

Lecture 4
**Marketing Environment and the Development of
Marketing in China**

营销环境及营销在中国的发展



**3.1 Incidents and Tracks of the Marketing
Thinking Development**

营销思想发展轨迹与标志事件



Import of Western marketing thoughts 西方重要营销思想引入中国的时间

- 市场研究Market Research 1923 U.S. → 1988 China
- 品牌经理制Brand Manager 1931 U.S. → 1988 China
- 市场细分Market Segmentation 1956 U.S. → 1992 China
- 营销观念Marketing Conception 1957 U.S. → 1982 China
- VALS 1963 U.S. → 2002 China
- 消费者行为Consumer Behavior 1967 U.S. → 1995 China
- 定位论Positioning Theory 1969 U.S. → 1998 China
- 扩大的营销观念Broaden Marketing Conception 1969 U.S. → 1998 China
- 社会营销 Social Marketing 1971 U.S. → 1995 China
- 直复营销 Direct Marketing mid 1970's U.S. → 1990 China
- 战略营销 Strategy Marketing 1977 U.S. → 1986 China
- 服务营销 Service Marketing 1980 U.S. → 1998 China
- 关系营销 Relation Marketing 1983 U.S. → 1998 China
- 全球营销 Global Marketing 1983 U.S. → 1996 China
- 大市场营销 Broad Marketing 1984 U.S. → 1994 China
- 品牌资产 Brand Assets 1989 U.S. → 1994 China
- 顾客满意 Customer Satisfaction 1989 U.S. → 1995 China
- 整合营销传播 Integrated Marketing Transmission 1993 U.S. → 1996 China
- 网络营销 Internet Marketing 1990's U.S. → 1996 China
- 客户关系管理 Customer Relationship Management 1996 U.S. → 1998 China



New Marketing Trends

- Marketing as an important tool has been more and more extensively used in all aspects of life
 - Before, advertising and marketing were not allowed.
 - Now, advertising is acceptable and fashionable.
 - More international media entered China and had strong influence in China.
 - The marketing concept has been extended to other areas such as city marketing, even country marketing, sports marketing, service marketing is being applied to service industry such as banks
 - Sometimes, excessive!



Advertisement is the Preliminary Indication of Marketing 广告是营销的最初表现

- Chinese corporations became FIRST acquainted with the marketing thinking from the advertisement. 中国企业可以说是最先从广告开始认识营销思想的
- The advertisement development of Chinese marketing was simple and naive at the early 1980's. 80年代初，中国营销市场的广告发展原始而直率
- The extreme advertisement conscious in the 1980's: advertisement is fully functional. Advertising spots went to the highest bidders – only failed later due to lagged operations, due to the lack of advertising and marketing avenues. 80年代出现的极端广告意识：广告万能论
- With different industries and firms taking turns as the biggest advertisers.
- Now with broadcasting media still under government control, there is a variety of vehicles for advertising and promotion, targeting different segments of the society, such as LCD panels in taxis and elevators.

The Development of Quality and Quantity Consciousness 质量意识和品种发展

- At the beginning of the Reform and Opening, the Chinese market was the seller's market, consumers had to accept the products passively. There were so many fake and poor quality products. 改革开放初期的市场结构处于卖方市场，消费者只能被动的接收产品，产品质量低下，欺骗造假
- With the promotion of the Reform and Opening, competition is mounting among firms. The Chinese market has gradually become the buyer's market, and the quality and quantity of the products and brands are highly improved – leading to overcapacity and hyper-competition in many areas. 由于改革的深入，市场结构逐步向买方市场迈进，产品与品牌质量提高，品种增加

The Initiation of Marketing Research Industry 市场调查业萌芽

- AC Neilson was the first world famous marketing investigation corporation which came to China in 1984.
- In 1988, the first Chinese professional marketing investigation corporation, Guangzhou Marketing Research Co. was founded.
- 1984年AC尼尔森成为最早进入中国市场的世界著名市场调查公司
1988年，广州成立我国第一家专业市场研究公司—广州市场研究公司
In 1992, the first joint venture marketing investigation corporation, SRG China was founded.
- After 20 years' development, there are about 2000 professional marketing investigation organizations in China mainland.
- 1992年，广州亚太市场研究有限公司成立，成为中国第一家中外合资的跨国性市场研究机构经过近20年的发展，到2003年，中国内地总计有大约有2000多家专业市场研究机构
- MNCs such as Proctor & Gamble, Coca-Cola and McDonald's are the biggest spenders on advertising and marketing research in China, contributing significantly to the growth of these industries.



Popularity of Product Packing 产品包装时兴

- Product packing marketing became popular in the mid 1990's.
- After the product centric stage, Chinese corporations began to pay attention to the appearance of the products. 20世纪90年代至90年代中期，包装营销风靡经过以生产为中心的阶段，我国企业开始重视形式产品
- The numbers of application and approval of the patent of the products appearance design in 1995 were 4.7 and 6.2 times than the numbers in 1990 respectively. 1995年外观设计专利的申请和批准量比1990年分别增加了4.7和6.2倍
- Now, packaging quality has much improved. Often, packaging has become excessive and wasteful and an important selling point (other than the product itself), such as moon cakes.
- Localization (in Chinese language and aesthetic styles) in packaging has become trendy.



The Promotion of Total Quality Management 全面质量管理推广

- For a long time, product quality was ignored.
- Product quality has become a key concern over the years for both government and company survival.
- the “Lean Production” was proposed in the U.S.
- “Total Quality Management” is adopted by the “Lean Production”. 1990年美国提出精益生产1990, 精益生产采用的方法是全面质量管理
- In 1996, China began to promote the Total Quality Management. 1996年我国开始进行建立现代企业制度的试点工作, 推广全面质量管理
- Some selected firms have reached world-class quality and obtained many quality certifications, such as ISO.
- Product quality has much improved among big firms. But it is still a big problem, especially among smaller firms.
- Even service quality has much improved, as we have experienced in China, although there is still a gap in comparison with Hong Kong.



The Development and Upgrade of New Products 新产品开发升级

- With the formation of the buyer's market 买方市场形成, 市场竞争激烈
- Upgrade of competition and new products development, with frequent introductions of new product brands.
- Products innovation with high tech. is very important in market competition. 竞争升级, 新产品开发高科技与高科技产品含量的产品创新成为市场竞争优势的重要策略
- But given the low spending on R&D, true innovations are still rare.



The Era of Brand Management 品牌经营时代到来

- 1990's was the climax period of foreign brands entering China. 90年代开始是外资品牌蜂拥中国的高峰期
- In 1988, with the entering of P&G, the brand manager system was brought to China.
- At this period, the Chinese marketing was relatively mature, and the market competition was at the level of branding. 1988年宝洁进入中国，将品牌经理制带到中国这个时期中国营销的发展已相对成熟，市场竞争已经开始转入到了品牌的层次
- Brand proliferation and longevity have become real concerns: foreign brands, JV brands, and local brands, with local brands gaining more grounds over time.
- Brand has become a national obsession as China do not yet have many world-class brands.



The Starting up of Service Marketing 服务营销全面启动

- In the seller's market, services was not a concern for marketers. Much was focused on the availability of products.
- The fundamental shifting of national policies in the early 1990's directly caused the starting up of service marketing in China.
- The expansion of product marketing to service marketing indicates the sophisticated application of marketing thinking. 服务营销的全面启动是90年代初国家政策根本性转变的直接结果市场营销领域由产品行业向服务行业扩展，标志着营销思想应用的深化
- The popularity of service marketing is an inevitable result of Chinese marketing development. 服务营销的盛行也与当时激烈的市场竞争有关，是中国营销发展的必然结果
- Some Chinese firms such as Haier and Lenovo have become very successful due to their focus on service quality because they know the local consumers and markets better.
- Emergence of services industries in China, business and personal services.
- Of course, quality of services still have much to be desired compared with other consumer societies.



The Concern of Customer Satisfaction

顾客满意备受关注

- With the application of service marketing, corporations start to pay more attention on customer satisfaction.
- The R&D and application of National Customer Satisfaction Index (CSI). 与服务营销结伴而来的是顾客满意思想的引入和应用国内顾客满意度指数的研发和应用
- The emergence of a consumer society and a consumer class have given consumers more power.
- Protection and promotion of consumer rights on the agenda with national and local mechanism for conflict resolution.
- Then, abusive consumers and misbehaviors?



The Internet Marketing

网络营销走向前台

- Internet marketing is another milestone of Chinese marketing revolution in the 20th century.
- The development of global internet promoted the social and economic development and caused a huge crash to the traditional marketing. Internet becomes an important marketing tool. 网络营销是20世纪末中国营销变革的最后一个里程碑全球互联网发展推进了社会经济发展，造成了传统营销方式构成强大冲击，形成网上常见营销工具
- The development of Chinese internet marketing is fast, but there is still a gap between those in developed countries. 中国网络营销发展迅速，但是与发达国家相比仍有很大差距
- Gold rush in China has just gotten started with both local and foreign venture capitals pouring in millions.
- www.ctrip.com.cn
- www.taobao.com.cn
- It is also competitive and players are very innovative.
- Censorship and invisible hands!



Culture, Market Segmentation & VALS

文化, 细分市场, 价值观与生活形态

- Different groups of consumers in China.
- 中国出现大量不同消费群 Western countries started research on values and life styles in the 1960's.
- In 2002, a Chinese values and life style model was proposed according to the Chinese specific economic environment. 20世纪60年代, 西方价值观与生活形态模型 2002年, 推出中国市场复杂的经济态势下的中国消费者生活形态模型
- Thus, segmentation and targeted marketing has been accepted and practiced.
- A mix of modern and traditional, Chinese and Western cultural values, depending on the location and generation of people



Social Environment, Special GUANXI Marketing

社会环境, 关系营销的中国特色

- The Chinese GUANXI marketing is based on the Chinese cultures. 中国关系营销建立在中国的文化基础之上
- Foreign relation marketing emphasizes on the relationship with customers. 国外关系营销强化顾客关系
- Because of government interference, in China, the Guanxi between corporations and government is more important than the relation between corporations and customers. 中国的企业受制于政府, 官商关系比顾客关系更重要
 - Lack of trust of strangers
 - Wine and dine, wheel and deal
 - Source of corruption: make use of your power before it expires.
 - Legacies of the planned economy, a system distorting the value in the exchange process, and abuse of power and trust.
 - Lack of legal and democratic development and reliance of administrative guidance and authority



Legal & Political Environment

- Different laws have been gradually passed to regulate the marketing activities of firms from product safety, advertising, bribery, and to multi-level marketing.
- Enforcement of laws and regulations have been problematic given the magnitude of problems and depending on the parties involved.
- Foreign firms are often held against higher standards to serve as role models for others and also subjective to the influence of international and diplomatic events.
- Applications of the laws have not been consistent, even though it is a code law system (instead of a customs law)
- Government interventions can be very visible, especially in sensitive areas, such as press freedom, national pride and security.
- Business ethics and social responsibility have received more attention.



Technologies and Research

- Consumers are generally open to new products and ideas, and some can be considered even advanced users of technologies, something common in Asian markets.
- Consumer technologies are well accessible in major urban areas, with rural areas lagging behind.
- Consumers may skip old technologies and move to the new ones.
- Marketing research has been widely adopted, with a plethora of multinational and local firms providing a variety of rudimentary and sophisticated services:
 - www.scmr.com.cn
 - www.gallup.com.cn
 - www.emkt.com.cn



New Era for International Marketing **国际营销步入新里程**

- With the development of overseas investment, Chinese corporations shifted from direct investment to low cost expansion.
- Transnational merges, acquisition, stock sharing, and stock replacement become important overseas investment methods for Chinese corporations.
- The international marketing of Chinese corporation enters a new stage and faces more challenges and questions. 随着中国对外投资的逐步发展，中国企业对外投资的形式从以往直接投资办厂，设立公司，逐步发展到以企业低成本扩张为主要特征的跨国资本运作方式跨国兼并，收购，参股及股权置换已成为中国企业对外投资的重要方式中国企业的国际营销进入新的阶段，面临着更多的挑战和新课题。
- Country PR: central government spending to promote the image of China and those made in China after the milk powder melamine scandal.
- Government began to promote the China, "Made in China,"



Marketing Thoughts Perpetuates All Industries **营销思想广泛渗透各行各业**

- No matter profit or nonprofit organizations, they need to be marketing orientated. 无论赢利组织或是非赢利组织，都将进一步引入市场导向
- Practice indicates that, most industries include marketing conception in their operation processes.
- 实践证明，众多领域行业从无到有引入了营销
- The making of celebrities: Supergirl and Mengniu
- Self-promotion: Furong 馥荣



Customer Relationship Marketing Becomes Mainstream **顾客关系营销将成主流**

- Chinese marketing is under the pressure of global competition and needs to change from exchange marketing to relation marketing
- Promotion of relation marketing is the indicator of conjoint of Chinese marketing and global marketing.
- From 2000, Customer Relationship Management becomes a government support project.
- 中国市场面临很大全球化压力，需要从交易营销转为关系营销。中国企业开展关系营销是中国营销和世界营销接轨的标志。2000年以来，顾客关系营销及在服务业的应用成为国家资助的选题。



Not all is good, yet -- the Poor Logistics System **难防的通道陷阱**

- It is difficult to make logistics and distribution in such a broad area in China. 中国地域辽阔，进行物流和分销很困难。
- The logistics and distribution systems are not reliable. 配送系统不可靠。
- International corporations begin to set up their own logistics system, but fail to compete with local logistics corporations due to the local protectionism. 跨国公司建立自己的配送系统，但“强龙斗不过地头蛇”。
- Corruptions, discrimination, extortion, and unfair competition in the channel system
- However, China is experiencing a period of consolidations, with many forms of retailing and distribution as the infrastructure continues to improve. More recently, large scale chain stores and logistics firms have begun to emerge, with franchising as a very popular vehicle for business growth and expansion.



Increasing competition

- Price competition is the most frequently used and effective method in China
 - TV (TCL), car, PC (Dell) and so on.
- Retailing industry was involved in operational modes and service quality competitions
- Distribution channel competition
- Seeking new concepts in marketing
 - (SOHO, Green appliances, health air-con etc.)
- Three-way or multi-way competition in all dimensions
 - MNCs, JVs, SOE, collective enterprises, private businesses, and village enterprises
 - product quality, features, price, and services
 - Each has its own strengths and weaknesses.



Private enterprises

- More and more private enterprises became the largest firms in their own industries.
 - 太太， 巨人， 創維， 美的， 步步高
- 超大農業， 中國稀土， 浩倫農科， 歐亞農業， 格林柯爾， 浙江玻璃 (listed at HK stock market)
- “海歸” More and more overseas Chinese students came back to China and established their own enterprises



- Internationalization of Chinese Firms:
 - To develop international brands
 - Haier, Legend and Qingdao Beer
 - To go out for the purpose of winning market back home
 - 科建公司 provided sponsorship to British football team (埃弗顿)
 - 燕京 provided sponsorship to Huston's Rocket basketball team to expand in Chinese market
 - To use foreign brands to enter international market
 - TCL takes over 施耐德 to sell its TV in Europe
 - In addition, there are other purposes such as breaking through tariff and non-tariff barriers, and information, capital, technology and talents seeking.
 - 力帆's entry into Vietnamese market
 - Vietnam's tariff rate for motorbike imports increased from 6% to 100%



- Adopting “go-international” strategy
 - By the end of 2002, there were more than 6,960 Chinese firms investing in more than 160 countries and regions.
 - In the past, Chinese firms had been involved in oil field and natural gas exploration, mining, forest and railway construction, etc.
 - Since 2001, a shift has taken place that Chinese firms are now investing in manufacturing facilities, R&D centres, mergers, etc.



Supplementary Information: Update on the China market

- Business Environment
 - Adjusting for WTO
 - Improving legal environment
 - By the end of 2002, 14 laws were revised
 - By 2003, the average level of tariff rate is reduced to 11%
 - Consumption level enhanced
 - Residents' consumption level in Shanghai moved from 10,000 Yuan to 100,000 Yuan
 - From tangible products to services
 - House, car, travel, telecommunication and education became top 5 consumer products in major cities
 - Big-size products are in fashion
 - » Big house, big car, big TV and etc.



- Pulses of 8 Major Industries
 - Retail Industry
 - MNCs entering China market in large scale
 - Carrefour, Jusco, Wal-Mart, Metro, Makro, Park&Shop, 7-Eleven
 - Rapid expansion of local retailer
 - » LianHua (listed in HKSE)
 - » HuaLian
 - Housing Development
 - Debate on whether there is a bubble in the making in Housing Market
 - Telecommunication
 - Position swap between equipment manufacturers and service operators
 - Service operators started to realize the importance of promotion



- Monopolized industries-Regrouping
 - State-owned Power Generators
 - 11 new companies formed in 2002 such as HuaNeng, HuaDian and Beijing DaTang
 - Telecommunication Sector
 - China Mobile, China Unicom, China Telecom, WanTong, TianTong etc.
 - Civil Aviation Sector
 - Formed three new transportation companies such as China Southern Airlines, China Eastern Airlines and China International Airlines
 - The Change of Banking Sector
 - Marketing concepts start to enter Banking sector
 - More and more commercial banks are listed in stock market (BOC), MingSheng to be listed



- Insurance Industry
 - Legal reform
 - Reform
 - » Into shareholding companies
 - » China Life and (PICC) have just been listed in HKSE
 - » More and more joint ventures are established such as PingAn and HSBC
- Food and Beverage Industry
 - Fruit Juice market: Trendy
 - Milk product market: Capital
 - Takeover and merger
 - Soda Drinks market: Counterattack
 - Coca-Cola and Pepsi Cola (Lemon drinks)
- Home Appliances –Bouncing back
 - Color TV-Bouncing Back
 - Air-con: Reshuffle
 - 奧克斯, 新科 (new comers)
 - Haier, Gree and Meidi (established ones)
 - DVD: Patent



- Car Industry
 - Joint ventures
 - Shanghai Automobile with VW and General Motors
 - First Automobile with VW and Toyota
 - DongFeng with Peugeot and Citron
 - In addition to the three large groups of Shanghai, First Auto and DongFeng
 - Guangzhou Honda
 - Chongqing ChangAn
 - AnHui GiRui
 - ShenYang HuaChen
 - Nangjing Fiat
 - Zhejiang Jieli