



MARKETING AND SELLING TO CHINESE BUSINESSES

By Matthew Harrison
Director of B2B International China



MARKET RESEARCH WITH INTELLIGENCE



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About This Paper

B2B International's Asian office provides market research, marketing strategy consultancy and marketing training courses to Western and Asian companies alike. The company specialises in obtaining information direct from Asian markets and converting this data into intelligence and advice. The team is based principally in Beijing but specialises in obtaining and analysing information across the whole Asia Pacific region.

We provide a range of services designed to:

- Help Western companies with a presence in Asia expand and strengthen that presence
- Help Western companies without a presence in Asia establish a presence there
- Assist Asian companies to establish a presence in Western markets
- Provide training and consultations on marketing techniques and strategies to Western and Asian companies alike.

This paper is based on 100 in-depth interviews with business owners and senior purchasers throughout Beijing and Shanghai. Companies of all sizes were interviewed, from those turning over US\$1.5m through to multinational companies. Companies were divided into quotas to ensure a cross-section of different types of manufacturing and service companies.

Introduction

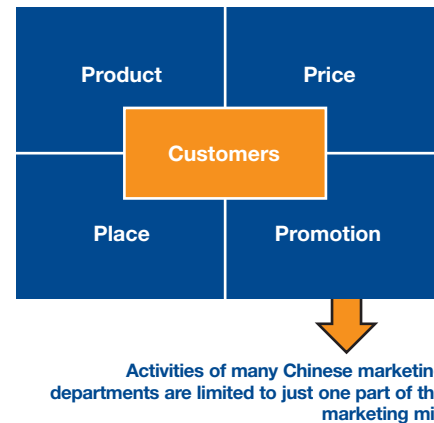
The question of how to market and sell to companies based in China is one that is debated endlessly by foreign companies seeking to profit from the huge potential of the country. Views expressed by businesspeople claiming to know the secret of success in China vary wildly, from those (generally newcomers) who say that marketing and selling in China is 'just like home' through to those (usually those with at least a couple of years' experience in China) who exaggerate the unique nature of Chinese business and Chinese people to such an extent that selling in China sounds like an impossibility. The reality is that these two positions are both equally crass and incorrect – there is no reason why a Western company with a flexible, patient and 'listening' approach to marketing and sales should not succeed in the Chinese market.

The aim of this paper is to dispel some of the myths propagated about Chinese business, and explore the reasons behind both successful and unsuccessful marketing and sales approaches in China. We do not seek to provide definitive 'one size fits all' answers to companies looking to establish or increase their presence in China; rather to put forward some general guidelines for companies from outside China to bear in mind.

Chinese Attitudes Towards Marketing And Sales

It is worth mentioning straight away that the principle of 'marketing' in business-to-business markets is less widely recognised in China than in more mature markets. Commonly, marketing is viewed as a service department for the sales department, its role sometimes seen as little more than taking care of the company logo and brochures. In short, marketing is defined by many in Chinese businesses as consisting of only the 'promotion' element of the 4 Ps. 'Product' is the job of engineers, 'price' the job of salesforces and 'place' the job of senior management. At worst, marketing departments are derided as 'Spending departments', their apparently superficial output seen as a poor substitute for the relationships that are so important in a Chinese business environment.

Figure 1 – The 4 Ps Of Marketing



In contrast to some Western markets, the salesperson and more broadly the principle of selling are widely respected in China. Two issues perhaps lie at the core of this fact – firstly the entrepreneurial spirit of the Chinese people, and secondly the importance placed on relationships in business decision making. A good salesman must be adept at forging not only relationships, but also friendships with

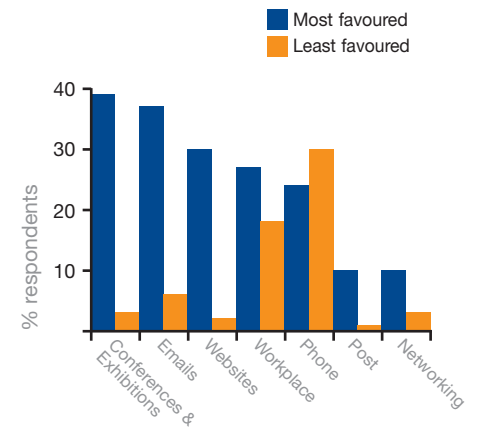
potential customers. This makes a good salesman respected almost by definition, and also implies a long sales process, with all of the on-the-ground presence, learning and patience that this involves.

How Do Chinese Companies Want To Be Targeted?

Before considering how well or otherwise Western companies are targeting potential Chinese customers, it is worth assessing Chinese companies' preferred means of being targeted by potential suppliers. As in any market, the answer to this question is that a wide range of marketing and sales techniques can work, and that usually a combination of different methods is necessary. Nevertheless, it is informative to look at the general view of the Chinese business community (see Figure 2 below).

Figure 2 – Communicating With Chinese Clients

What are your most and least favoured ways of hearing about a supplier's product or service?



Conferences and exhibitions

In many Western markets, conferences and exhibitions are derided as a waste of time and money; in Asia and particularly China, nothing could be further from the truth. Whatever the business and whoever the target audience may be, attendance at exhibitions, conferences and similar events is likely to be essential for any company wishing to achieve substantial or sustained success in China.

Such events are an excellent way of making initial contact, and can also be a good means of moving a potential sales relationship forward relatively quickly. They are a means of gaining trust, and are an opportunity for the target market to compare local and international offerings, establishing the supplier as 'open'. The events are an opportunity for potential customers to ask questions, and have the advantage of establishing the face-to-face contact on which Chinese buyers place so much value. And of critical importance, they help persuade buyers that companies are committed to the local market, by virtue of the fact that they have physically devoted the time and expense to be there.

All big cities have conference and exhibition centres (Beijing has three, for example) and details of their events can be found simply by contacting the centres directly or looking at their websites. Increasingly, the larger exhibitions and venues publish their programmes in English. A good option for Western companies is the 'Events Eye' website, which gives details of Chinese exhibitions across industries and cities, and can be found on www.eventseye.com/fairs/event_l41.html (see Figure 3 below).

Figure 3 – www.eventseye.com (China section)

WMF SHUNDE Shunde International Exhibition on Wood Working & Furniture Machinery and Accessories, Materials and Wood Products	once a year	Shunde Shunde Exhibition Centre	21.08 23.08 2007
CIBEXPO China International Basketball Expo	once a year	Beijing Beijing International Conference	23.08 - 25.08 2007
MEDTEC CHINA GUANGZHOU Chinas medical advice and equipment manufacturers Exhibition and Conference	once a year	Shanghai Intex Shanghai	28.08 - 30.08 2007
MEDTEC CHINA SHANGHAI Chinas medical advice and equipment manufacturers Exhibition and Conference	once a year	Shanghai Intex Shanghai	28.08 - 30.08 2007
NEPCON SHENZHEN Leading Electronics Manufacturing Exhibition South China	once a year	Shenzhen Shenzhen - China Hi-Tech Fair Exhibition Centre	28.08 - 31.08 2007
ALUMINIUM CHINA Asias largest Aluminium Industry event	once a year	Shanghai Shanghai New International Expo Centre	28.08 - 30.08 2007
ISSA/ INTERCLEAN CHINA International Trade Fair for Industrial Cleaning, Maintenance and Building Services	once a year	Shanghai Shanghai Mart	Sept. 2007 (?)
GAS EXPO SHANGHAI International Gas Expo	once a year	Shanghai Intex Shanghai	Sept. 2007 (?)
CIMEX China International Handicrafts Exhibition	once a year	Xiamen Xiamen International Conference & Exhibition Centre	Sept. 2007 (?)
AQUARIA CHINA International Exhibition for Chinas Ornamental Aquatic Industry	once a year	Guangzhou Jinhan Exhibition Centre	Sept. 2007 (?)
CIOE Chinas International Optoelectronic Exposition.	once a year	Shenzhen Shenzhen international Convention & Exhibition Centre	Sept. 2007 (?)
CIEME - CHINA INTERNATIONAL EQUIPMET MANUFACTURING EXPO China International Equipment Manufacturing Expo	once a year	Shenyang Shenyang International Exhibition Centre	04.09 - 08.09 2007
CITLE - CHINA SHENYANG INTERNATIONAL TRANSPORT & LOGISTICS EXPOSITION China Shenyang International Transport & Logistics Exposition	once a year	Shenyang Shenyang International Exhibition Centre	04.09 - 08.09 2007
MODA SHANGHAI International Fashion Focus of Handbags, Leather Garments, Accessories and Travel Goods	once a year	Shanghai Shanghai International Exhibition Centre	05.09 - 07.09 2007
ALL CHINA LEATHER EXHIBITION	once a year	Shanghai Shanghai International Exhibition Centre	05.09 - 07.09 2007

The size and scale of many Chinese trade fairs is staggering; for example the Canton Trade Fair in Guangzhou takes place twice a year and boasts over 5,000 exhibitors (see www.cantonfair.org.cn).

Email

Email is obviously important in any market as a means of communication, and its importance continues to increase in China as online bandwidth and affordability improve, and as Chinese business becomes more international. The role of email in the sales process is particularly important at the introduction stage – Chinese buyers tend to react positively to a well-structured, personalised email as a prelude to a more detailed face-to-face discussion. Such an email should be accompanied by a soft copy brochure that gives general information on the supplier's offering. As discussed below, however, it is usually essential to make a call to the target company before sending company details through – 'cold', non-personalised messages are extremely unlikely to be taken seriously.

Websites

Clear company websites that convey a company's ability to deal with Chinese customers are an excellent way of generating interest from Chinese businesses. It is worth noting here that the number of Chinese people currently learning English is greater than the number of people worldwide for whom English is a first language, and that the level of English amongst senior decision makers in Chinese companies is good, and improving dramatically. Nevertheless, small, quick and low-cost actions such as translating company websites – or even just part of the website – will improve Chinese search engine rankings and make the company's serious intentions clear.

Other than communication in Chinese, an excellent way of differentiating from much local competition is simply to have a well structured, navigable and informative website, which above all should make absolutely clear what your offering is. It will be seen later in this paper that Chinese buyers – at the same time as using the Internet more than ever to find suppliers – are extremely critical of the standard of many Chinese companies' websites, seeing them as badly designed, lacking in information and generally unprofessional. An informative homepage is therefore an unmet

need that Western companies are well placed to meet.

Face-to-face meetings in the workplace

Face-to-face meetings in the workplace are an essential step towards making a sale in most business markets. Only when a face-to-face appointment is secured can it be assumed that the enquiry is a serious one. Chinese businesses vary in terms of where they want such a meeting to take place – sometimes they like to visit the supplier's offices (if they have a local presence of course) to assess the size and nature of their operations. But frequently a visit to the potential client is necessary, particularly in service markets where there is little 'operation' to look at. Generally speaking, obtaining an invitation to visit a potential client's premises can be viewed as more 'promising' than having an invitation to visit your own premises accepted. A visit to a potential client would tend to take place at a more advanced stage of negotiations, when the company has decided the supplier set-up is satisfactory in broad terms.

A willingness to try to speak at least basic Chinese is an excellent way of impressing and showing respect to a potential customer. However, English is increasingly spoken at high levels within Chinese businesses, and where this is not the case interpreters are routinely used. The ability to speak Chinese to a high level, whilst ideal, is not necessary.

Phone calls

Making phone calls to Chinese companies is an effective way of making an initial introduction, and above all in identifying the person within the target company who is most likely to be able to help. So, it is recommended to call a target company before sending an email, for example, in order to ensure that company documentation is being sent to the right person, and that someone in the target company is waiting for the information. And of course it is perfectly acceptable for general ongoing conversation to take place over the telephone; albeit linguistic challenges often make email more viable (many Chinese people find it more difficult to speak English over the telephone than to read it).

Whilst the telephone is a valued means of communication during the sales process, its limitations should be recognised. In summary, it should be used for introductory and relatively low level discussions, such as arranging meetings or clarifying points from a meeting. It is extremely unlikely that negotiations will be conducted or sales made over the phone, unless the contract is particularly small or there is already an established relationship with the customer. To put it succinctly, cold-calling campaigns are very effective at establishing contacts and beginning a relationship, but utterly ineffective when it comes to negotiating or closing sales.

Sending details by post

Whilst the postal service in China is relatively efficient, the growth in email and Internet use is such that it is increasingly acceptable, maybe even expected, for company literature and other details to be sent electronically. Hard copy brochures and presentations are used widely, but these tend to be presented during one-to-one meetings.

Where literature is being sent on a wider scale (the main example being a direct marketing campaign) then the postal service is perfectly acceptable. Indeed for non-personalised or mass communications, hard copy is usually more effective (assuming that good contact details have been obtained), as 'junk' emails are routinely deleted. Many businesses state that receiving good-quality company literature through the post is such a rare occurrence, that companies who succeed at doing it well do make an impact. Western-style campaigns in particular tend to have impact, especially if the materials are bilingual. As with websites and other media, a successful campaign can depend on appearing both 'Western' (usually synonymous with good quality) and 'Chinese' (knowledgeable about China, and willing to adapt to Chinese requirements).

Networking

'Networking' and 'relationships' (or 'guanxi', often used as its rough Chinese translation) are terms that are widely used to describe 'the way deals are done in China'. There is

probably no area of doing business that is less understood by Westerners, and as a Westerner it would be wrong for the writer of this paper to try to offer a full explanation of exactly what guanxi entails. What is clear, however, is that there is a tendency (particularly amongst Western consultants offering market entry services to Western companies) to build the idea of 'guanxi' into something so large and mystical that Chinese markets become seen as mysterious, impenetrable universes that no outsider can ever hope to understand.

It is perfectly true that relationships are important when doing business in China, probably to a greater degree than in Western countries. It is also true that networking (particularly when this involves speaking to someone following a recommendation) can lead to relationships and in turn business. However, Chinese businesses – like businesses anywhere else – require products that meet their needs and suppliers that they can trust. What Western companies sometimes have difficulty coming to terms with is the way in which this trust is gained, and the time it often takes to convince the customer that yours is the product or service that meets their needs. The overriding piece of advice for Western companies would be to understand the importance of establishing relationships when targeting Chinese companies, and to be prepared for the patience that enables this. However, networking and marketing should be seen as mutually complementary in China – one does not invalidate the other. Chinese companies are perfectly open to hearing about suppliers and solutions that can improve their businesses.

In conclusion, therefore, a wide-ranging marketing and sales approach is required in China, with different activities complementing each other, and working at different times in different ways. The table opposite summarises the main means of communication with Chinese companies, and the benefits and drawbacks of each.

Figure 4 – Marketing And Sales Communications In China – Summary Of What To Use, And When

Communications Approach	When To Use
Exhibitions and conferences	Constantly, in order to establish the first contact with new customers.
Email	Once you have made the initial contact, use an email to introduce the company, and specific products and services that may be of interest, in more detail.
Website	An easily found, easily navigated and easily understood website is essential at all points during the 'sales process' and beyond. A good site will be referred to again and again before, during and after the sale.
Meetings at the workplace	This is essential, but only under the right circumstances. Dropping in to companies' offices unannounced is rarely successful. Workplace meetings should be used to move the relationship forward, once the potential customer has shown some interest. Deals will almost always be closed in face-to-face meetings.
Phone calls	As a first contact, in order to locate the correct person. However, avoid trying to 'sell' or negotiate over the phone – this must usually be done face-to-face. Obviously phone calls can be used for informal discussions and to keep in contact between meetings.
Post	Direct mail can be an effective way of generating initial interest. Contrary to popular belief, the Chinese are, if anything, more receptive to direct mail than most Westerners.
Networking	An important complement to marketing effort at all times. Relevant events should be attended, and business relationships developed to the maximum.

What Messages Must Western Businesses Communicate?

Successful marketing communicates to a target audience that its needs can be met by a particular supplier's offering. Any marketing campaign should have at its core the communication of the target market's needs. With this in mind, it is essential to consider what Chinese businesses require from potential Western suppliers. We have excluded 'price' from our analysis, taking this as 'a given'.

Figure 5 – Main Chinese Requirements From Western Businesses (Other Than Price)



Communicating superior quality

Unsurprisingly, the main requirement Chinese buyers have from potential Western suppliers is to provide market-leading quality. Indeed, this is a 'hygiene' requirement, in that the minimum a Western company must do is justify its higher prices vis-à-vis the local competition. In other words, the company's offering must add value in the eyes of the buyer.

Importantly, communicating superior value in Chinese business-to-business markets is far more difficult than even two or three years ago. Most Western companies target the top end of their markets, in no small part because their higher cost bases force them to. However, in many business-to-business markets the premium that can be charged for Western products is decreasing quickly. There are a number of reasons for this: firstly, increasing numbers of foreign companies are competing with each other, driving down prices; secondly, the quality of the local offering is improving rapidly, eroding Westerners' competitive advantage; thirdly, the ability of local companies to communicate their offering is increasing; and fourthly, international companies based in China are recruiting more and more local staff into senior (buying) positions. Such staff are far more confident than their expatriate predecessors at 'buying local' and managing cheaper local suppliers.

Communicating experience and credentials

Two of the top four requirements of Chinese buyers and business owners – the need for Western companies to prove that they are 'established' in the market, and the need for them to demonstrate experience of dealing with similar companies (preferably in China), illustrate the difficulty many Western companies have in gaining the trust of their target audience. As discussed elsewhere in this paper, to a great degree 'business' trust is developed through relationships. However, important as these will be, the first thing any Western company should do is prepare and present comprehensive case studies and client lists for the potential Chinese customer. These should be leveraged to the absolute maximum, and from the earliest possible stage in the relationship. This is in contrast

to many Western markets, where past experience is often mentioned in the vaguest terms and references are rarely followed up.

This need to communicate relevant past experience cannot be overstated, and relates to perhaps the biggest barrier facing any Western company (particularly new entrants) in China – the time and effort required to gain the target market's trust.

Leveraging the brand

The challenge of gaining trust can be turned into an advantage if the Western company leverages its brand to the maximum. When approaching a potential customer for the first time, a company's brand can communicate experience and credentials in the same way as a case study or reference. Even if the company is unknown in China, the brand of 'The West' can be a real plus, and at the very least generate curiosity in the company's offering. In many cases, the Western 'brand' represents quality; therefore in at least one respect most Western companies enter the market at an advantage.

Of course over time, any company would want their brand to refine and develop a personality of its own in China. Nevertheless, Western companies' cost bases are such that entering China without quality at the core of its branding strategy and other communications is virtually impossible.

Communicating reliability

Reliability is linked to quality, articulating to a large extent quality of service as opposed to quality of product. Chinese buyers are extremely demanding in terms of their service requirements, on issues as diverse as lead time (this tends to be shorter than in the West), availability after hours (a much more frequent requirement than in the West) and technical service (particularly when dealing with Western companies, Chinese businesses feel they are paying for top quality, and when technical issues arise they therefore expect them to be dealt with quickly and efficiently).

A key challenge in respect of such needs is communicating that the Western supplier has an established and permanent presence and infrastructure within China. There is a great deal of wariness regarding Western

companies who are happy to export their products to China and charge significantly more than local competition, but who then have little interest or ability when it comes to aftersales service, ongoing relationships or even making good small issues with the product that has been sold. The latter point also explains the prominence of 'local presence' as a requirement from Western suppliers.

Communicating understanding, and willingness to meet needs

Chinese buyers state emphatically that they want Western companies to show an understanding of their needs, but also a willingness to listen to and learn from the buyer. A frequent comment is that Westerners 'turn off' buyers by spending far too much time talking about what they can offer, and far too little time building up their understanding of what the customer requires, and what is driving that requirement.

Chinese buyers do not expect suppliers to understand their needs immediately; in fact they tend to believe that to do so is impossible, and perhaps even belittles the uniqueness of their challenges and requirements. Rather they want suppliers to listen carefully to the issues facing the business, and commence a dialogue which begins to identify their needs and put forward ways of meeting these needs. Suppliers who claim to have the solution as soon as they begin talking to the potential customer are seen as crass, naïve and untrustworthy. On the other hand suppliers who listen, understand and suggest are seen as understanding the problem, qualified to give a solution and willing to work for the benefit of the customer.

Being easy to work with

As well as being reliable in a business sense, Chinese buyers state that they want suppliers that are easy to deal with, and who engage with them on a personal level. Business relationships in China can often be distinguished by the way they go beyond the workplace and impinge on the participants' social lives. Companies that do not wish to take the discussion outside the workplace are often seen as unfriendly and – more significantly – hard to get to know, perhaps

willfully so. The latter can be fatal to a potential business relationship, in an environment where gaining trust is fundamental.

Language and other barriers clearly make expanding relationships beyond the workplace difficult for many Western suppliers. However, this, as well as the requirement to show a general interest in customers as people rather than 'just customers', is often essential.

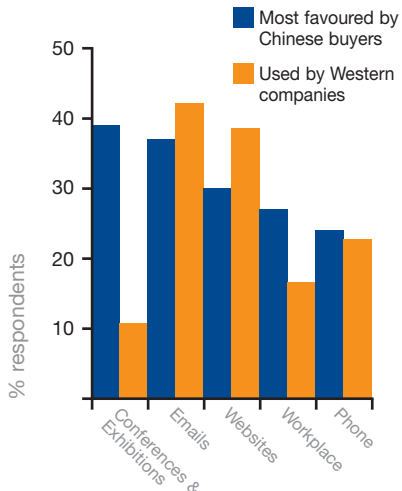
Chinese Buyers' Experience Of Western Companies

It is clear that Western companies are doing their utmost to market themselves to Chinese businesses. Over half of all companies included in our study state that they have been targeted by '20 or more' Western businesses within the last year alone. 41% of companies maintain that they are targeted by Western companies at least as frequently as they are by Chinese companies. Whatever the views we arrive at in terms of the execution of Western marketing and sales campaigns in China, the determination of Western companies is beyond doubt. Chinese businesses are now being targeted on a large scale not only as low-cost suppliers, but for their burgeoning purchasing power.

Means of communication – How well do Western businesses perform?

It is true to say that the most effective way of targeting a potential customer is not necessarily the way in which that potential customer asks to be targeted. Nevertheless, it is informative to compare the approach of Western companies with the preference of the Chinese target market. If nothing else, a company that perceives a supplier to be approaching him in a suitable fashion is more likely to be well-disposed towards that supplier, particularly when it is a supplier that has not been used before. Figure 6 shows how Western selling approaches correspond to the main means of communication desired by the target Chinese audience.

Figure 6 – How Well Do Western Companies Choose Their Marketing & Sales Approaches In China?



Strong communication through new media

When comparing the communications approach of Western companies with the preference of the target Chinese businesses, it can be seen that Westerners’ strengths and weaknesses fall into two distinct areas. On the positive side, Western companies are seen as excellent in terms of their ability to communicate through new media. The efforts made by Western companies to communicate in Chinese are recognised, and above all Westerners are seen as presenting themselves extremely professionally and clearly.

A typical remark made by a Chinese businessperson in our study was “Western companies are excellent at using their websites to tell you exactly what they offer, and how it can benefit you. They get straight to the point. Chinese companies tell you about their people and what industry they are in but don’t really tell you what they do.” This view of Western businesses (and Westerners in general) as being extremely direct is widespread in China, and often not seen as a positive characteristic. However, in written business communications, absolute clarity is a distinct benefit and one which Western companies are using to their advantage.

Weak interpersonal communication

Perhaps unsurprisingly, Westerners’ abilities are seen as lacking in terms of interpersonal contact. This manifests itself in a perceived unwillingness to attend events or visit the client’s workplace, or even to make phone calls (of course linguistic limitations are part of the reason for this). Good as Westerners’ written communication is, complementing this with verbal and particularly face-to-face interpersonal contact is essential. One of the most commonly mentioned and extreme differences between supplier-client contact in Western companies, in comparison with China, is Westerners’ tendency to think that ‘work is work’ and that it is therefore limited to the workplace. In China, relationship building and often negotiations take place not only during the working day, but also at a restaurant afterwards. Taking a business guest for a meal is a basic common courtesy. The comment below is typical:

“The British don’t understand Chinese culture. Their technology and quality check system is mature and comprehensive, and they are professional in their field and everything they do. They are polite, but that is not enough. We’d like to invite them to join our supper after finishing working, but they can’t understand and will go back to the hotel directly.”

A particular area where Westerners place insufficient emphasis on interpersonal contact is in recognising the importance of exhibitions and similar events. The prominence of these has been seen; however, many Western companies see insufficient tangible benefit in attending. Western companies must understand that the right exhibition in the right location can be more valuable than almost any other aspect of the promotional mix.

How Well Do Westerners Get Their Message Across?

It has been seen that the means by which Westerners seek to communicate with potential Chinese customers leaves room for improvement. Perhaps more important is the question of the messages Western companies actually convey, and how well these correspond to what the target market wants to hear.

There are a number of messages that most Western companies communicate extremely effectively, and others where the correct message is not being heard. On the positive side, Western companies are seen as synonymous with high quality and professionalism, something which is exemplified not only in the products and services being bought, but throughout every aspect of the organisation. Conversely, Western companies are seen as inflexible in a number of ways, ranging from the product or service specification through to negotiations and procurement procedures.

High quality products and professionalism

Most Chinese buyers start from the position that the offering will be high quality when they begin to evaluate a Western company, and that usually turns out to be the case. In other words, it would appear that Western companies are doing a good job overall in terms of meeting their clients’ product and service requirements. A typical comment by a Chinese buyer in our survey was as follows:

“We are discussing with British company, we feel its service is better and more normal than local providers.”

General professionalism is seen as a key distinguishing factor between Western and local Chinese companies. This manifests in many ways, ranging from the product itself, through to company literature, appearance and knowledge of staff, and paperwork. Many Chinese buyers and business owners describe

Western companies as more systematic and organised than their Chinese counterparts:

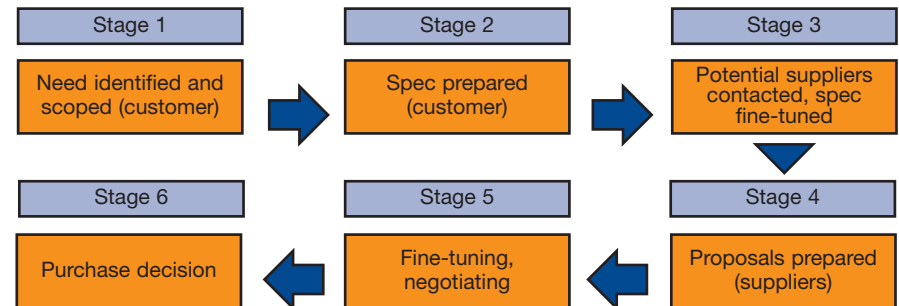
“German companies are extremely polite, professional and systematic. The paperwork is always in order and the products are well made and durable. They work seriously with strict principles.”

Poor ability to listen

An inability to listen is a common criticism of Western companies amongst Chinese buyers. The importance of this cannot be overstated, and this relates partly to the need to show respect to any potential customer. Most importantly, only by studying customers’ requirements and how they evolve in China, can any company hope to engage with and meet the needs of Chinese companies.

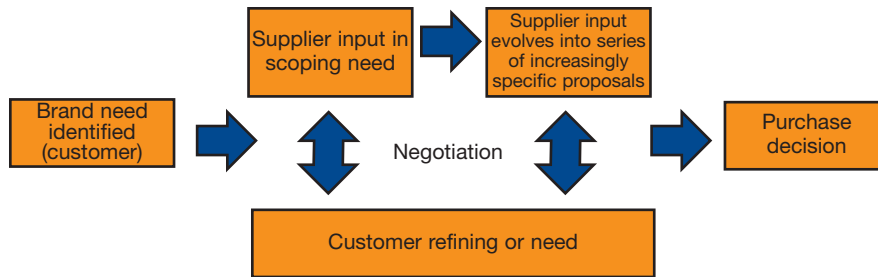
In general, the process leading up to the sale of a product or service in Western markets is clearly structured (see Figure 7 below). It begins within a department inside the ‘customer’ company, where the need for a particular product or service is identified and then broadly scoped. This typically gives rise to the construction of a briefing document or ‘spec’, in which the broad requirement is more closely defined. Thirdly, potential suppliers are searched for, and the ‘spec’ discussed with or sent to a number of them. This may lead to some fine-tuning of the spec. Proposals are then prepared, there is sometimes a little more scoping and negotiating, and then the decision is made.

Figure 7 – Decision Making In The West



Within Chinese companies each stage of this process runs more or less concurrently. Typically, the initial contact with potential suppliers happens at a relatively early stage, when the definition of the customer's need is still developing. It may not even be certain that the product or service in question is actually needed. The potential supplier therefore becomes a participant not only in the definition of how the need can be met, but also in the definition of the need itself. Briefing documents are rare, as are structured tender procedures. Indeed, there is a huge opportunity for the company that successfully assists the Chinese business in the definition of its need, in that there is a high likelihood that the same company will be asked to meet the need it has just defined.

Figure 8 – Decision Making In China



Of course, there are a number of unknowns. The Chinese buyer may well be speaking to a number of other potential suppliers, who will be defining the customer's need in entirely different ways, meaning that the nature and extent of the 'competition' will remain something of a mystery.

The role of suppliers as definers of their potential customers' needs is one reason for the longer sales process in China and other Asian markets. Almost by definition, the initial enquiry to the supplier is rather vague, meaning that a number of interactions between supplier and buyer will be necessary before it has even been decided what the customer requires. This in turn elevates further the importance of trust and an ability to establish a strong and trusting relationship with the potential customer. All of this means that the successful salesperson will be the person who listens to and takes account of the client's constantly evolving requirements, rather than the person who 'dives in' by specifying a solution and writing a proposal as soon as an enquiry has been received.

"Many Western companies don't know our requirement; indeed they promote their product blindly. Of course, we want the machinery with comprehensive and precise function as much as possible. However, they always emphasise that their products are good looking. As for low prices, we care for it definitely, but quality is the most important for us."

Therefore, Western companies are prone not to communicating their message in the wrong way; rather they tend to make a far more basic mistake: they refuse to listen, and therefore communicate completely the wrong message.

Tendency towards exaggeration

Whilst the quality of Western companies' marketing communications and the knowledge of their salespeople is seen as a real strength, there is a feeling amongst Chinese buyers that this can lead to a tendency to exaggerate the qualities of the company, product or service in question. This can damage trust, something which usually proves fatal to any attempt to sell to a Chinese business. Chinese businesses are now experienced at dealing with Western companies, who have been contacting them as potential suppliers or customers for a number of years. This has led Chinese companies to look out for early signs of potential problems, and many are particularly wary of new entrants from the West whose infrastructure or product offering may not yet be established in, or tailored to, the Chinese market. Chinese buyers are particularly adept at asking questions that get to the core of exactly what a supplier's offering is, and equally good at picking up exaggeration, something which is seen as symptomatic of a new entrant desperate for a sale.

Unwillingness to negotiate

Linked to Western companies' perceived unwillingness or inability to listen is a similar ill disposition towards negotiation. This may well relate to the fact (already discussed) that definition of the customer's needs and definition of how to meet those needs tend to happen concurrently rather than sequentially in China. This can make Western companies feel unsure of exactly what they are negotiating about, something they tend to try to resolve by insisting on more structured negotiations.

Western companies are also prone to showing a sheer unwillingness (rather than inability) to negotiate, even walking away when 'the going gets tough', wrongly assuming that all differences are irreconcilable. This is absolutely the wrong approach in China, where negotiations are extensive and the opening price is almost never the price the customer ends up paying.

"Their attitude to working is active, but they always make the same mistake that our disagreement can't be resolved in time, and walk away."

Rigid purchasing procedures are a frequent complaint, as is a tendency for companies to regard certain issues as simply 'out of bounds' at the negotiating table. Payment terms is one example of this, but so, surprisingly, are many aspects of product or service specification. Too many Western companies are unwilling to make their offerings sufficiently bespoke to the Chinese market.

Comparing Different Western Countries

Most of this paper has talked about Western companies in general, and aims to provide recommendations on how Westerners should seek to market and sell themselves to Chinese businesses. It is worth, however, considering how companies from different Western nations are viewed. Figure 9 summarises the main strengths and weaknesses of companies from the four largest Western economies, as perceived by Chinese buyers and business owners.

Figure 9 – What Characteristics Do Chinese Buyers Associate With Suppliers From Different Western Countries?

Country	Perceived Characteristics Of Companies
France	Extremely friendly and well disposed towards the Chinese. Better than other Western nations at building up relationships with Chinese businesspeople. Serious in all professional matters including product/service quality. No strong weakness, but French companies attract some criticism for their lack of efficiency.
Germany	Serious, precise and methodical with a real emphasis on quality. Technology is seen as market-leading. German companies are also noted for their focus on worker welfare and environmental issues, and are seen as extremely trustworthy. German employees are viewed as harder working than many other Europeans. Key weakness is a tendency to be 'hidebound' by procedures in production and purchasing. This is in direct conflict with the Chinese requirement for flexibility on all aspects of the business relationship, and can make German companies seem unresponsive or even aloof.
United Kingdom	Good quality products, albeit perhaps less so than Germany or USA. Extremely proactive in terms of telephone calls, conference attendance, and generally following through on conversations. Thorough, professional and efficient, and at the same time quite flexible by Western standards. Key weakness is an apparent unwillingness to discuss business outside the workplace, which makes UK companies seem unfriendly and hinders relationship building.
United States	Extremely efficient and work at a fast pace. Serious about work, and product quality is very good. Mixed views about ability to deliver on time, particularly when it comes to after-sales. Some hold the view that American companies are more inclined than other Westerners to exaggerate their own capabilities.

How Do Chinese Companies Compare In Their Marketing And Sales Approach?

We have devoted a lot of time to critiquing Western companies' ability to market to Chinese businesspeople. But how do Chinese companies compare? The answer is that, despite the experience they have of dealing with target clients in their own country, there is much room for refinement and improvement. Below is a summary of the key criticisms Chinese buyers level at their local suppliers:

- Inconsistent product quality
- General lack of professionalism
- Unsophisticated approach to marketing and promotion, with websites, brochures and other promotional materials seen as poorly presented and uninformative
- Disorganised approach to paperwork
- Surprisingly, Chinese companies are seen as not willing enough to attend conferences
- Written communications seen as vague rather than direct
- Specific mention made of some Chinese companies' tendency to turn up at the customer's office uninvited – this is often seen as extremely impolite and unprofessional.

The above criticisms highlight two key issues. Firstly, Chinese buyers and business owners assess suppliers on their merits, and are as willing and able to criticise Chinese companies as they are to criticise foreigners. Few Chinese buyers pretend that Chinese companies do not have room for improvement on a number of important issues. Secondly, it is clear that there remains, and will remain for a long time, an opportunity for good quality Western companies to enter Chinese markets, usually on the basis of a high value added, high price offering. Western companies must recognise, however, that their competitive advantage on quality and professionalism issues is eroding, and will continue to do so, making innovation and efficiency increasingly important requirements.

Why Do Western Companies Get It Wrong?

Before moving on to discuss how companies should implement change in terms of their marketing and selling approaches, it is worth considering why Western companies often

target the Chinese market in an inappropriate way. There are a number of reasons for Western companies' apparent lack of understanding of how to market; many of these are self-evident and all of them stem from a lack of experience in the market.

Life cycle

Some of the 'mistakes' made by Western companies in terms of their marketing and sales approaches and messages can be explained by the fact that many of their Chinese activities are relatively new. Companies are providing solutions to needs which have only just emerged, and mutual understanding between buyers and suppliers is still developing.

There has been a strong tendency for Western companies to undervalue the importance of marketing in China, seeing it as something that takes place not at the beginning of the product life cycle, but once channel access and market penetration have been achieved. This is extremely surprising, given the sophistication of marketing techniques in the West, and may result from a lack of knowledge of the target market, as well as a lack of confidence that marketing techniques will be successful.

Focus on product, channels and price, rather than promotion

If Chinese companies tend to regard promotion as the only aspect of marketing, there is an opposing tendency for Western companies in China not to pay promotion enough attention. Western companies entering the market have frequently conducted some kind of channel (place) research, as well as an examination of the likely prices the market will bear. They have usually given a good level of consideration as to which products will appeal, albeit with insufficient thought to how these will need refining. However, analysis of the market assessment research being conducted by market research agencies in China will tell you that the 4th 'P', promotion, has often been completely ignored. Company resources have been thrown into understanding the size and nature of the market opportunity, with much less emphasis placed on how that opportunity should be communicated directly with the target market.

"We know best"

A valid criticism made by Chinese businesses of their Western counterparts is that they sometimes appear hard-wired in thinking that everything they do is automatically superior to the local competition. Essentially, Western companies forget that marketing is about the profitable satisfaction of needs, and that if a need is different in China to the West, then the value proposition must also be different. Westerners tend to try to 're-educate' Chinese buyers, rather than simply providing a value proposition that meets the market's existing needs.

"Marketing is a 'Western' discipline – it's less important in China"

Some Western companies, many of them guided by Western market entry consultants, tend to overstate the importance of relationship building in China, in that they see it as a substitute to marketing effort, rather than a complement. Good salespeople are sometimes left stranded alone in a small representative office, with no marketing capability to complement or assist them.

Communication problems

It cannot be denied that there remains a significant language barrier between Chinese and Western companies, albeit one that is closing as huge numbers of Chinese businesspeople learn English and increasing numbers of Westerners learn Chinese. Once companies need to interact at an operational rather than strategic level, mutual linguistic understanding can often be lacking.

Tips For Successful Selling In China

So, based on our own experience of selling in China, and in particular the experience of our clients and survey respondents, are there any 'golden rules' that can be used by foreign companies looking to market and sell in Chinese business-to-business markets? The answer is, of course, that there are differences by industry, geography and a host of other factors. We would argue that it is perfectly achievable for a Western company to succeed in the Chinese market, so long as it remembers the basics of marketing, and is prepared to adapt these to the local environment:

1. **Remember the marketing basics** – Product, price, place and promotion are all important. All should be researched before and after market entry, in order to ensure that the value proposition meets and continues to meet the target market's needs.

2. **Patience** – Patience is required when applying the marketing basics to the local market. In particular, the sales process is longer and more complex than in Western markets, and local buyers will take time to be convinced that a Western company has the 'local' credentials to meet their needs.

3. **Listen** – Only by listening will you be able to understand and therefore meet the local market needs. Chinese companies do not want to buy a product or service that has come straight off a shelf in the West.

4. **Relationships** – Focus, but do not over-focus on relationships. Any salesperson must be prepared to be 'friends' with a potential supplier. However, this is as well as, not instead of, the 4 Ps of the marketing mix.

5. **Be confident in your quality** – Western companies start from a strong position, in that they are usually assumed to have excellent quality. Focus on the value you add, and be prepared to explain why you can add value in China specifically.

6. **Be methodical, but flexible** – One of the qualities that defines Western businesses is their methodical approach to doing business. It is clear that when this turns into a dogma about how business should be done, Chinese companies quickly lose interest in your offering. However, do not be afraid to highlight the methodical nature of your offering, as this is something that is valued by Chinese business people and seen to be lacking in some Chinese businesses.

7. **Be prepared for plenty of negotiation** – The Chinese approach to completing deals relies heavily on many rounds of negotiation, and this is something that any potential supplier must be aware of. It is almost inconceivable that your first proposal (particularly your first price) will be accepted. Companies wishing to do business in China should consider the price they are willing to accept for their offering, but never open negotiations at this level.

8. **Avoid exaggeration** – Focusing on the credentials you have, rather than exaggerating to make up for perceived deficiencies, is to be recommended. Chinese companies want above all to trust their suppliers.

Matthew Harrison is a Director of B2B International and B2B International China, and currently based at our office in Beijing. If you would like to share your views on this paper or hear more about our research, consultancy and training services in China, please call the Beijing office on +86 (0)10 6515 6642. Alternatively, comments and queries can be emailed to beijing@b2binternational.com

B2B INTERNATIONAL LTD
Bramhall House | 14 Ack Lane East
Bramhall | Stockport | Manchester
England | SK7 2BY

tel: +44 (0)161 440 6000
fax: +44 (0)161 440 6006
email: info@b2binternational.com

Registered in England: 3232238

**B2B INTERNATIONAL
CONSULTING (BEIJING) CO. LTD**
Office 1111 | Jingtai Tower
24 Jianguomen Wai Street
Chaoyang District | 100022 Beijing
PR China

tel: +86 (0)10 6515 6642
fax: +86 (0)10 6515 6643
email: beijing@b2binternational.com



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