



# **New Silk Road**

## **Ways to Succeed in China Market**

Presented by: Yong Huang

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QUANTLINE.COM

# China, a big market





## CHINA

Vs



## SPAIN

Land Area

9,600,000 km<sup>2</sup>

20

505,925 km<sup>2</sup>

Population

1.34 billion

28

45 million

GDP PPP  
(2010)

\$ 10,084 billion

7.8

\$ 1,364 billion

# In 2010, China became The Second Largest Economy in the World

Largest internet user base: **350 MM**

Largest cell phone user base: **710MM**

**10 MM** university graduates each year

**300 cities** with population > 1 MM

# 75 million affluent consumers

Target consumers for our brands

Year 2008

**460,000**  
wealthy family

460,000 high-net-worth households, each with more than U.S. \$ 1 million in assets under management

**75,000,000**  
middle-class

750,000,000 middle class, each with US\$30k ~ 60k in assets under management

**About 1.2 billion**  
others

# China is redefining the scale of urbanization... In the next 20 years

Increased population in cities

**350 Million** = 8 times Spanish population

2/3 of Chinese population lives in cities

Around **1 billion urban population**

New skyscrapers

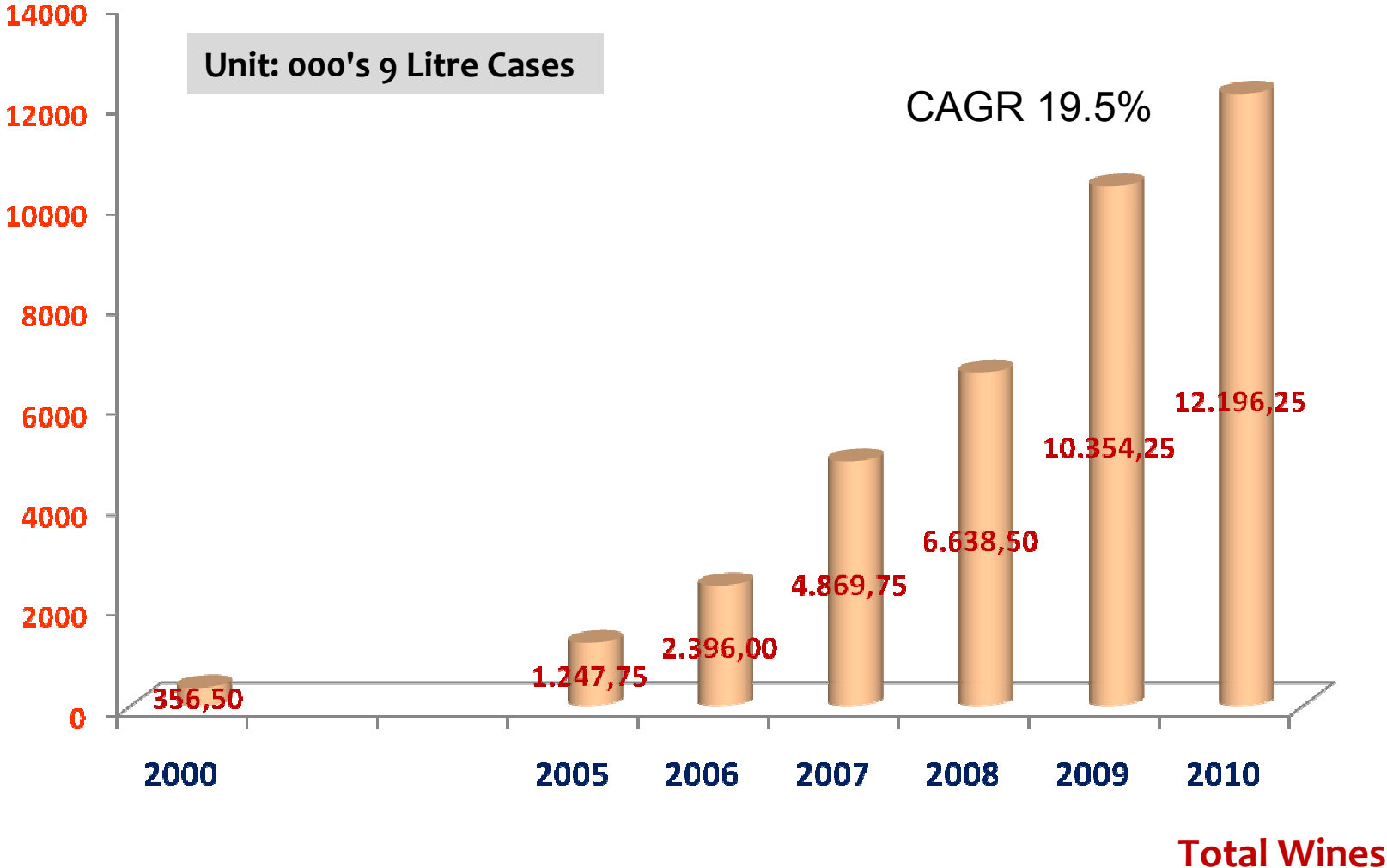
Over **50,000 Skyscrapers** = 10 New York cities

# BY 2015 , 22 Urban Agglomerations

accounts for **86%**  
Chinese population ,  
Contributes **92%** of GDP

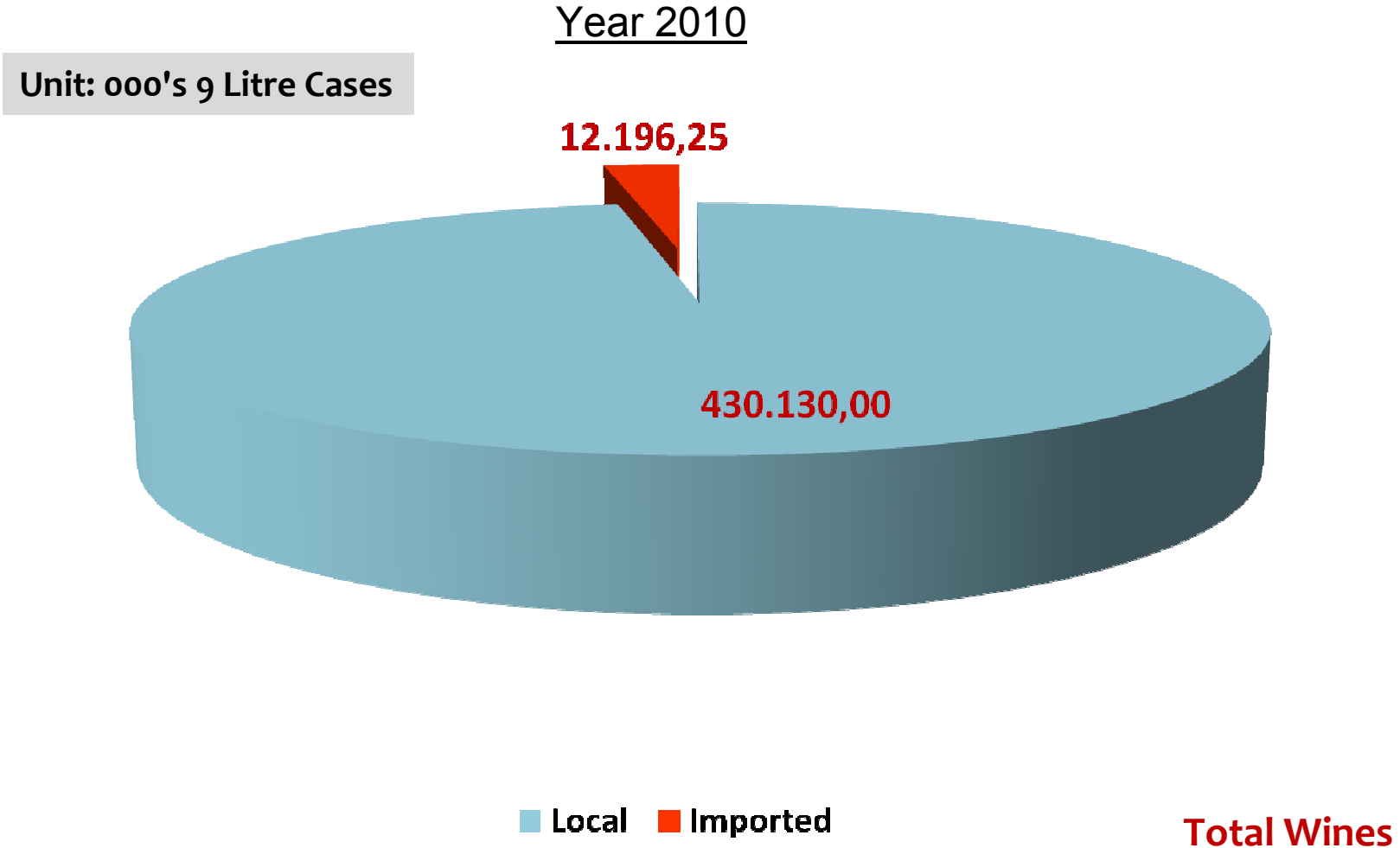


# Imported Wine Consumption Grows 19.5% CAGR since 2005

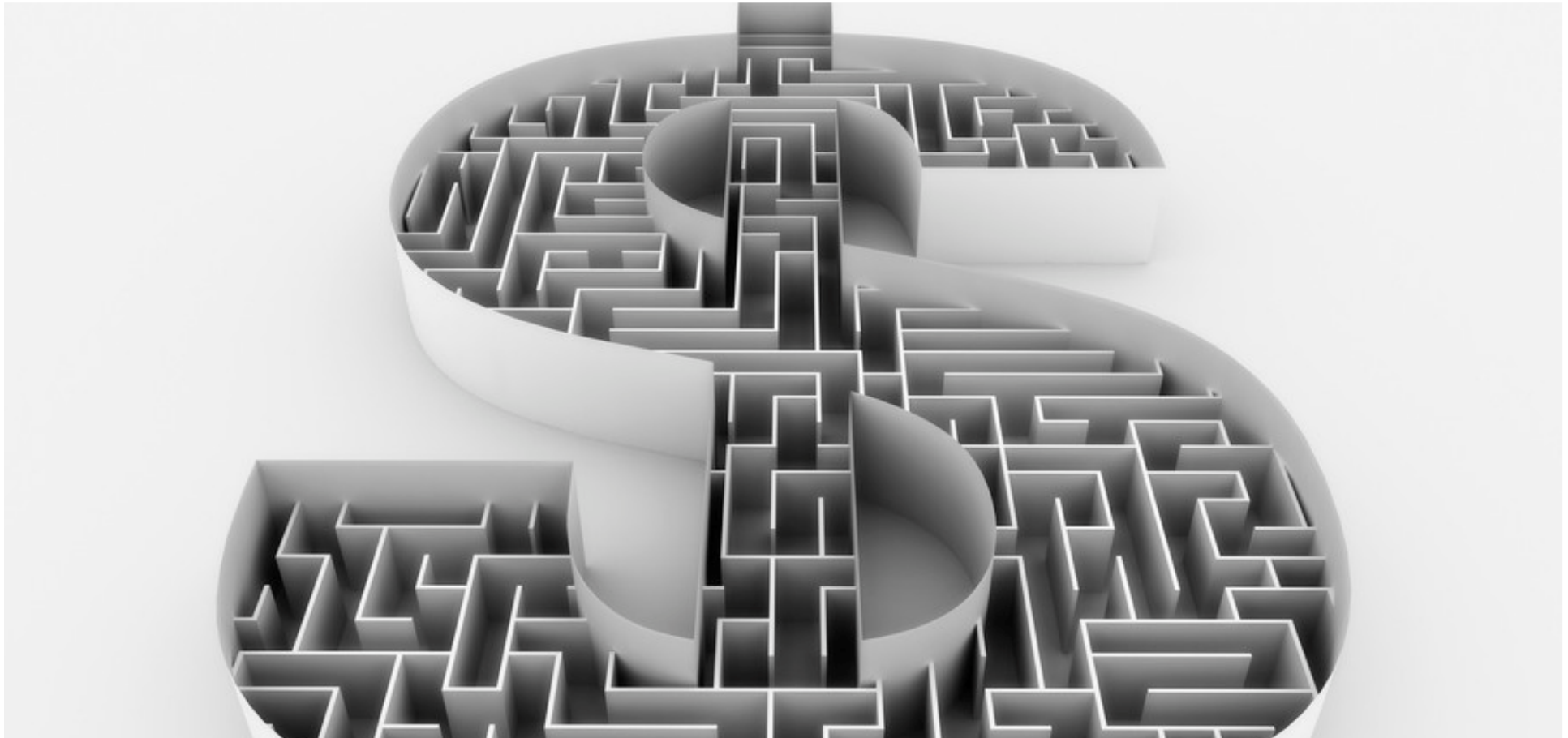


Source: China IWSR 2010

# But Imported Wines Shares only 3% of total Wine Consumption (Volume)



Source: China IWSR 2010



**China, a big market!**  
**Yet, puzzling**



# Different consumers, different habits



Chinese like **noodles**, Westerners like **pasta**

Chinese like **tea**, Westerners like **coffee**



Chinese use **peanut & corn oil** ,  
Westerners prefer **olive oil**

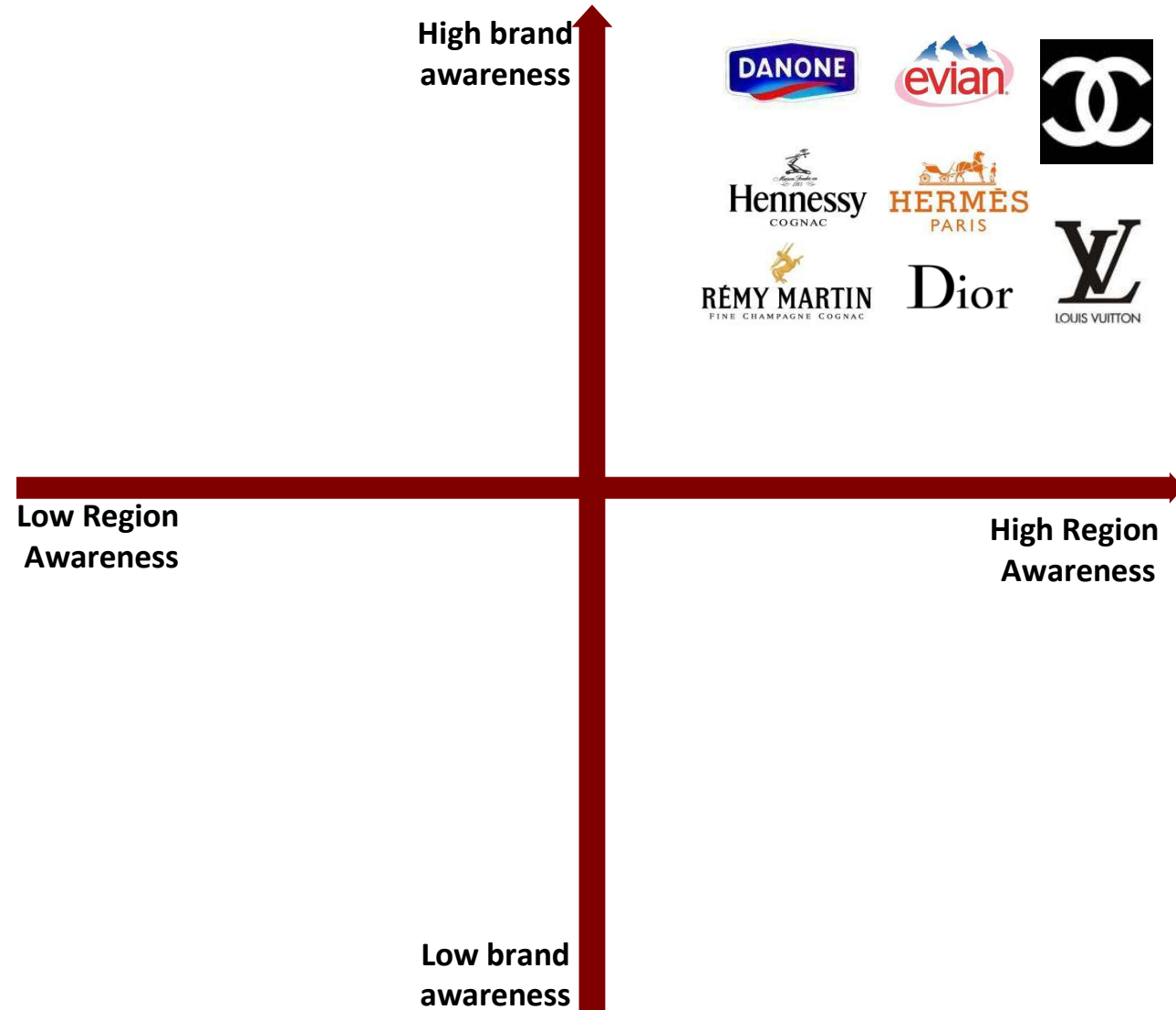
# Products and brands are overwhelming, competition is fierce

China has become **the world's top manufacturing** country by output in 2010.

- Most **MNCs have localized** their brands and products in China
- Full range of products by **domestic manufacturers**, from low-end to top-notch
- **Imported** goods are available everywhere

# FRANCE

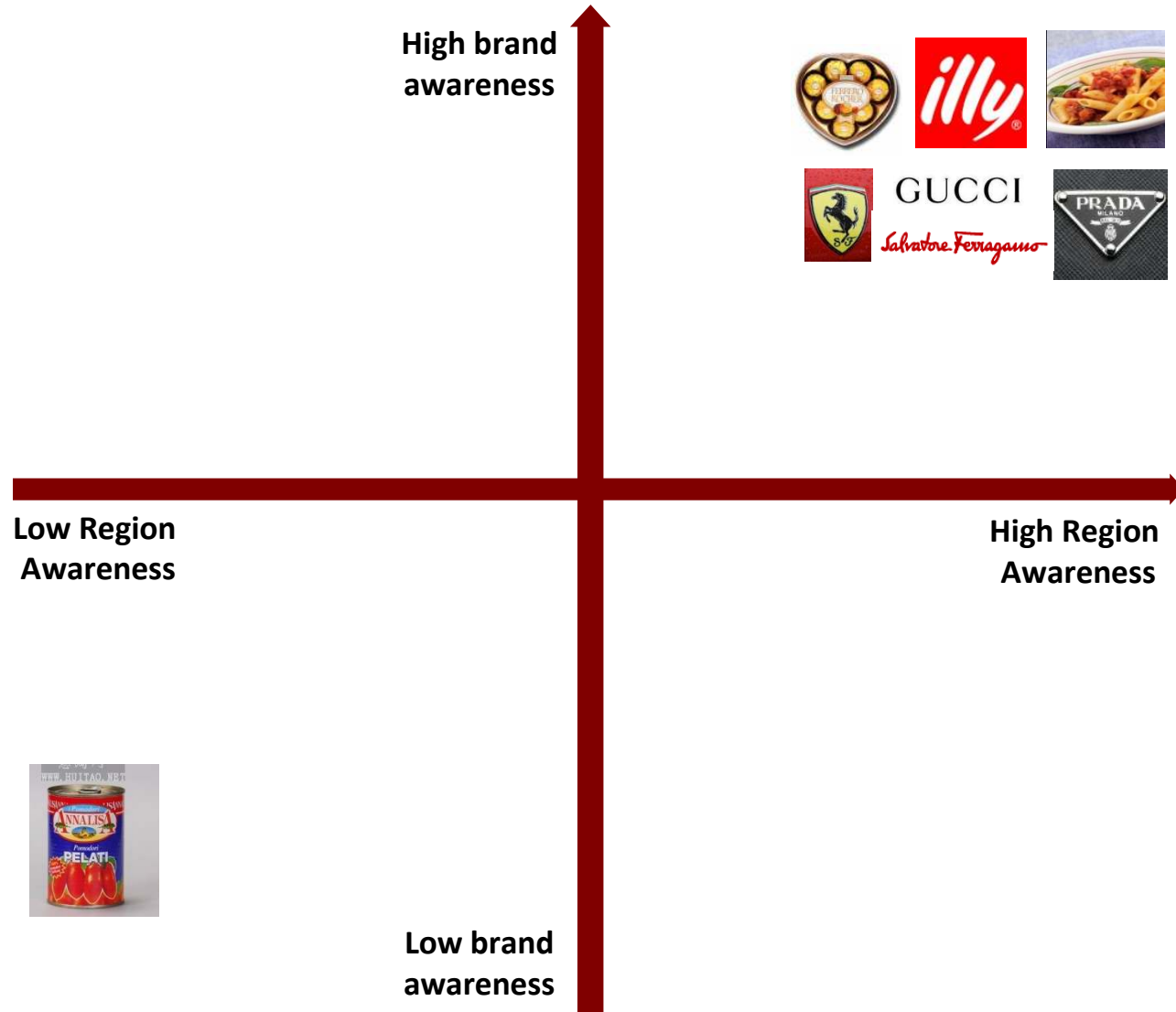
Source : DNA consumer research report, 2009



**Brand Image: Romantic, Luxury**

# ITALY

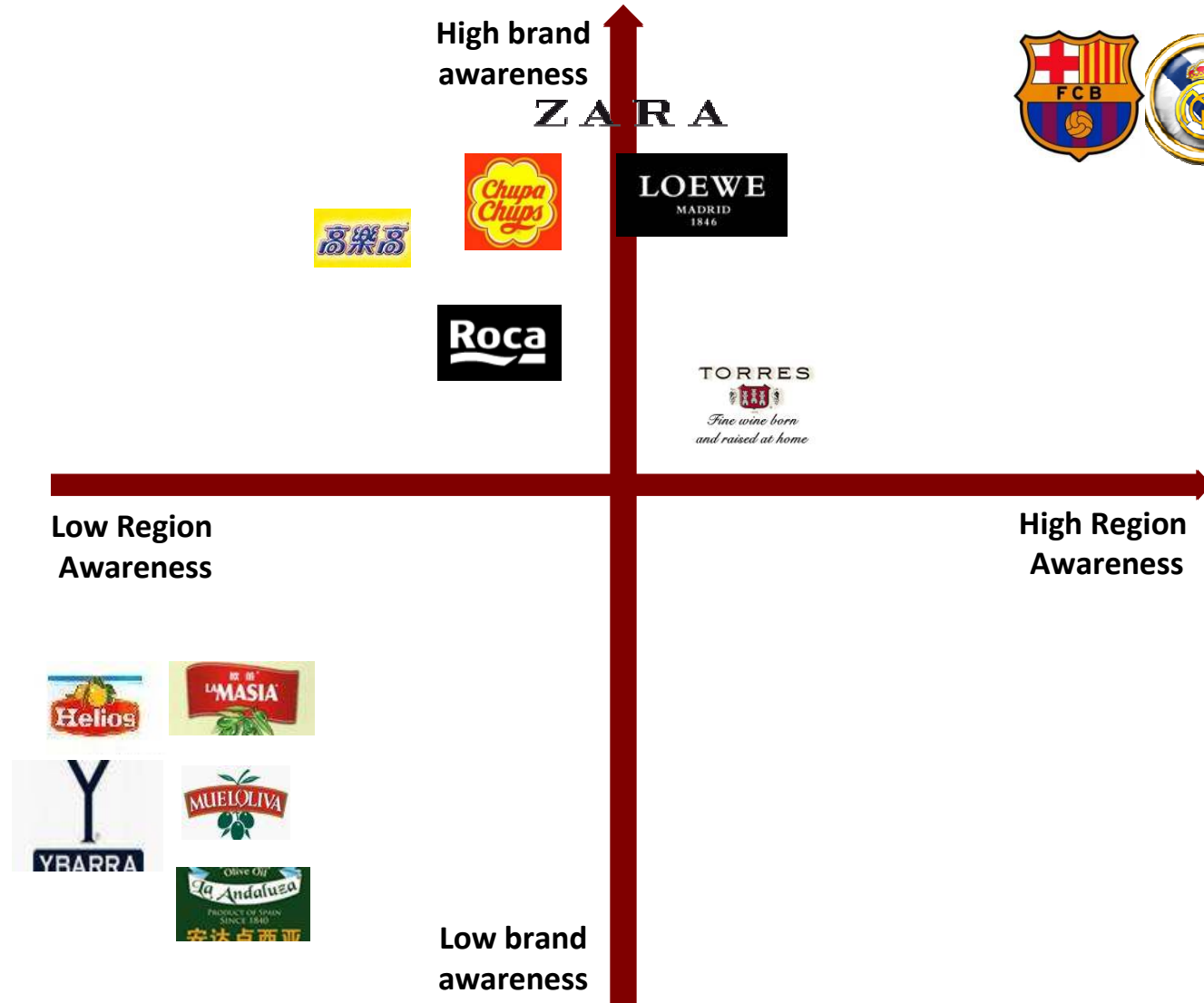
Source : DNA consumer research report, 2009



**Brand Image: Art, Fashion**

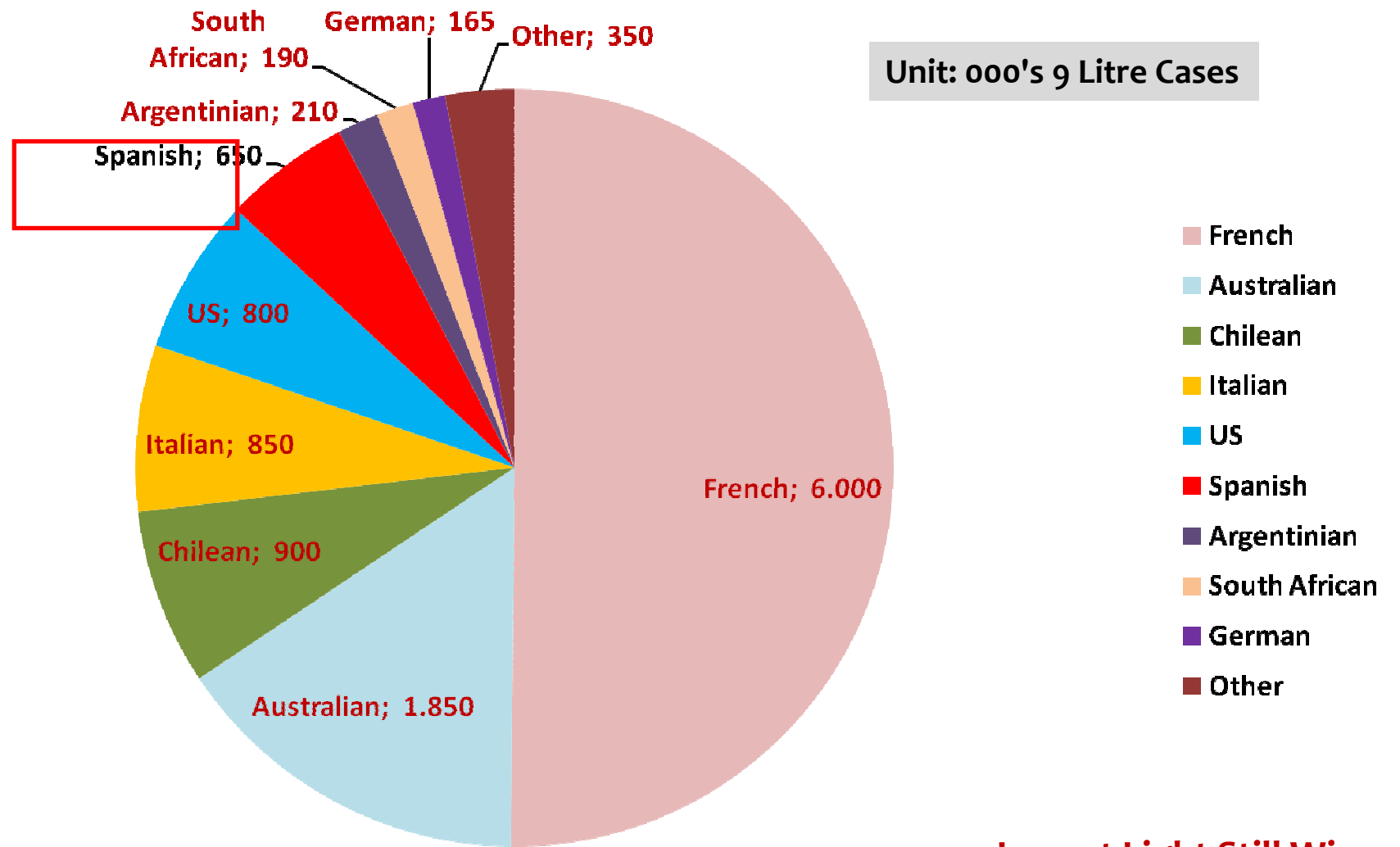
# SPANAIN

Source : DNA consumer research report, 2009

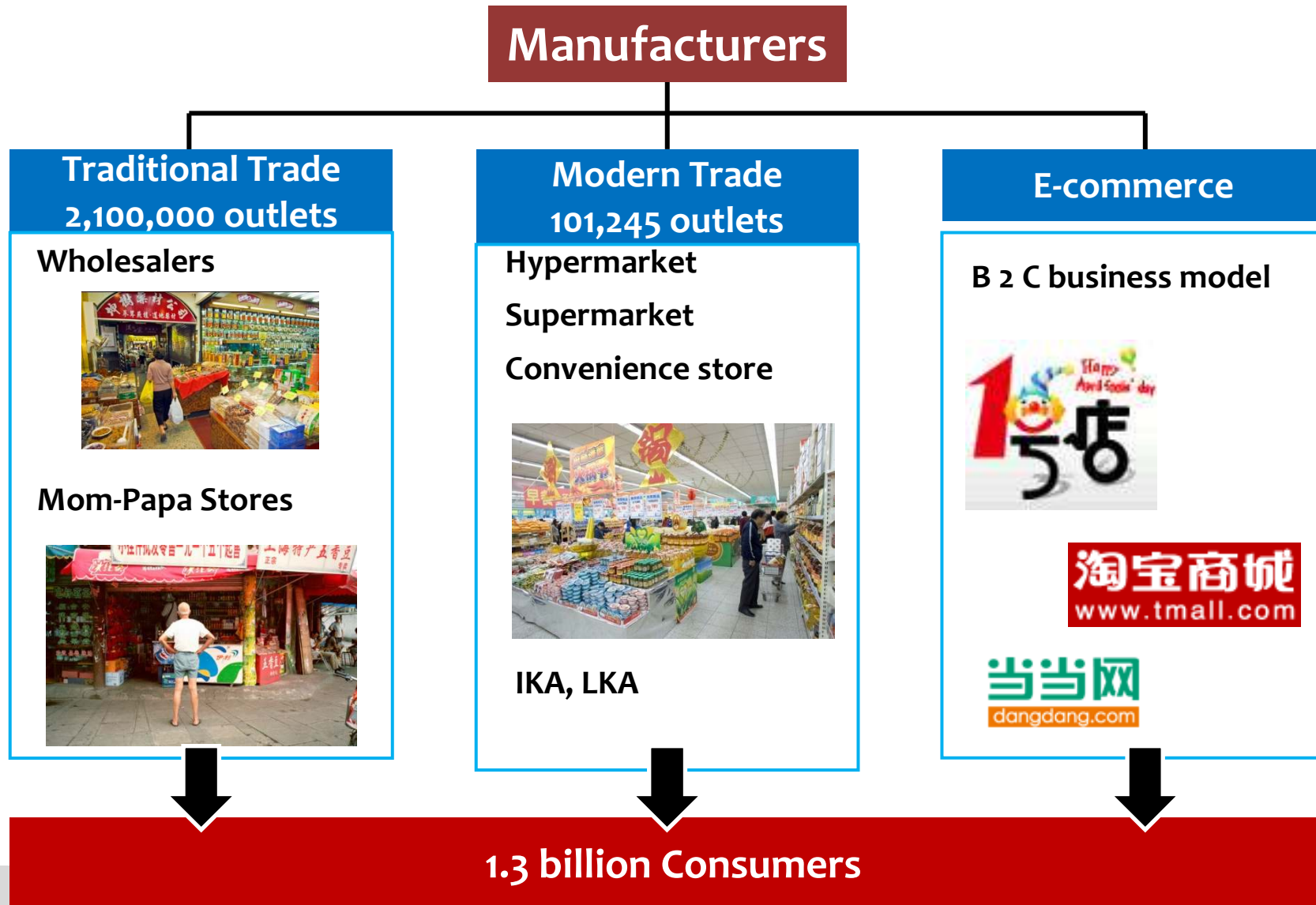


**Brand image: to be defined!**

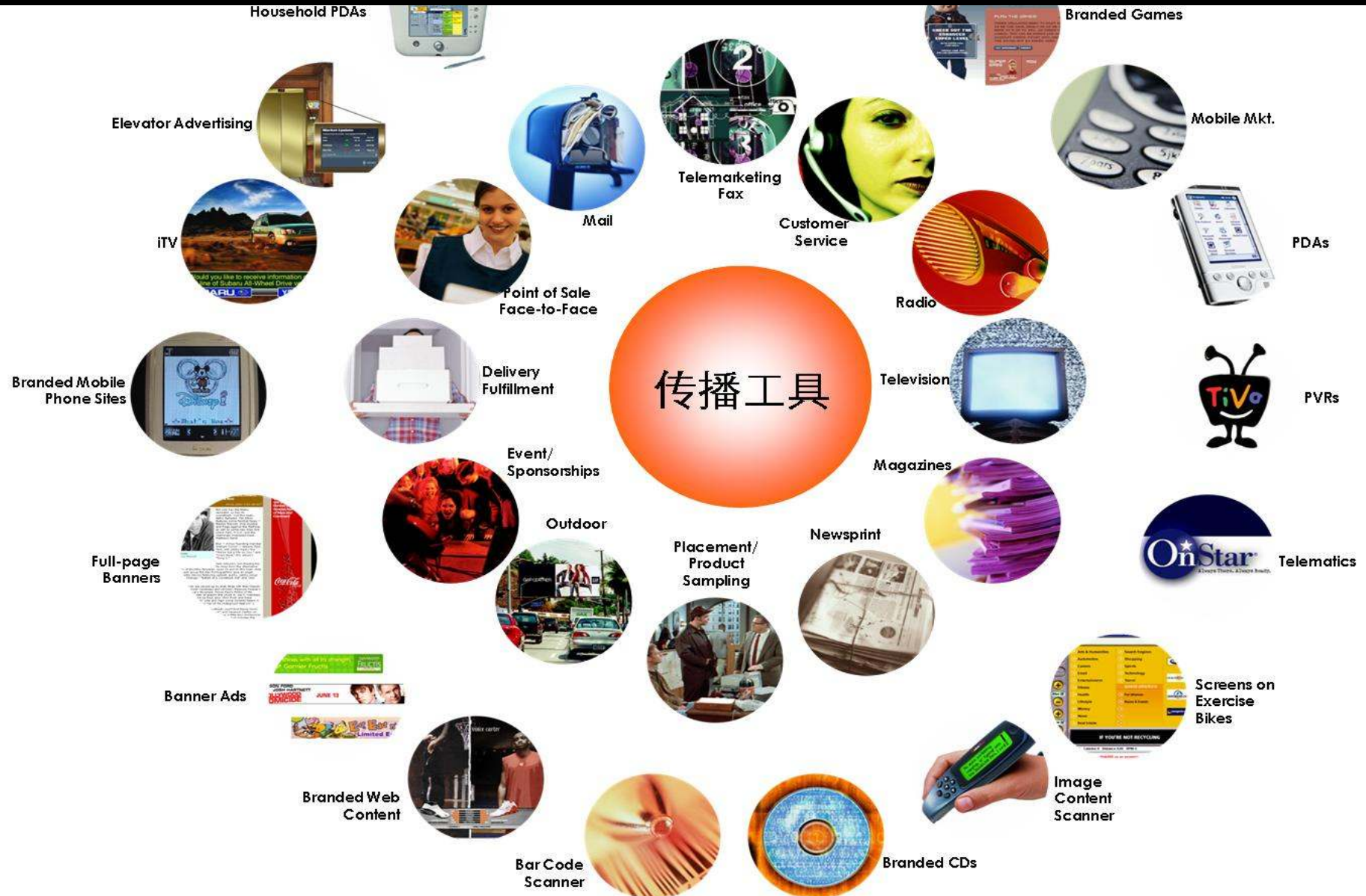
# Fortunately, competitors are not too far ahead



# Complex Distribution channels



# Too Many Communication Tools Available



# TVC cost is extremely high

- There are about 4000 TV stations in China
- All of them are state-owned. Money-centered but not business oriented
- National level TV is very expensive: CCTV, STV, Hunan Star TV



东方卫视



湖南卫视





**How to Succeed in China market?**



**1** ● **Select right product**



# Select right product

If you are selling a product of which the category already exists in China

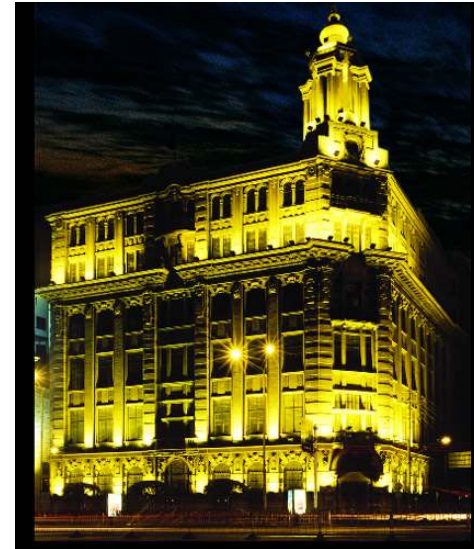
## 1. Differentiation



# Select right product (cont'd)

If you are selling a product of which the category already exists in China

## 2. Position premium



# Select right product (cont'd)

If you are selling a product of which the category already exists in China

**3. Never compete on price with local players**

**RECKITT  
BENCKISER**

DOSIA  
**巧手**



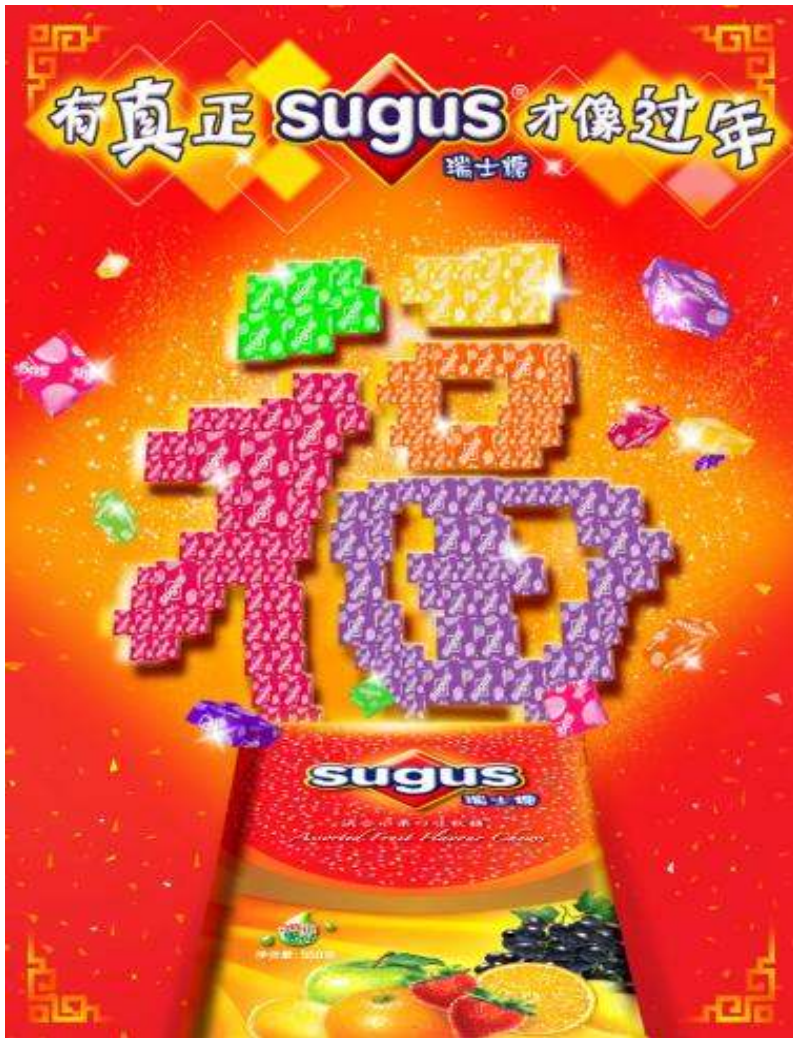
# Select right product (cont'd)

If you are selling something new

1. **To ride on Chinese Tradition** is the best approach.

- Gift Packaging is always a good idea for foreign brands





Poster



Premium

Fully Leverage Chinese New Year



**70% of Sugus are sold during 1 month of CNY Period**

# Select right product (cont'd)

## If you are selling something new

### 2. Ride on Chinese consumer habits and continuously adapt to Chinese consumers

- Chinese people like eating chicken
- Now offer Congees, Soybean Milk, YouTiao (Chinese Churros) in KFC breakfast according to consumer needs
- KFC became the biggest fast food chain in China with 2600 stores, more than the number in US



# Select right product (cont'd)

If you are selling something new, but nothing to ride on.  
Oops!

- **Dig out Chinese consumer insights and educate your consumers,** though it takes time and money

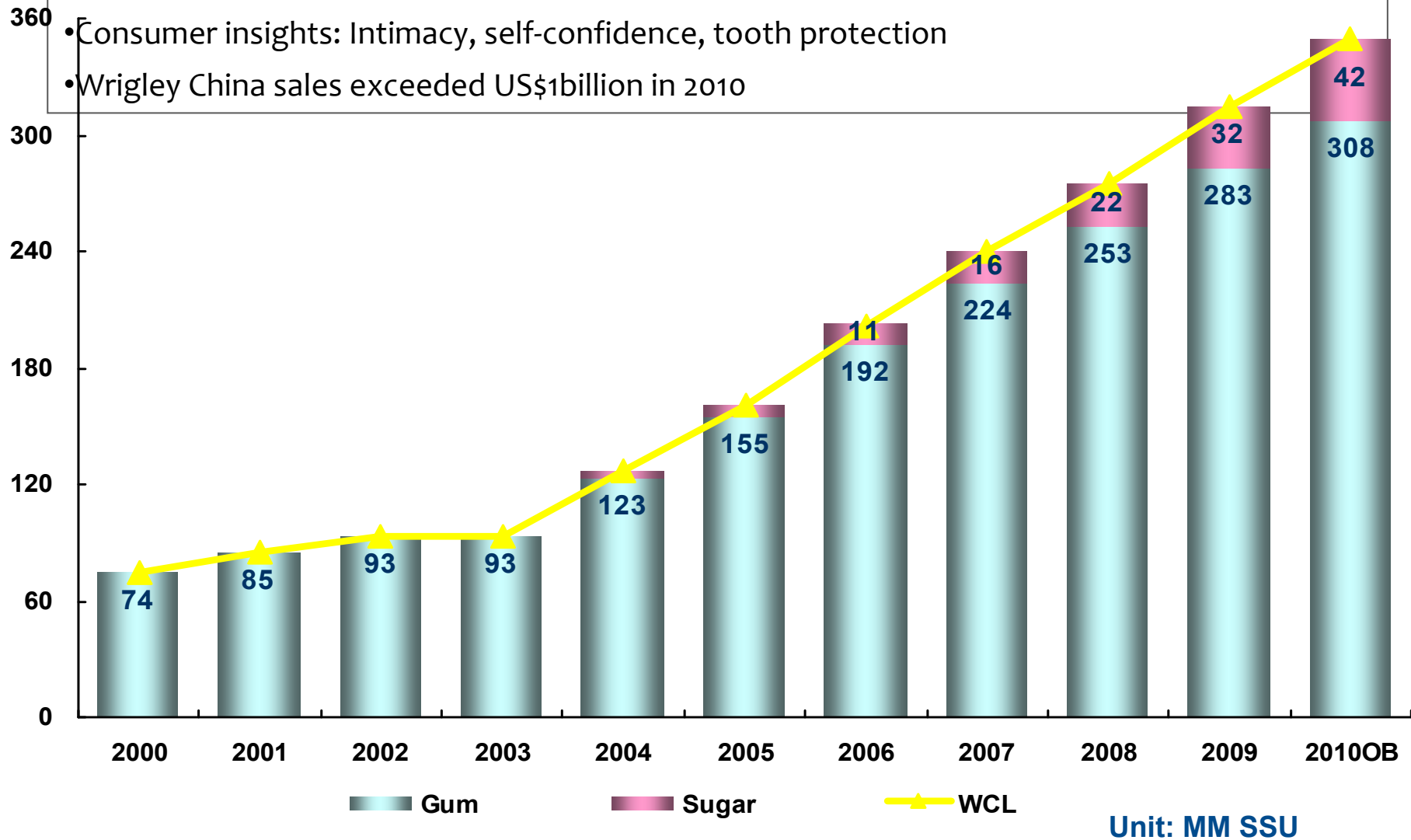


- Or **to be the followers**, but you will lose the first-mover advantage



# When you do it right, miracle happens!

- In 1989, Wrigley introduced chewing gum to China
- Consumer insights: Intimacy, self-confidence, tooth protection
- Wrigley China sales exceeded US\$1 billion in 2010



# From “Made in China” to “Made for China”



Wrigley launched Extra Herbal in China and became a huge success. Then it was introduced to US and became one of the most popular SKUs there.

# From “Made in China” to “Made for China”



LAFITE added Chinese character 八 (Eight) to the bottle of its 2008 vintage. Eight stands for Lucky and Fortune in China. The price of 2008 vintage increased 17% within several weeks.

**2** ●

**Choose a good Chinese  
name**



# Choose a good Chinese name



**Chinese Name:** 可口可乐

**Pronunciation:** Ke Kou Ke Le

**Meaning:** Delicious & Happiness



# Choose a good Chinese name



Chinese Name: 高乐高

Pronunciation: Gao Le Gao

Meaning: Tall Happy Tall

# Choose a good Chinese name



**Chinese Name:** 宝马

**Pronunciation:** Bao Ma

**Meaning:** Treasured Horse

# Choose a good Chinese name



**Chinese Name:** 宜家

**Pronunciation:** Yi Jia

**Meaning:** Comfortable Home

# Choose a good Chinese name

*Penfold's*

Chinese Name: 奔富

Pronunciation: Ben Fu

Meaning: Run to Rich



# Never make the same mistake



Chinese Name: 标致  
Pronunciation: Biao Zhi  
Meaning: Pretty

**But sounds like:** bitch

**Results:** sold the JV to local Chinese JV partner at \$1.

# Never make the same mistake



Ultima Sports Drink by Suntory,  
a leading Japanese beverage  
company

Chinese Name: 维体  
Pronunciation: Wei Ti  
Meaning: Maintain Good Body

**But in Cantonese sounds like:** Dead body

**Results:** had to establish another brand in South China, many packaging and marketing spending were wasted

# 3

- Find a right partner



# Find a right partner

**Eternal theme of the love story**

**The one you love**

→ Big distributors, strong capital and extensive network

**The one who loves you**

→ Small distributors, less capital and limited network

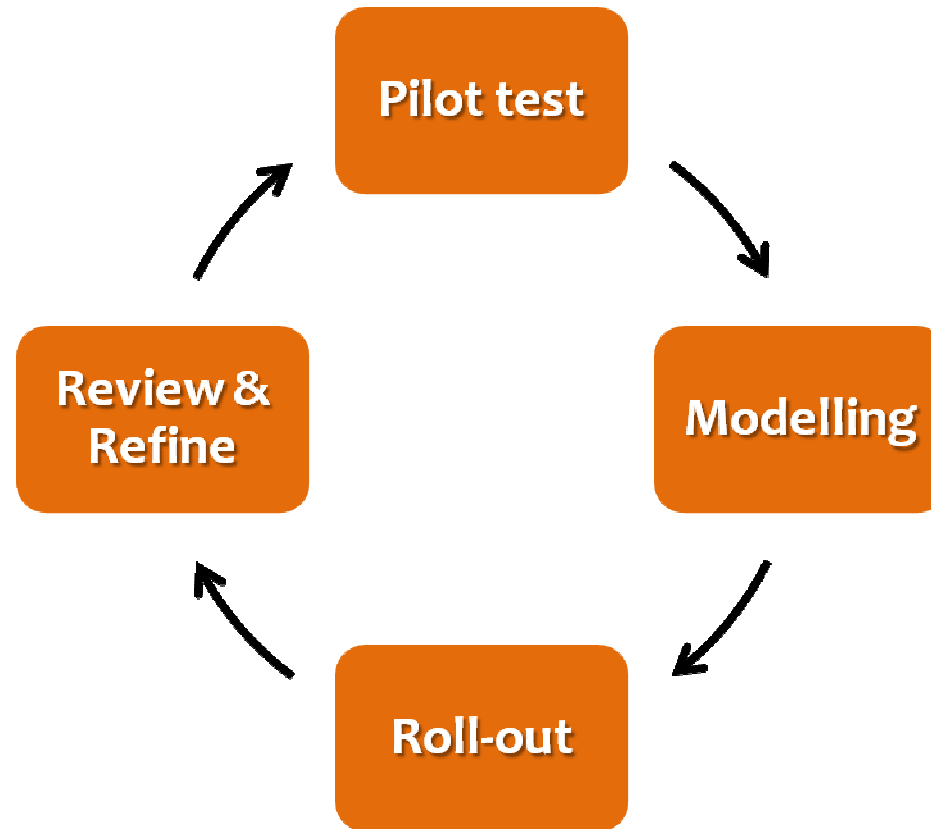
**3 dogs chasing 1 bone,  
which one do you want to be?**

**4**

- **Develop a right plan**



# Don't leap before you learn how to walk



1. Shanghai shall be the ideal starting point, with 23 million population, most open-minded and most bourgeois...
2. Population of Shanghai + Beijing = Population of Spain

# Promote your brand smartly



Penfolds Office Lounge Tour

# Sell Aspiration - Create A Dream with your brands





- **Challenges:** When Häagen-Dazs entered China market in 1996, ice-cream was regarded as functional product only to cool people down in summer. The price was around US\$0.4 per piece.
- **Create a dream:** **Best ice-cream for your most loved one**
- **Solutions:**
  - Position premium: the price of Häagen-Dazs was US\$4, 10 times expensive vs. local products
  - Pilot test in Shanghai: Häagen-Dazs set up its first store in Shanghai in 1996
  - Smart promotion: Target sampling to white-collars
  - Walk before leap: Roll-out to Beijing after success in Shanghai, then gradually expanded to other key cities



- **Results:**

- The No.1 premium ice-cream in China
- One of the most romantic dating venue
- Many girls in other cities assigned her boyfriends to buy Haagen-Dazs in Shanghai and bring back for her via air flight



**Office Building Sampling**

When you have everything above

1.Right Product

2.Right Name

3.Right Partner

4.Right Plan

**Don't go to China,  
unless you are ready with ...**

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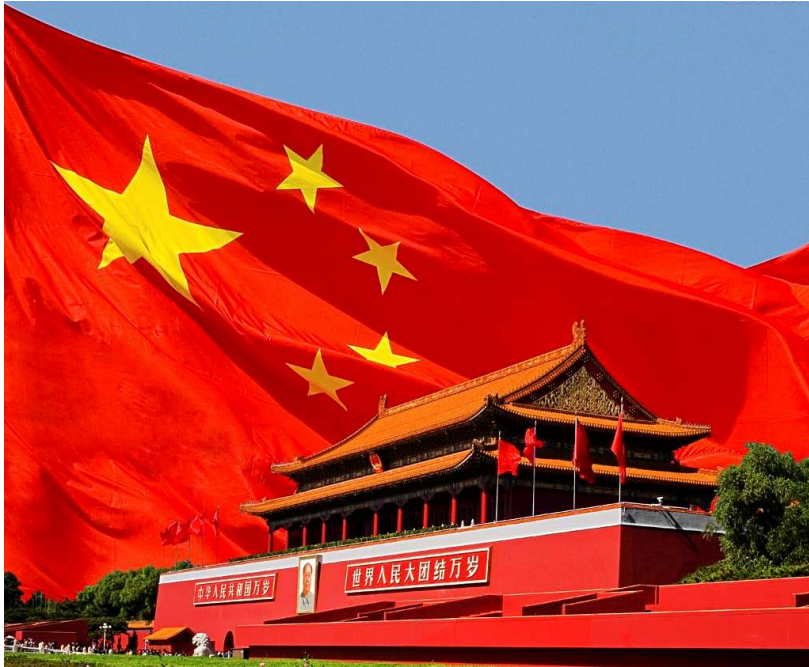
# Enough Investment & Patience



**Change Chinese consumer habit from congee to corn flakes takes time, efforts and money!**

Have entered and retreated then re-entered 3 times, still struggling!

# The last but not least



**In China, never  
mess up with  
political issues**



**Bon Voyage  
To Your China Journey!**