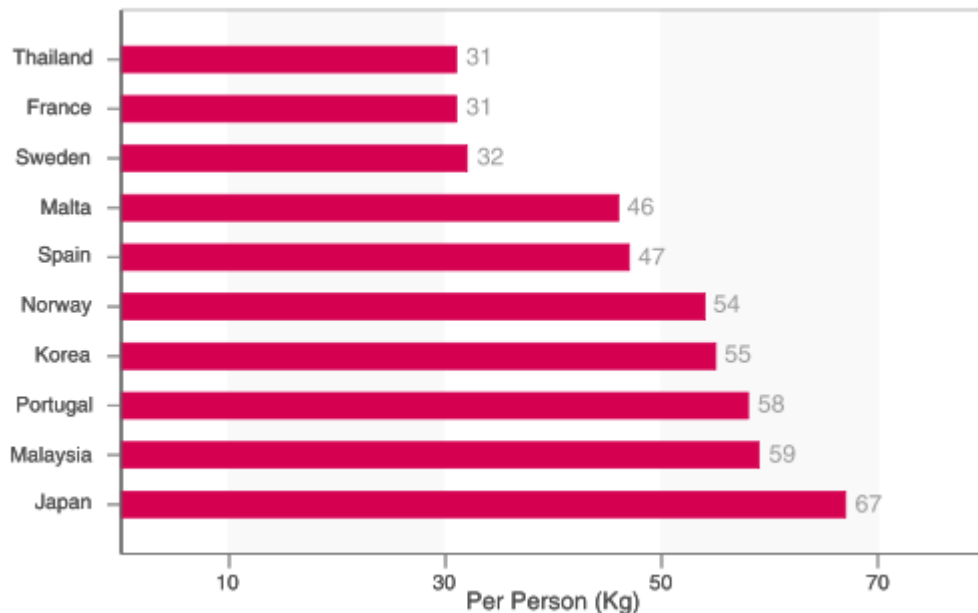
4.1.5 Consumption of Chinese seafood

We can't ignore the huge population size in China. The average share per capita on seafood resources is very small compared with other countries.

China is the biggest seafood producer and exporter in the world, but the average consumption of aquatic food in China is still at a lower level than international average level

according to one fishery industry research report by Gang (2007). FAO estimates that the world seafood consumption per capita was 16.5 kg/year in 2003. However, according to Chinese agriculture development report (2007), the seafood consumption for China's urban residents in 2006 was 16.2 kg/person, and 5.6 kg/person for rural residents. The national average consumption of seafood is 9.0 kg/person, which is lower than the international average. Gang (2007) also predicted in his research report that the seafood consumption per capita in China shall increase continually by around 7.6% in the next few years.

This is a figure to show the top ten countries in the world for seafood consumption per capita: (www.swivel.com)



From the figure we can see that although Chinese seafood consumption per capital increase every year, but still long distance compared with other developed countries, so we can say that Chinese seafood marked have great potential to grow.

The aim of 2010 China's per capita fish consumption is 16 kg, 22 kg in urban and rural 13 kg. With the upgrading of the public wealth, seafood consumption in China will increase by more than 40 per cent by 2020, according to a new seafood industry research report issued by Glitnir Bank.

Seafood consumption in China was 25 kilos per capita in 2004 and is expected to reach 36 kilos per capita in 2020.

At present, China has become the world's largest seafood producer, so it can basically meet the people consumption demand, in terms of quality, structure of varieties, quality standards are continually improving and increasing. According to increasing living standards and changing in consumption structure, there is a gap between the Chinese aquatic products variety and quality with the people consumption requirements.

4.1.6 Import seafood

In 2009 for domestic consumption of aquatic products imported 1.14 million tons, and the value of imports is 1.73 billion U.S. dollars, an increasing by 1% and 1.8%, mainly varieties are squid, cod, salmon, octopus and bighead carp flounder fish and other non-listed frozen fish, import of seafood play an important role meet domestic different consumer needs and enrich the domestic seafood market. Russia, the United States, ASEAN, Norway, Japan, the European Union are the major import countries for Chinese edible aquatic products and to feed raw materials. Import from Russia, ASEAN, the European Union and Canada's are making varying degrees of decline. But import from Norway has been high increasing. Imports from the United States and Japan are certain growth

Main import countries in 2009

Quantity: million tons; value: 100 million US dollars

variety	Percent of import	2009		2008		Increase / decrease	
		Quantity	Value	Quantity	Value	Quantity	value
Russia	23.6	75.9	12.4	78	13	-2.6	-4.2
Peru	14.9	85.7	7.86	99.9	9.9	-14.2	-20.5
USA	12.7	38.5	6.7	33.5	6.4	14.8	4.9

Chile	9.9	41	5.2	29.7	4.1	37.6	27.4
ASEAN	7.2	28.1	3.8	33.8	3.9	-16.7	-1.6
Norway	5.3	14.8	2.8	8.8	1.9	69.7	47.8
japan	4.2	12	2.2	11.5	1.9	4.9	13.9
EU	3.8	13.3	2	20.4	3.2	-34.6	-36.3
Canada	3	6.1	1.6	7.1	1.88	-13.9	-12.6

From this table we can see that for Norwegian seafood company has a good potential in Chinese market. In 2008, Norway export 8.8 million tons seafood, value is 1.900 million dollars. But in 2009 Norway export 14.8 million tons seafood, value is 2.800 million dollars, 5.3 percent of all Chinese import quantity. We can see that just after one year, the increasing by 68%.

4.1.7 Norwegian Seafood

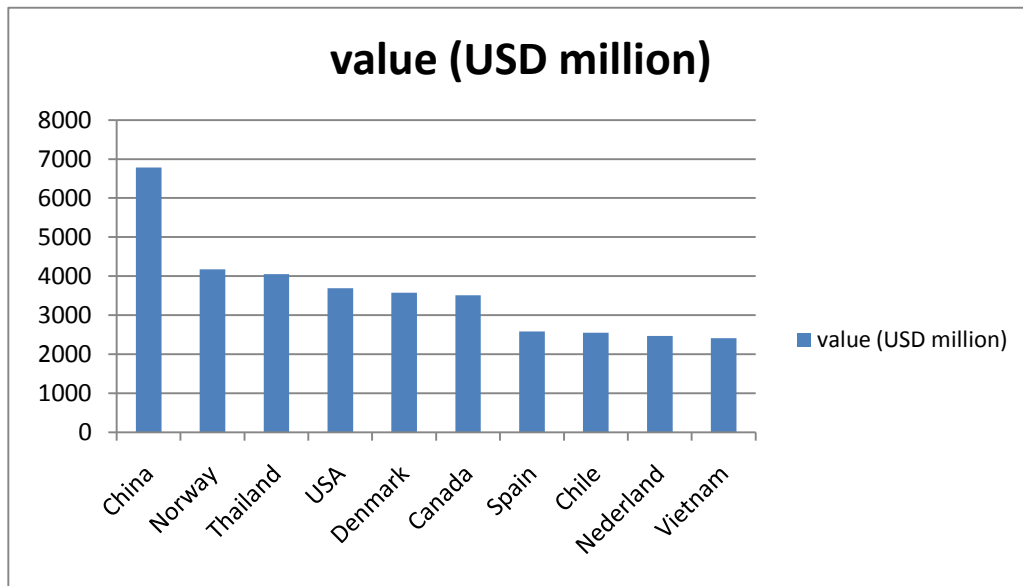
Nature is kind to Norway, giving it a coastline extending to length of more than 83,000 km, including islands. More than 200 different species of fish and shellfish inhabit Norway's coastal waters.

Norway has deep traditions as a fishing nation, a long protected coastline, and clean seas with a high water replacement rate and good water quality that provide good biological prerequisites for Norwegian aquaculture production.

Norwegian seafood is recognised for its quality, and in 2005 raw Norwegian food was selected for the Bocuse d'Or (world cuisine contest) - for the fourth time.

The Norwegian fisheries and aquaculture industry is currently one of the world's largest exporters of seafood, and in recent years just over 3 million tonnes of fish and seafood have been harvested from the sea each year.

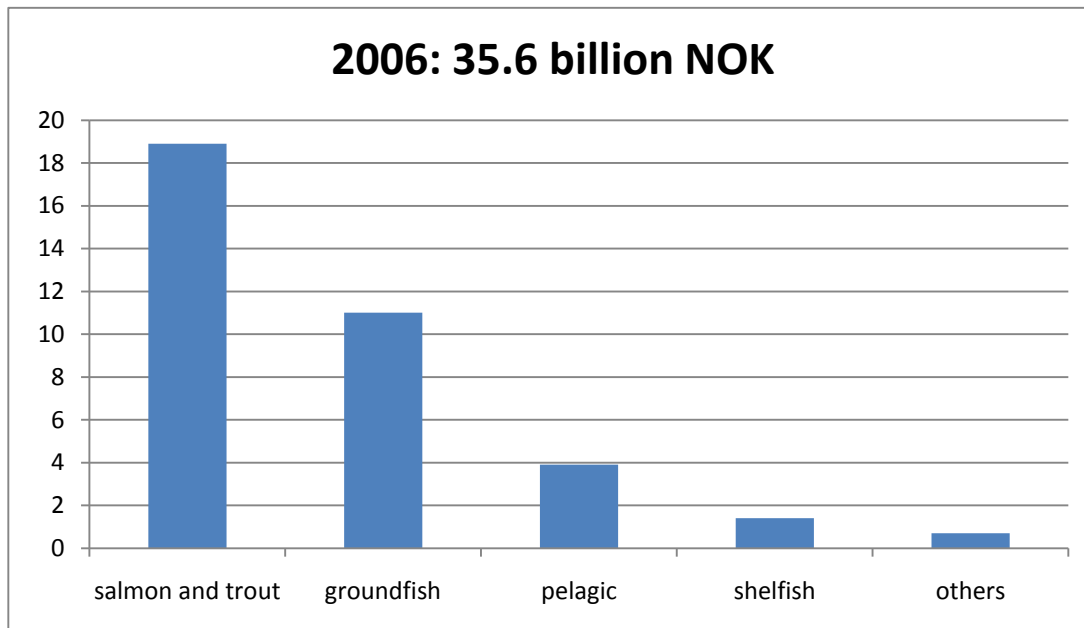
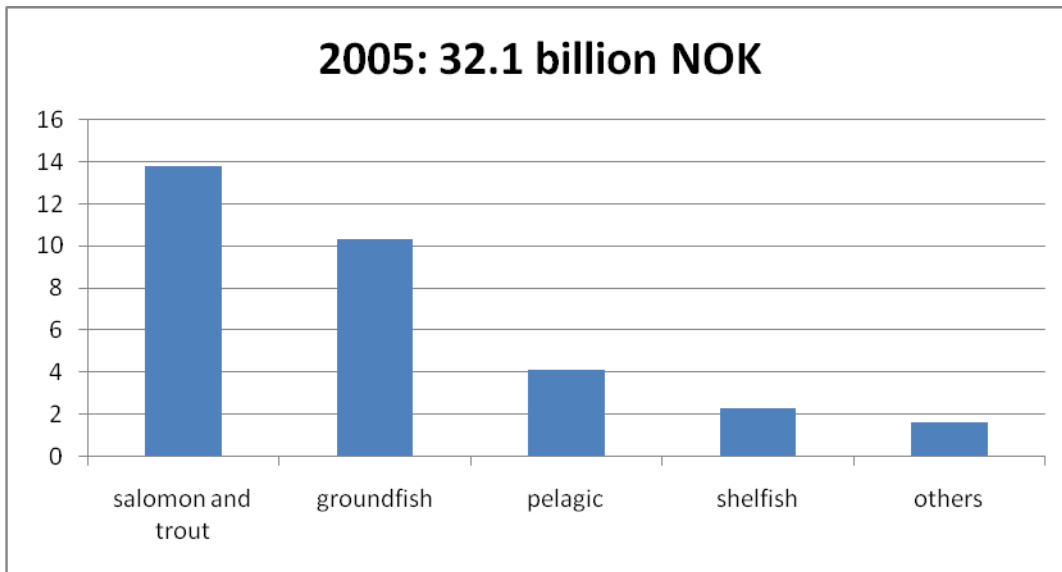
We will see the largest ten exporters of seafood 2004:



Norway is currently the largest market for aquaculture technology, but not the largest in aquaculture production, according to Knut Molaug, AKVA Chief Executive Officer. Asia produces more in volume, but has a relatively smaller market for aquaculture technology.

Every day throughout the year 27 million Norwegian seafood meals is served all over the World. The Norwegian Seafood Export Council (NSEC) endeavours to ensure that people from all corners of the world believe that the best seafood comes from Norway.

There are 2 figures to show that in 2005 and 2006 the percent of all export of different kind fish:



Farmed salmon and Norwegian Fjord Trout constitute the largest sector, with an export value of NOK 18.4 billion in 2006. This accounts for 52 percent of total seafood exports. Groundfish products account for 28 percent of exports, while pelagic fish make up 15 percent. (www.seafoodfromnorway.com)

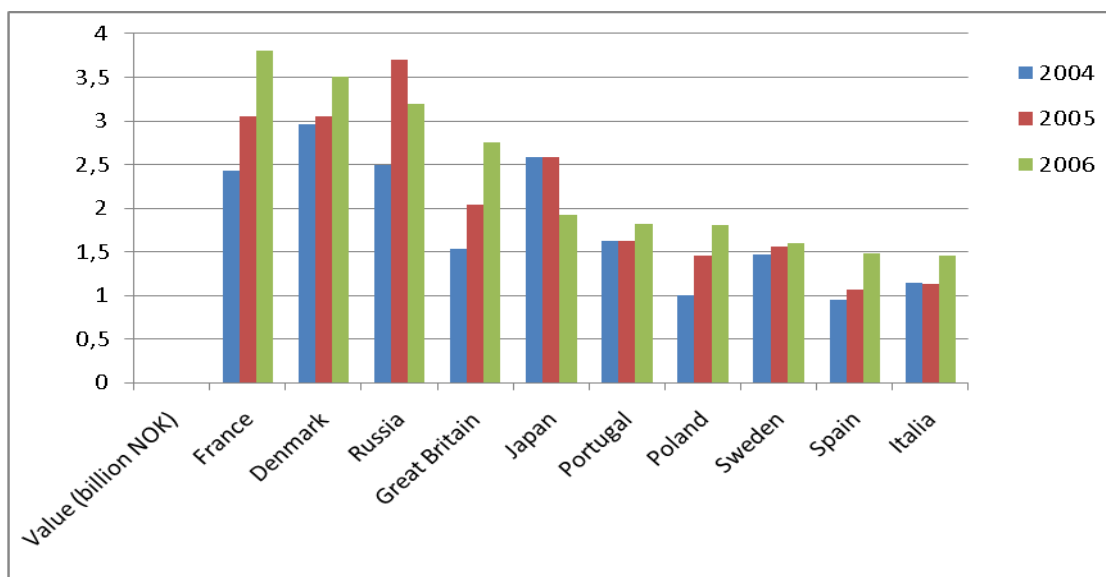
Norway's vibrant seafood industry contributes a significant amount to the country's economy. Live catch and farmed fish make up one of the most important export products

after petroleum and metals, accounting for NOK 39.1 billion (USD 5.8 billion) or 4% of Norway's total export revenues, making Norway the second largest exporter after China.

In 2008, the value of Norwegian seafood exports totalled NOK 39.1 billion. Farmed seafood accounted for more than NOK 20 billion.

In 2009, Norwegian Seafood exports totalled NOK 44.7 billion and for the sixth year in a row set a new seafood export record. Compared with 2008, exports are up by no less than NOK 6 billion, according to figures from the Norwegian Seafood Export Council. The volume of seafood exports totalled 2.6 million tonnes, an increase of 268,000 tonnes compared with 2008. This is equal to 35 million meals of Norwegian Seafood - every day. (www.seafoodfromnorway.com)

The following shows the major markets for Norwegians seafood:

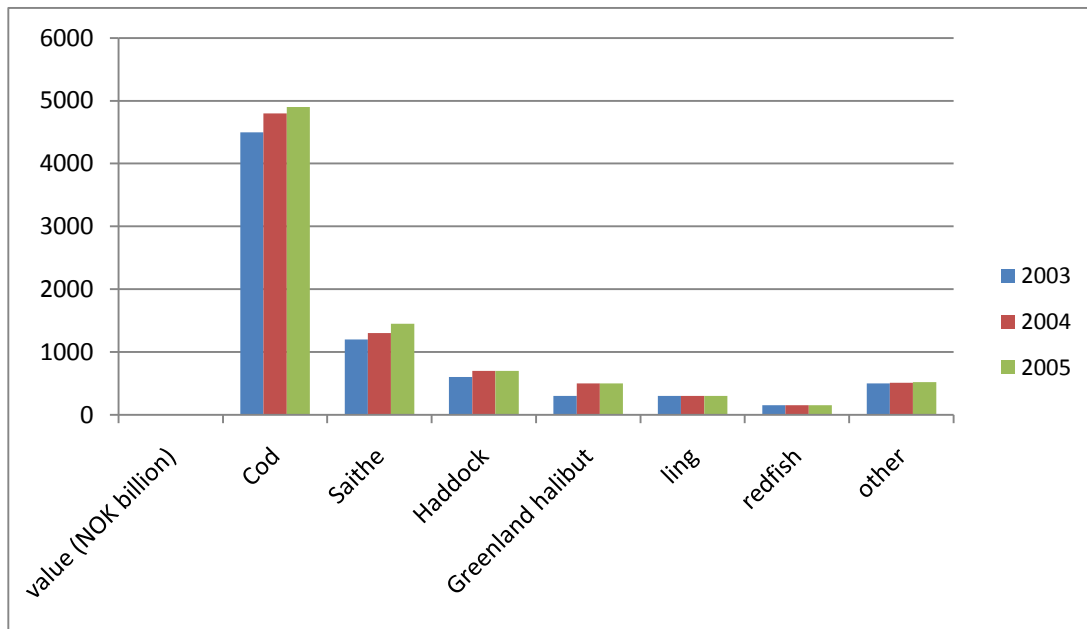


Norway's exports of ground fish including clip fish, salted fish and stockfish totalled NOK 876 million in September. This is a reduction of NOK 114 million compared to the same month last year. The volume of ground fish exports in September totalled 32,900 tonnes, an increase of 620 tonnes compared to the same month last year. Frozen whole Norwegian Cod and haddock have shown the biggest export growth, according to the latest figures from the Norwegian Seafood Export Council. (www.seafoodfromnorway.com)

Cod fishing is the most important of fisheries, measured by the landed value. The cod catch last year rose to 214,000 tonnes with a value of NOK 3.5 billion, representing more than a quarter of Norway’s total catch value. Herring came in second at NOK 2.8 billion. Norway consumes three quarters of the catch and uses the rest, such as blue whiting, sand eel, and Norway pout, for the production of meal, oil, and animal feed.

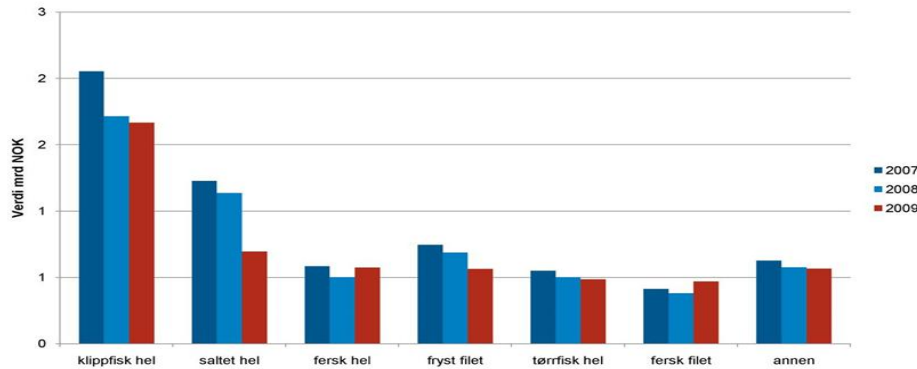
There is a figure of export of ground fish in 2003, 2004 and 2005:

We can see that all most all kind ground fish have different increased of export but not so rapid.



But from 2008 to 2009, there are price reduction. Price reduction for the most products of cod means that the total value of the codfish is reduced with 384 million NOK from 2008 and reduced to 9.2 billion NOK in the end of 2009. The statistic for Norwegian export of cod as follows:

Norsk eksport av torsk



Kilde: EFF, SSB
© Eksportutvalget for Fisk AS

Eksportutvalget for fisk
www.seafood.no

According to figures from the Norwegian Seafood Export Council, this is the highest export value ever recorded for Norwegian Salmon in February 2010. Compared to the same month last year, the growth in value is 46% or NOK 636 million.

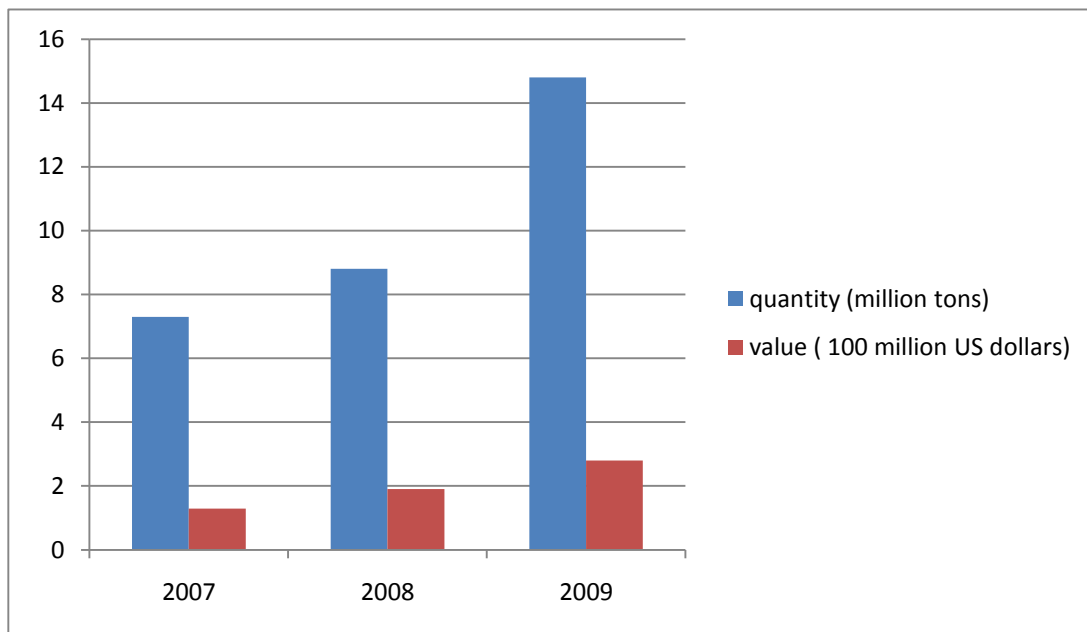
The total volume of Norwegian Salmon exports in February 2010 was up by 25% to 56,085 tonnes. The value of Norwegian seafood exports in January totalled NOK 3.6 billion. This is an increase of NOK 190 million or 6% compared with January 2009. Exports of Norwegian Cod clip fish in January increased by 23% to NOK 187 million. The volume of exports was up by almost 50%.

Increased focus on health issues, higher food standards and new trends within the food sector all contribute to the exciting phase Norwegian seafood are experiencing in China and Asia. Statistics show an increase of Norwegian seafood being exported to China, and in 2009 the export will exceed 100.000 tons, says Christian Chramer, Director of Information, and Norwegian Seafood Export Council.

China and Asia are important markets for Norwegian Seafood Export Council and Norwegian seafood industry. The EXPO in Shanghai next year is a good opportunity to promote Norwegian seafood. Salmon in the People's Republic regarded salmon as strictly a

luxury item, and advised chefs in luxury restaurants to prepare it in that form. But the Norwegian Seafood Export Council (NSEC) is now trying to increase salmon awareness generally.

“China has powered back into position as the biggest importer of fresh whole Norwegian Cod, Norwegian Saithe and haddock by a clear margin,” says market analyst Ove Johansen from the Norwegian Seafood Export Council. "By the end of the third quarter, exports of frozen Norwegian Cod, Norwegian Saithe and haddock had more than doubled compared to the same period last year, from 15,000 to 38,000 tonnes. These fish are used as raw material in China's fillet industry, which we subsequently see in Norwegian fishmongers and competing with Norwegian fish products on world markets." The first quarter of 2010, the total amount of Norwegian seafood exports reached 1.9 billion U.S. dollars, up 18% over last year. The follow figure shows from 2007 to 2009 Norway export seafood to Chinese market.

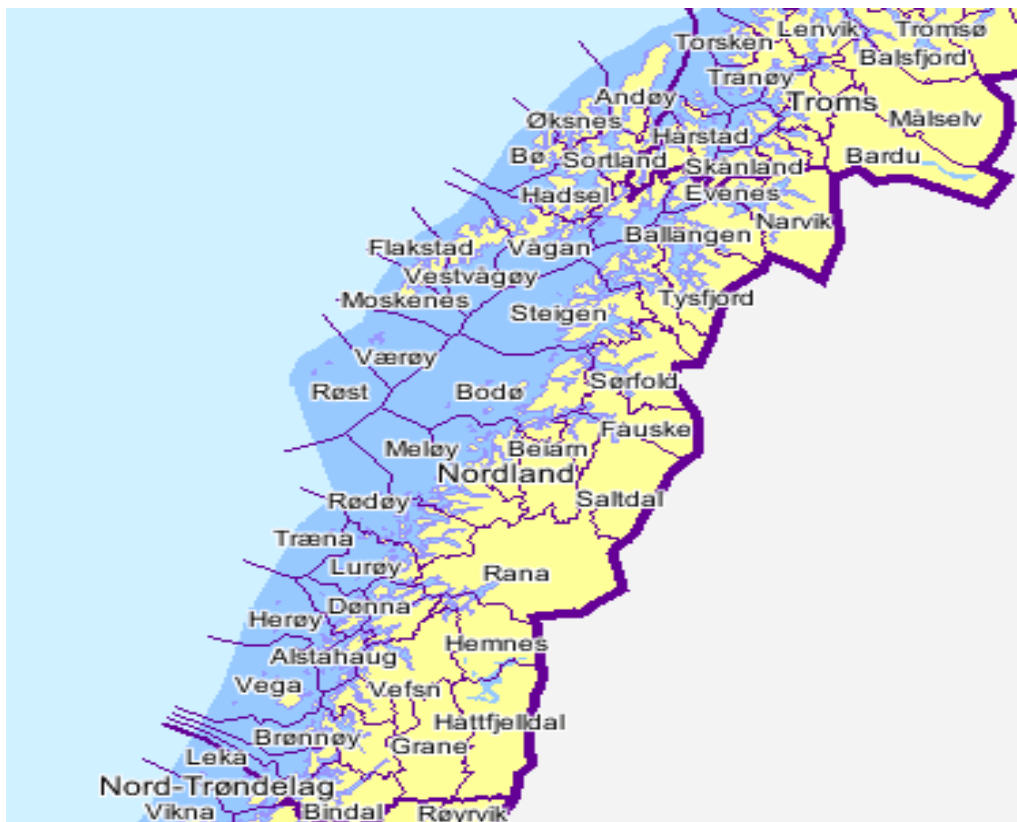


4.1.8 Nordland County in Norway and Zhejiang Province in China

In this part we will give an overview of Zhejiang province and Nordland in Norway, as after we will discuss the Norwegian company from Nordland going into Zhejiang province market.

4.1.8.1 Nordland County

Nordland situated in the north coast of Norway. Bodø is the capital of Nordland County. There are 44 municipalities in the county. Nordland has a total population of 236,000. Nordland is the second largest county in Norway, it covers a land area of 38,456 square kilometres, 12% of the country's total. The county has a very long coastline, 25% of the country's total. There are 18,414 islands in the county; Lofoten is the third best preserved island among the world.

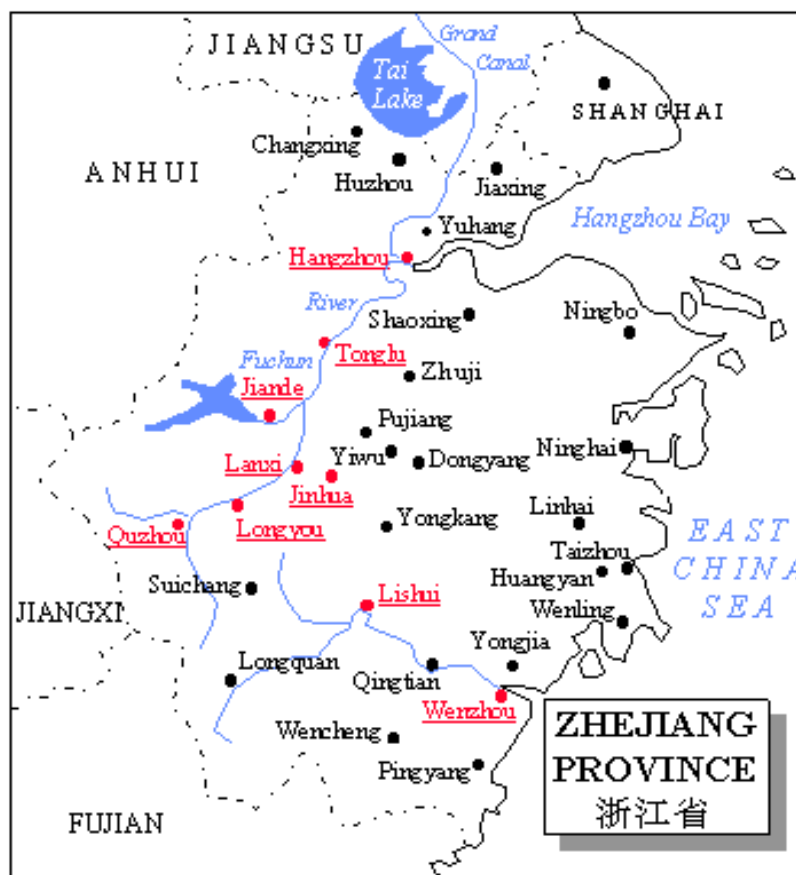


Map of Nordland County

Nordland county council achieved the action plan- “vekst ved internasjonalisering” to develop population and economic for Nordland. The action plan emphasizes the county's human resources by motivating, mobilizing and qualify more individuals, corporations and businesses to international engagement.

4.1.8.2 Zhejiang Province

Zhejiang province situated in southeast China and on the southern wing of the Yangtze River Delta, Zhejiang borders the Pacific Ocean on the east and Shanghai, the biggest mega-city in China. Hangzhou is the capital of Zhejiang province. There are nine district-level municipalities, 36 counties, 22 county-level cities and 32 districts governed by these municipalities. Zhejiang has a total population of 51.2 million as permanent residents (2008).



Map of Zhejiang province

The province as one of the smallest provinces in China, the province covers a land area of 101,800 square kilometres, only 1.06% of the country's total. The province has an ocean area of 260,000 square kilometres dotted with 3,061 islands of over 500 square meters each, boasting the largest number of islands in China. Geographically, Zhejiang is rich in resources generated by its vast areas of mountains and sea. The province has the longest

coastline in China which runs 6,486.24 kilometres in length, 20.3% of the country's total. Besides, Zhejiang's continental coastline runs as long as 2,200 kilometres, accounting for about 33% of the country's total, and among which, 105.8 kilometres are suitable for 100,000-tonnage (and above) berths.

Zhejiang is an eastern coastal province of China. Zhejiang province is traditionally known as the "Land of Fish and Rice". The Zhou Shan fishery is the largest fishery in the China.

Zhejiang province in 2009 total exports of aquatic products 273,000 tons, the value is 720 million U.S. dollars, respectively, over the previous year up 33.4% and 24.4%.

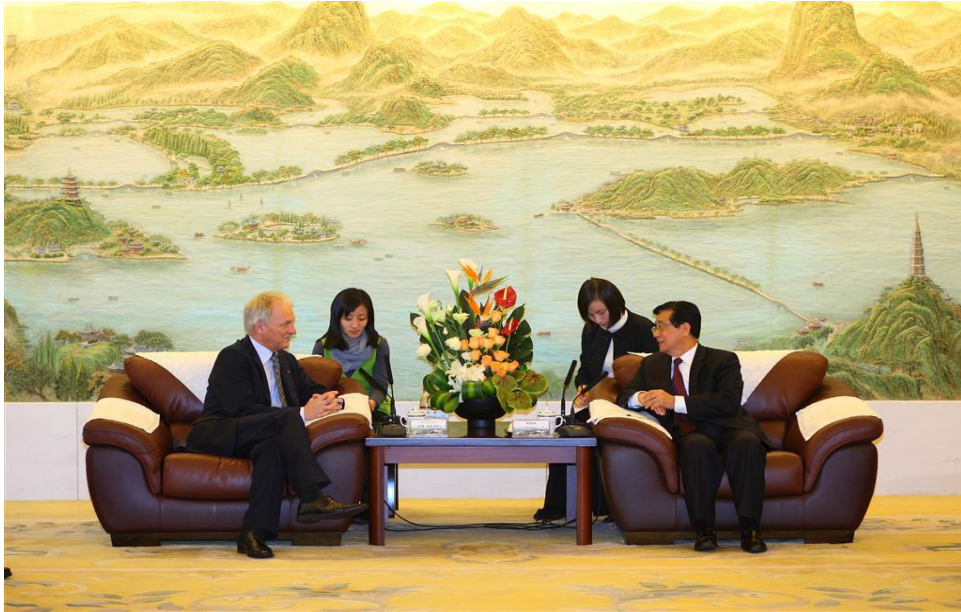
Zhejiang is the first province of China, Which had no counties in the poverty-county list of the central government. Zhejiang has become one of the most marketwise and richest provinces in China. Compared to many other Chinese provinces, the development in different regions in Zhejiang is more balanced. While the countryside still lags far behind, in 2006, the per capita disposable incomes for eleven major cities in Zhejiang were all ranked among the top 30 in Chinese cities.

4.1.8.3 Relation between Zhejiang province and Nordland county council

Expo 2010 Shanghai, China is a unique opportunity for company from Nordland to build relationships in the world especially against China. Participation from Nordland in the Norwegian concept requires good planning, commitment and resources. Marine sector, NCE aquaculture is designated as the county's work force. In the ocean area of Zhejiang province are most valuable marine resources and most productive fishing farms in China. Zhoushan Archipelago is the biggest marine fishing base in China. That is why Zhejiang province has big attraction for Nordland.

In November 2009, delegation from Nordland has been in Zhejiang province. The purpose for this trip is to signed intentions contract. Unfortunately, Odd Eriksen - governor in Nordland was sick, intention was not been signed in this trip. But the meeting between Nordland county and Zhejiang province has been happened and it was very successful. Mr

Zhao Hongzhu - president in Zhejiang province said that the intention was not been signed on the paper, but it is already been signed in our heart. In this meeting they agree to get more cooperation in different areas, especially in the marine sector.



Odd Eriksen –governor in Nordland and Zhao Hongzhu –president in Zhejiang

Zhejiang province is most valuable marine resources and most productive fishing farms in China. Zhoushan Archipelago is the biggest marine fishing base in China. Therefore the fishing companies in Nordland are very interested with this province. It has 10 fishing companies will present them on the Nordland’s day in the Norwegian Pavilion. Nordland County Council will help them to contract relative fishing companies in Zhejiang province on the Nordland’s day. It will be a good chance for fishing industry in Nordland to develop the market and find partners in Zhejiang province.

4.2 Micro Part

The purpose of micro part is to allow Spon Fish ASA, BiNor Product AS and ProBio AS to get better understanding of the Chinese Fish market and to build relationship with relevant companies in China. Vesterålen Fiskeripark’s main responsibility is to help these companies to complete the pre-study in China. Nordland County Council contributed not only competence but also financial support.

4.2.1 Information about companies

4.2.1.1 vester ålen Fiskeripark AS

Vester ålen Fiskeripark AS (VFP) was established in autumn 2000. It is located at Myre in Nordland County where the fish industry is very powerful. Owner of VFP is fishing industry (96%) and municipalities in Vester ålen region that is Bø, Lødingen and Øksnes (4%).

VFP has two fixed employees. Mr.Svein Egil Stavem is general manager and Mr.Viggo Johnsen is project leader in VFP.

Regional advisor environment has entered into an agreement about technical coordinator for specified fields with VFP. The agreement gives VFP more professional advisors in different specified fields. Mrs. Marit Liberg comes from Training office for marine. She is an advisor for recruiting and professional training. Mr.Geir Stranda comes from Renomar AS. He is an advisor for environment technology. Mr.Arnold Jensen comes from Sjøblink Blokken AS. He is an advisor for FOU (Researching and developing) for salmon. Christine Thomassen and Erna Sommerhaug come from Vester ålen Fiskehelsetjeneste. They are advisors for fish health, quality and environment investigations. Mr. Dag Jostein Fjærvoll comes from Vester ålen høyskolesenter AS. He is an advisor for high school education in marine sector.

VFP is a non-profit company, which is working with innovation and business development for marine company in Norway. Through the FOU (Researching and developing), VFP builds the competence and working with innovation for fishing industry in Vester ålen region. The main task of VFP is to help fishing companies in Nordland to build relationship, increase competence and market product both in Norway and in the world. They also work with some developing projects in marine sector for Nordland. .

VFP has solid relationship not only with companies but also with government in Norway. It is a key player in developing projects for fishing industry. VFP has cooperation's contract with Nordland County Council, Bø, Lødingen and Øksnes municipalities about development of marine sector in Nordland.

VFP has many exciting projects in marine sector, for example it has European seafood Exposition in Brussel every year, VFP as coordinator to recruit fishing companies from Nordland and market them in the international market. In 2009, VFP recruited 17 seafood companies to attend the Exposition in Brussel. It was very successful said the seafood companies. They are very satisfied with this trip. They have implemented many important contacts meeting under this trip.

VFP has a long-terms project, which is market seafood from Nordland in Asia, especially in China, South Korea and Vietnam. According to the requirement from three companies, which is Spon Fish ASA, ProBio and BiNor, VFP organized a pre-study trip to China to market Norwegian seafood and learn more knowledge about Chinese fish market.

4.2.1.2 Spon Fish ASA

SPoN Fish ASA is a cod farming company covering the entire value chain from hatchery to consumer products. SPoN Fish ASA's five companies are located in the north of Norway, whereas the main cod farming plant is located in Tysfjord, 68° north.

The majority of SPoN Fish' cod is hatched at the company's own hatchery, Troms Marin Yngel. Most of the juveniles produced here are from 2nd generation selected fish, delivered through the Norwegian Cod breeding Program. When the juveniles reach a size of 2 grams, they are transferred to Norsk Marin Settefisk AS for growing. The fish is kept here till it reaches a size of 50-100 grams, and is then transported in the company's own well-boats to the cage-farms at Tysfjord Marin Holding.

Short distance between the slaughtering plant and SPoN Fish processing plant Brødrene Hveding ensures high quality on all processed products from SPoN Fish. With over 60 years of experience from processing cod, and full traceability back to hatchery, SPoN Fish wishes to offer its customers safe and predictable deliveries.

4.2.1.3 ProBio ASA-Ayanada

Ayanda is a manufacture of pharmaceutical and nutraceutical products, ranging from tablets to refined cod liver oil. Ayanda is wholly subsidiary of ProBio ASA, and is a result of a merge in 2008 of the three companies Probio Nutraceuticals AS in Norway, Medipharmia OY in Finland and Gelkaps GmbH in Germany. Ayanda is located at Andenes in Vester åen.

More than 250 talented and dedicated colleagues have joined efforts in the new business unit. Above the Arctic Circle in Northern Norway, 70 people are running ultra modern facilities manufacturing omega-3 capsules and other food supplements. Soft gel encapsulation of marine oils is a specialty. In the forests of Western Finland 30 workers are producing pharmaceutical tablets and powders, and by the farming fields of Pritzwalk in Northern Germany 170 colleagues are skilfully operating a pharmaceutical soft gel encapsulation plant. Their specialties are herbs and extracts.

The product range contains soft gelatine capsules, hard gelatine capsules, liquids, tablets, powder, granulates, coating, packaging, labelling, boxes, jars, bottles, blisters, carton boxes, distribution packs. The typical services are formulation, regulatory advice, support for clinical trials, medical advice, technical advice, sourcing, laboratory testing, analytical procedures, and marketing support. The statement “Ensuring Peoples Health” is a dedication for human health that includes high quality commitments: Pharmaceutical GMP, BRC-certification, IFS-certification, Bio-certification, high innovation capabilities and strong competence with core areas like omega-3 and suspensions.

4.2.1.4 BiNor Products AS

Binor Products AS was founded October 20th, 2004 as a result of an initiative from the Rubin Foundation, and has in cooperation with its owners from all over the Norwegian coastal line, representing catch, farming and seafood industry, developed several new products for the international market. The company is located at Myre in Vester åen.

In 2007, by-products from the Norwegian fishery and seafood industry amounted to 655.000 tons. Only a small part was used for human consumption. BiNor Products's goal is to establish a profitable business dealing with products for human consumption.

In 2007, Binor Products AS got a positive commitment about finance support from Innovation Norway about 2 million Norwegian Kroner to develop market for by-products.

4.2.1.5 Competence of companies

When the company wants to enter a new market, especially the Chinese market, this requires the company to have special competence in different professional fields about the market.

In this case we can see that they have relative satisfactory competence as follows:

Mr.Svein Egil Stavem is the leader of VFP. He led this market research. He has long experience from international sales and marketing. He was the Norwegian sales leader for the biggest telecommunication company in the world. He has been working with VFP AS since 2007. He is a senior project leader.

Ms.Tina Østrem is marketing director at SPoN Fish ASA. She graduated bachelor degree from Bodø University in export marketing and took markets competence program for Norwegian seafood business at Norwegian business high school. She has studied Chinese language and culture at Changchun University of Science and Technology, China.

Mr.Børge E.Bentsen is assigned by Ayanda as a consultant. He graduated from BI in economic and marketing communication, and has long experience with consumer marketing of omega-3 and other health supplements. He has been working with ProBio/Ayanda for more than 10 years.

Mr.Keven Vottestad is managing director at BiNor Products AS. He graduated from Bodø University in fish economic, and he studied international business at Pacific Lutheran University I Tacoma WA, USA. He has long experience with fishing industry, both whitefish and salmon. He has been taken the trainee program from Innovation Norway through "Marint verdiskapningsprogram" and worked about 5 months in Asia during the

2008/2009. He has been in China many times and has been in “International Seadfood Expo in QingDao, China”.

External Competence

Mr. Per Eidsvik is project manager for international project --- Expo 2010 Shanghai at Nordland County Council. He graduated master in urban design and planning in the Norwegian University of Science and Technology. He has experience working with community and economic development in different parts of Norway. He was chief of the municipality, and leader in developing companies.

Mrs.Yuan Zhang is the adviser of economic development in Nordland county council since 2007. Now she is the project assistant for Expo 2010 Shanghai at Nordland County Council. She comes from Shanghai in China. She came to Norway in 2002 for study Norwegian language and society. She graduated bachelor of economic and management in Bodø University and she will finish Master of Science in business in 2010. She has very strong relations both with companies and government organizations in China.

4.2.2 Aim to marketing survey of Vester ålen Fiskeripark

Before companies go in a new international market, they must know what they want to get from the market. So VFP should have aim to what they want to know through their marketing survey.

The market survey will aim to provide the following information for VFP about markets in China.

1. Marked potential and potential customers

- a. Rough estimates of market potential
- b. Indication of potential customer segment

- c. Recent location for the products
- d. Main Application. Who is the consumer and how will consumers have the products.
- e. Trends in demand

Market orientation and competence raising - Asian markets

2. Competitors

- a. Identification of potential competitors
- b. Price indication of similar products in the market

3. Shows a list of relevant factors that can prevent success in these markets

- a. Market Advantages
- b. Alternative products
- c. Technology or statutory challenges, Fines, some laws / import restrictions that prevent importing products.

4. Distribution

- a. Direct to consumer
- b. Sales to retailer / importers

For a company, they cannot just think about short time, so they should have several aims for long time and short time. Obtained shows several options on both the short and long term:

1. Established relationship with the trading company and agent who can handle all the logistics relate to the import and inland distribution
2. Established relationship to the investor in Shanghai who are interested in entering the promising business project
3. Great interest for cod in Shanghai and China general
4. Cod own them better to Chinese cuisine than salmon
5. Interest and demand for residual raw materials from cod

6. Competitive prices for cod and salmon
7. Demand after cod liver oil
8. Demand for omega-3 capsules in bulk
9. Invitation to collaborate on business development and branding of new omega-3 products in China
10. Invitation, along with Nordland County Council, to cooperate with the province of Zhejiang- Province at Expo 2010 in Shanghai
11. Renewed visits by Chinese representatives will be organized and supported by Nordland County Council

4.2.3 Objective of Vesterålen Fiskeripark

VFP is a company making service for marketing to marine product company in Nordland, and it is a new project. They have not run business in Chinese market yet, so we have to understand the objective for marketing research for VFP and what is the goal.

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Preliminary studies for VFP will provide basic information and relevant data to set project owners able to make the necessary decisions in the work towards establishing new markets for its products in Asia. The work will result in an overall description and analysis based on obtaining the best available knowledge about the markets in China, South Korea and Vietnam.

Preliminary studies for VFP had the goal and provide basic information and relevant data to set project owners able to make the necessary decisions in the work towards establishing new markets for its products in Asia. The work will result in an overall description and analysis based on obtaining the best available knowledge about the markets in China.

The main objective with the pilot study was initially to provide the necessary expertise on the possibilities inherent in the markets of China, South Korea and Vietnam on the selected products to the project owner may plan to initiate sales to these markets.

We can see that they have the plan for Asian market, but in our case we will focus on what they do in Chinese market.

Main objective of this project is to get promoted Nordland as a supplier of marine-quality products to the Chinese market. Marketing efforts will be supported by the EFF and it will be great emphasis on marine products from Nordland's high quality products that have good health and the health effects. Consumers in China are concerned about health care and are willing to pay a high price for quality products from Nordland. As the planning went forward, we came forward to limit the scope to look at Shanghai and a province south of Shanghai, specifically Zhouzhan. It will also be placed on increasing the competence of the participating businesses on the Chinese market

It is not enough for a company just has one main objective in a marketing research and run a market, to run a market, company needs to have a combination of main objective and some small objectives. So VFP has also four other small objectives:

1. Work in cod and salmon from Nordland in the Norwegian pavilion's restaurant during EXPO 2010, and that salmon and cod from Nordland are used under the arrangement in EXPO 2010 exhibition that the Norwegian authorities and organizations behind
2. Coordinating a pioneering marketing push for fresh cod in Shanghai, supported by EFF. This part of the project will consist of Cod farmers and Metal Fish.
3. Increase the competence of the participating companies in terms of trade to the Chinese market
4. Nordland market as a supplier of marine quality products to the Chinese market

From the objectives we can see that they take much focus on EXPO 2010 in Shanghai and market in Shanghai and Zhejiang province, so after when we discuss about how to run a market in China, we will take focus on Shanghai market and specially in Zhejiang province.

4.2.4 Production of Vestrålen Fiskeripark, advantage and challenge

Actually in our case the VFP does not have any production, they just do marketing research for other marine companies. So in here we said about production is about the production from other marine companies.

These participants represent that the aquaculture industry in Nordland in farmed salmon and cod and is able to deliver large volumes to a market in China.

1. Residual raw materials from cod and salmon:

The feedback so far shows that there is a residual interest in the raw material of cod. Rest Raw material used in all ages, in every segment, and is also used for industrial production of various kinds. Salmon heads 18 kr / kg in the retail Chinese supermarket. Cod Heads of ørebein and neck sold for £, 84.40 per kg in retail Chinese supermarket. In Chinese food tradition they eat all part of the fish, different parts offer different values for different consumers. So this kind product has good potential for all kind market and consumers. There are some challenges for this product too. Food safety is a sensitive and discussed topic and is a technological challenge for exporters. Salmonella and Wisteria - bacteria have been checked on imported seafood regularly. Chinese food security unit, authorities strengthen the control of imported seafood. On average, China has around 10% import duty on frozen seafood for consumption. Chinese like to eat cod head, but they don't know how to make the cod milt. They lack knowledge about valuable by-products.

2. Whole small fish:

The feedback so far shows great interest in young cod, but the challenge is the price level. The reason for this lies both in great demand for white fish in general, that Norway is well recognized as a producer of fish (salmon has a good reputation), and that cod is suitable for Chinese cooking more than salmon (salmon consumed mainly sushi). We experienced the cod: Kr 110, per kg in the fish market in China. In the supermarket price was Kr 300, per kg. This was the frozen fish that was refresh and sold as fresh in the disc. Cod is an established name that will, through marketing and promotion, establish itself as an accepted product in the Chinese market. For normal Chinese customs like better small cod better than others, because in Chinese food they take care about the taste, so small cod have potential for

normal family in China. The challenge for cod is that we know little of the way into the market and the work required in connection with the necessary documentation and bureaucracy in general. One is through colleagues in the industry having been aware that the Chinese are bad payers, which could increase uncertainty in relation to the market and the use of resources in the project. The biggest challenge is probably the uncertainty inherent in China as a new market. In the Chinese market, they don't believe the quality of cod farming. They like to eat wild cod.

3. Omega-3 oil (concentrates):

The observations and the feedback so far show that there is demand for the cod liver oil and omega 3 concentrates, which are greater than the Chinese manufacturers can deliver. There is great interest in collaborating with partners that can increase their capacity and improve their performance. Omega 3 products for children have high priority. Gel products were well received and there was expressed a great potential for them.

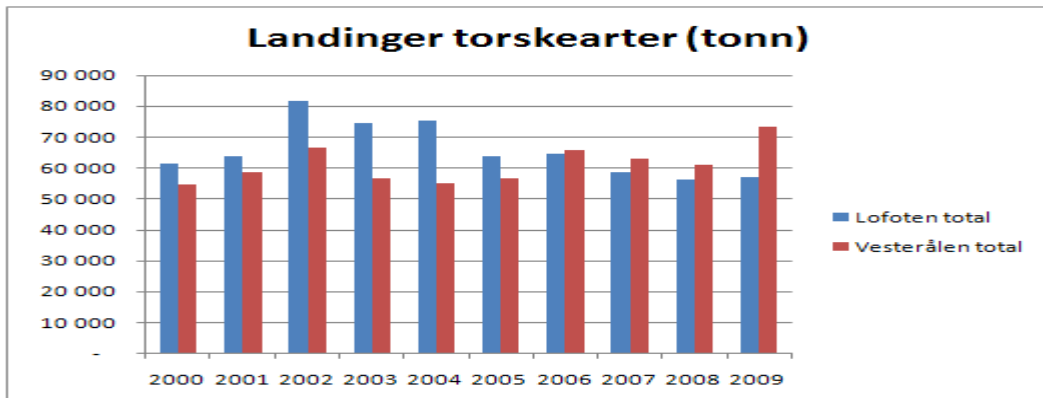
For Norwegian omega-3 has high quality standard. Omega-3 reduces risk factors for atherosclerosis (hardening of the arteries), as well as slowing the progression of the disease itself. As a matter of fact, the Physicians Health Study (22, 071 doctors) suggests the proper fish oils can reduce a man's risk of dying from a heart attack by 80%. Likewise, the Nurses Study (84,688 female nurses), found omega-3's can cut a woman's risk of death by heart attack by 33%.

The market for health products in China had a turnover in 2008 of approximately 56 billion CNY. There has been an annual growth of around 15% in recent years. Expected turnover in 2010 is expected to be approximately 100 billion, which implies a significant increase in quantity. Price is high, the Norwegian prices. Market focus is children's health and general health over 45 years. The price for fish oil in Chinese has great difference, from 64 yuan to 190 yuan per box. The main challenge for fish oil is that the whole Chinese health product market is too bad because the quality of health product is too bad. Chinese customer lost loyalty for the product. If the Norwegian health product want to entry the Chinese market, how can they get the loyalty back from customer?

From production we can see that in the main case they will do a little different marketing research compare with other companies. Because most part of Norwegian marine companies do marketing researching for salmon, but VFP will do most part about cod, and product from cod.



There are a figer that can show the quantitative of production from Lofoten and Vesterlen:

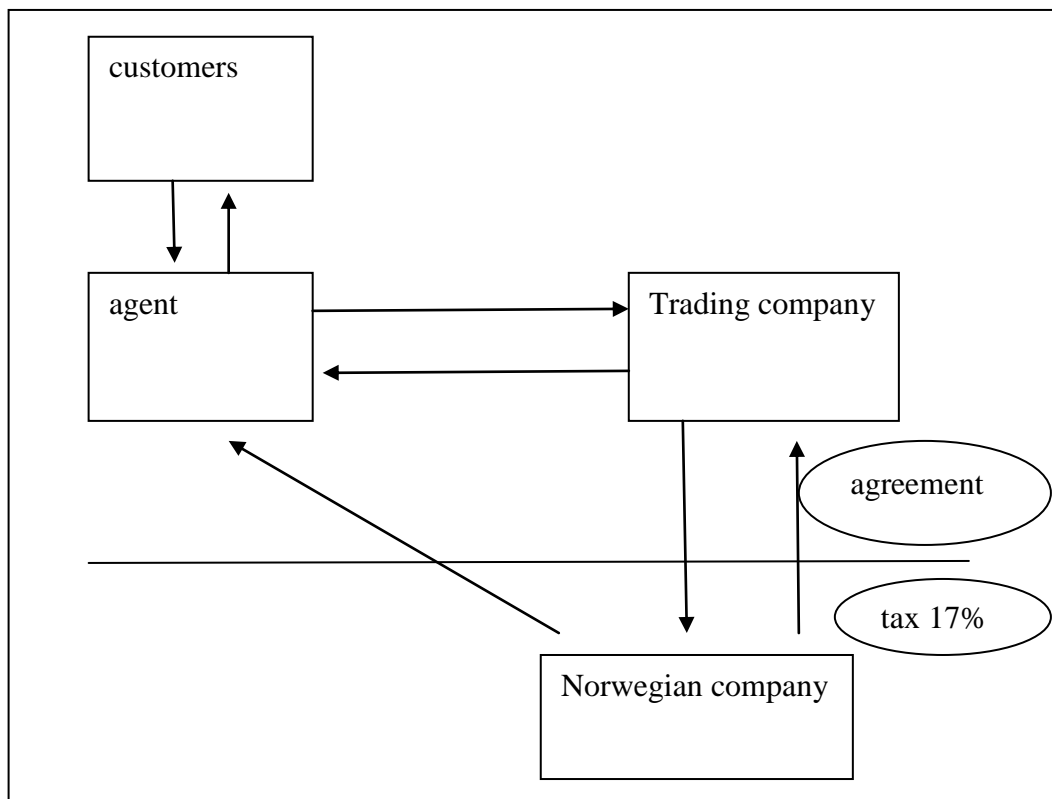


4.2.5 Distribution

For vester åen fiskeripark the best way for distribution is to work together with Chinese agent or other firms better than direct sell to end-user. As follow:

Through the project we have identified that the distribution would be taken directly to the trading company that handles all distribution to retail and / or HoReCa.

When it comes to omega-3 concentrates mainly distributed these to pharmacy chains and supermarkets, but the multi-level marketing and online sales are also used. Online sales are dominated mainly by Amway.



4.2.6 Market understanding

In this part from culture and market selection we will to get better understanding of what is the most important factor for firms to consider in the market.

4.2.6.1 Culture in Chinese market

In here we will see what kind of knowledge Vesterålen Fiskeripark has got from Chinese market about culture.

The language is the most difficult for international firms. Chinese language is very different from European languages. But just in China there are hundreds of languages and hundreds of accents, but the accent in China is very different with European accent, because different accent in China, it is different to understand from city to city. Company will go in market in Zhejiang province, and in Zhejiang province they have different accent, it is not easy for other people to understand which from other city. And for young people Chinese have common language which is Mandarin. But for old generation they are only speak accent.

In the Chinese communication culture, “Guanxi” is very important. It means relationship. Relationship is not only between people but also between company and company. If a company have more relationship in Chinese market, it is easy for the company to get more important information. So Nordland and Zhejiang province became friendship province is a very good beginning. So from the government cooperation, VFP can easier get more important information. And company take care the relation with Chinese partners.

In China, the population is very large. Through research we know that there are many different social classes, Gold-collar worker, blue collar, white collar. This kind social class definite depends on working type and salary of official work. Gold-collar means that people have high position in work as administration and have high income. Blue collar means people work as a middle position in a company, but the salary is enough for them to consume luxury product. But white collar means normal official works, they are at low position in a company, the income is relative low.

Different social classes have different consumer culture. In our case Norwegian marine product is a kind of luxury product, so not all social classes have ability to consume. And according to the price of Norwegian marine product, so the main group for social classes is Gold-collar and blue collar.

According to the large population, but which kind age group is the main consumer is a factor for VSP to consider. After China open door for the world from 1979, the consumer cultures for different age groups are very different.

The older age group they are relative close for new things and they focus on tradition food consume. And they are focus on the price, if the price too high, they will not consider about the product, they will try to find the substitute. But the younger age group they are more open for try new things and food. The price influence of quality product is not so much for the young age group. They are the most take care of the quality and how famous of product and brand.

One of the most important culture influence market position is food culture. In China is not all part having the culture of marine product. Marine product is famous in coastal provinces. And for consumer culture of marine product in China is fresh and taste. In Chinese fish culture, normal Chinese like small and middle size of fish, because it is easy to take good taste. In our case, the most important product is small cod, so it is suit for Chinese food culture of fish product. And in Chinese food culture, Chinese need almost all parts of fish, so stomach, swim bladder; heads can be a good product for low income consumers.

4.2.6.2Market selecting

Vesterålen Fiskeripark has chosen Asian market, special Chinese market. But why they choose Chinese market and Zhejiang province, we will discuss about it now.

China has large population and good economic developing, so the potential is very high for every company. But export firms scale must need to consider for them self, because the firm must have capital to operate market. Because marine product firms from Nordland are not big or strong enough to take all market in all China, so they need to choose one part or an area for market developing.

VSP has chosen Zhejiang province as the main market for developing, area around Shanghai. Shanghai is the economic centre of all Chinese economic. For company to choose which market they should go in, the first factor needs to consider is consume ability.

As we talked before about introduce about Chinese economic developing, the economic developing in China is imbalance, but Shanghai and Zhejiang province are the richest area in China. And Norwegian marine product is a kind luxury food product, so the income about market area is very important. Zhejiang province has the highest GNP and average income in China, and in Zhejiang province do not have so much income difference as other province, so it is good information for VFP chooses this area and there are large potential for sale grown.

Population is another factor to consider about how choose market. Zhejiang province is not one of the largest for Chinese province. The population for Zhejiang province is about 50 million and Shanghai is 18 million. The number of population is more than enough for a small and middle export company. So it gives enough space for VFP and other three marine product firms to develop.

For consume product, especially food product, the food culture is an important need to consider for the export firms. Zhejiang and Shanghai is coastal province, so food culture in this area is most focus on seafood. They have good culture about fish and fish product. So for product export from Nordland, as we said small cod is main product, so it is suit for the culture of this area.

At last one factor need to consider: transport. Shanghai and Zhejiang province have many ports such as: Shanghai, Suzhou, Zhoushan. Conditions of transport are a way to reduce cost, because it does not need to combination with other transport. For food product, quality is very important. And for Chinese food culture, fresh is very important, so good transport is a one condition of quality.

4.2.6.3 Entry the Chinese market

For an international company have many different way to entry a international market, such as we discussed in theoretical framework: exporting, strategic alliances, licensing, joint ventures, direct investment.

For different size and capital firms should choose which method suit for own situation and firm. Now we will discuss about how VFP chosen which way better to entry Chinese market.

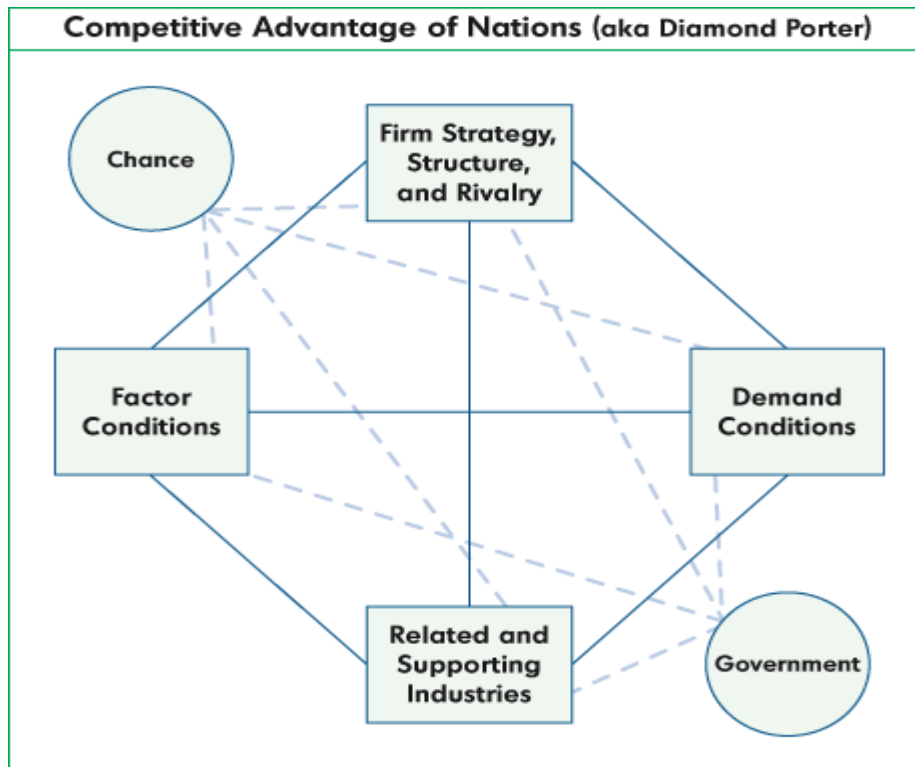
We can see that these three marine product firms and VFP are between small and middle size firms. They do not have enough resource and capital for direct investing although they got support from Nordland government compare to other marine firms from USA and Russia. From we discuss above these kind entry market strategy, we know different, condition and advantage for different market strategy.

In practise they have chosen exporting and strategic alliances for entry Chinese market. It is the quickest way for a small firm to entry Chinese market. They work together with firm from Shanghai, they sell product direct to this firm which is strategic alliances. For strategic alliance they can get information quicker than foreign company, they have grown up market position and relationship with consumers or other small company. So they can share their distribution networks with VFP and other three firms.

And the firm which work together with Norwegian firms, they have knowledge about almost all kind products from Norway and what process need to consider in Chinese consumers and market building, so firm can reduce cost for market building and reduce time to get relationship with consumers, it can also give low capital risk.

5 Analysis part

In this part we will continue to use Porter's diamond (see the following table) to help us analyse the situation of firms. It can also help us to better understand how a company joins international market and how to get competitive advantage.



(Draw on Niu 2009, P.446)

Factor conditions are the inputs necessary for an industry, including high quality human resources, advanced technology, and natural resources. Demand conditions are the nature of the market and whether it stimulates firms to search for new sources of value through differentiation and specialization. The category of supporting industries refers to the availability and capability of local suppliers that provide firms with the materials necessary to compete in the market. Finally, firm strategy, structure and rivalry emphasize the promotion of local rivalry that drives firms to differentiation, investment and innovation. The four points of the diamond represent the four basic attributes that affect regional competitiveness and innovation. Each of the four attributes is self-reinforcing, has a unique and important role to play in a regional cluster, and they all operate together as a system.

Moreover, this system differs from location to location, and thus, it explains why some firms or industries succeed in a particular location.

5.1 Factor conditions

Porter classified factor conditions as primary factors and advanced factors. Primary factors of production refer to the natural resources, climate, geographical location, non-skilled workers and capital. Advanced production factors is that modern communications, information, transportation and other infrastructure , highly educated manpower, research institutes. Porter believes that the primary factors of production gives low influence of advantage, because of multinational companies can achieve it from global market network (of course, the primary factors of production in agriculture and natural product-based industry is still very important). Advanced production factors are unquestionable importance to the competitive advantage. Advanced production factors is difficult to obtain from the outside, must create by their own.

5.1.1 Primary factors

For the primary factors of production part, we can easily find the advantages from Nordland. As we know that Norway has the advantage in natural resources of seafood. Nordland plays a core role in Norwegian seafood industry. For example Lofoten has the best natural resources for seafood industry. In addition, Cod is a kind of cold water fish, and in Nordland the climate is more suits for producing qualified cod

5.1.2 Advanced factors

In this paragraph, we put our attention on advanced factors. Everyone knows that Norway has the best technology in aquaculture production, and as we mentioned many times that Norwegian marine production or fish have the best quality of the world. “The health benefits derived from eating Norwegian seafood outweigh any risks. It is the conclusion of the report published by the Norwegian Scientific Committee for Food Safety (SCF)”.

Resource for VFP can be a comparative advantage for marketing research. Organization is a part of resource for company. As we have mentioned above the VFP and other three

production firms, we can find that VFP have different apartment divide by different professional education for different responsibility. They are professional and experience crew working with research, and they just focus on how to operate a market and how to entry Chinese market. It is difficult copy for single small and middle marine production company in Norway to operate marketing research.

Management of the international firm is an important factor company to success. As we said VFP and the other three marine product factories have good education and experience for control management. For a company they should to think about what they want from market and what is the further for company. They are not so big firm compared to other international firm. But they have long and short goal, main and small objectives. They understand about the demand of Chinese market and what kind production suit for Chinese market.

Information and finance are other hand for resource, according to main objective, they will open business in Zhejiang province, and Nordland Fylkeskommune stand back of situation. They got financial help for market research and collecting more information from Chinese market. So we say that they have comparative advantage for marketing research. From Nordland Fylkeskommune they got ca. 60000 kroner for operate marketing research, and it is a good help for making better quality of research. Knowing Chinese market information can be a very important factor for success. Because Nordland and Zhejiang province are friendly partner in economic cooperation, so they can get many information that the others cannot get and get information more quickly than others. Information is a very important part for making strategy, so maybe they can make more useful strategy when they get important information quickly. It is a competitive advantage for company.

They signed a cooperation agreement with Aalesundfisk AS about sale of farmed cod in 2009. Aalesundfisk AS has very long experience with export fish to foreign countries. They have sale office in Franc, Italy, Spain, China, etc. They can give them support of transport to the Chinese market.

5.1.3 Analysis about factor condition

From above we talked we can see that they have advantages in nature resource and climate in primary factors. In advanced factors of production, they have good organization for marketing research. In companies resources they have educated crew and they take care of the quality of production.

But the most challenge is that they do not have sustained investment for human and capital for market and production. And the cost is the weakest side for companies, they have high cost for product, it makes disadvantages for market competition. They just have contract with one company for transport, we think it is not enough for large quantity export.

There are some suggestions from us giving to companies. Company needs to find support from China and import product from China to reduce the cost of products. For raw products we can find low cost material for fish farming from China. For example for the health product, the company needs to find a factory in China to produce cod liver oil, because the labor cost in China is cheaper than Norway. The company must send raw materials to produce cod liver oil in China. They must control the quality of product and guarantee the products made by them on the first level in the Chinese health market.

5.2 Demand condition

Domestic demand market is the driving force for industrial development. The difference for domestic market and international market is that company can find customer demand in the domestic market. It cannot be found for international competitors. So Porter agrees that global competition cannot reduce the importance of the domestic market. Porter thinks that local customers are very important for company. Another important aspect is the expected demand. If the local customer demands more than international market, it can also be an advantage for local company.

But in our paper we take more point for product and demand for Chinese market demand. Because of the cod demand in Norwegian market shrinking that is why they want to enter Chinese market for more income and expand market.

5.2.1 Product for companies

SponFish produces around 10,000 ton of farmed cod without viscera and head every year. The company currently has 3 million fish in the sea and 400,000 fries in the fish hatcheries which owned by the company. The company observes these fishes whether the quality reached their standard until these fishes are slaughtered and sale them to the market. Farmed cod have unique advantages in terms of quality, convenience and opportunities for product planning towards the customers in the market. It has 15 suppliers provide by-products through BiNor to sale it in the marked. They also cooperate with BiNor to develop products. The main product is cod milt of by-products. The suppliers provided about 150 ton of cod milt to the market, especially to Korea and Japan. ProBio specializes in the production of soft gelatine with omega-3, complex emulsions, and special packaging technologies. Ayanda produces more than 4 milliard soft gelatine capsules every year.

5.2.2 Demand for production

Raw material:

Residual raw materials used by Chinese consumers of all ages. The products are used both as an ingredient in soups, but can also dry the products and use them as snacks. Milt has a limited market among medium-and low-paid consumer groups in some inland provinces in China. Stomach has a potential in medium and large cities in south China, it has sold to all age groups. Heads have a potential among all income groups throughout China. Swim bladder is a popular product in South China and can be sold to all income groups and segments.

The approach to develop and increasing demand goes through chefs who recommend the products after they have been used in restaurants. The chefs provide recommendations / character. This will lead to a gradual build-up of the market and demand.

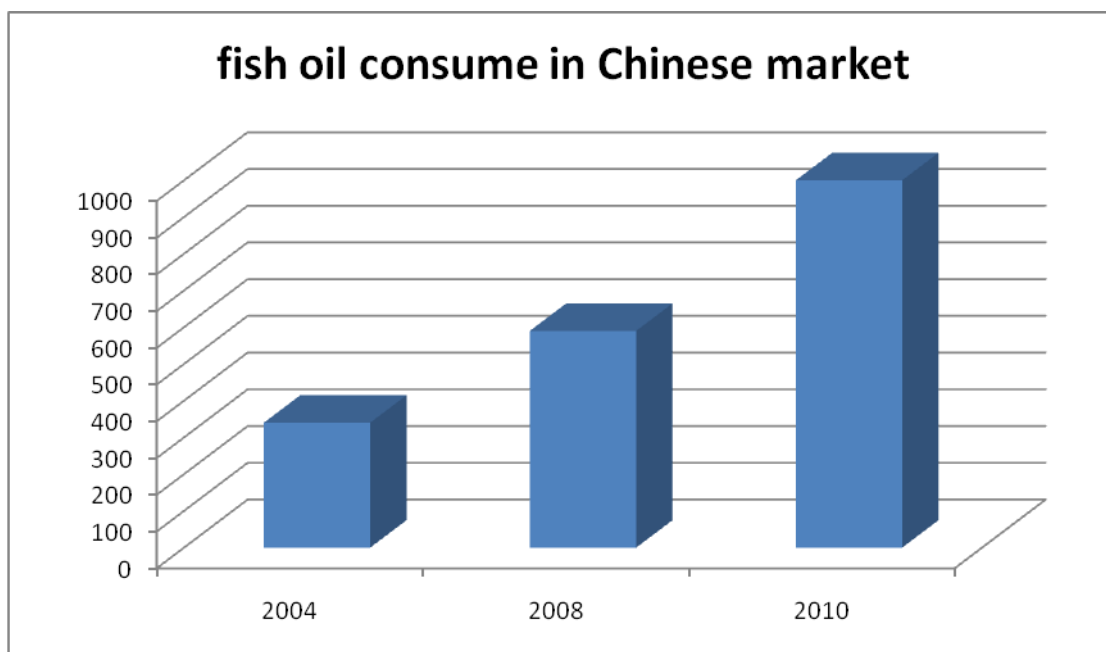
Cod:

Cod Products is the main product for enter Chinese market. This is because the Chinese are using all parts of the fish. Ideally, consumers will have the product fresh (live). We discovered that the Chinese term for fresh means alive.

Ever larger shares of consumers in Shanghai have greater purchasing power and want Western products with good quality. It is also willing to pay extra for this quality.

Omega-3 concentrates:

Chinese consumers are increasingly interested in health and wellness. In 2004, the value of fish oil consume was 34 billion yuan. It is increasing by 15% each year, until 2008 the values of fish oil consume was 59 billion yuan. In 2010 it can be ca. 100 billion yuan. Products related to the health of children, and elderly over 45, are of interest to consumers and paid good prices. Consumers want information about the products relative to what they are good for. Chinese consumers are increasingly interested in health issues and want extensive information from their suppliers. In 2010 it will increase to 100 milliard yuan in this market in China for health products.



5.2.3 Analysis of demand

As we have talked above, we take more weight for product and Chinese demand. But the demand analysis for this part is not support by data, because they have not started business now. But it is not influence our analysis. Our companies have very large supply for fish product, that is means in Norwegian market they account good part of market share. But from 2008 the demand in domestic market for cod became significant reduction. They need to put more power in domestic market for the demand of cod. Because advanced products need to support by avant-garde demand from domestic market. They can use new technology product from Norwegian market as experiment and get more information from product.

In our case the product are residual raw materials from cod, whole small cod fish, cod fillets of small cod, and omega-3 oil.

For Norwegian seafood product, the most famous product is salmon, but VFP makes different product strategy with other Norwegian seafood product firms.

From product we can see that Cod takes more important place than other. And the most important feature is small whole cod. As we said in Chinese tradition cook, taste is the most important thing, “small” is suit for Chinese tradition consumer for fish and can give more taste by Chinese cook way. After they had pre-study in China, we can see that cod is suited to the Chinese food culture. Chinese like to eat warm food, either fried food or cooking food. The best method to make cod is fried or cooking. If we compare with salmon in the Chinese market, the most of salmon sales to the Japanese restaurant in China. It has not so many Chinese supermarket sales salmon. If cod entry in the Chinese market, it will be a very popular food in China.

For rest Raw material of cod in China, consumers make Chinese food at all types of residual raw materials of cod and salmon and food traditions and customs of China dictate the use of residual raw fish. So according to Chinese tradition, they have more potential about cod in Chinese market than salmon. Cod products get closer with normal civilians that means it can more easily be accepted by average income family.

For omega-3 fish oil from Norway that vitamin A and D from Norwegian cod liver oil is used as a selling point to a leading domestic brand to children. Our product price will be around 120 yuan, the price is not big challenge, and the quality for Norwegian fish oil is famous in the world. If consumer can cognitive the value of our product, demand will be very large. So the most important for fish oil product is to give a better way for consumer can cognitive the value of product.

For the product they will output to Chinese market we can see that it is an advantage for companies. Because products suit for Chinese market, it is a good signal for companies to get large demand in Chinese market.

Although Chinese market have big potential for product, but until now it is just a strategy work or we can call it future market. We got information that there are challenges about the name of cod. Patagonian Toothfish translate to Chinese is “Xue Yu”-cod in the Chinese market. But after they met with fish advisor in China, they found that Norwegian cod translate to Chinese is “Zhen Xue Yu”, “Zhen Xue Yu” means “pearl cod”. So we suggest that they should use the new name for cod in Chinese market, it helps companies to get more demand from Chinese market.

5.3 Related and supporting industries

It refers to whether existence the companies which have international competitiveness of suppliers and related supporting industries. In the country has internationally competitive suppliers and related supporting industries, is the third condition for an industry able to achieve national competitive advantage. Related industries and supporting industries which invest to advanced factors of production will gradually expand the benefits to the industry to overflow, thereby helping the industry achieve a favourable position in international competition.

5.3.1 Supporting industries for VFP

In our paper we can see that VFP is a vector for other three seafood industries firms. VFP is just a kind of information firm which makes marketing research, give information and help to make strategy for industries firm enter international market.

So for our case the supporting industries we can say that they are SponFish, BiNor and Probio. SPonFish is the supplier for fish product, we say that the most important part: cod. They have long experience for fish industries and they have complete system for fish cultivation. BiNor Products As is a development company for by-products. They have many suppliers to provide products to BiNor. BiNor's main job is to develop products, marked and to propagate value of by-products in the market. Cod milt can be a high quality food in the Chinese restaurant. AYANDA specializes in the production of soft gelatines with omega-3, complex emulsions, and special packaging technologies. Ayanda produces more than 4 milliard soft gelatine capsules every year.

5.3.2 Analysis of supporting industries

We can see that different firms have different responsibility for product supply. They have different experience and advantage in different area. For cod, sponfish is a professional fish industry firm. So it can guarantee the quality of product. For the by-products, they have very large competitive advantage. Because there are not many firms export by-products to China and it can be a unique advantage for companies. The Chinese seafood industry interested to produce snacks of by-products, BiNor also want to develop snacks together with Chinese industry. BiNor had meeting with some Chinese restaurant, it is very popular to eat cod milt, cod head in China.

5.4 Firm strategy, structure and rivalry

It means that a domestic enterprise creation, organization and management of conditions and the nature of domestic competition. It is the fourth factor in Porter model for creation competitive advantage, it include the situation of strategy, structure and rivalry. First,

different countries have different characteristics of "management ideology", the "management ideology" help or hinder the formation of a firm's competitive advantage. Second, there are competitions with an industry intense domestic market and remain competitive advantage in the industry.

In this part we will for us different to get correct information about strategy from interview, because they are just planning to enter Chinese market. But we can continue to analysis about firm strategy and rivalry from information which we have got. For the rivalry part, it is difficult for us to find information for Norwegian market, so we will just discuss about competitors in Chinese market.

5.4.1 Analysis of Competitors

In international market there are different kind competitors. For company to understand international market competitors are very important factor to take place in market. There are several marine factories from different countries in Chinese market, so for VFP need to understand what competitors' objectives and what they want.

For Norwegian raw materials of marine production the main competitors are from Russia, Iceland, USA and South East Asia countries. Although Chinese market has huge demand for raw materials, but according to feedback from wholesalers, Russia, Iceland and Alaska are the largest exporter of fish heads. Furthermore, the major export of the swim bladders and stomach products from South East Asia. Import Taxes are particularly low for most of South East Asian countries. They took about 70% of Chinese import. But they still need to take care of other marine firm from Norway. There are huge demands for raw materials in Chinese seafood market, and supply for seafood is relative low. For omega 3, the main fish oil brands are from USA, China, Australia and New Zealand. They take most part of this kind product. For omega-3 brand is a very important factor to consider in Chinese market. The most famous brand is GNC, K-Max deep sea fish oil and Nature made fish oil from USA and Natureis deep sea salmon fish oil from New Zealand. Now Chinese become more

and more care of health, so the demand for omega 3 is increasing. And supply became more and more but good quality is constant.

For main competitors their long-run objectives are to keep market position as now and continue take more and strong position in Chinese market. For VFP they understand that they are new supply company for marine product in a developing market, so when they make strategy and objectives they should avoid making the same strategy as main competitors.

The other hand we should understand the standard and technology of competitors product. Cod and other raw material from USA and Russia have relative low standard or quality compare of Norwegian raw material. And they export less quantity than Norwegian seafood export in the world. The technology of Norwegian aquaculture is the best in the world. So the standard and technology for raw material can give us more comparative and competitive advantage. So when we make market strategy we make different with other competitors or better show our advantage than competitors. But with other Norwegian marine production competitors the advantage of standard and technology will be lost, but product from Nordland (Lofoten) is a famous signal for Norwegian marine product. And the other competitors from Norway most of them are take focus on salmon now than cod, but we see the potential of cod, so VFP make different product strategy with other Norwegian competitors.

But for price side, it is a weak side for all Norwegian marine production companies. In Chinese marine market, low price is a very important competition method. For other competitors from USA, Russia and South East Asia they give much lower price than Norwegian marine product company. There are several reasons for price difference; the most important is difference of cost structure. Because in other country the labor cost and raw material cost are lower than Norway. This is a big advantage for competitors than Norwegian marine company.

Competitors from USA and Russia normal they have advantage about size of firm and financial and capabilities. Vester åen Fiskeripark understands it so they can make strategy suit for own firm size and financial. So that is why they put three factories work together, it can make the disadvantage smaller.

5.4.2 Analysis of company and product strategy

In our case Vesterålen Fiskeripark, BiNor, Sponfish and Probio are combination by consumer products and industrial products firm. There are three factors can discuss in consumer products: core product, packaging, service. In Chinese market the core product is cod. There are two strategies we can use, difference and cost strategies. VFP use difference strategy for competition with other firm from other countries. It is means that what is the different or better than other competitors. As we said before Norwegian marine product has the best quality in the world, it is the main different, and so for the core product they use the different in quality and nutritional value. Now Chinese is more and more focus on quality life and health, so we use the value of quality and nutritional to take place in market. Compare to other Norwegian marine product, the marine product from Nordland (Lofoten) can be a quality signal, and make different with others.

It is difficult to sell a limit quantity cod product in Chinese market, so large quantity and different kind product supply is a factor for market success. VFP makes marketing research for Nordland marine production factory, and it is an advantage that three marine production factory work together for supply in Chinese market. It is easy for product take place in market. Service for export about marine production, it is difficult to compare to other kinds production. Marine product can be a kind of consume production, so we should take eye for quality and how to make consumer better understanding what is the value for production. The most part of service is for the importers, the grad of fresh with marine product take very important place. And teach importers that how to introduce to end consumers the value of production.

The packaging and service are important for core product. How to make consumer to understand the quality and nutritional value is a question. VFP should make consumer know the process of Norwegian aquaculture through packaging and service. On the packaging part, it can show the signal of Norway and different quality. So when the firm does not have any advantage for cost, the different strategy is very important.

Cost strategy VFP use competition with Norwegian competitors. Compare to other competitors from other countries Norwegian marine products do not have any advantage

about cost. For the low labour cost and material cost strategies are not easy to use in our case to get competition advantage. Because the salary, and raw material cost are higher than other countries, so it is difficult to reduce cost than other countries. But compare to other Norwegian firms because of the relationship between Nordland and Zhejiang province so they can reduce cost of distribution and other intermediate costs. So when compare to the almost same quality product, the cost strategy is an important way to get competition advantage.

Distribution is a very important factor to consider. For international firms they need to choose the distribution which suit for own size and capital. Because in our case the firms have not started operation now, so we get information from firms work plan and theory works. In their plan there are two ways can choose: direct to consumer and sales to retailer/importers. But direct sell to consumers, it is very difficult. Because limit of firm size and ability. They will choose from firm sell to wholly owned sales subsidiary, that means they will choose second way sales to retailer/importers. They have been worked together with Chinese agent for operate all Chinese market. They direct sell to them and they continue sell to the end consumer. Because choose this way can reduce cost of information and easier to reach customers to achieve share market and growth objectives.

5.5 Government

Government is for companies to establishment competitive industries and innovative. The role of government in Porter's Diamond Model is "acting as a catalyst and challenger; it is to encourage - or even push - companies to raise their aspirations and move to higher levels of competitive performance ..."(wikipedia.org).

5.5.1 Nordland country influence for VFP

The best news for firms is that Nordland County and Zhejiang province became partner for economic cooperation from 2009. In Jun 2009, Nordland county council adopted the document 08/09 which is "Satsing mot Kina og Expo 2010", it is a part of Asia strategy for Nordland. Purpose for this strategy is to increase export and import, recruit students and

tourism, and establish cooperation in reach and development between Nordland and Zhejiang province in China.

The cooperation between Nordland County Council and Zhejiang Province will give Nordland's companies many new opportunities in the future. The official contract between them will be signed in October, 2010. Nordland County Council will give commitment to the companies which want to develop cooperation with the companies in Zhejiang Province. Nordland County Council has already established relations with Zhejiang province.

Today, many companies have already business with Zhejiang province, and many companies want to find opportunities in Zhejiang under this process. These companies need more information about Zhejiang province, for example infrastructure, investor environment, etc. They want to get help from the County to build relations with Zhejiang on business area. From the cooperation Zhejiang province give more and important information to Nordland County, and give more easier way for firms from Nordland to enter Chinese market.

5.5.2 Analysis of Nordland government influence

We can see from above, Nordland have created many positive conditions for VFP to enter Chinese market. But there are something needs to prove. From Nordland, the most important for VFP is to get more information. They need to help VFP to find most important customers for VFP and give standard for VFP. Nordland can help fish industry for technology development. And until now Nordland most take care about international market, but they also need to consider about local market, give more message to VFP about how Norwegian market will develop.

5.6 Chance

Chance can influence other four elements. Porter pointed out that the development of enterprises, the chance generally has several formed: basic science and invention; traditional technology gap; external factors lead to a sudden increase in production costs and so on.

Expo 2010 Shanghai China is the biggest new opportunity for Nordland companies. Nordland County Council paid 2 million as one of the sponsors for the Norwegian Pavilion.

On 19.oct and 20.oct is the Nordland's Day in the Norwegian pavilion. Today, it has already 40 companies signed up with Nordland County Council about they are interested to develop market in Zhejiang province, and they will attend the Nordland's Day in October at the Norwegian Pavilion. Expo 2010 is a platform for companies from Nordland to market them in the world, especially in China.

But the Expo 2010 is not the only chance for firms. According to increasing of living standard and consume ability of Chinese, health become a very important factor for Chinese consumer. So the seafood product for Norway is a signal for health. It also gives chance for firms.

5.7 Summary

In this part we will give a sum of general understanding for part 5. This part we can say that is the most important analysis part in our paper. In this part we used Porter diamond as a main method to help us analyse the situation of firms. It also helped us to better understand how a company joins international market and how to get competitive advantage.

Because of Porter diamond constitute by six different parts: factor condition, demand condition, related and supporting industries, firm strategy structure and rivalry, government and chance. And every part influences each other for company to get competitive advantage. And in our analysis we follow the Porter diamond six different parts to analyse our case.

The first part is factor condition. This part we analyse by two parts: primary factors and advanced factors. We take more point for advanced factors. Because of advanced factors create by company. For primary factors we take focus on natural resources and climate give advantage for seafood industry in Norway. In advanced factors we take focus on company resource, management, information and financial.

The second part is demand condition. This part we constitute for 3 parts: product for companies, demand for production and analysis of demand. But in this part we take more focus on Chinese market demand. In the first two parts we should better understand product and the demand of product in market. It gives us understanding of how products suit for

Chinese market. In analysis part we give us opinion of how demand of products will be in Chinese market.

The third part is related and supporting industries. For our paper VFP is a company for marketing research and take most responsibility for market developing. The other three industry firms are supporting industries for VFP. It talked about how these firms can give more advantage for VFP to make marketing research and why they should work together.

The fourth part is firm strategy, structure and rivalry. This part is the most important part in our analysis part. There are three parts in this part: analysis of competitors, analysis of company and product strategy and our suggestion. The most difficult for us is the strategy for firm. Because they have not begun to operate market now, so is further work. So we use the information we get from interview to help us to analysis. For competitors, we have analysis for different competitors from USA, Russia and South Asia. For strategy in firm we most care about different strategy. And we analysis from four different areas: quantity, packaging and service, cost and distribution.

In the last two parts we talked about government and chance. From this part we can see how a government policy can influence for international firms and what kind competitive advantage firms can get. And in the further what kind chance can give them for competitive advantage.

6 Suggestion of marketing strategy

After we analysed VFP to create competitive advantage, we have some suggestion to give for VFP. Because of firms from Nordland have not started business in Chinese market now. So our suggestion can not only take focus on how to sell product to Chinese market, but also important how to entry Chinese market. How to entry Chinese market is our main point. In these suggestions we think franchising gives us best way to entry Chinese market.

VFP can organize SponFish, ProBio, and Binor together to establish a company as franchise employer. They make a franchise concept for relative products from these companies and design a brand for this concept. We think franchise is not only way to sell product, but also an easy way to entry Chinese market. The brand will be used on all of products in the market. After they make finished products with this concept, the company sells it in the market. It is very important for the company to build the brand for the concept both in the national market and the international market/Chinese market.

The company can make a product catalog with pictures, price, packing and other information if it is necessary. They can use their human resources to organize some courses about their product concept. For example, the course about cod farming, it will tell Chinese customers why cod farming has a very high quality than wild cod. They can also make the course about valuable by-products, by-products can not only to eat but also can use it in the pharmaceutical and cosmetics industries.

These courses are not only for the existence franchise employees but also for the people or the company wants to be franchise employees. They can make different courses for different demands, for example the introduction course is facing to the people who will be franchise employee.

The company sells codfish and some kinds of by-products as seafood product in the Chinese market. At the same time, the company makes a strategy for the special products, for example the cod milt, and it is well suited for use in the pharmaceutical and cosmetics

industries. The Chinese cosmetics market develops very well, it needs to get more new products with high quality. The company can find a cosmetic factory in China to develop the cosmetic product of cod milt together and to build the brand in the Chinese cosmetic market.

The company can invite franchise employees from China to visit cod farming's plant and health products factories in Nordland. Franchise employees will get more information and knowledge about the products. It can helps them to understand why the product sells high price, and how high quality it is. To invite franchise employees from China to visit factories in Nordland is necessary.

For our case, the brand is a further work, because they have not operated the market now, they just do market research. But for us suggest the brand should contain all three marine product firms characteristic. The brand should show what kind product they will sell to Chinese market, including quality, advantage for product. The purpose for make all products for one product is easier for consumer to remember. On the other hand if one product get famous in Chinese market, others will get advantage in market too. So the most important for brand is when consumers look at the brand, they will know that what kind value they can get and it should be easy to remember.

According to the different demands from different market, the company can develop many interesting programs and new products for the concept. It is important to build the brand for the concept in the market.

The fish oil market in China has great potential, especially in Shanghai and Zhejiang which have high consume ability. The price is not problems but quality is important. But consumers lost loyal to this product, because of quality of fish oil in Chinese market have big difference. So how consumer can cognitive value of product is the key for entry Chinese market. We suggest that firms give knowledge to employees from Chinese market partner. The knowledge should include what is the advantage for fish oil from Norway and omega-3 and what is the quality of Norwegian fish oil., these give confidence to consumers. And also firms can publicize that how they product fish oil in Norway and the correct way use fish oil.

7. Conclusion

7.1 Summary of the study

The subject we have chosen for this thesis is: Marketing research for Nordland fishing company in the Chinese market.

The objective of our thesis is to showing how Norwegian marine product firms export to Chinese market and how they do market research. So the research questions in our thesis are:

1. How can the small and middle marine product firms from Norway make market research and plan to operate market.
2. What is important for marine product firms from Norway to focus on Chinese market and how can get competition advantage.

Because the thesis is concerned with discussing the export and market research relationship between China and Norway, so we have to have general idea both on Chinese economic, market information and Norwegian marine product information. From introduction we can get general understanding of these issues.

In our theoretical framework, we give the theory and strategies for company want to go in international market. Marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. And it is a method of focusing an organization's energies and resources on a course of action which can lead to increased sales and dominance of a targeted market niche. A marketing strategy should be centred on the key concept that customer satisfaction is the main goal. In our paper we consider from several area for company, such as: different advantage, company and environment, product and brand strategy, entry market strategy, marketing operation. In theory work tell us that which strategy suits for different size export company. From the theory work, it gives us a basis understands of marketing and gives the support for our case study.

In the methodological part, we discuss about different philosophical views and the focus on qualitative method and quantitative method for research. In our case we use both qualitative and quantitative method, but qualitative method takes more place than quantitative method. We use philosophical as basis for our research and interview. In this part we give different way to get qualitative data that through interview, personal interview, group and focus interview. And philosophical method can help us better understand data that we have collected and other hand philosophical help us to analyse data. It is important for us how to guarantee reliability and validity for data in our thesis.

In the empirical study part, we divide by macro and micro part. For macro, it gives general information about Chinese market. We will get secondary data from this part. At first, it gives background of imbalances in regional Chinese economic development. It gives us opinions of the geographical understanding of the distributed by Chinese economic. After we understand of Chinese consumption ability, and according to the imbalance of Chinese economic, the consumption ability is different too. The point in this part is that give us the support about which market from China should go in. The third and fourth part talks about seafood situation in Chinese market. We can understand of competitors and culture in Chinese market. The fourth part, we give data about consumption of Chinese seafood. After we talk about import for Chinese market and Norwegian seafood. The last part, we give information about Zhejiang province and Nordland. We will see about cooperation between Nordland and Zhejiang province.

In micro part, we use VFP together with other three marine product firms like example for better understanding of what they the process of market research. From the presentation for these firms, we can know product advantage, challenge, product, market understanding.

The important part is analysis part. In this part we use Porter's diamond as key to analysis situation of VFP and our product. We do is from factor conditions, related and supporting industries, firm strategy, structure and rivalry, demand conditions, government and chance. At last part we give some suggestion for entry market. The best way we think that is franchise.

7.2 Limitation of the study

To any case study, the existence of limitation is a common feature, and it will not be avoided. There are some limitations in our thesis which can be found:

1. Our thesis studies the market researching for Norwegian marine product, but the firm we have interview is just beginning for research they have not done any practice now, so in some part we just use strategy and theory to assumption to our case study.
2. In practice and theory sometimes is very different, and there are many different theory works for marketing research. So from our assumption in entry market and market operation should have big difference in practice
3. The researching of secondary data maybe not so correct, because out of date. It is difficult to get fresh secondary data for short time and without paying.
4. Because the time limit, so for our interview is not perfect, we cannot get very deep information from firms.
5. For the researching method. We cannot separate very clearly for qualitative method and quantitative method. Because we cannot get any practice data and qualitative analysis for market operation for a new company which have not entry a market now.

7.3 Proposals for further research

The most important for our proposals for further research is how to cover the limitation of this study. We can improve the data that we have collection, especially secondary data we can make it more valid and reliable. When the business operates we can study more about marketing research in practice and we can better understand of relationship between theory and practice. When company starts business that allows us to research more primary data, through the data we can study marketing for an export company deeply. At last, we can see which is best way for firms to entry Chinese market after they get experience from Chinese market.

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Interview questions:

1. How many employees in your company?
2. How many sorts of products in your company?
3. How many ton of products produce by your company every year?
4. How is the Norwegian market? How is the international market?
5. Does your company have experience in the Chinese market?
6. Do you think if your company has enough ability to entry the Chinese market? Why?
7. Have you done the market research in the Chinese market?
8. Which kinds of products will entry to the Chinese market? Why?
9. What is your company's superiority and inferiority?
10. Which company/product is your competitor in the Chinese market?
11. What is the biggest challenge to entry the Chinese market?
12. What is your Chinese strategy?
13. Which kind of support have you got it from the Norwegian government?
14. How is the pre-study in China?
15. How is the Chinese market for the different products?
16. Which companies have you had meeting in China?
17. Have you had meeting with relative department of the Chinese government?
18. How is the Chinese business culture?
19. Do you think if you can fit the Chinese business culture?
20. Have you find any cooperation partners in China?
21. Which kind of cooperation model will you use with the Chinese partners?
22. Which kind of opportunities will Expo 2010 Shanghai bring to your company?