Abstract

This extended essay is aiming to focus on the growth of Wanda Group with its commercial properties and uses a strong synergistic style to make the enterprise be successful and to improve its financial performance. The research question will be “To what extend does Wanda’s growth strategy make the enterprise be successful and improve its financial performance?”

To be specific, I use a large quantity of data from related materials to systematically numerical analysis the growth of Wanda Group. I illustrated the main points in three major parts. They are the overview of the enterprise at the beginning, the refection of growth strategy of Wanda with financial performance in the middle, and the competition in the market and its performance at the end.

The conclusion the essay reached is that Wanda Group should be try to become a leader in entertainment, real estate and sports industries. Meanwhile, Wanda can expand on the overseas market in order to make more profit, as well as, work together with Wanke to gain synergetic revenue.

Abstract Word Count (Exclude the title "Abstract"): 171
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Company Overview

Wanda company relies on the cash from renting apartments, office buildings and shops to sustain the daily business. On the other hand, Wanda’s income are from its movie (¥ 190.9 billion, increased by 43.1%), culture (¥ 290.3 billion, increased by 57.1%), tourism (¥ 60.3 billion, increased by 32.6%), sports (¥ 33.9 billion, no comparison since only found for half a year.) and youth entertainment (¥ 290 million, increased by 576%) (corporate profile). Dalian Wanda Group was founded in 1988 and is engaged in three key business activities - commercial properties, culture, and finance. In 2015, its assets amounted to 634 billion yuan with revenue of 290.16 billion yuan (corporate profile). Wanda Commercial Properties is the world's largest real estate enterprise and the biggest five-star hotel owner in the world (Corporate Profile). Wanda Cultural Industry Group, meanwhile, is the largest cultural enterprise in China, and the world's largest cinema operator. It is also the world's biggest sports company. Elsewhere, Wanda Financial Group is the largest internet finance enterprise in China. By 2020, Wanda Group aims to become a world class multinational corporation with assets of $200 billion, market capitalization of $200 billion, revenue of $100 billion and net profits of $10 billion (Corporate Profile).

Internalization is crucial during the developmental period. Wanda Group is becoming more and more international and has reached a large amount of countries and places. Wanda has tried to manage internationally. The centennial enterprise represents the company’s pursuit of long-run and sustainable development.

Slogan

“International Wanda” “Centennial Business”

Eight vital characteristics which form Wanda’s strength to compete with other firms: First of all, the company dare to innovate. Wanda dares to innovate with cultural field. Having the courage to speak out and try new things is embedded in our DNA. Wanda was the first company in China to undergo urban reformation projects and the first real estate company to develop cross-regionally.
Following this, commitment to integrity is important. A strong commitment to integrity has been a key part of Wanda's culture. The Minzheng Street district, which was Wanda's first development in Dalian in 1990, became North Eastern China's first superior quality residential development. In 1996, Wanda pioneered the "3 promises" initiative, aimed at ensuring protection of consumer rights.

Then, taking the lead in sustainable development is another key point to get succeed. Wanda Group is one of China's pioneer advocates of sustainable building construction, harboring a strong commitment to promoting green building in many of its projects. Every Wanda Plaza and Wanda five star hotel adheres to national star energy standards.

Fourth, Wanda recognizes human capital has the company's core asset. Wanda invests billions of yuan per year on employee training. Wanda has invested 700 million yuan to build a state-of-the-art training center in Langfang, Hebei Province.

Fifth, Wanda focuses on Philanthropy. Since it was established, Wanda Group has donated over 3.2 billion yuan to various charitable causes and is recognized as China's largest private charitable donor. Wanda is the only company to have received the China Charity Award 7 times.

Sixth, Wanda is ambitious in its vision, demanding only the highest workplace standards, and striving to create masterpiece with each and every one of its projects.

Seventh, Strong execution is Wanda's prominent characteristic. Before deciding to invest, Wanda conduct rigorous assessment and due-diligence, followed by extensive planning.

Last but not least, Wanda pays particular importance to keeping traditional Chinese culture alive in its business. In 2005, Wanda Group made "Analects of Confucius" required reading for all Wanda employees.

Wanda Commercial Properties

In the field of commercial real estate of Wanda is already the second global leader in the world with a portfolio of 81 Wanda Plazas in China. Wanda’s commercial
properties contain Wanda Plaza, College, commercial management company, institute of commercial planning research, institute of cultural tourism planning institute of hotel design and research, and Wanda global luxury trading center. All of the field make a industry chain in order to make Wanda has the comparative advantages with other competitors in its industry.

The S.W.O.T. Analysis on Commercial Properties

Wanda group is an industry group formed with business, culture, and finance that own online investment and insurance companies. The chairman of Wanda, Wang Jianlin, dealt with suspended from duty without pay when he was 34 years old. From accept a moribund house to open an enterprise, Jianlin Wang experienced a lot. Now, the Wanda Group has become the top enterprise in China and have made huge influence on the world. SWOT analysis can make a clear frame about the company and specifically help the managers to make decisions.

Strength

1. Some projects in 1st or 2nd class cities in China are in the core or the golden area. Most of the advantage is that the transportation around Wanda is so convenient that they can advocate to operate shops there.

(Resource from DALIAN WANDA COMMERCIAL PROPERTIES CO., LTD.)

2. Scale effect Wanda is now the biggest real estate operator which Wanda is enjoying economics of scale which means they can even lower their price in order to gain competitive.

3. The “order for estates” mode has a convergent platform for business resource.

(*Order for estates implies that the developer will contact the related brand’s merchants to check out a land together, the developer is going to bid for it when the merchants are able to a specific level of satisfaction with the land.)

a. take part in the development—rise the commercial condensation level
b. balanced rent----reduce the bargain opportunities and time, enhance the efficiency and promise the deep-set return
   c. construct early----decrease the risk of investment
   d. methods transfer----full use of sources

4. The autonomous investment industries. Wanda movie and Da Ge Xing KTV is going on well which have the core competitiveness, both of them are having more and more market share within the industry. So that in this way, the potential strength for Wanda is that it can expand its market and capture the core market power in the world one day. Converging movie and Da Ge Xing KTV is a potential to attract customers through typical movies’ characters and gain large revenues in both of the fields.

(Resource from DALIAN WANDA COMMERCIAL PROPERTIES CO., LTD.)

5. Having a glorious leadership and an efficient and pragmatic team. Having a stronger sense of the modern social responsibility.
   The leader----Wang Jianlin:
   Using strict military-style management to supervise Wanda.
   The team:
   Wanda’s tram use 18 to 24 months on planning to make decision on a land for construction. Wanda always consider their budget constraint.
   Modern responsibility:
   Two books published by Wanda called “commercial properties investment construction” and “commercial properties operation management” will come to the world this year. The aim of these books is to help people stay away distort roads.

Weakness

1. the rental fee to the main shops are so low.

The main shops containing ZARA, NIKE, L’Oreal, Wal-Mart, Gome, etc.
1. Those core shops took up over 70% of the whole land and the rental fee are very low so that Wanda cannot make benefits from them.
2. Wanda depends on renting small stores to recover the investment and draws the impact of overmuch dependence on these major shops.

2. It is hard to avoid corruption in the enterprise. The business mode of Wanda is created by themselves, however, Wanda has to explore some awkward problems by themselves at once.

**Opportunity**

1. Arranged IPO in China, the future is seen positive by most of the security companies. Most of the securities institutions support Wanda and think the prospects of it is good.

1. There is plenty of projects that can be carried out on soil, and it is growing fast, the Potential profit is pretty high. With higher acquisition for land development, Wanda commercial properties own more and more potential projects to implement.

3. Wanda has enough storage with offshore properties and sufficient financial capacities.

4. There is still no strong competitors within the commercial properties market.

5. From 2001 to 2011, the total number of tourist has shown a increasing trend, from 700000000 to 26000000000, with very convenience traffic during May and October holiday will also contribute to the development of this industry.

6. Lack of professionals and the high professional talent especially in management area will limit its growth potential.

**Threats**

1. Heavily rely on bank loans, change in interest rate will impact the firm's financial performance.

2. Under the rapid development of expanding land market, the fund chain of the company becomes tight.
3. Transparency is a huge challenge for the management of the enterprise.

**Strategic Analysis**

**SO =** Strength and opportunities:
1. Expand the commercial properties by using the advantages of the superiority assets of Wanda. In short order, occupy the first-tier cities, and considered to second-tier cities step by step.
2. Studying international mode about developing commercial real estate.
   Exploring and implementing the fourth generation mode.
3. Positively implement Wanda’s one brand and actively promote the major vying abilities.

**ST =** strength and threats:
1. Under the advantages of Wanda, solve the problem with the shortage of professional talents in management area and solve the problem of tight funding chain when expand the commerce market.
2. Actively meet the celebrated scholars to make progress for the company’s management.

**WO =** weakness and opportunities:
1. With the advantages of Wanda, pick the better residents during the schedule of investment and increase the rental fee appropriately.
2. Check out the outstanding team work on management and positively use science methods of commercial management function.

**WT =** weakness and threats:
1. Sustainably has responsibility during the function of social market advance and construction.

**Competition**
Wanke - 2015 revenue ¥ 196 billion Wanke competes with Wanda mainly in Real estate and commercial building. As mentioned Wanke is now the No.1 Real estate organization in China, however, recently, the company gets in trouble due to some internal power struggle that will probably cause the share delist from the stock exchange. However, this business still has the highest market share among the industry.

Alibaba - 2015 revenue $12.2 billion, Alibaba is a famous E-commerce (C2C,B2C,B2B) business that available to customers all over the world, the business not only provides its service to mainland China ,but also to overseas, nowadays people are really easy to buy staff from there, however there are also a lot of fake goods.

JingDong - 2015 Net profit $28 billion, JingDong is also a famous E-commerce business which famous of its warranty, delivery and customer services, and the business does not really have a overseas branch which is a weakness, however, you can ensure that all goods there are not fake.

China Film Group Corporation - 2 times more than Wanda’s box office and was the 3 oldest film company in China. However, Wanda’s economic benefit is way better than CFGC. Nike -2015 revenue $2.06 billion in main land China. Nike compete with the Wanda Sports in multiple categories: footwear, clothes, and equipment which was the most popular in the sports goods.

As mentioned, Nike also enjoys economics of scale since it is well-established while Wanda Sports was only found for half a year.

Reflection of Growth Strategy of Wanda into Financial Performance

While China is still the the business’s main “battlefield", with 85% of overall sales come from here, and the rest is from overseas. The main profit driver of Wanda group isCulture department and Movie department. However, the global box office of the movie"World of Craft” is only $430million, with the cost of $160 million, it is estimated that the box office has to exceed $480million in order to prevent losses,
however, since this movie is such popular, the box office will still go up in the next few weeks. On the other hand, the business recently take over most of the shares of Legendary entertainment which costs ¥37.2 billion. Legendary still doesn't prove that she is going to do well in 2016 since her net profit is negative in 2015.

As we know, Wanda has been buying anything they interested in, in 2012, Wanda took over AMC 100% share for $2.6 billion, and in 2016, Wanda also took over Odeon&UCI for $1.2 billion, by doing both horizontal and vertical integration, Wanda will not only easily increase its market share, but also benefit a lot from synergy. Vertical integration will provided a even lower price of the raw material, in additional, if the firm owns the factory, it will also have more flexibility. For example, Wanda took over Legendary, apart from getting higher market share, a more important reason is that they can gain synergy, Wanda will be able to learn the experience, the technology and they will know what to improve, also, Legendary will be able to be supported financially by Wanda in order to make better films, as a result the business gains synergy, it will make better films, it will attract more customer and generate more revenue.

<table>
<thead>
<tr>
<th>Wanda at a Glance  ¥ in million</th>
<th>2016-3-31</th>
<th>2015-12-31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit</td>
<td>59381</td>
<td>144289</td>
</tr>
<tr>
<td>Gross Profit Margins</td>
<td>19.6%</td>
<td>18.1%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>46379</td>
<td>118798</td>
</tr>
<tr>
<td>Net Profit Margins (NPM)</td>
<td>15.3%</td>
<td>14.8%</td>
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</tbody>
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Sources from http://www.wanda-group.com/corporate/

In 2015, in every 100 dollars of revenue, 18.1 dollars are gross profit.
In 2016, in every 100 dollars of revenue, 19.6 dollars are gross profit.
Their GPM has increased by 1.5%.
From the Profit and loss account, at the year of 2016, the operating expenses has decreased from 655,784 to 243,452.
However, the operating profit also decreased from 800,073 to 302,833, such change may due to the financial crisis at the beginning of the year.
In 2015, in every 100 dollars of revenue, 15.3 dollars are net profit. In 2016, in every 100 dollars of revenue, 14.8 dollars are net profit. Their NPM has increased by 0.5%

Even though with the financial crisis at the beginning of the year where the Chinese stock exchange market was hit badly, Wanda still managed to keep improving its GPM and NPM, not only because they reduced the cost of good sold, but also because at the beginning of the year, there will be plenty of new movie on screen which contributes to the revenue, on the other hand, due to the new year and Chinese New Year, the tourism industry will be very popular which Wanda will benefit from (Luxury Hotel) Also, Wanda benefited from the chaos of Wanke Real Estate. Wanda also investing in building luxury hotels (5 star) overseas and that have become a major part of the overseas revenue of Wanda.

**Conclusion**

Wanda was the dominating of the entertainment and shopping business in China. It achieved this success not only by buying everything it is interested in, but also making good use of them, work together and enjoy synergy. In 2016 Wanda keeps satisfying the customer and the film World of Craft is very popular in China, although the box office isn't very pleasing. As the economics in China keeps going up and up, people no longer just focus on basic need, but want, less inferior good, more normal goods, Wanda has definitely grab the chance that investing in tourism, hotel, culture and movies industry have been a wise decision which can be seen as a contributing factor of the success of the business. Wanda has not invested in non-luxury hotel which can be affordable to normal people, with the brand recognition, such market will have a lot of potential.

Wanke, Alibaba and China Film Group Corporation are three very strong and aggressive competitors with the suitable marketing mixes for 21st century’s real estate, E-commerce and entertainment markets. All have impacted Wanda in sales and revenue during the past few years. If Wanda has determined to gain its market leading position in at least one of these industries it must start to prepare for the
future and stop living in the past, develop a marketing mix that carries the current market direction, and drop its old style of promotional, try to innovate some new method which suits the markets better. China has always been Wanda’s primary battlefield, it is a fact that the Chinese market has got plenty of potential, however, the overseas market especially the Asia, US markets are even larger than the Chinese market, Wanda should invest more in overseas market, increase its brand recognition and build an Eco-system to achieve maximum revenue and market share in order to gain the position of market leader.

Wanda should not be satisfied at the current stage, it should become the world leading entertainment business. With such goal, Wanda should have an aim to achieve that brings entertainment to all the family in the world.

**Wanda should have some key things to try to achieve:**

1. Become the industry-leading position of entertainment, real estate and sports industry.
   
   How: In order for Wanda to become the leader in the above industry a new marketing strategy should be developed. For example, in sporting area, Wanda sports should have some of the super models, actors(Jackie Chan) or the athletes (Eg, Sun Yang) to endorse the product.

2. Expand the overseas market.
   
   How: The overseas market, not like Chinese market where full of intense competition, overseas market might be a good choice to avoid such competition, by investing overseas, Wanda cannot only transfer assets overseas, but also gain market share in advance than other Chinese business that have such intention.

3. Instead of being competitor, work together with Wanke might be a better choice.
   
   Why: As a market leader of real estate industry, instead of competing with Wanke, try to work with her, it not only reduces the competitiveness within the market, but also lay the root for the future collaboration, in addition, Wanda will also have the chance to have better location.
Reference


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