

FOUR CRITICAL SUCCESS FACTORS TO **WIN** IN CHINA



*“China is not **one** market,
it’s **many** markets...”*

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When I started helping companies do consumer research in China in the early 2000s, I have to admit it was pretty much a 'hit and miss' affair. The information available from public sources (which you could access in English language on Google) was very primitive (high level statistics only supplied by Government agencies) and the best and most useful analysis was usually done by hiring young chinese graduates to walk around with clipboards asking people targeted questions and comparing the prices of different products on supermarket shelves.

Just over 15 years later, it's amazing how much high quality research is now publicly available on the internet (often free of charge or, if not, at a very modest cost) which points to a thriving local market research and data management industry, together with an abundance of rich, precise and highly targeted data on consumer preferences, behaviours and propensity collected from a retail sector which has become highly digitised.

There really is no excuse any more to doing comprehensive and thorough research before getting on a plane and engaging with the market. And it doesn't have to cost a fortune either.



Whilst it's tempting to get on a plane to China to start shaking hands, exchanging business cards and attending Chinese banquets, you will be wasting your time, money and energy until you've done some comprehensive market research. China is not **one** market, it's **many** markets, each with different characteristics, opportunities and challenges, and the place you start (even if it doesn't end up being the place you finish) should only be determined after proper research and an evaluation of different market entry options.

With China the first market to come out of this Covid crisis, and the rest of the world still grappling with the economic and social fallout, now is a great time to get started.

From my experience, whilst doing your research, it will be essential for you to focus on the **four critical success factors** which will form the foundation of your market entry strategy for China:

1. A DEEP NICHE



It's widely accepted that in order to position your product appropriately in a crowded, populated and noisy market like China, you need to carve out a "Deep Niche".

The narrower and deeper the niche, the better. And with such a large population available, and such vast diversity between the age groups in terms of consumer behaviour, disposable income and spending patterns, you can expect your niche to be more than large enough to sustain your whole China business (assuming you get it right of course!) So what are the key elements to establishing a deep niche? Here are some thoughts:

- Targeted** - based on a well defined and properly researched target customer segment(s)
- Differentiated** - a clear value proposition which articulates a unique market position
- Premium** - appeals to aspirational consumers with an eye for quality
- Prestigious** - leverages a brand story with heritage, legacy and/or luxury elements
- Leveraged** - allows for the niche to be expanded or scaled up over time
- Responsive** - flexibility to adapt to rapid market change

It goes without saying that, in order to develop a deep niche you need solid evidence of the target customer segment(s) that makes sense for your product/service and brand, and this will require some extensive research and an investment up front. The rewards for doing this thoroughly will come later.

2. BRAND STORY



In addition to establishing a deep niche, successful product and services providers in China need to develop a compelling “Brand Story” which will appeal to Chinese customers and clients in a crowded, noisy and competitive market. There really is no limit to how much time, effort and expense can be involved in getting this right, and many examples of high profile brands and companies who consistently get it wrong.

So what are the critical elements involved in developing a compelling “Brand Story”? Here are some thoughts for foreign companies to consider whilst doing their research:

- Longevity** - long term, historical, with a rich and deep cultural heritage/background
- Innovative** - includes unique cutting edge design and/or engineering elements
- Prestigious** - appeals to aspirational and motivated consumers with a big dream and/or vision for themselves, their business and/or their family
- Elegance** - exudes quality, class and premium positioning
- Personal** - reflects traditional family values and lifestyle
- Fresh** - new, existing and shiny which hasn't been seen before
- Chinese** - in chinese language with appropriate symbolism, nuance, respect and cultural awareness
- International /Local** - skillfully articulates the benefits, features and strengths of the country of origin

Developing a successful “Brand Story” is more of an ‘art’ than a ‘science’, although it consistently trips up large foreign players who can boast high brand equity and recognition in their home country and/or other international markets but end up getting it wrong in China. Past results are no guarantee of future success!

3. FINANCIAL CAPACITY



There's no point in beating around the bush. If you're going to do business in China, you're going to need to spend some serious money in a wide range of areas, especially in research, people and (especially) marketing. Your marketing budget alone can run into millions of dollars to promote your **brand story** and create the **deep niche** that will be so essential in standing out from the competition and attracting your target customers to your product or service.

The days are long gone when you could turn up in China and expect the red carpet to be rolled out for you. You'll need deep pockets and a commitment to a long term strategy to help you stand out from the crowd and get the results you are looking for.

As you consider your budgeting requirements for your China business, I suggest you consider some or all of the following:

- Long Term** - don't be forced to give up too early. You'll need to plan for at least 3-5 years
- Marketing-driven** - don't underestimate the cost of effective and targeted marketing in a large, crowded and noisy environment
- Analytical** - be disciplined, dispassionate and focused on the bottom line
don't get distracted
- Flexible** - build flexibility into the budgeting to swiftly move and respond to market forces
- Capital Intensive** - ensure your capital reserves are sufficient to iron out the volatility
- Stakeholder Commitment** - especially for when the going gets tough

The good news is that success in China can be exciting, transformational and life-changing and will alter the way you view the world. Be bold, courageous and disciplined. Trust the process.

4. CULTURAL AWARENESS



In my opinion, whilst establishing a brand story, deep niche and financial capacity are critical to the success of your China market entry strategy, nothing is more important than your ability to embrace the local culture and manage cross-cultural differences.

A company-wide commitment to a deep cultural understanding, awareness and acceptance of how business gets done in China, and how differences can be embraced, managed and/or worked through empathetically, needs to start at the top and filter down to every level of the organisation. There is no way of faking this in China.

So what are the critical elements involved in developing cultural awareness within your organisation? Here are some thoughts:

- Curiosity** - an organisational culture which encourages curiosity, exploration and learning
- Intelligence** - evolving from 'IQ' and 'EQ' to 'CQ' ('Cultural Intelligence') requires education, training and support
- Diplomacy** - resolving differences, conflicts and clashes, whilst saving face
- Language** - understanding that the chinese language is a 'window' into the culture
- People** - embrace culture, diversity and multiculturalism at every level, starting with recruitment
- Hierarchy** - vertical rather than horizontal
- Respect** - negotiate hard but always show respect
- Relationships** - putting relationships first - transactions and profits come later

It's hard to do justice to such a complex, multi-faceted and multi-layered topic in just a few words and sentences. For those who haven't read it, my **Three Cups of Tea** provides additional insights and there is no shortage of books and resources on the topic written by leading experts and practitioners.

It's actually the single and most important factor that will determine your success or failure in China.

Finally...

BEYOND THE HEADLINES



Perhaps you're feeling negative about China right now? It's understandable for you to be concerned with all the negative media coverage, the global geo-politics, the Covid crisis and the deteriorating US-China trade relationship. I am very aware of all of these issues, and I talk about them regularly in my daily [China Bites](#).

But I am also looking to the future and the economic fallout from Covid, and I'm helping SME business leaders and entrepreneurs reach out to chinese consumers, investors and partners to tap into China's enormous potential (see [China has the MONEY and the MARKET](#)) which will enable them to prosper in China in the future.

There's never been a better time for entrepreneurial business leaders to consider their options and start researching their possibilities in China - I'm here to support them with the ideas, knowledge, experience and connections.



ABOUT THE AUTHOR



David Thomas, Keynote Speaker on Future Trends, Innovation, Leadership and Globalisation, David motivates and educates global business leaders, entrepreneurs and investors about the massive potential offered by modern China. Having worked with SMEs from many industry sectors, David's experience and expertise is broad and deep. These industries include food, healthcare, education, tourism, real estate, retail, professional services and technology.

As President of the Australia China SME Association (www.acsme.com.au), David has organised and led numerous trade missions and study tours to Hong Kong and China, including the annual Australian mission to the Asian Financial Forum in Hong Kong and BRIC+ Study Tours for investment professionals to China and the other BRIC countries (Brazil, Russia, India and China). He is the publisher of 'China Bites' (www.china-bites.com), his regular take on what's happening in China and why it matters. More about him at www.davidthomas.asia.

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