

# The Long March to Marketing Chinability

## Cultural Intelligence and Business Success

by DR. DR. ANDREAS TANK

Doing business in China is not a sprint but a Long March. Even after almost four decades of reform and opening, success factors for many companies remain a great unknown. Aside from economic conditions and government influence, foreign culture and language in particular prevent companies from obtaining the crucial access to the market. Reports of extraordinary success but also disastrous failure circulate in the media and help to establish an ambivalent viewpoint of fascination and fear. High expectations easily turn into disappointment.

Profound China competence is a key competitive advantage. Knowledge of the Chinese market and careful preparation of entrepreneurial activities reduce risk and increase the potential of turning opportunities into success. This includes willingness to learn new things and, due to the heterogeneity and dynamics of the market, to continually question the current state. Too often have Westerners tried to incorporate their experiences and perceptions of China into Western theories and models and thus provoked serious misjudgments.

Which factors should foreign brands pay attention to when they aim to enter the Chinese market? To what extent does the Chinese market allow for the implementation of internationally standardized strategies or insist on adapting to local conditions?

### Overlay of Traditional and Modern Influences

5,000 years of continuous cultural history shape the socialization of consumers and significantly determine factors such as purchasing behavior, preference system and benefit expectations. The rapid development since Deng Xiaoping's reform and opening policy in 1978 led to an overlay of traditional and modern influences, and strong regional disparities, so in fact - despite from the unifying culture - China has to be regarded as many countries instead of just one. If we compare the geographical size of China and Europe, the typical "Chinese" consumer is equivalent to expecting identical consumer behavior all the way from the Northern Cape to Gibraltar.

In the course of the market opening a new generation grew up, known as "little emperors," which was in many ways different from the previous generations who had spent their childhood in a closed society, marked by famine in the "Great Leap Forward" (from 1958) and extreme violence during the "Cultural Revolution" (from 1966). The following generation grew up in a time of significant change and occidental influences, when China developed from one of the poorest countries into the second largest economy in the world, substantially increasing the income per capita and forming a strong urban middle class. This group of buyers strives for innovative products that are popular and market leaders abroad. Higher-priced products, especially luxury and imported brands, enjoy a higher level of trust and are linked with model functions. Prestige, status and power are major influential factors on the purchase act, because success and wealth are connected with the desire that they are recognized by others. Consequently products are perceived as especially attractive if they promote individuality and unique style and enable customers to emerge from the anonymity of the mass of millions, to be seen as dynamic, modern, international and different. MasterCard, for example, as part of its "Priceless Beijing" campaign praises an exclusive stay at the Beijing Summer Palace: "Bask in the magic of the Summer Palace without the crowds." This is emphasized by slogans such as "The best or nothing" from Mercedes; "Raise Your Standards" from Radeberger; and "Be different!" from the supermarket chain Olé. Studies have elicited, that also the rapid rise in consumption of coffee in China is linked to this phenomenon: The success of Starbucks is primarily due to the expected status gain for the customer and only secondarily because of the taste preference.

### Product Adjustment due to Local Consumer Habits

Differences between East and West can also be seen in the consumer habits. The classic example is the automotive sector: In Western countries luxury cars are mostly driven by owners and in China mainly by chauffeurs. It is therefore important to improve the equipment and comfort in the rear, such as seat spacing or entertainment electronics. Promotional banners for the BMW 5 series show a spacious rear

with a built-in screen and folding table for working on a laptop. An example from the FMCG sector is Lipton. While synonymous with tea bags in Western countries, in China loose leaf tea is also available. Although the traditional company established leadership in the tea bag segment with its black tea "Yellow Label" only five years after entering the market, a sustainable development for growth required the mentioned localization measures. When researching the usage habits of the target group, consumption size and technical equipment of Chinese households also need to be analyzed. For example, an oven is not a common feature of a Chinese kitchen. Consequently, at their Shanghai branch, Dr. Oetker produces pizzas for preparation in the microwave. The consumption size again is dependent on factors such as household size, housing space, political guidelines or level of purchasing power, all having an impact on the buying and storage behavior. Especially in consumer goods, there is a strong presence of smaller packaging. Shampoos from brands such as Vidal Sassoon, head&shoulders and Pantene Pro-V are available in packages of 5ml. Kellogg's cornflakes other than the 500g package are also offered in 25g, 150g, 275g, and 340g packages. The purchasing capacity includes a psychological component since smaller packaging is absolutely not only cheaper but also suggests a minimal risk of failed purchase for the consistently high number of first-time buyers.

### Taste Preferences Related to Nutrition and Medicine

Adjustments can also be found in the flavor of food. Here it needs to be considered that Chinese food, through a tight and long lasting connection over millennia between diet and medicine, has always also been functional. Food is consumed not only because of its taste, smell or color, but especially because of its perceived positive effect: Lay's offers chips with cucumber flavor and praises them based on their dietetic characteristics for being cooling and refreshing. Due to this background, highlighting health benefits is advantageous: On its yoghurts Zott writes "Contains Calcium" and Lactana infant food from Töpfer emphasizes its organic farming. Many Western companies have their products tailored to Chinese preferences: Cornetto offers taro and milk flavor, Colgate has a green tea note, Pretz has a Beijing duck version, as well as Shanghai crab and spicy Sichuan tofu, while Starbucks sells red bean and green tea Frappuccinos.

### "A Lot of Joy Star" and "Horse Brand"

In the context of specific product planning, the suitability of the packaging and its promotional and protective functions need to be checked. In general, brands strive to adapt their packaging as little as possible. In China, the need for change arises by integrating the Chinese characters of the localized brand name. In its adaptation, special sensitivity is required. The chosen Chinese characters should not only be truthful and meaningful, but also elegant and evoke positive associations. Moreover, it is important to avoid pitfalls caused by homophones. The American drink 7Up was at first literally translated into "qi shang" (七上). For the Chinese, this unintentionally created associations with "qi shangchuang" (七上床): go to bed seven times. Therefore, the drink was renamed into "Seven delights" (七喜, qi xi). The majority of foreign companies try to translate their names so they are either phonetically similar or still carry the right meaning. Coca-Cola is called "kekou kele" (可口可乐), translated: "tasty and makes you happy." The Chinese name for Lego is 乐高 (le gao), which comes from "joy" and "big" combined, Donut King is "a lot of joy star" (多乐星, duo le xing). Continental tires are known under the name "horse brand"

(马牌, ma pai) and Nestlé – linguistically the diminutive of "nest" in Southern German – is called "sparrow's nest" (雀巢, que chao).

### Red and Gold Dominate Gift Packaging and Holidays

In the aesthetics of product presentation, colors and shapes also have to be considered, their culture-specific meaning open up a wide field for wrong decisions. For example H&M doesn't have green hats in the Chinese assortment, since the expression "dailümaozi" (戴绿帽子) – wear a green hat – means a man has been cheated on by his wife. While distinctive brand colors are usually not adapted, market active companies consider Chinese color preferences, especially on holidays or for special occasions, with the colors red, yellow and gold being primarily used. For Spring Festival Schiesser offers red underwear with a golden imprint of the respective zodiac sign and places this into a golden package, windows of Nespresso boutiques show red coffee machines, the employees of Apple stores wear red instead of blue shirts, and Smart introduced a red-gold special edition in the Dragon year.

Last but not least, the protective function must take the distribution conditions and climate zones into account which, due to the continental expanse of the country regionally and over the year, differ extremely from each other: from drought and cold to humidity and heat. When the product quality suffers, adjustments are a must. Nevertheless, the price has to be taken into consideration, in order to remain attractive in the competitive Chinese market.

### Giving "Face" to the Buyer

Also in the preparation of the communication strategy, sensitivity is a key factor for success. Cultural differences have an effect on the positioning, the benefits and reasons to believe. In addition, the Chinese advertising market is highly regulated. It is necessary to determine whether the values embodied by a brand or product are accepted in China and in which way their content and messages can be effectively communicated. Generally, use of superlatives is prohibited, as well as too revealing advertising motifs or integrating political topics and national elements. According to the vision of the political leadership, role model characters should be shown in advertising. This can be done, for example, by displaying harmonious families, well-behaved children or collectivist behavior such as sharing of knowledge with the community. Tonality and design elements are to be used in a way so that "face" is given to the buyer. This requires in-depth China expertise, because although a strong symbol orientation of Chinese society provides a rich source of design elements, it is also color, animals, plants, numbers, buildings or objects that hide subtle ambiguities that need to be identified in advance and used with consideration. The positive effect of the twelve animals of the zodiac cycle, for example, has already been used by foreign companies such as BASF for over a hundred years. The same applies to the country-of-origin effect, because the origin significantly influences the purchasing decisions of Chinese customers. If the country of origin evokes a positive image, it is recommended to use this as a tool of communication. Silit designed cooking pots in black, red, gold for the product display, Brita advertises "Imported from Germany" and the fashion brand Hollister expresses its origins on large screens with live connections to Californian beaches.

## Advertising Market of Superlatives

The strong momentum that drives modern China is also reflected in the advertising market, which is the world's second largest after the US and is growing twice as fast as the American market. Modern technology is the most significant driver here. China not only has the largest active Internet population, it is by global comparison, the largest ecommerce and smartphone market. The Chinese middle class is digitally active and networked through social media apps like WeChat. WeChat has over 700 million active users. Many companies also have WeChat profiles, so fans can be connected to their favorite brands when they add it to their network. Whether it is product information or games, here it is important to create an additional incentive to earn the continued interest and loyalty of its fan base.

## On the Way to Chinability

Doing business in China is complex, demanding and challenging. Entrepreneurial activities are to a great extent influenced not only by economic conditions and government directives but also by culturally specific behavior patterns and conventions. Decisive for company success and a positive answer to the question of "Chinability" is and remains the China expertise of its staff and not least their long-term assignments in the country. Headquarters also have tasks to do, because substantial success diminishing risks do not automatically come from the market, they are also within the company, in the inability to integrate local realities into established systems.

The metaphor of the Long March, drawn at the beginning, is confirmed again and again. Those willing to take on this demanding challenge, with their entrepreneurial sense and intercultural talent will successfully make their way on the topography of the Chinese globe.

Dr. Dr. Andreas Tank has been working in leading positions for German companies in China for more than 10 years. His numerous monographs, publications and the blog [www.chinamarketingblog.com](http://www.chinamarketingblog.com) are regarded as the benchmark on the subject of China marketing. His new book "China Marketing - Geschäftserfolg im Reich der Mitte" was recently published by Springer Gabler Publishing House. Dr. Dr. Tank can be reached via: [info@china-marketing.eu](mailto:info@china-marketing.eu).



## FLOORING THAT FITS YOUR WORLD.

For over 65 years, nora® has led the market in resilient flooring. Ergonomic, durable, sound absorbent and stain and slip resistant, our rubber flooring systems create an environment that's more comfortable, safe, quiet with every step.

This is flooring made for your world.

Talk to us at [www.nora.com/cn](http://www.nora.com/cn)

**nora**®