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# Market Strategies, Analysis, Competitive Intelligence and Challenges in Entering the Chinese Market 2020

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# Background and Purpose

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## Background :

- ✓ China's impressive economic growth performance over past 30 years has elevated China to be the 2<sup>nd</sup> largest economy in the world, surpassed Japan and probably the U.S. by 2030.
- ✓ China has a very unique and complex culture and philosophy that directly influences marketing strategies, consumer preferences and emotional appeal.
- ✓ China is the fastest growing economy in the world, with the transition from a command economy to market-oriented economy.

## Purpose :

- ✓ To suggest that Western basic marketing strategic theories and practices are effective in China. However, marketing strategies must follow in-depth Chinese marketing research in identifying market differences based on culture, political, economic, social and legal systems; that is localization and adaptation.
- ✓ To understand Chinese culture in order to apply the 4Ps of marketing mix effectively and in adapting to local consumer tastes and emotional appeal.

# Literature Research

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## # Market Strategies

**(Liu & Roos, 2006) 2 strategic paradigms :**

1. associated with restricted (controlled) industries
  - investors can't exceed a maximum of 50% ownership within the organization
  - *Guanxi* focused : strong human relationships, skills and significant networks, or connections
2. encouraged (unrestricted) industries
  - market-focused competitive principles and practices : high level of adaptation to local needs, management of local competition, management of marketing dynamics, and localization of management
  - *Guanxi* still plays a significant role



**(Hiu, Siu, Wang & Chang, 2001)**

Provide more meaningful ways to identify and understand various consumer segments and to target each segment with more focused marketing strategies by understanding Chinese consumer behavior and their decision-making styles.

**(Usunier & Lee, 2009)**

Globalization has specifically impacted China and marketing strategies for entry into China must be comprehensive capturing the depth and understanding China's backgrounds. Marketing management largely needs to be tailored to local contexts.

**(Kumar, 2000)**

Doing business in China should consider the non-verbal behaviors of the Chinese; must include Chinese consumer preferences, emotional appeal, and the effects of branding and advertising.



### **(Cateora & Graham, 2002)**

Mode of entry a market should include : analysis of market characteristics, organizational capabilities and characteristic and the commitment the organization makes. 3 scales of entry mode : small, medium, or large scale entry. Local and national brands are still a preference (than global brands) by many country-specific consumers, including China.

### **(Arnold, 2004)**

3 stage market entry ; initial market entry, local market expansion, and global rationalization. Entry into China's market must consider local customer preferences and emotional appeal. As Nestle described as "preferring brands to be local, people to be regional, and technology to be global."

### **(Cooperman, 2004)**

Culture must be taken into consideration when advertising in a foreign country.

### **(Gao, 2005)**

Legal conditions regarding advertisement have been a cause or obtacle for preventing standarization of advertising globally.



## # Market Analysis

China is a collective, neutral and high-context culture with a unique culture and philosophy that must be understood during any market analysis/intelligence and competitive intelligence (CI).

### **Competitive Intelligence**

**(Adidam, Gajre, & Kejriwal, 2009)**

To conduct CI successfully in foreign markets, it is necessary to understand the local culture and business practices and integrate this new understanding with traditional and domestic CI practices.

**(Adidam, Gajre, & Kejriwal, 2009; Usunier & Lee, 2009)**

A cross-culturally awareness CI program includes : define requirements, assign a cultural leader, organize cross-cultural CI structures, collect information and analyze it, and disseminate intelligence.



## Challenges

**(Li, Jiang, An, Shen, & Jin, 2009)**

The economic development in China has introduced many cultural, values, and behavioral changes, especially with the younger generation. International marketers should be aware that these young Chinese consumers value modern products and name brands. Younger Chinese generation prefer global brands to their local brands. Chinese consumers save a much higher percentage of their income than Westerners. Chinese consumers are more likely to spend on luxury products to impress others.

**(Hofstede, Kluckhohn and Strodtbeck, 2009)**

Chinese cultural values focus on living in harmony with nature, respecting proper order, interdependence self view, being modest and long term orientation.

**(Nunes, Piotroski, Teo, and Matheis, 2010)**

3 lessons shaping the brand image : seek to build trust, connect to what Chinese value in brands, and show you care about Chinese, not just their money.

4 lessons how to best communicate the brand message : broaden advertising mix, turn product reviews into public relations opportunities, provide Chinese consumers with something good to say about your brand, and make the brand tangible.



### **(Anonymous, 2008)**

Break down Chinese population into 4 segments (first, second, third cities, and rural areas) with variations between income, education, profession, and lifestyles. Large cities are more innovative and have a greater familiarity with global brands. The northern consumers are more conservative than those from the southern. Chinese consumers are very sensitive to prices , except for the luxury product market.

### **(Yu, 2006)**

Barriers to e-business development in China is still lack of internet penetration, consumers prefer face-to-face transactions, lack of credit card payment systems, and poor transportation infrastructure. But some Chinese consumers are beginning to recognize the benefits of online shopping.



# Research Design/Methodology

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Author mostly used theoretical method in writing this journal due to lack of information of Chinese customers and gathered information from other authors. As the information gathered, author then concluded some suggestions and showed some related factors that influence Chinese customers.



# Research Findings

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Although China has recently been elevated to the second largest economy in the world, it still has many internal challenges to overcome in order to sustain its economic growth. China has a very unique and complex culture and philosophy that directly influences marketing strategies, consumer preferences and emotional appeal. In order to entry China's market, global companies must understand this complex situation of China that differ from other countries.



# Propositions for next research

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There are still many other areas in China that requires attention by China's government, corporations, society to do some further future research. Some other areas that requires additional research in China is that of promotions, advertising, and branding. China has not been exposed to global market conditions for very long. The gaps are due to large population, a central planning system, a market systems, and a sustaining and keep growing/changing economy conditions.