



Connecting with China's Consumers

What does it take to be successful in China and how can you appeal to its consumers? **Dawn Murden** speaks to a number of business leaders with experience in the region to find out

Western businesses won't break the Chinese market with ambition alone. It takes patience, research and knowledge of the market's consumers. Understand the customer and you will know how to position, alter and grow your offering.

To think that China is a homogenous or static market would be a huge mistake. Criticaleye's Global Conference Call, [Understanding China's Consumer](#)

[Landscape](#) aimed to drill down into the complexities of consumer behaviour.

Michael Crompton, General Manager for Asia at Criticaleye, said: "Understanding the consumer is so important. The company – its brand, its product or service and everything it stands for – has to match the desires in the marketplace. Work out what people are passionate about and appeal to that. Also consider product differentiation

depending on whether you enter a basic, mid-range or premium market."

Here are some of the key points to emerge from the call:

1. Foreign vs Home-Grown

David Comeau, Criticaleye Board Mentor and former President for Asia Pacific at Mondelēz International, which owns brands, including Oreo, >



Chips Ahoy! and Belvita, explained that you can't just export a Western idea and hope that it'll stick. "It's not simply about bringing a product or idea to China, it's about how we understand what the Chinese want and do it in a way that feels home-grown," he said.

To tackle this, **David** gave his Chinese team the freedom to tailor the brand communication and new product pipeline to suit the market. "We gave them ownership, we set them creating messaging around the brand that made sense to the Chinese consumer so it felt home-grown," he said.

Remember you will be competing against a rising number of domestic brands, many of which are enjoying growing customer loyalty.

Anne Stevens, Criticaleye Board Mentor and Board Trustee for charity Over The Wall, reflected on the market changes that have occurred since she was Vice President for People & Organisation at Rio Tinto Copper, where she led the people strategy and practices across the Americas and Asia Pacific.

"There has been a rapid amount of change in a relatively short space of time; businesses and products are now viewed differently. In particular by millennials and younger Chinese consumers," she noted.

"Previously, we saw a lean towards Western products, for example Prada and Burberry in luxury fashion, but now there's a move towards local brands. Leaders need to stay on top of these changes and tune into what the market is telling them."

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2. Take Advantage of Trends

A taste for domestic brands is not the only consumer trend in China and understanding more of them helps you position your product or service.

Chris Riquier is Board Director at Foxley, a platform for website design and online marketing; prior to that was CEO for the market research and market information group, TNS Asia Pacific, where he gained insight into the Chinese market.

On the Conference Call **Chris** noted some trends that Western companies have done well to adapt to; one of which is the growth of domestic tourism, which outdoor clothing company The North Face has taken advantage of. "Previously, their advertising in China was very much directed at Western experiences such as trekking in The Alps, now it's directed at urban Chinese who want to experience rural China."

He also explained that uniqueness and self-expression are of growing importance among Chinese consumers. "Individuality is an intoxicating taboo that is growing within the marketplace

and according to research, 64 per cent of consumers within Beijing and Shanghai agreed with the statement: 'I don't like it when I see others wearing the same clothes as me,' he shared.

China is not a homogenous market and an understanding of the different provinces and cities is required. **Hera Siu**, Managing Director for Greater China at Pearson, comments: "China is regionally biased in terms of economic development, demographics and the size of middle income families. The coastal cities, as well as tier one and two cities, have more exposure to western products and services, while the inland provinces are still rural and rely on local providers.

"We cannot adopt a cookie cutter approach to China, however the simplest way is to organise it into four regions: North, East, South and West, with the more affluent demographics located in the North and South."

3. Understand the Channels

According to **Iñaki Amate**, Group Director for Greater China at Fjord, Western companies often underestimate the power of digital platforms in China, especially those on mobile.

"It's important to understand why people behave as they do and why people in China consume media in a different way compared to other markets," he said.

"Always test before you enter, and not just segments; create the persona of the different users before you create the products and services. In a market like China, which is so broad, it may sound challenging but you need to go one level deeper." >



Take the pervasive WeChat, for example. While it is similar to an instant messaging platform like WhatsApp, it also has a payments platform, meaning consumers can order food, taxis, manage their money, sort utility payments, pay traffic parking tickets, check the weather – it has a long list of uses and owner Tencent is constantly developing it.

Chris said: “I come back to a Western market and see the messaging apps we have; they seem positively archaic compared to China. Brands have to be aware of this if they are going to connect with consumers.”

When **David** was at Mondelēz he realised the company had to adapt to the rise of ecommerce in China. “We saw other companies start on nothing and grow unbelievably quickly – for example, we saw a Chinese nut company called Three Squirrels go from zero to more than 200 million sales online. We weren’t growing like that,” he explained.

That’s when Mondelēz started partnership discussions with companies, including internet service portal Tencent and the ecommerce company Alibaba, to develop the business’ online mindset.

“That was a huge win for the organisation in terms of incremental growth. A lot of growth will come from those channels as consumers develop stronger online habits; this is happening elsewhere but China’s leading the way,” said **David**.

4. Partnering isn’t a Necessary Evil

There’s often a presumption that China plays by different rules. One of these is

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that you must join forces with a Chinese entity to get your business off the ground, but this is not always the case.

Chris at Foxley noted that it’s difficult to make a generic statement about partnering and the best course of action, be it a joint venture, M&A, investment or going in alone. “It’s contingent on what market you are going into, your company and products or services,” he said.

“Apple is an example. Where it has strong products it’s going in alone; where it feels less able to compete it’s going down the partnering or investment route – for example, it has invested \$1 billion in the app-based taxi company, Didi Chuxing, which is Uber’s main rival.”

If you’re going to form a partnership, be it via a joint venture with a commercial partner or another type, it must deliver discernible value and include clear roles for those involved. “Partnerships in China need to be seen as a good thing. It’s a real chance to create a ‘one plus one equals three’ scenario,” **David** adds.

According to **Hera** many Western multinationals, such as Volkswagen and Yum, formed an equity partnership with a Chinese firm when they entered the market, which she said has been hugely beneficial. “Chinese partners help lobby with local government for favourable

policies. They can also support building the channel infrastructure,” she says.

As well as partnering **Hera** suggests hiring local talent to yield better results: “I would suggest both. If time is not an issue, building knowledge through internal hires is the simplest option.

“However, one word of caution is that most Chinese employees do not have a good sense of governance. Very seldom do they institutionalise their learnings, so if you lose this employee you have to start all over again.” ■

Criticleye’s third Asia Leadership Retreat, in association with Accenture, takes place in 17-18 November 2016. Find out more [here](#)

Featuring Commentary From:



Iñaki Amate
Director
Greater China
Fjord



David Comeau
Criticleye Board Mentor &
former President, Asia Pacific
Mondelēz International



Michael Crompton
General Manager
Asia
Criticleye



Chris Riquier
Board Director
Foxley



Hera Siu
MD
Greater China
Pearson



Anne Stevens
Criticleye Board Mentor
& Board Trustee
Over The Wall

Contact the contributors through:
www.criticleye.com