

SUCCESSFUL FACTORS OF BUSINESS
TRANSFORMATION FROM OEM TO OBM BUSINESS
Case Study of Taiwanese Companies

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Summary

Taiwan was once known as a home to many outstanding OEM companies for numerous industries. With its long history of OEM companies and gradual improvement of product quality, it became one of the countries that provides good quality products for retailers and distributors globally. However, recent migration of OEM companies to China as well as the improvements of quality and sustainability of companies from other countries began to sharply increase, threatening the business of these Taiwanese OEM companies, and as a result, the companies started to look for other opportunities in their industries and businesses. Transforming their businesses from OEM to OBM became one of the options that management level of many companies considered, but history had shown many failed cases of these companies while conducting the transformation. Reasons of failures include the inability to adapt changes to their businesses as well as competition that drove businesses away from these companies.

This study will focus mainly on the successful factors that could result in a success for companies who are planning or considering a change in their businesses. Three Taiwanese companies who have already completed their transformation successfully and are the elite of their industries will be discussed and analyzed as this study will distinguish the successful factors that lead to the success. Ten factors will be collected from past literature and reviews of companies located in and out of Taiwan that have considered or completed the OEM-OBM transition, and the factors will be applied separately

to the companies selected for this study. The study concluded with several factors shared among the companies as well as individual factors that lead to the success. The results are discussed and shown as role models for companies in Taiwan that are currently considering the transformation of their business. The outcomes of this entire paper will provide insights and recommendations for companies potentially deciding or negotiating on the transformation of their businesses to creating a brand.

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CHAPTER 1. INTRODUCTION

“Competition from factories and companies in mainland China is growing rapidly, giving us no choice but to seek for other way our for the business to continue”, said a representative of Perfekt Inc., a company that recently decided to transform its business from traditional manufacturing to creating its own brand. From the past till present times, Taiwan remains to be a strong country flooded with original equipment manufacturing companies, known as the OEM. However, with mainland China progressing its growth rapidly over the years, Taiwanese OEMs are gradually replaced by the mainland Chinese OEMs that produced products with a relatively lower price. As a result, many Taiwanese OEMs faced bankruptcy and termination of business due to the expansion of Chinese OEMs, where these OEMs adapt their know-hows from the original Taiwanese OEM companies. Chinese manufacturers also secured their supply chain, causing higher difficulty for the Taiwanese to compete. Attached to the quality and unwilling to change such stubbornness, Taiwanese companies, had begun their business transformation within the firm to seek for other opportunities to keep their business going. Like Perfekt, many Taiwanese OEMs have evaluated numerous outcomes of their strategies, and later decided to transform their businesses.

Prior to starting the business transformation, Taiwanese companies need to have a good understanding and idea of the successful factors that allows them to build another way out of their business. It is important to have this knowledge as past experiences serve as warnings to these companies of how difficult and costly it may be to perform a transformation from manufacturing to branding. Past examples may stand as good representations of successful transformation, but without knowing the successful factors, different companies may have contrasting results due to the nature of their business and background such as industries, size of the firm, targeted markets, etc. This paper will focus on the successful factors stated by past researched on business transformation from OEMs to creating a unique brand, and will apply them on companies with recent successful transformation to distinguish the important factors that lead to the successes of these studied firms. The results will stand as good evaluation points of companies that are currently considering the change of their

businesses, and to seek a way out from traditional manufacturing to competing directly in the market.

CHAPTER 2. DEFINITION OF IMPORANT WORDS/TAIWAN OEM HISTORY

Section 1. DEFINITION OF IMPORTANT WORDS

2.1.1. OEM: Original Equipment Manufacturer

From one article by the Chinese Management Review, the term OEM is now commonly referred as the local manufacturer without and product design. (Ko, 2009) In another study, Hobday (1994) also defined OEM as a form of subcontracting in which a complete and finished product is produced in accordance with the specifications of the buyer. Moreover, the company “ProjectMaterials” (2019) also defined OEM as a production outsourcing setup where a buyer provides the design, the product specifications and any other production detail to a manufacturer that executes the production or the assembly. Yan (2012) defined OEM as making products that are sold abroad and bear the brand name of another company. In this study, OEM will be defined combining the above definitions, as a pure manufacturer that produces finished products based on the specifications of the buyer.

2.1.2. OBM: Original Brand Manufacturer

From an article about OBM, Lee (2015) described OBM as a manufacturer that works comprehensively on their own brands by designing and manufacturing new products, conducting research and development (R&D) on their products and production process, and conducting sales and distribution. A plant project business company, Project Materials (2019), also defined OBM as the manufacturer who owns the brand and is fully responsible to design, engineer, manufacture, and market the product. The definition for this study will be the combination of the above mentioned: OBM is the manufacturer who develops and own its brand, and design, manufacture, and produce the finished products all by itself, controlling also the sales and distribution of the product.

Section 2. HISTORY OF TAIWANESE OEM BUSINESS

Since 1980, Taiwan rapidly grew as one of the largest units of manufacturing in East Asia. The

manufacturing industry had contributed to most of the country's GDP as well as the economic development during that period onwards. Manufacturing of products such as shoes, fans, bicycles, umbrellas, and even water bottles lead the way of Taiwan's manufacturer growth and development. (Yang, 2013) Significantly, Taiwan's manufacturing business, including OEMs and ODMs, was one that made Taiwan's economy successful at that time, and contributed to more than 70% of its export to places around the world. Moreover, many products manufactured in Taiwan during that period were also labeled as the top of the products' categories, including the above mentioned.

However, in the late 1980s, technology and electronics' appearance started in the country, and traditional manufacturing business began to decrease. Still, the presence of technology lead Taiwanese manufacturers to another level of economic growth when manufacturers of technological components and computers began to boost. Taiwan's economy still heavily counted on the performance and contribution of these traditional and new manufacturers in the market, where they not only contributed to the country's GDP and economy growth, as well as other impact such as job opportunities and image of quality assurance of Made-in-Taiwan products.

Furthermore, during the late 1980s, Taiwanese manufacturers started to change its manufacturing business from OEM to ODM, where these companies not only produce the products ordered, but also provide the service of designing the product to meet the unique requirements from different customers of numerous backgrounds. (Stocker, 2020) At the same time, few companies have shifted directly from OEM business to OBM, in which they have created a brand (including design, manufacture, and marketing) for their products while they keep their OEM business. However, it was not a widely praised action as many companies were afraid of the failure for brand creation, until the 2000s, when the Taiwanese government began to encourage them to do so.

Many scholars and economists have consistently urged the traditional Taiwanese OEMs develop their own brands to generate better margins and control over their business and industries. They argued that these OEMs relied on their contract manufacturing business too much that they lack confident to start their own branding of their products. (Liu, 2017) As a result, only few companies have succeeded in this business transformation and thus, OEMs/ODMs are still dominant source of

economy in the Taiwanese business society. Production on an outsourced basis for overseas customers continues to be a standard business model – and for many enterprises it remains a huge area where their profit was generated. (Liu, 2017)

Still, with competitors continuing to force the original OEM companies out of business, these OEMs have no choice but to seek a way out. One of the popular ways is definitely the transformation of these businesses from OEM to OBM, and will be further discussed in this study. As this topic became more popular, more and more companies have begun to plan accordingly, but threatened with many obstacles. The way to reach success for this kind of business transformation is still open for discussion nowadays, given the obstacles that it may create.

CHAPTER 3. RESEARCH METHODOLOGY AND LITERATURE REVIEW

Section 1. RESEARCH METHODOLOGY

For the methodology of this research and discussion, it will be conducted in a qualitative matter. The purpose of this thesis is to look at the successful factors and traits of a company's transition from OEM to branding, and financial information might only be a part of the results to review, rather than the data that we will use to determine the factors. A qualitative approach will be more straightforward to apply, where it is the management's decision and plan that we will look into. Such plan might include financial decisions, but such factors will not be the focus of this study.

From the qualitative perspective, to begin, we need to determine the successful factors that we can use to apply to the companies that have succeeded the transition of manufacturing to branding. Companies have different factors of succeeding, and our target is to determine the common factors that are shared among the companies that could be set as examples for other companies to achieve branding in the near future. We will look at different past studies and articles to determine the most discussed or valid successful factors for this OEM to OBM business transformation, and will select ten of the successful factors that are mostly discussed and shared among these historical studies.

Our base for this entire study will be gathered and compiled, and the next step will be to apply such factors to each of the three selected companies that have completed the process of this business transformation. In terms of analyzing and applying the cases to the selected companies, we will mainly look at articles that discussed on the OBM transition of these companies, and interviews from past studies or thesis that are conducted in regards to this topic. This study will pick up the successful factors that are explained in the interviews, match them with the ten factors that we have decided to be the significant factors of successful transformation, and describe how the company is applied to such factors, i.e. action plan or characteristics. These evidences will help us conclude on how many factors that are actually applied to the company, and the number of factors that are not taken into account during the company's action. We will be able to conclude on how many factors each company

applied, and how the factors affected their process. We will also be able to conclude the successful factors that are important, and those that are not as effective. The results will also allow companies with potential OBM transformation plans to evaluate whether the factors will be important for their strategy.

Section 2. LITERATURE REVIEW

Many OEM companies around the world, including Taiwanese companies, are currently looking for opportunities and possibilities to adapt a new form of business. Studies suggest that many firms have adapted change in business to diversified operations and non-manufacturing businesses such as real estate investment; only about one-fourth of the successful OEM companies studied the transformation from OEM to OBM (Ko & Yu, 2009). For many OEM firms, changing their business from pure manufacturing to creating their own brand remains a significant option. Governments and policy-makers also continue to encourage firms to either upgrade their current technology and develop their own branded products (Ko & Yu, 2009). Governments seem to assume that moving along this path would result in greater value creation to the customers and subsequently greater return to the owners of the firm (Ko & Yu, 2009). Thus, this option still remains as a favorable choice for many OEM firms who plan to make a change within its company and operations.

Past studies suggest that the developmental paths taken by successful OEM firms, and the chance of success, were affected by the background of the top management of the firms, the industrial environment, and the local/national political-economic environment (Ko & Yu, 2009). The decision makers of the company, the industry itself, and the regulations set by the government could affect the success of the transformation of these OEM companies. In other words, transforming to an OBM firm's path may not be a natural development path that is suitable for most OEM firms (Ko & Yu, 2009). With previous studies alerting that there are many obstacles and difficulties for these OEM firms to successfully transform to creating a brand, this study will focus on discussing the successful factors that lead to the transition, and to assist in encouraging firms to evaluate their current status and decide if such path remains as a legit alternative for them. We will first look into the past studies on success transition of Taiwanese companies, and identify the general branding successful factors

presented by past literature.

3.2.1. Successful Factors of Taiwanese Companies

First and foremost, past literatures have implied several successful cases of Taiwanese companies transforming from OEM to OBM, or keeping both OEM and OBM when the transition is completed. From the book “Branding Through Dynamic Co-opetition” (小國大品牌), Hou and the Corporate Synergy Development Center looked at numerous cases in Taiwan that have succeeded in the transformation from OEM to OBM, while keeping the original OEM business. Hou (2017) indicated and questioned on the possibilities for Taiwanese OEM companies to expand and create their own brand to compete better against other OEM companies around the world. Taiwanese was originally an “OEM kingdom”, in which many companies have made profit through OEM, but later decreased in business due to the competition from other developing countries. Branding is a foreseeable step, but a questionable one as many companies are uncertain about the outcomes or consequences that this decision may cause.

In this study, Hou conducted a qualitative research, in which he interviewed 7 Taiwanese companies that have either transformed their business from OEM to OBM, or simply creating a brand. His purpose was to analyze these cases and to determine how these companies succeeded in promoting their brand globally. His selection strategy includes companies from different kinds of industries in Taiwan, and companies that have successfully marketed their brand internationally, and continued to sustain in their business. The study individually examined the factors that brought the branding to success for each company through interviews with representatives and articles.

Resulting from his case studies, to begin with the process of branding, a successful factor that Hou described was the decision for market entry, and the position that the company hoped for its clients' minds. For example, Hou mentioned on the company “Hard Lock” from Osaka, Japan, and how they continued to be the standalone leader of nut production that are used on high speed railways around the world (Hou, 2017). Because of the specialty of this company and the uniqueness of its market, Hard Lock continues to maintain good profit by performing its best on its only focus, the accessory nut. This is the position and value that companies should plan and fix in their customers'

minds. Without any values created, the brand image will not be fixed, and the brand popularity will not be accelerated. Hard Lock has created the uniqueness, making it one of a kind in the world and hard for competitors to enter the market, also creating the value of its company and the customers' belief. Value creation gives Taiwanese companies more competitive advantages against other brand competitors, and thus brand creation for companies in smaller countries like Taiwan is necessary but adventurous.

In the same study, Hou also mentioned the "Competitive Dynamic Theory" by the strategic management scholar professor Chen, Ming-Jer, as one of the factors, or strategies, for the process of OEM to OBM. Competitive dynamics is the study of interfirm rivalry constituted of competitive actions and responses, their micro- and macro-level context as well as their antecedents and consequences (Chen and Miller 2012). According to this theory, competition itself is a moving process, as any actions taken by a company that is either beneficial to itself or detrimental to its competitors may encourage its competitors to make decisions to counter this action (Hou 2017). The way of reducing and slowing the competitors' counterattack, predicting what the competitors may react, and positively observing the competitor's actions in the market for making responses is not only relevant to the outcomes of a competitive action, but also changes of companies' positions in the market (Hou, 2017). In other words, to be able to create a brand that is competitive or vigorous against current or future competitors, the company itself must be able to identify the threats and actively react to the changes of the products' markets. If a company can successfully predict what its competitors might respond or act due to a market movement, it will be more prepared and inclined to build its competitiveness and advantage over the contestants.

Numerous studies have also looked at different specific industries in terms of Taiwanese OEM transforming to OBM, such as medical devices, industrial components, household furniture, etc. Most of them shared the same successful factors while moving to brand creation, and some have unique factors that might be worth discussing. Generally speaking, most of the OEMs that are striving to become a brand owner have very similar successful factors, despite the industry that they are in, and these factors are utmost important for potential OEMs to look at and use them as evaluation points.

As Taiwan is a small country compared to many others with great talents, its OEM essential techniques are helping these companies to better start a brand of their own.

From the case studies by Hou (2017), he specifically looked at industries such as house furniture and stationeries. The company Jia Inc. was an example of studying the factors that led to the successful houseware brand known internationally. According to the founder Lin An-Hong, before creating the brand JIA, he started his business as an OEM of houseware for about 20 years. With huge price cut from his customers, he started to think of the next steps, and concluded with the brand creation, knowing that there is no specific houseware brand around the world. He points out that the key to success of this transformation was the uniqueness of the brand, making themselves different from others. Also, he stated that making the brand globally exposed and well-known in the world is very important, as he traveled to many exhibitions around the world to market the brand he created. However, he still keeps the original OEM business, and continues to progress on branding since he believes that the base set from OEM gives them the opportunity to invest on branding (Hou, 2017). Moreover, gaining the client's trust is also an important factor that caused the success of this houseware brand.

On the other hand, in the same study, analysis was made for another company, SDI Corporation (Hou, 2017). SDI started its business as the first manufacturer in Taiwan that manufactured pencil sharpeners. It conducted its business to OBM when they've experienced the downfall of their OEM business of stationeries, and have successfully marketed their brand "SDI" throughout the nation and later to the world. As the management level of the company recalled, one of their biggest successful factors was to heavily invest in their R&D development. By doing so they believe that they can be able to make unique stationeries and making itself different from its competitors. Because of their strong R&D, they have made unique products, and have applied and retrieved patents for their products that made it difficult for other rivalries to compete. Still SDI continues to heavily invest on their R&D, and as their vice president Chen stated, the product is the center of branding; without a good and unique product, the brand will not survive (Hou, 2017). Moreover, another successful factor concluded from SDI was to raise the level of your products to lift the entry level to this market, to avoid immediate

competition. By doing so, even if the competitors successfully managed to enter the market, SDI already created and possessed a strong brand image that easily outruns the newly entered competitor.

In addition, marketing was one important factor that both Jia Inc. and SDI shared. Jia Inc. tried its marketing strategy by participating in mainly international exhibition for houseware and furniture, and to make its brand seen by more customers. For example, they immediately attended the Paris furniture and houseware exhibition (known as the toughest exhibition to attend for such industry), to challenge itself to be exposed to the customers around the world. They believe that participation of these exhibitions is necessary and a must, regardless of the expenditures created from attending these exhibitions. International exposure built the path to global sales for Jia Inc. (Hou, 2017). Differently, SDI outsourced its marketing strategies to the distributors of SDI. Because of the different products between its OEM and OBM business, SDI faced a completely different marketing challenge and experience. It then wisely outsourced its marketing to the distributors, and worked with them to plan strategies of the products. This also enables them to select distributors, and to evaluate if any distributors need to be changed (Hou, 2017).

Other studies also made observations on different kinds of industries. Cheng (2016) discussed about the transformation of OEM to OBM for industrial manufacturers in Taiwan. This study looked into a specific case conducted qualitatively of an industrial product company transforming its business into OBM, and the successful factors behind the change. After conducting a case study on a specific industrial company in Taiwan, Cheng (2016) concluded some points about how to make a successful business transformation from OEM to OBM. First, he stated that the decision made from the management level is what often makes a successful transformation (Cheng, 2016). Management level needed to gather all information that is required for the change, to make the company stronger against any challenges that may occur during the transformation. Secondly, Cheng (2016) informed that earlier a company invests or starts the R&D and marketing plans, the higher the chance of entering a successful OBM. For example, Chu (2009) discussed about the Taiwanese company HTC Corporation (HTC) as a company that pursued the OBM strategy with investment in R&D. Chu (2009) argued that HTC, prior to the transformation, had already heavily invested on the technological capabilities of the

company as well as R&D to make themselves in a better position to expand the OBM strategy. HTC launched new smart phones prior to Apple in 2007, and doubled their R&D expenditures by 2008 to remain competitive in the field (Chu, 2009). Like many other case studies of companies in Taiwan, R&D and marketing remains to be top successful factors that significantly predicts the chance of having an effective OBM entry.

Furthermore, manufacturing quality and service are the fundamentals of brand value (Cheng, 2016). In the company that Cheng looked at, the company had created plans in the brand's early stage to always ensure good product quality as well as services to their customers, to sustain the brand's value. The plan has succeeded and better improved the company's brand building. Also, maintaining the brand's OEM business is also one factor that supports the OBM entry (Cheng, 2016). Building a brand from scratch required a certain level of financial capability, and keeping the original OEM business can support the expenditures that result from the building process of the brand. Companies can also flexibly arrange the production process between OEM and OBM products (Cheng, 2016). Last but not least, customer relationship is also one important factor that affects the outcomes of brand owning. Having good relationship with distributors can allow them to better assist with the product's marketing and to decrease any conflicts between one company's products and another. It also strengthens the relationship and trust between the company and the distributor.

Though many Taiwanese firms are discouraged to transform their businesses due to the heavy investment that they need to prepare as well as time that they need to spend in addition to their OEM businesses, some companies, as discussed above, have willingly tried for company expansion and increase in profitability in the long run. We have identified some successful factors of these Taiwanese OEM firms. Management decisions, including strategies for the entire transformation plan is important, as well as the quality of the product that they produce. Many companies and scholars also emphasized on the importance of R&D and marketing strategies in the firms, as the success of these two factors also affect the outcomes of the OBM launch. In addition, detailed factors such as brand position as well as the sensitivity and responses to competitors also impact the results of the Taiwanese company's transformation and branding. These studies have given us better picture of how firms have successfully

accomplished such tasks, and how future OEM companies in Taiwan can absorb as a part of their plan.

3.2.2. Successful Factors of Foreign Companies

Business transformation from OEM to OBM is not only a solution to Taiwanese OEM companies, but also to many other countries' companies worldwide. Countries such as China and South Korea also faced similar situations, where OEM competition is getting more intense, and companies have no choice but to direct their strategies to other alternatives such as transitioning to OBM. Though there must be obstacles for such transformation for these companies due to policies or barriers from their political environment, this strategy stands as an expansion of the scope of activity in the value chain of the manufacturers, and is also an inevitable result of upgrading business and strengthening international competitiveness. (Sun, 2011)

3.2.2.1 China

Similar to the path of Taiwan, China boosted its economy by having many OEM enterprises. In one research, Sun (2011) conducted a review on the difficulties that Chinese companies experience during the transformation from OEM to either ODM or OBM, and the general countermeasures that companies can take. According to Sun (2011), due to the sharpened market competition, the comparative advantage of Chinese labor cost has gradually weakened. In addition, the annual cost of raw materials, energy, land and environmental cost has increased, which together with the pressure incurred by the constant appreciation of RMB in recent years, has highlighted the shortcomings of OEM processing. Chinese enterprises had no choice, but had to consider shifting their business model to choices such as OBM. Scholars have then argued numerous obstacles and countermeasures that may be successful factors for the transformation of these OEM companies.

Despite the difficulties that Chinese enterprises faced, one countermeasure, or successful factor concluded by Sun (2011) that companies can pick up, is the strategy of international expansion by using systems such as a dual track system (Sun, 2011). To maintain its original OEM business and the newly inputted OBM strategy, companies should avoid competition directly, and make decisions of where the products should be sold, to differentiate their products and avoid competition with its OEM customers (Sun, 2011). This will create a lower market risk for the Chinese enterprises, and to also

generate funds for them to expand the OBM business. In addition to the strategy of international expansion, Sun (2011) also argued that during this process, the company should also emphasize on the brand image rather than the origin of the brand. As many global customers may have a bad image on the goods produced in China, Sun (2011) suggested that these companies should focus on the image of the brand and ally with international brand owners to dilute their Chinese-made image. Cooperation of brands across countries can assist these enterprises to better enter the market of the targeted country and weaken the idea of Chinese produced goods.

Furthermore, like what many Taiwanese companies and scholars mentioned, R&D continues to be an important factor of the transformation from OEM to OBM. Sun (2011) believed that OEM companies should take portions of its profit from OEM business and invest them on R&D and technical innovation that the company may need during the path of OBM development. Moreover, companies should also establish R&D resources from places around the world to absorb the latest technology and trends of different markets, to better enhance and improve their products. The understanding of the different international markets around the world is one factor that is worth investigating, as this would enable company to differentiate their products from other competitors, and maintain the taste of local consumers at the targeted market. Last but not least, another factor stated by Sun (2011) is the support of OBM from the entire company, top to bottom. As the decision to change OEM business to an entirely new OBM strategy requires a lot of effort, support from the entire company is necessary, including employees from the original OEM chain. The company should also create an international brand image that customers around the world could easily identify (Sun, 2011). Brand strategy must include identification system such as the brand name, brand symbol, or slogan that assist with the creation of the brand image, and act as marketing technique for people to recognize the brand globally.

Other studies on the transformation from OEM to OBM of Chinese enterprises have other focuses in regards to successful factors. From a study of innovation, Liu, Liu, and Quan (2010) researched qualitatively on the path of innovation when companies transformed from OEM to ODM/OBM. The study mainly discussed about the technology and innovation improvements of a company moving from OEM to ODM and OBM. As a result, Liu, Liu, and Quan (2010) have pointed

out that there are two focuses on the upgrade from OEM business to OBM: product innovation and brand management. The study argued that to be able to compete, the company should not only focus on innovation as it is the basis of brand management, but also observe the change in market demand resulting from product innovation. They also claimed that Chinese enterprises should take strategic positioning and difference for core competitiveness, rather than emphasizing on management efficiency or copying other competitors that may lead to the failure of this business transformation. Making the enterprise and the brand itself different from other competitors may give the brand a better chance to enter and survive in the market. Moreover, Liu, Liu & Quan (2010) also stated that in order to make these companies to catch up and surpass global advanced enterprises, the only way is to form independent core technology and R&D capability through continual study and innovation, to create independent global brand. R&D capability is also an important factor that leads to a successful OBM upgrade.

3.2.2.2 Korea

South Korea possessed many globally well-known brands such as Samsung and LG, but many small and medium sized enterprises are also seeking a way out by following the path to OBM strategy. Historically, Vernon (1966) has argued that domestic firms are better to interact with local consumers and thus have better knowledge of the local market. As Chu (2009) states, the greater the size of the domestic market, the more support the domestic firms can obtain in terms of sales, financial resources and knowledge of the market. The combination of these resources can greatly assist in establishing brands globally, since many companies needed support from existing OEM business operations, either subcontracting or domestic sales, to finance newly launched branding strategies (Chu, 2009). Thus, having a good knowledge of the local market is one factor that assist with the transformation, since this knowledge can bring resources to the company's strategy of brand owning.

One study made targeting South Korean's small and mid-size companies provided suggestions for successful factors that impact the transformation from OEM to OBM. Lee, Kwak, & Song (2015) conducted a study that looked at factors making OBM possible for small & mid-size Korean firms. This study looked at eight different small-and-mid-sized companies that took their own path in

business transformation rather than following forerunners in the market. As described in the study, these firms adapted different strategies created based on new combinations of existing paths or products and not entirely new ones. They also noted that pre-built or absorptive capability for trying new combinations and the ability to conduct independent marketing are also critical factors that support a successful transition (Lee, Kwak & Song, 2015). To be able to come up with products that are distinctive from larger and international firms as well as confidently conduct marketing for the brand and product is important for the developing of OBM.

As Yan (2012) concluded, Taiwan is incongruent from other emerging Asian countries, such as South Korea, where years of government support have created global brands, such as Samsung and LG, which not only achieved preeminent positions in the global name game but also contribute to a great portion of Korea's GDP. South Korean branding experiences rely upon the government's winner-picking policy, whereas Taiwan's branding experiences emphasize more individual entrepreneurial spirit (Yan, 2012). This explains how successful factors may be different cross countries, and how each country plan strategies to counter difficulties they may face during this process of this transformation.

Looking into how other Asian countries, such as China and Korea, have attempted and considered the transformation from OEM to OBM, past literature suggested that have shared similar factors such as R&D and brand management that Taiwanese companies also believed as successful factors. However, possibly due to different industries or business setting, factors such as understanding and developing the domestic market or cooperation with international companions were also discussed in these foreign regions. They also have specialized system such as the dual track systems that assist them with transforming the business and developing the brand. Facing different difficulties, China and Korea have also responded to their conflicts with solutions that could also act us successful factors for Taiwanese OEM firms to evaluate and apply.

3.2.3. Successful Factors of Branding

From the above, we have looked at articles that have discussed about the successful factors of the transformation from OEM to OBM. However, we should not only look at the strategies made

during the decision, but also recognize the factors that made branding itself successful. These factors are also important for the process, since companies will also have to set a definite growth path of the brand, and leaving out these factors may not support a good sustainability of the brand.

Brand, or branding, can be defined in many ways. From the study conducted by Ku (2009), according to the American Marketing Association (1960), a brand is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. Chernatony & Mc William (1989) also stated brand with the following four state. Summing up, brand is a representation of the company's image and value in which these values are reflected in the products that the company provide.

1. Brand is an identification tool, making itself different from its competitors
2. Brand is a commitment and guarantee from a company that leads to the impression of quality and value-added products that customers care about prior to purchasing or using the product.
3. Brand is an expression of itself, and is what customers used to distinguish the company with others, and a transmission of the brand's personality.
4. Brand is about the product's position in the market, that includes the combination of quality and usage information, and acts as a decisive tool and evidence prior to the customers' purchase.

In regards to establishing a brand after determining what brand is to a company, we should look for what it takes for a company to launch a successful brand. Philip Kotler (1998) believed that to develop strong branding, there are two important steps: developing value that includes the positioning of the brand and its value in the market, and developing the actual brand itself including naming the brand, advancing association and commitment, managing responses and feedbacks from customers after their experiences with the brand, to better meet or surpass the expectations of these customers to the brand. In addition, Leslie de Chernatony & Susan Segal-Horn (2003) also pointed out that clear and definite positioning of the brand in the market and honest value of the brand is a must while developing the brand. When the company itself is firm about the honesty of the brand value, they will have a better chance of succeeding. Managing the brand with honest values can create shared values within the firm, and the company can easily communicate this united and honest shared

values with its customers through the brand, to gain more trust and loyalty from the targeted customers. Developing the brand value and positioning may be difficult in the beginning due to the advancement of its competitors in the market. Nevertheless, clearly identifying the market of the brand while creating and positioning the brand's value in the beginning of the progress is still one of the utmost successful factors that can sharply affect the outcomes of brand owning.

Innovation is also an important factor to be discussed and invested in branding. From the founder of the computer brand Acer, Stan Shih (2005) believed that to strengthen the image and impression of the brand, innovation is a primary factor. Innovation can be done through advertisements and events, to portrait the brand's position and familiarity in the market. Marketing innovation and service innovation are also ways that firms can use for brand building and strengthening. In a study by Ku (2009), he conducted a case study of AmTRAN, a successful company in international brand building, with the purpose of understanding how companies with brand overcome its obstacles while establishing an international brand. Ku (2009) mentioned that without the presence of innovation in a brand, positioning of this brand will not be effective, and thus, the entrance of this brand into the market will find itself difficult and conflicting. Although innovation is quite risky sometimes, promotion of the brand still requires innovation as one of its bases, since innovation is often a response to the market's demand as well as add-in values to the brand itself (Ku, 2009).

Strategies decided and taken by companies are often critical factors that led to the outcomes of branding. There are different kinds of strategies that companies take due to the limitations and targets of the brand. As Yang (2013) discussed in his study, such strategy includes market-entry strategy and customer relationship management strategy. Market-entry strategy is related to actions or decisions made for the brand and its product to successfully enter its targeted market. Such strategy is classified into two: direct market entry and indirect market entry. Direct market entry is mostly adapted by larger firms where the company handles every part of the business from production to marketing and sales. Indirect market entry refers to companies that only design and produces, and outsource its marketing and sales to distributors. Also, timing of the market entrance is a part of this strategy, as Yang (2013) pointed out that researches conclude that earlier the brand enters its targeted market, the higher chance

it will be for the company's efficiency in its business.

Customer Relationship Management strategy is also an important strategy for the brand's growth and sustainability. As Freeland (2002) mentioned in "The Ultimate CRM Handbook", client relationship is very important in brand building, and can be advantageous to the brand's competition. To have a successful client relationship, the departments within a company, including sales, marketing, and customer service, should work cooperatively to collect responses and make adjustments to products or strategies to manage the client relationship (Yang, 2013). Due to the widespread of networks and openness of information, customer relationship management is thus one important factor for a company's brand strategy to succeed.

Branding and owning a brand are always difficult tasks for companies. Firms have taken different ways and approaches to move to OBM, including original OEM companies and entrepreneurs, and from many studies, we have concluded the successful factors of branding itself. Creation of brand value in the beginning of the process defines the path of the companies to its competitors and customers, and maintaining and keeping the brand value is always required when expanding and marketing the brand. This is also related to how unique the brand and its products are to the general public, in which if the company can create a brand that customers can easily distinguish between the company and its competitors. The better the customers can identify and or relate a brand to its products, the more successful a company's branding will be. In extend to the factor of uniqueness, the level of distinctiveness of the brand's product and originality also shaped how well a brand is to develop in its targeted market. The above factors will also assist us in evaluating if such factors are applicable to our selected companies.

3.2.4. Summary of Literature Review

After looking at several past studies on Taiwanese companies, other foreign countries, and branding in general, many factors have been concluded to be successful factors of business transformation from OEM business to OBM. The following chart consists of the ten factors that are widely discussed in the above literature, and the factors will be applied to the cases that are selected for this study.

Table 1: List of Successful Factors from Past Literature

Study (Author, year)	Successful factor
Hou, 2017; Sun, 2011; Liu Liu & Quan, 2010; Kotler, 1998	Setting Brand Position and entrance
Hou, 2017; Liu Liu & Quan, 2010;	Brand Uniqueness: how is it different from competitors
Hou, 2017	Sensitivity to competition: if companies think ahead of their competitors
Hou, 2017; Cheng, 2016; Sun, 2011; Liu Liu & Quan, 2010;	Research and Development is essential
Hou, 2017	Marketing skills and strategies is utmost important
Cheng, 2016	Manufacturing quality
Sun, 2011 Chu, 2009	International market entrance or expansion is necessary
Lee, Kwak & Song, 2015 Yang, 2013	Unique strategies made by firms
Liu Liu & Quan, 2010; Ku, 2009	Innovation of product; product originality
Hou, 2017	Keeping OEM business

Section 3. ASSUMPTIONS

To form our assumptions for this entire discussion and study, our plan is to collect the successful factors of such business transformation from different articles or past studies that have discussed such matter. Our assumption will be based on compiling the factors collected from the above methods, and to come up with an assumption that we will apply to the case studies that follow. The following list includes the ten factors that we will use and apply accordingly to each of the three companies selected for our study. To categorize the factors, we have also arranged the factors based

on grouping. This is to better understand how much effort each company puts in the factors of different areas in business management.

Branding

1. Creating a brand value/position: decision for targeted market and the image/position of brand for clients' minds.
2. Uniqueness of the brand: how is it different from other competitors

Product

3. Originality of the product: how the product is different and unique from other products/if the company monopolizes the product
4. Quality of product: good quality of manufactured products

Management and Strategy

5. Heavy investment on R&D: patent of product/coming up with new products quickly
6. Huge effort on marketing: whether marketing efforts are heavily made, such as strengthening marketing team or outsourcing marketing to professionals
7. International promotion or expansion: Company should target not just local market, but heavily on international markets promoting their brand and to increase exposure.
8. Sensitivity to competition: If the company managed to predict or make decisions that distinct itself and the competitors.
9. Brand Building Strategies: If the company used strategies successfully for brand building, such as market entry strategy or customer relationship management strategies.
10. Keeping the Original OEM business: If the company keeps the original OEM business, it also helps as it serves different targeted customers.

With the above factors listed and our cases selected, the assumption of this study is the three companies that we have selected will exhibit most of the factors that we have selected. This study will assume that the three successful companies chosen will share many common factors, despite the different backgrounds and industries. Last but not least, we can also assume that the shared successful factors are the factors that all companies need to incorporate into their own strategies, as the shared

factors are likely the ones that can ensure a more successful business transformation. The above assumptions will be applied to the selected cases, and will be analyzed and reviewed on such basis.

CHAPTER 4. CASE STUDIES

Section 1. SELECTION POLICY OF CASE STUDY

Prior to the description and application of the successful factors, the selection policy and details need to be defined and set for us to further decide the cases to be examined and studied. The following table includes the items or policies that were identified for choosing the cases of this study.

Table 2: Selection Policy of Successful Companies

Selection Policy of Successful Companies for Case Study
Originally a pure OEM/ODM company located in Taiwan
Have went through the business transformation process and independently sustaining as a part of the company's profit
Currently, or have been listed in the Taiwan Stock Exchange
A Taiwanese company, but with international exposure of doing businesses across the globe
Brand exposure is also well-known across the globe. This exposure will be determined by the product's exposure, and international sales.
Top leading brand of such industry/product
Implementation of such brand increases the value of the company as a whole: value should exceed 1 billion New Taiwan Dollar (Equivalent to 33 million USD)

The reason that the above limitations are set for the company selection is because our goal is to evaluate how the top companies of their industries managed to transform the business and become one of the best in the world. Looking at the performance and the successful factors of these companies that have achieved the branding strategy makes it more convincing for other companies to review and apply such strategy to their branding plans. Also, since the OEM companies selected for this case study and analysis are mainly companies that are already steady in their original OEM business, it is also valuable to study the reason behind the change in business strategy, as well as the important "investment" that they focus on during the process. Above all, the policies also strictly limit to the number of cases that we can look at, as it will enable us to select the best cases that can fit our study.

With the policies defined, the study will focus on the three selected companies: GIANT Manufacturing Co., Ltd., Cheng Shin Rubber Ind. Co., Ltd., and Microlife Corporation. These companies are originally 100% OEM companies in the beginning of their business, and later transformed to OBM business owning brands. They have all made it to the Taiwan Stock Exchange, where Microlife was delisted after its sale in 2018. Their businesses have also been conducted around the world, and the brand that they later created was also heavily exposed globally, and as top of their industries individually. These cases will be interesting to look at as they have met the study's strict selection policies,

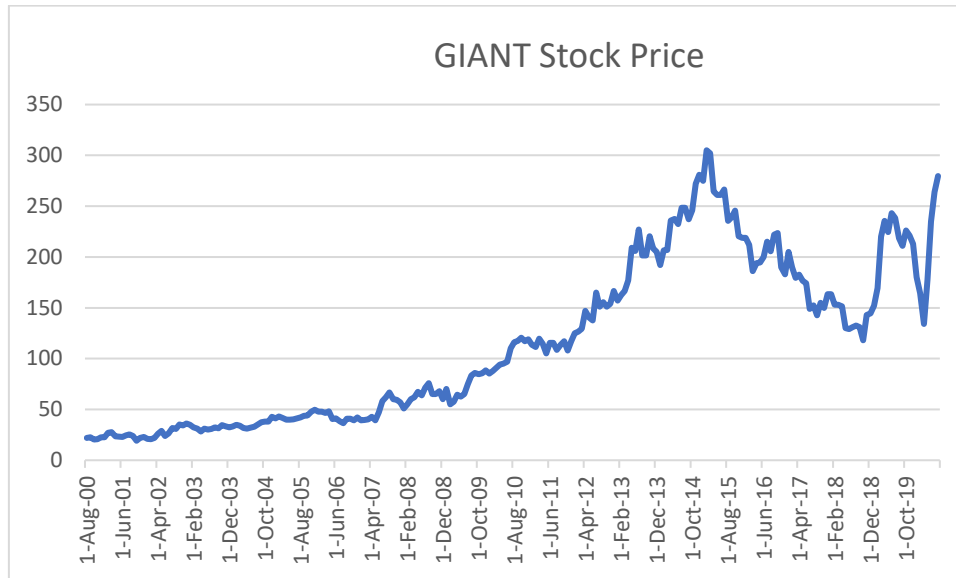
Section 2. GIANT MANUFACTURING CO., LTD. (GIANT)

The following case study is conducted and sourced mainly from a book "The GANT Way" that includes several interviews with representatives of GIANT. Some information will also base on secondary information retrieved from websites and articles that includes interview and information on GIANT.

4.2.1. Background of GIANT

Giant Manufacturing Co. Ltd. (GIANT) is a bicycle manufacturing company formed in 1972 and located in Taichung City, Taiwan. It created its own bicycle brand GIANT in 1982, and formed another woman bicycle brand "Liv" in 2008. The company owns numerous factories in Taiwan, Netherlands, and China, and it is listed in the Taiwan Stock Exchange in 1994. In 2019, the company valued approximately 481 million USD in Taiwan, and is ranked 1st in bicycle brand industry in the world. GIANT is also ranked the 6th in Taiwan as the Taiwanese international brand, consecutively the 11th year of its ranking in the top 10 international brands. Its bicycles are now sold in more than 80 countries and 10,000 retailers, selling more than five million bicycles in 2007 and another 6.3 million in 2007. During its growth, GIANT made many important decisions that could have affected their company, but fortunately, these decisions brought GIANT to where it is now. Please also find Figure 1 the historical stock prices of GIANT.

Figure 1: GIANT Manufacturing Historical Stock Price



(Source: Yahoo Finance)

4.2.2. OEM to OBM Transition

GIANT began as a bicycle manufacturing company back in 1972, and it was not successful in the beginning. Globally, customers around the world did not recognize Taiwan as a country that produce good quality products, and thus, GIANT suffered a period of low sales when the company went on board. However, with the founders' hard work and the perseverance to find opportunities, the company had the chance to meet the world's well-known bicycle brand at that time, Schwinn. With many of Schwinn's employees going on strike during that time, GIANT became one of the main suppliers of Schwinn, and thus GIANT were able to grow. However, in the late 80s, Schwinn decided to look for low cost suppliers and ended the relationship with GIANT. GIANT then decided to produce bicycles and create its own brand, GIANT.

4.2.3. Applicability of Successful Factors

Looking at different interviews and sources discussing the successful factors and reasons of the brand GIANT, the first factor that came to attention of everyone is the positioning of the brand. In the beginning of the brand owning, founder King Liu decided that GIANT should positioned itself as

a high-end international brand in the bicycle industry. This is a very courageous step in the 80s environment of Taiwan, as this positioning removes GIANT from the “price-war” with other OEM and lower-priced brand competitors, bringing GIANT to the top of its industry. Positioning GIANT in the higher-priced category also made the brand’s image positive to many users around the world.

The strategic entrance of GIANT also showed how different and thoughtful the management level is compared to other brand owners. The founders agreed that to promote the brand, they should focus and enter the international market rather than local Taiwanese market. They believe that this action is necessary to bring their brand to success if the brand is well exposed to the international market. The brand began its international business in the Netherlands, as most of the OEM clients are located in the United States. This is to avoid the direct competition between the OBM and OEM businesses of GIANT. Also, GIANT chose to start in the Netherlands due to its high usage of bicycles in the world; GIANT will be able to generate cycling knowledge as they can directly engage with local customers. Moreover, Amsterdam is recognized as the gate to European harbor, and its use of multiple languages helped GIANT to know more about the European market.

In relation to its entrance into the European market, GIANT’s integrity on product quality is also tested. In their first shipment of bicycles to Europe, their local office general manager Leo Schoormans immediately complained about the quality. Thus, the founders and managers of GIANT spent a long time figuring out the product quality that will be acceptable by the European market. Because the European consuming behavior seeks the highest product quality of their bicycles, this challenged GIANT to investigate and come up with the best quality bicycles that they can produce. Founder Liu also develop the Industry Art (IA) product line for the European market, where he assigned the best mechanics to this product line. This product line is strictly managed, where any flaws would result the line to completely stop. With this, GIANT successfully carried out quality from their production team, and finally achieved to meet the expectations of product quality. This focus on quality also made GIANT profitable starting its second year after entering the European market.

As founder Liu had mentioned, looking at all the international and well-known brands, quality is already out of discussion as it is only an entrance ticket to this business. Companies should

continuously innovate and create differentiation in strategy and managing in order to be advantageous over another. Liu always reminded his employees that if not the first in the industry, be the different one. He wanted to make GIANT the only in the industry that no other can replace or compete with. Since GIANT is not the pioneer in bicycle industry, they were destined to think and look further, in order to match or overcome competition with its competitors. For example, to make GIANT different and hard to duplicate, GIANT heavily invested on R&D such as considering the use of carbon fiber as material to manufacture bicycles. During the research and experiment of this new substance, to match the high standard of GIANT bicycles, found Liu often destroy flawed bicycles in front of employees to show how destined he is for product quality. Thus, from top to down, GIANT employees are all sensitive to product quality, as they work to produce and distribute the best quality products. The ability to differentiate itself from other brands made GIANT a unique competitor in the market and the top leader of this industry given that GIANT can manufacture, design, and distribute the products smoothly, far from what other brands or OEMs can do.

Former CEO Tony Lo mentioned about the benefits of sports marketing: if they choose the right contestant, cycling team, and win competitions, it can efficiently increase the brand exposure and impression to the general public. For example, the Spanish team “ONCE” won the France tour in 2002, and T-Mobile team won team championship in 2004 and 2006; all these contestants competed with GIANT bicycles. GIANT spent almost 8% every year into brand promotion such as sports marketing. Cycling events such as the Olympics often involved many contestants competing with the GIANT made bicycles. This marketing strategy positioned GIANT as a high-end bicycle brand, and with the sponsoring of the events, it helps accelerate the brand image of GIANT internationally.

Sports marketing is also associated with the R&D of GIANT. GIANT often invite these professional cycling athletes to Taiwan and experience their products. As these professional athletes have well knowledge of how to experiment bicycles and find areas of improvement or flaws, they became the strict customers that help improve GIANT’s ability of research technology, and to raise the barriers of competitors trying to imitate. Because of the detailed and strict requirements of these athletes, working with them enabled GIANT to improve quickly in innovating and building newer and

better-quality bikes. The way how GIANT linked its sports marketing with R&D made GIANT more innovative, and at the same time strengthened the brand.

GIANT is one of the few companies that sustained both the OBM and OEM/ODM business. Many Taiwanese companies have chosen either to move to OBM completely, or to stay with OEM. There are also companies who tried to maintain both, failed, and resulted in separation of the firm into two. But GIANT successfully carried out the plan of keeping both businesses, and made strategies to avoid competition between OBM business and its OEM customers. OEM and OBM are two conceptually different ways of running business; OEM seeks for large production amount and low cost, while OBM is maximizing the brand value in the customers' hearts. Nonetheless, GIANT managed to keep them both, and continued to create profit out the two businesses. Reasons include that with 70% of OBM and 30% of OEM production, GIANT managed to economically gain benefit from both. While developing OBM is a must, GIANT believed that OEM/ODM business can show them the current status of other markets, and to grasp ideas about the future trend. Also, GIANT smoothly runs the businesses separately. It distinguished the competition by different market entrance in regions, and GIANT promised to keep its honesty and never copied ODM clients' ideas or designs. They also set restrictions not to allow information sharing between OEM and OBM employees, and made sure that materials are equally distributed in times of raw materials shortage. Thus, GIANT successfully maintained its relationship with customers from both businesses, and such strategy also help expanding its businesses.

The improvements of innovation such as the ability of designing products and maintaining quality also assisted with GIANT's brand growth. It is portrayed by how strict customers continue to work with GIANT continuously, as GIANT held yearly meetings with its customers to discuss the collaboration in the coming years. GIANT is proud to present how innovative it is, in which its customers only needed to discuss the concepts of their desired product for GIANT's production. Thus, GIANT endures to promote its innovation yearly, both to OBM and OEM/ODM customers. Because of its OBM business, innovation ability needed to push for improvements, and with such innovation, GIANT can turn around to its OEM customers and share designs or studies to assist the clients to

develop their product. Thus, GIANT's OEM/ODM customers are not afraid to work with them, since they know that their own products will not be copied by the brand GIANT, and they can friendly compete instead of malignant competition.

To summarize, GIANT marked a very obvious market entrance plan and brand position to its customers, showing that its target is to create and own the top valued bicycle brand in the world. Its strategy and sensitivity of competition with other brands or OEM customers affected their unique strategy, and this proved that it could increase the growth of company that plans to maintain OEM business while expanding OBM. Quality is out of the question as GIANT knows that it is only an entrance ticket to international branding, but investing in marketing plans such as sports marketing and improvements in innovation and R&D are also important factors that led to GIANT's success. Above all, the different strategic approaches that they took for different aspects of its business continue to guide them to success, as GIANT's steps kept them at the top spot of the bicycle industry continuously. They pursued success not only to demonstrate the strength of GIANT as a top bicycle brand, but also lift the exposure of Taiwanese made product to the world, where customers will think of Taiwan when it comes to bicycle manufacturing and purchasing.

Section 3. MICROLIFE CORPORATION (MICROLIFE)

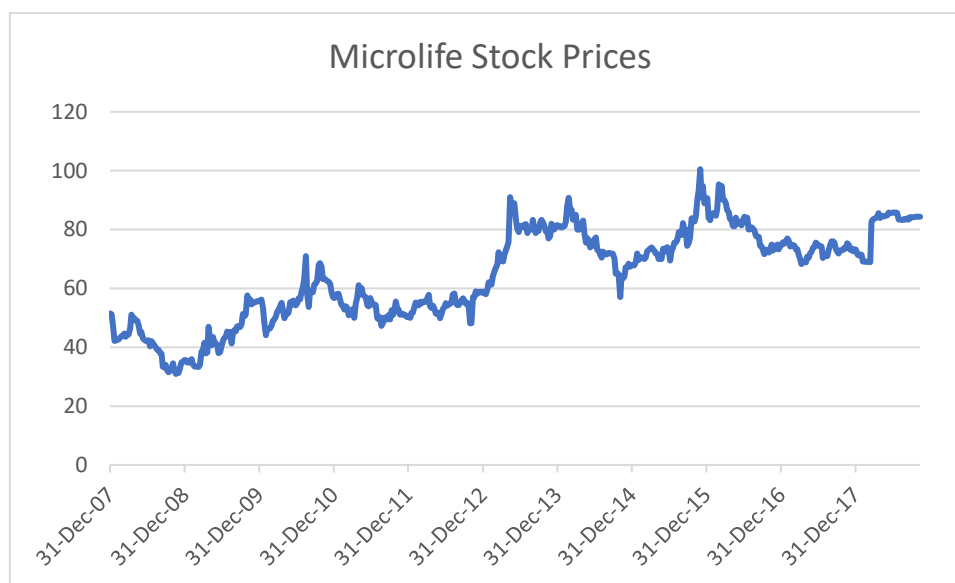
The case study is conducted on the basis of a previous thesis that includes interviews and information of Microlife. Some information is also retrieved from secondary information such as the company's websites and other articles that includes information of the company.

4.3.1. Background of Microlife

Microlife Corporation, a Taiwanese consumer medical device company, was founded in 1981 by Mr. Kin Yuan Lin, and was a leader in the industry with over 3,000 employees globally. Due to its long historical successful record of producing high quality consumer medical devices such as thermometers and blood pressure monitors, Microlife dominated numerous markets in several product categories significantly in the United States and Europe. Microlife's widespread global distribution network covered more than 90 countries through its own direct sales force and distributor network.

The company was once listed in the Taiwan Stock Exchange in 2001, but was delisted in 2018 as the company was sold to Midas Investment; historical prices of Microlife is as follows in Figure 2. Nevertheless, the company's success from the OEM-OBM shift remained as a good example for many other companies in Taiwan to study and follow.

Figure 2: Microlife Corporation Historical Stock Price



(Source: Yahoo Finance)

4.3.2. OEM to OBM Transition

The company was originally founded due to Mr. Lin's interest in producing thermometers specially designed for women after reviewing an article about relationship between women's ovulation period and body temperature change. With his first design acknowledged by numerous awards, he started Microlife Corporation, and begin his business as an OEM company, manufacturing medical devices such as household thermometers and sphygmomanometers. With invoices increasing from customers who originally purchased from Japanese companies (dominant in the industry during that time), Microlife's sales and profit sharply increased. Predicting that the company will continue to expand, Lin decided to start a factory in China that could support the production. To counter the emerging competitors, Lin decided to develop and systemize their supply chain; outsourcing partial production to competitors and building friendly relationship in the field. Thinking ahead of

competition, Lin made the right move to increase companionship, as Microlife could shift the focus in creating higher quality products while production is fully supported with the well-managed supply chain.

During the 90s, transforming from OEM to OBM is not a common topic in the business environment of Taiwan. Lin came up with the idea of owning a brand, despite the pressure from the company internally as well as the OEM dominant business environment. Even when the gross margin of Microlife's business remains at around 25%, Lin still decided to begin brand creation, as he believed that OEM business' margin and profit will continue to decrease. In 1998, he developed and announced the brand "Microlife", and the decision quickly reflected on the following year's sales, increasing from 645 million New Taiwan Dollar (NTD) to 1.24 billion NTD in 1999. This decision brought Microlife away from OEM competition, and entered the brand business with less competitors. It kept the company stable with 2.5NTD cash dividend since 2003, with an increase to 4NTD in 2007.

4.3.3. Applicability of Successful Factors

Reflecting on decisions and strategies made by Microlife, many ideas and processes led their way to success. One of its distinctive plans was how it organized its functions internationally. For example, Microlife set the management core team in Taiwan, while production is based in China, marketing in Switzerland, and R&D in Germany and the United States. Because of worldwide competition from well-known brands such as OMRON, Microlife chose to enter the European market to expand their business. Introducing the brand in countries such as Switzerland gives the brand a better image, as the common view on products from Switzerland were known to be with high quality and standard. Such decision gave them opportunity to expand quickly and market their brand throughout Europe, and by 2006, their body thermometers' market share reached around 48%, double that of OMRON. Because of its brand uniqueness as a consumer medical device company, competition was not a problem for Microlife, and with the experiences gained from OEM business in such industry, it quickly accelerated its growth in its branding business. The decision of Microlife to begin with international market such as the European market also helped Microlife in building its image and exposure in the local market as well as pathed its way to other international markets.

Marketing was another focus that Microlife heavily relied on. As discussed earlier, Microlife began its marketing strategy from Switzerland to demonstrate the quality and standard of its products. Lin also made effort to hire Morten Brunvoll as the head of international marketing, and worked collaboratively with German laboratory RDC GmbH in developing new products. With such strategy, Microlife quickly gained trust from consumers, and received numerous awards for new technologies and inventions in medical devices. With the marketing approach in European countries where medical devices familiarity was not of the public's interest, Microlife gained the advantage of promoting the brand's image as a pioneer in the business.

The combination strategy of market and international distribution also assisted Microlife along the way. As the world began to shift their focus to health issues in the early 2000s, blood pressure monitors became more popular as high blood pressure was known as one of the top health threats to elders. Thus, to Microlife, the sales of its blood pressure monitors surpassed the once top-selling thermometers, not only as a result of the above mentioned, but also distributor companionship with retailers such as Wal-Mart and CVS in the United States. Winning product design awards from RED DOT also acknowledged Microlife's focus on product innovation and design, thus showing the impact that Microlife have in the medical device industry.

Microlife's strong R&D and its capabilities of inventing and designing new products kept them in a dominant spot of consumer medical device industry. Taiwan was long known for its expertise in electronic digital technology, and with the combination of such technology knowhow with medical related knowledge, Microlife was able to develop clinically approved household medical devices that was acknowledged with awards and endorsements from top-notch global institutions such as National Health Service of the United Kingdom and Frost & Sullivan. The collaboration with other laboratories also enabled Microlife to maintain a strong R&D capability in the field, as they continued to develop new and advanced products for consumers.

In relation to its R&D capabilities and products' uniqueness and innovation, Microlife's technique enabled them to develop advanced technology in their primary products such as thermometers and blood pressure monitors. To maintain the quality of their products, Microlife

invested time and effort in understanding the accuracy of their products, i.e. if thermometers are showing the correct body temperature of a person. It was a challenge for them, as the product's technique required a lot of investment, and they needed to avoid patents owned by another during the development of the product. Moreover, blood pressure monitor was another outstanding product that Microlife competed on. Microlife did not have its product ready in the beginning, but instead spent four years understanding and experimenting its products prior to the sale. Digital blood pressure measuring products were often judged as inaccurate, but Microlife's experimentation and trials with their digital products won them several acknowledgments from global institutions such as British Hypertension Society and European Society for Hypertension. Owning numerous patents also added value to the products and the brand itself.

Microlife developed its brand image and uniqueness during the beginning of its market entrance into the medical device market with its own developed brand, and continued its development on product quality and innovation. Microlife learned to plan organization internationally, and quickly absorbed experience from marketing internationally, managing people from all parts of the world, and improving itself into an international company. Owning patents to detailed functions of their products also sustained their position as the leading brand and manufacturer of these consumer medical device products. Their investment on R&D confirmed their position as owners of updated and advanced products, and their unique marketing strategy and plans assisted their expansion of the brand. Keeping the original OEM business and using the experience assisted them through the brand building, and thinking ahead of their competition also allowed them to be unique and distinctive to their rivalries. Having the original OEM business with their long-term customers for products such as thermometers also kept Microlife away from conflicts with their OBM products. Above all, the key factor of its success was the strategy of finding the new medical device market—digital blood pressure monitors. It withdrew itself from the nervously competing OEM market, as the brand directed them to another level in the market by branding. Microlife succeeded with their brand building by reaching the top of their industry, and have also displayed how their differentiated strategies led them to what they were.

Section 4. CHENG SHIN RUBBER IND. CO., LTD. (MAXXIS)

The case study on MAXXIS will be based on previous thesis that focused on the successful factors of developing the brand of MAXXIS. The case study will also be supported with other articles and reports that includes information retrieved for the purpose of this study.

4.4.1. Background of Cheng Shin

Cheng Shin Rubber Ind. Co., Ltd., a Taiwanese tire manufacturing company and annually a Top 20 company in Taiwan, was formed in 1967. Its products included tires for bicycle, motorcycle, agricultural vehicles, tractors, trucks, valuable sedans, and even tanks. Cheng Shin was originally listed early in the Taiwan Stock Exchange in 1987, and continues to be listed until today; historical stock prices of Cheng Shin are as follows. The brand that Cheng Shin created, MAXXIS, continues to be the top 10 tire brand around the world, as it continues to work with car brands such as Toyota, Ford, Mercedes Benz, GIANT, and Gogoro, as their tire supplier. MAXXIS had also been chosen as the top in mountain climbing bicycles, and continued to dominate in such field.

Figure 3: Cheng Shin Rubber Industry Historical Stock Prices



(Source: Yahoo Finance)

4.4.2. OEM to OBM Transition

Under many difficulties during the time period, Cheng Shin faced challenges such as political instability, business environment, hiring employees, R&D difficulties, etc. Nevertheless, the company's core value of becoming an honest and high-quality firm, and the encouraging attempts of changing and innovating in the company kept Cheng Shin alive and growing year by year. Collaborating with Japanese firms in the tire business, Cheng Shin accelerated its growth in the beginning, and became the best Taiwanese tire company in 1983. With brand creation as one of its targets, Cheng Shin announced its entrance into the United States market, and the establishment of its brand, MAXXIS. Cheng Shin also expanded its production by owning numerous factories in Asia such as China and Thailand, and the decision of brand owning brought Cheng Shin to a different level.

After announcing the birth of the brand MAXXIS, the company hired Wally Chen, the brand's successful strategist, as the general manager of MAXXIS. Wally believed that owning a brand is a must for OEM companies like Cheng Shin, as owning a brand is more profitable and competitive while staying in OEM-only business faced nothing but price down every year. His "elevator" theory stated that if Cheng Shin continues OEM, it will lead the company to failure, as the cost-down from customers every year will force the price elevator to go down; customers will abandon the company once the elevator hits the bottom line. Thus, finding advantages in the industry to remain competitive and to make itself different and unique from its competitors was mandatory for the company's sustainability. GM Chen took this brand owning as its one chance to success, and with huge pressure, he strategically led the brand's successful way into the US market, given the existing and competitive brand such as Michelin, Good Year, and Bridgestone.

4.4.3. Applicability of Successful Factors

MAXXIS began its OBM path starting from international market and exposure. Entering the US market, to avoid the competition from the above-mentioned tire companies, MAXXIS entered the market with bicycle tires. MAXXIS believed that this step was to first stabilize by making what MAXXIS is good at (bicycle tires), and at the same time, to seek more brand exposure in the local market of the United States. GM Chen knew that its first major expenditure for building this brand

will be marketing expenses such as advertisements, but without any positive support from Cheng Shin, MAXXIS did not receive a lot of financial support in the beginning. MAXXIS decided to invest this little financial support into sponsoring local motorcycle and go-kart races. Through this sponsorship, MAXXIS provided cash awards to winners of the races, and negotiated sponsorship with winning racers. Soon, the brand began spreading among racers and other events in this field. MAXXIS also held events and races in its own name, and this showed that MAXXIS has successfully grab attention from local market and consumers. Strategic marketing through sponsorship helped MAXXIS build its exposure in the market and accelerated exposure.

MAXXIS did not only conduct marketing through sponsorship in a tire related sport event. MAXXIS also sponsored many other non-racing sports events such as the Los Angeles Lakers, the New York Yankees, and the Atlanta Braves. Sponsoring these well-known sports team also increased their exposure, as MAXXIS had received numerous feedbacks from customer mentioning about their sponsorship when they watch the events. This also helped building the brand image and impression of MAXXIS to these customers, knowing that the brand itself was supporting numerous different sporting events. Still, MAXXIS believed that traditional and professional marketing is still more important than sports sponsorship. As a result, MAXXIS's marketing expenditure budget ratio every year remained as 7:3 for traditional marketing to sports sponsorship. MAXXIS still think of traditional marketing as the important factor of building and sustaining the brand.

In addition, MAXXIS also invested in the gaming industry and supported the production of racing games, to attract more younger customers to the brand. By exposing the brand realistically in the racing games, these players will have a deeper impression of the brand, as MAXXIS believed that these young players could be potential MAXXIS customers when they grow up. Also, MAXXIS arranged numerous college lectures, to increase their exposure and involvement with young adults, as well as provided racing events or information in its website for more fans to retrieve. With this strategy, MAXXIS allow itself to be exposed in front of more potential life-long customers. It even designed its official website into a sporty and younger design to present its brand image and to increase customer interaction.

GM Chen also pointed out their strategy in terms of the brand image and how different it is to other tire brands. While many other old brands in the industry claimed to be “experienced” and “old”, MAXXIS advertised themselves as young, innovative, cool, and energetic. They took a different step compared to the other brands, while they believed that the brand should provide their customers ac everlasting value. Targeting the young customers and bringing satisfaction with MAXXIS products could bring the company a long-term profit as they believe the customers will continue to use MAXXIS for a longer time. This was one strategy that MAXXIS took to differentiate itself with its competitors, and to make themselves unique in the industry. MAXXIS also emphasized its different with the OEM business of Cheng Shin, showing that their products are of higher standard in the tires market rather than normal or low budget products. Creating a brand was always risky, and though MAXXIS was worried that their investment will not pay off, they still believed that long-term investment in this brand is necessary for its growth. Until now, MAXXIS continued to maintain its “sporty” and “young” product impression to differentiate itself from its competitors, and to continue supporting events of younger athletes.

Also, GM Chen claimed that maintaining the products’ quality is also an important factor for the existence of the brand. Having good quality in their products will help keep the customers based on the “young” strategy, and thus, be more convincing for these customers to use MAXXIS lifetime. Although tires seemed like a simple equipment, they have a strong relationship with one’s life and safety. A flaw tire will not only affect and threaten the driver’s and passengers’ safety, but also cause broken families. As a result, MAXXIS took product quality strictly and of high standards, to ensure that all tire products flawlessly leave the factory. In addition, MAXXIS also prepared and constructed a tire experiment park with size of 120 football field in China, and incorporated world’s worst road conditions in it to check and ensure the tires’ standards and quality. Also, Cheng Shin imported experimental computers and machines into the factories in Taiwan to make sure that every tire was done in the desired quality before distributing it to their customers. With MAXXIS’ strong production management, their assembly lines were smoother, product efficiency were higher, and maintained better quality, while the production and customer costs can be cut.

In addition, to be successful as an international brand, GM Chen believed that huge investment in R&D is required and necessary. For example, every year they invested more than one billion NTD (3% of its revenue) in R&D. They brought in many advanced technologies, and assigned a team of 200 employees that conducted materials research, experimentation, etc. They continued to plan and organize research and development centers both in Taiwan and China, and equipped them with advanced utilities, as they believed this arrangement is needed for them to stay competitive. As an example, and result of their investment in R&D, in 2003, MAXXIS have applied and received 397 patents in a single year for their products. Also, MAXXIS believed that with advanced technology, they will be able to produce high quality products with lower cost supported with their updated technology; customers will also strongly feel about the lowered price, despite how good the quality of the product is. Thus, R&D is labeled as the required successful factor for MAXXIS to continue its business and competitiveness.

Furthermore, MAXXIS did distinguished themselves from the OEM business that they originally have. However, as they exposed themselves as a higher end brand in the tire business, the mother company Cheng Shin created another tire brand after its name “Cheng Shin” that provided products of low to mid-level tires. With the differentiation of the two brands and their targeted customers, Cheng Shin provided the market with several branded choices depending on the customers’ tastes and preferences. Keeping the OEM business in this case is not a successful factor, as MAXXIS successfully differentiated its products with two different brands and offering various selections in terms of price and quality.

Last but not least, MAXXIS also sustained its brand image mentally in the general public with a couple of long-built strategies. For example, heavily investing in its R&D as well as brand impression continued to show the MAXXIS message of promoting sports endlessly, as a promise to the society. Also, MAXXIS continued to held sports events such as golf and tennis to cultivate more athletes, to show its appreciation and reciprocation to the society. Sponsoring college sports events as well as arranging exhibitions in schools and public also grasped onto the customers’ attention and loyalty of the MAXXIS brand.

MAXXIS exhibited how a Taiwanese tire company can successfully create an international brand and continue to maintain or even expand their businesses. Its investment in marketing and R&D reflected strongly on the brand's growth, and its long-built brand image and uniqueness also defined themselves and differentiated them from other brands. Though competition with other international brand was a tough decision to make while promoting this brand owning, MAXXIS successfully figured out its own strategy and path against competition, and held a position firmly in the international tire market. Its emphasis on product quality as well as its brand position and target also added on to the brand value, as they have obtained good customer feedback in their increasing businesses. It also did well in positioning MAXXIS with its OEM business differently, to avoid competition and conflicts with their targeted customers. Truly, MAXXIS displayed how a small Taiwanese tire firm, with unique brand position and strategy, can successfully undergo competition and gain a spot in the global market.

Section 5. DISCUSSION AND RESULTS

Table 3: List of Results of Applicability for each Case

Factors/Companies		GIANT	MICROLIFE	MAXXIS
10 Factors from Past Literature				
Branding	Brand image/position	●	●	●
	Brand uniqueness	●	▲	●
Product	Quality	●	●	●
	Product Originality	●	●	▲
Management & Strategy	Investment on R&D	●	●	●
	Marketing strategy	●	●	●
	International expansion	●	●	●
	Sensitivity to competition	●	●	●
	Special Brand Strategies	●	▲	●
	Keeping OEM Business	●	▲	▲
Additional Factors Discovered				
Product Differentiation (OEM/OBM)		●	●	●
Globalization		●	●	●

(●: Applicable ; ▲: Not an obvious factor/maybe applicable)

Above is the results put in table when applying the ten factors to the three companies that are chosen for analysis. GIANT met all 10 factors, MAXXIS met 8 factors, whereas Microlife matched 7 factors. Based on the information and past interview of the above three companies, we find that our assumption is somehow accurate. The three companies that we have chosen are categorized as successful companies for OEM transforming to OBM, and the three companies have reached at least 7 of the 10 factors based on the data that we have found. We do figure out that not all the companies share the same kind of factors, as reasons may include different industries or target. We can also claim that successful companies from the OEM/OBM transformation do not require that many factors to succeed. Looking at the factors individually will thus give us more information about the most important factors and the ones that are not as important for a business transformation to OBM.

From the three big categories, first, let us discuss the results from the factors of branding. Our

results showed us that both three companies have demonstrated their concern on brand position and value, where brand uniqueness is somehow important. It supports the fact that brand position in the beginning and the value that it brings to the customer are indeed important for a brand to succeed. Uniqueness is important but harder to determine as companies from the same industries tend to produce similar products in which the technology or the detailed functions may be different. GIANT made itself different with how it targets high priced and quality bicycles for all kinds, as MAXXIS targeted younger customers in which they focused on extreme sporting events such as bike or motorbike competitions. Microlife on the other hand is more of a general brand that produces medical products with different functions compared to its competitors. Innovation is not easy to identify as it is often combined with R&D, and Microlife didn't demonstrate strong innovative ideas in marketing as the product itself is already strong. GIANT and MAXXIS on the other hand adjust ways of marketing such as giving back to the society and held exhibitions or college speeches to expose their brand to younger general public. As a result, brand position and value are an important factor for companies to develop for a successful transformation, while innovation can be later developed through the improvements of R&D and inner development of products.

Secondly, in terms of the product itself, all three firms expressed the importance of quality in their products. Often when companies decided to lower their material costs, the quality of the product is usually sacrificed. Thus, it is easy for customers to change to other companies with the same cost, as with lower quality, it makes the company sale unstable. However, the three top companies in their industries demonstrated how quality is of utmost important in branding, despite how they target their market. As quality of the products are often linked to health and safety, showing the quality of their products convinced customers to use their items despite the higher priced products that they may have compared to other firms. Product originality, however, is less important comparably. GIANT demonstrated product originality with the example of carbon-fiber bikes while Microlife comes up with digital blood pressure monitors. MAXXIS, from the information that we have retrieved, did not show focus on product originality, but made their products differentiable with quality and features. Thus, originality might not be as important as quality, but it is still recommended for companies to

focus as obvious difference in products will strengthen the customers' impression in the brand.

Last but not least, in terms of managing the transformation for the three companies, marketing strategy, the sensitivity to competition, and research & development are three important factors that are profoundly suggested for OEM to OBM. As discussed in the results of each company, all three companies have made significant marketing strategies in connection with their brand position to their targeted market and customers. They have also predicted the trend of the industry and make arrangements and tactics to counter the competition that they may face. Research and development are important factors to the companies as this investment makes their products differ from their competitors, as well as strengthening their knowledge on either manufacturing the product or adding new features and technology. R&D have also well-proved that they supported the companies hugely on their way of OEM transforming to OBM. GIANT and MAXXIS clearly demonstrated on how their OEM businesses helped them on the transformation, while Microlife is heavily relying on its OBM after the transformation. Microlife relied more on marketing and R&D strategies, but its OEM business only provided the environment and know-how to the transformation, not strategically showing how it helped with the OBM. Last but not least, GIANT and MAXXIS also had special brand strategies that helped with the success such as how GIANT separates its OEM/OBM businesses to gain profit on both sides, and how MAXXIS targeted and thought differently with its competitors to target a different age group and market. Microlife went on the way to strengthen its products with a definite strategy to compete against its competitors and used its R&D and marketing strength to accomplish and increase market share.

In addition to the findings and results of the case studies by applying the factors, there are also additional factors identified as we investigated the three companies. For example, one of the factors discussed by both GIANT and Microlife is the differentiation of its brand products and OEM products. GIANT took a step of distinguishing its brand products and OEM products by completely separating the R&D department of the two and ensuring that none of the employees from either side learns any specialties or designs to come up with similar products. This helps the transformation by creating no competition from its own OEM business. Microlife focused on products such as blood

pressure monitors with its brand, while keeping household thermometers with its OEM business to retain the old and loyal OEM customers, keeping competition away from its OEM and OBM businesses, and also assisting both sides to grow. On the other hand, Cheng Shin differentiated its products by having two brands with different targeted customers, to create a differentiation of its products.

Moreover, in regards to the factor of international expansion that we have discussed earlier, extended factors include globalizing the company as well as adapting to internationalized management style. For example, Microlife conducted its business through ways in which Taiwan manages, China produce, and marketing through Europe and the United States. They believe that OBM business is supported and strengthened by globalization, and thus, assigning roles and functions of the company by location is also an important tactic to managing an international brand. GIANT also created its globalization by the term “globalocalization”. GIANT’s way of managing its international business through globalocalization helped its growth in international markets, as GIANT believed that using the local employees in a particular region is the best way to enter and understand the market. With this direction, they can easily adapt to the local market demand and preferences through local employees, while assigning overseas employees to a new market may slow down the progress and fail to compete with local competitors. Local employees also have clearer understanding of the region’s practices as well as laws and regulations that assists GIANT to avoid potential problems and regulatory issues that might occur. MAXXIS also spread its businesses to different areas in the world, and forming subsidiaries globally to enter the local market.

In addition, to distinguish the factors, we would label each successful factor as very important (applicable to all three companies), intermediate/somewhat important (applicable to two companies), and least important. The results are summarized in Table 4, and this could easily summarize the importance of the successful factors that we have looked at, and also another evaluation point for companies who are planning their business transformation.

Table 4: List of Successful Factors (Most important to least)

Most Important Factors (Shared among three companies)
Brand Image/Position
Product Quality
Investment in R&D
Investment Marketing
International Expansion
Sensitivity to competition
Production Differentiation
Globalization
Intermediate Important Factors
Brand Uniqueness
Product Originality
Special Brand Strategies
Least Important Factors
Keeping Original OEM Business

CHAPTER 5. CONCLUSIONS AND LIMITATIONS

Section 1. CONCLUSION

As how Yan (2012) previously concluded, the experiences of Taiwan's entrepreneurial firms transforming from OEM to OBM offer useful lessons for the latecomer economies, particularly as globalization gathers pace and many emerging market economies try to compete in the global market. This study ought to provide companies with suggestions and recommendations for their businesses in the future, in particular OEM companies that are still aiming to survive in this quick-changing global business era. With the three cases analyzed in this study, we noticed numerous shared common successful factors affected the results of companies' success in their business transforming, as well as individual factors that were not shared. Setting the brand's position and value, planning its marketing and R&D strategy, as well as maintaining the quality of the brand's production and distribution are proven to be important factors that affects the outcomes of OEM businesses changing to OBM. Sensitivity to competition of the companies as well as planning on international expansion and strategy are also factors that were examined and demonstrated by the companies analyzed. Other unshared factors such as uniqueness/originality of the brand or product, as well as keeping the original OEM business are factors that somehow affected the outcomes, but not priority factors for companies to focus on in the first place. The above can be concluded as important aspects for companies to follow or access, in particular companies that are planning its strategy into creating a brand.

Companies such as Perfekt as introduced in the beginning are indeed potential companies that are undergoing the change in its target and strategy. Examples in the past can offer good experiences and outcomes that new and latecomers can adapt and apply. Still, business transformation requires huge efforts from a company, whether by its management level's strategic decisions, or the cooperation and support by its employees. The results showed possible solutions to this OEM-OBM change, and companies can begin their attempt on such basis. Nonetheless, companies should also pay attention to the change in their business environment as none of the factors are guaranteed factors of success for business transformation. Decisions and strategies should still be made based on the current status or

situation of the company, in which the management level knows best. With the discussed factors as a base, it should be a helpful guide for potential management decisions to be made in regards to the business transformation of current firms that are in dilemma for a change.

Section 2. LIMITATION

For the limitations of this paper, as business transformation in general is too broad, we have looked and study mainly the companies located in Taiwan. Since Taiwan was once equipped with numerous OEM companies that ranges from industries such as textile manufacturing to electronics, Taiwan was also one of the countries that was hugely impacted from the OEM growth of companies in China and emerging countries in Southeast Asia such as Vietnam and Cambodia. This paper focused on the companies once began as an OEM/ODM company in Taiwan, and later changed into creating their own brand to compete with companies around the world. We have also looked into companies widely regardless of where their factories are located or where their main targeted market is, but in general discussed how their branding tactics and strategies succeeded given the competition and difficulties of the branding market. The time of this paper was also limited to within 40 years from now (Since 1980s), as the ascension of Chinese OEM companies began to emerge during that time; we have looked at the companies that conducted their business transformation during this period of time.

On the other hand, this study also undergoes some limitations that may cause the result and conclusion to be less accurate or less applicable to other companies. First, as the study only applies the successful factors to the Taiwanese company, it might not be well applied to companies outside of Taiwan. As mentioned in the beginning, we are trying to conclude on what successful factors make a Taiwanese company's business transformation from OEM to branding. Secondly, as this study is only limited to three cases, the outcomes of the study may not be well-assured, as we have only looked into three cases out of many that have succeeded in Taiwan. The level of assuredness is not high as three cases from different industries were examined, and these cases might be the special ones among their industry. It is not enough to fully support the concluded factors were in fact the utmost important or

the theoretically guaranteed successful factors. Different industries may have different entry barriers or requirements for brand creation, and it is yet to be discussed and proved.

Last but not least, due to the current situation of the COVID-19 virus that is happening around the world, the number of interviewees were also limited as we were not able to get interviews from most of the cases to get firsthand information. Most of the information were based on interviews from other platforms, though the information is still relevant to what we have discussed: the successful factors that caused the transformation for the three cases to be successful. As a result, we were unable to fully guarantee that the information from the past interviews and articles remain the same.

Section 3. FURTHER STUDIES

For future studies of this topic, to better strengthen the results, more successful cases from each industry should be evaluated rather than just a couple. Like many other studies, the more samples examined, the more accurate the results will be, as they stand out to be more convincing compared to just a few samples. It can also identify the outliers, and to easier retrieve the common successful factors where more companies are evaluated together.

Furthermore, to extent the studies of similar topics, other countries with relevant size like Taiwan can also be examined to see if they share similar factors. For example, in the book “Branding Through Dynamic Co-opetition”, it implies that small countries similar to the size of Taiwan have also created worldwide brands that people know nowadays, and if these small countries can do so, why not Taiwan. Thus, it would also be interesting and effective to study the successful factors of the companies of these small countries, and to see if any similar factors are shared. The results could then be firmer and more convincing to what we have assumed in this study.

Nonetheless, getting firsthand information is still a more reliable way when doing similar studies. It is always better to hear or see directly from a company’s representatives, and the firsthand information always stands as a more reliable source compared to summary of interviews or articles that are published by other personnel. I believe that getting to interview the actual participants during the transformation will provide us more on the information and results that can better support our

hypothesis and findings. For future studies, results will be more accurate if the above limitations are solved to a certain extent. This study can perform as a starting assessment for companies to perform a business transformation, but for detailed plan and strategy, companies should narrow more on studying perhaps the same industry, country, or company goal and value before moving forward with any decision-making.

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