

Dos and Don'ts in Entering Chinese Markets

Many multinational companies are responding to opportunities within the lucrative markets in China. However, despite the achievements of some international companies, such success has in fact been variable. Two significant questions are how internationally successful marketing strategies can be adopted in Chinese contexts and how strategies should be adapted to suit Chinese preferences and perceptions of products or services. An adaptive strategy may be complicated by considerations of cultural diversity across and within regions, and by variable market demands of different degrees of customer affluence. But, too much flexibility towards localization may lead to loss of consistent branding and a weaker unique selling appeal.

Around 63% of international companies operating in China acknowledge the need for specific adaptation to suit the Chinese market. Often this entails small adjustments to known target audiences. Kraft Foods, realizing that many Chinese consumers shun sweeter flavours, made Oreo biscuits with less sugar and provided a green tea flavour. Western fast-food outlets, notably KFC, achieved success with extended chicken menus plus providing local dishes, whereas other outlets, relying on the beef-filled menu popular in America, were less successful in China.

Lessons about knowing the target audience can be drawn from the person-to-person online selling platforms of Taobao in China and e-Bay in international contexts. The e-Bay strategy entailed the use of credit card payments, a standard Western practice, with a small service fee for e-Bay. In contrast, Taobao understood that many Chinese customers prefer a free platform and to complete a transaction without a transaction fee, which can be done through Alipay. However, Taobao added advertising in order to maintain a profit and avoid the service fee. Taobao also added a chat feature, enabling direct buyer-to-seller communication. This fits how many Chinese want to establish relationships before transactions. E-Bay avoided the chat feature: it risked how customers might simply make deals directly to avoid the fee. Ultimately, e-Bay closed its operations in China.

However, localization also has pitfalls. Some foreign products in China have the status of being luxury items with a particular unique image. This perception may be lost with too much localization.

A related challenge is the question of using Chinese names for foreign brands in China. Naming is significant for an initial impact to help customers remember and try the product. Some companies have found successful solutions using names which sound like the original brand but

with clever translations. The oft-cited example of the Chinese for 'Coca Cola' (*Ke Kou Ke Le*) translates loosely to 'happiness in the mouth' and it sounds like the original brand name. In contrast, the Chinese name for the electronic company 'Best Buy' can be translated as 'think one hundred times before buying'.

Advertising for product promotion needs to consider local reactions to international messages. An advert for chocolate by Cadbury showed a gorilla playing drums. This generated enormous market interest in Britain, as it was considered cute or funny; however, Chinese audiences found it confusing and strange. Other companies have advertised with situations unfamiliar to most Chinese audiences, such as the blond family of four vacationing on a sunny Californian beach. The family did not look Chinese, and Chinese women were not likely to spend time getting a suntan, in China or in California.

Pricing is another marketing factor, with the need to think about affordability and disposable incomes. This should be nuanced because of varying income levels in different cities. Simply lowering prices to make them affordable may work against the idea of luxury products. It may detract from the exclusiveness of product branding and it may lower perceptions of value.

How products are distributed is another consideration. This is a challenge for 'big box' stores like Home Depot or Best Buy. They require large floor areas for displays. In crowded city centres such locations are expensive, which may raise in-store prices, and the hassles of traffic conditions and car parking for customers can be problematic. Such stores are thus located outside main city areas, which assumes car ownership. The stores typically provide kits and tools for furnishing and home living, anticipating that customers will be familiar with a do-it-yourself approach to assemble their products at home. However, this might be a less familiar idea for some Chinese customers experiencing recent home ownership, since they may prefer professionals to assemble the furniture for them. IKEA has overcome these issues with trendy creative designs seen in-store from which customers can learn and replicate at home.

Companies might find it advisable to take advice about marketing and cultural preferences from experts, including consulting international and local people who have experience of relevant environments and understand Chinese consumers. The design of marketing strategies needs to take account of research, and known preferences, cultures, and current consumer trends.