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## **The China Syndrome - Changing at the Speed of Light**

In previous issues this year, we have examined some aspects of the growth potential, threats and opportunities arising from China as a producer and supplier of goods and as a market for products and services. We believe that opportunities are legion, but that western marketers need to get a fuller and better understanding of the way Chinese consumers and purchasers think and act.

All too often I hear that "you can only sell the Chinese on price". This is a fallacy. There is concrete evidence of a significant and growing segment of the Chinese population that will demand and is willing to pay for the higher quality branded goods. There are more than just a few Mercedes vehicles on the roads of China. In the B2B environment also, there is evidence of a stronger tendency towards quality, reputation and reliability and a willingness to pay for this in the price. China has managed to evolve into a market economy in a mature and sensible way, avoiding many of the problems encountered in Eastern Europe and the former Soviet Union. Since 1981 China has reduced the number of people living in poverty from 490 millions to 88 millions today. Tens of thousands of Chinese leave the country each year to study in the west. China has grown into a powerful trading nation.

China's economy and markets have grown substantially in the last 20 years, with demand for oil doubling and significant increases in demand for other basic raw materials and products, for example natural gas (increased 93%), steel (up 143%), copper (189%) and aluminium (380%).

It is also worth noting that the Chinese government has also sent a clear signal that the consume-all, throw-away society of the western free market is totally inappropriate and not sustainable in a market the size of China. Thus we conclude that there will be a growing demand for and appreciation of sustainable approaches to marketing, that will be recognised by a willingness to pay a premium for sustainability and quality in consumer and B2B markets in China as their economy and the markets evolve. Additional pressures to drive prices upwards will also become more evident as the Chinese government seeks to control or even hold back some of the growth trends (for instance, by restricting credit), which could cause some products to go into shorter supply, which should put upwards pressure on prices. So marketers be alert to the signs of higher price opportunities in the evolving China market.

One only has to consider some basic statistics to realise that China cannot become an economy on the western model. If every second Chinese owned a car there would be more than 600 million cars on Chinese roads – exceeding the current World car park of 540 millions. The infrastructure needed to support such a car park (roads, parking lots, petrol stations) would consume vast tracts of land currently used for agriculture, which would reduce production of food and force a higher dependency on imported food..... and so on and so on.

Another sign of the changes taking place is the resurgence of (higher priced) foreign brands in some key markets (e.g. mobile telephone handsets). China has also become a net importer of farm produce, indicating another series of opportunities for suppliers to improve the production efficiency and yield rates of Chinese agriculture.

Another angle to China's development is the higher quality of produce emanating from Chinese production units, now proclaimed to be producing "higher quality goods" than eastern European countries. China is also making a play to become an exporter of automobiles - look out Ford, GM, Daimler-Chrysler. And don't expect it to stop there. We predict that China will become an active and successful exporter of quality goods in the next 3 – 5 years.