

Why You May Need to Reconsider Your China Marketing Strategy



Chinese shoppers at Myer Melbourne, Bourke Street Mall

In 2014, Uber entered China with an ambition to dominate the ridesharing market in the country, just as it did in the US. But instead, a cash-burning fight with the local rival DiDi ended bitterly for the company. Uber bowed out of the Chinese market in 2016, killing off its Chinese dream in only two years.

Two years later, the reverse happened in Australia. DiDi, now the world's largest ridesharing company, launched its service here in June 2018, taking on the Australian market that Uber has ruled since 2012.

Uber's China tale serves as a reminder to Australian businesses that are trying to break into or expand their existing operation in China: even if you have a great product, a tested marketing model, and a proven track record in Australia, there is no guarantee you will succeed in the Chinese market.

A common mistake international brands make is underestimating the complexity of the Chinese market, which

is different in nearly every way, and thus lacking a suitable marketing strategy. Chinese marketers have come up with unique approaches tailored to Chinese consumers. They are vastly different from traditional Western marketing methods as we know, and yet extremely effective. And in some ways, they are way ahead of us.

To successfully market products or services to the Chinese market, it is crucial to understand the difference in Chinese consumer behaviour and purchasing habits, the Chinese marketing mindset as well as viable methods and channels.



Social media is a key driver for China's booming digital economy

Chinese consumers have an insatiable appetite for social media, making social commerce a key driver for China's booming digital economy.

According to the Internet Society of China and Chuangqi Social Commerce Research Centre, the market scale of China's social commerce was expected to reach 2.07 trillion yuan (AUD432 billion) in 2019, a surge of 63% year-on-year, while the revenue from the sector is expected to account for 20% of China's online retail market.

Out of a myriad of Chinese social platforms, there are several that are particularly useful for e-commerce. McKinsey's China digital consumer trends 2019 survey shows that Chinese consumers spend as much as 33% of their time on WeChat and Weibo, while another 11% on the short-video sharing app TikTok (known as Douyin in China) as well as Tencent Video, the streaming service under WeChat's parent company.

However, Australian businesses cannot expect to rely on online portals alone to achieve results, despite the potential false economy of these channels. A notable trait of tech- and money-savvy Chinese shoppers is they are practical value-seekers. As such, they are continuously blurring the line between online and offline shopping. They go to physical stores to see and feel the products. Meanwhile, they use their phones to research and compare products – sometimes right in store – to help them form purchasing decisions.

This is especially evident in the apparel industry, which is also China's largest e-commerce category. The same

McKinsey 2019 survey shows that in 2018, 85% of Chinese shoppers visited both online and offline stores to make a purchase, an increase of 5% from 2017.

Chinese consumers are also savvier spenders as they become more mature. China's National Bureau of Statistics' 2018 data indicates that Chinese consumers are more willing to pay for services and experiences, spending more money on medical expenses, education, culture, entertainment, transportation and travel. And as many as 39% are willing to buy products of better quality even if they are more expensive. They also strongly value the recommendations of friends and family.

It is also important to look at the Chinese consumers geographically. Many Australian businesses' China marketing strategies are skewed towards major cities such as Beijing and Shanghai. The next wave of growth will come from tier three cities and even smaller towns, which are home to 670 million mobile internet users (more than half of China's population). Spending in e-commerce from these areas has already caught up with the big cities, as revealed in 2016's McKinsey's digital consumer trends research. Furthermore, Chinese consumers differ linguistically and culturally across China's geography – much more so than, say, between Darwin and Sydney.

For Australian companies doing business in China, there is a need to fully utilise WeChat's omnipresence and omnipotence in the Chinese market. The absence of Western social platforms (nearly all of them are banned in the country) reinforces that need.

The Economist said WeChat is the "one app to rule them all". The statement is not only about WeChat's sheer size of user numbers, but also its countless integrated features. WeChat has 1.13 billion active accounts as of the second quarter of 2019. Its ever-expanding features combine the best of Facebook, WhatsApp, Twitter and Instagram, and incorporate factors of Skype, eBay, digital banking, mobile payment and travel booking (DiDi can be directly accessed within the app through WeChat Mini Programs).

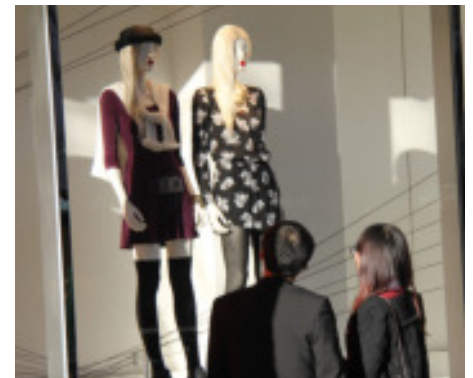
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While individuals can simply use a mobile phone number to register for a Personal Account, companies will need an Official Account for business use. There are four different types of Official Accounts, namely: corporate/enterprise account, subscription account, service account, and whitelist account.

Before setting up, you must think about which type of account suits your business needs better – something Chin Communications is often consulted on.

Businesses can use a WeChat Official Account for marketing and advertising. WeChat advertising comes in different forms, including Moments (similar to Facebook feed but not exactly the same) advertising, banner advertising and key opinion leader (KOL) advertising. Each has its benefits when used right. Chin Communications has run successful campaigns for Melbourne Symphony Orchestra and Grand Hyatt on WeChat by partnering with local KOLs.

Other effective Chinese social platforms include Weibo, the equivalent of Twitter in China. Weibo has over 374 million active monthly users. Its integrated short video and live streaming features can help increase followers' engagement with brands and boost follower numbers.



The apparel industry is being affected by Chinese shopping behaviour



The next wave of growth will come from tier three cities and even smaller towns like Zhenjiang City in Jiangsu Province with a population of 1.1 million

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Then there is Xiaohongshu, literally “Little Red Book” in English, a social app that lets users review shopping experiences for beauty products, clothes, restaurants and services. The company boasts 85 million monthly active users, who collectively generate more than 3 billion posts a day.

TikTok, the explosively popular short video app, is another platform that Australian businesses must put on their China radar. And there are new platforms popping up every day that we at Chin need to be abreast with – it’s a new language in more ways than one.

While short videos – generally 15 seconds or slightly longer – are not a big thing in Australia, they have taken China by storm since 2017 and become

a powerful marketing tool. International big names such as L’Oreal and Disney have jumped on this bandwagon to promote their brands in China.

London-based IHS Markit predicts that China’s short video market will reach 96.2 billion yuan (AUD20.18 billion) by 2020. Data compiled by the Chinese mobile internet consulting firm QuestMobile shows that as of March 2018, there were nearly 600 million active users of short video apps in China, accounting for 78% of the overall online population in the country. Kuaishou (also owned by Tencent) and TikTok are leading the charge, commanding over half of that market.

With the ever-shortening attention span of the new generation, short videos have the advantage of delivering meaningful and engaging content with better flexibility and lower budgets. They are best used for product reviews, product seeding and brand promotion. They can also be used for customer relationship management, market research and PR crisis management.

Short videos are very popular among young Chinese consumers, with two-thirds of users under 35. Over half of the users are female. Because of these user characteristics, short videos are particularly suitable for brands in the

FMCG (fast-moving consumer goods), fashion, cosmetics and IT sectors.

Celebrities and KOLs produce the most popular short video content. KOL-created short videos sometimes go viral instantly and can generate huge interest in the products and brands they promote.

Australian businesses have an advantage in this area: Australia-based KOLs. Many of the Chinese diaspora in Australia have large fan bases in China and can become your brand ambassador for the Chinese market.

Looking at the latest figure from the Singles’ Day (11 November) shopping frenzy in 2019, you will begin to glimpse the sheer size of China’s e-commerce sector. In just 24 hours, the two Chinese e-commerce giants Alibaba and JD.com sold merchandise online worth AUD80 billion.

According to eMarketer, China’s e-commerce sales were estimated to reach USD1.935 trillion (AUD2.82 trillion) in 2019, making it the largest in the world. China alone represents 54.7% of the global e-commerce market, almost double the size of the next five countries combined.

To tap into this massive market, it is vital for Australian businesses to



understand the key drivers for Chinese consumer demand. A study by iResearch in 2016 pointed out that the main three reasons for Chinese consumers to buy foreign products are product quality, lower prices and unavailability in China.

This identifies the potential for Australian products, which are widely seen by Chinese consumers as high-quality and safe. By using cross-border sales to China, Australian businesses can take advantage of the reduced import taxes and product compliance checks for personal purchases of certain products, such as food (including healthcare products), electrical appliances, cosmetics and skincare products.

While imported cosmetics and skincare products have had to be tested on animals in the past, in 2019 China announced an overhaul: post-market animal testing would no longer be a requirement on finished domestic or imported cosmetic products. This does not mean brands can automatically import to China unless they are sold online, but signals that China is moving away from and may eventually change pre-market testing too.

There are many channels for selling products to China via e-commerce. The official channel is setting up an online store. Alibaba, JD.com and WeChat are the most common platforms.

China's e-commerce market is very competitive and Australian businesses must ensure effective shipment of orders. Alibaba's Tmall Global has an option of a bonded warehouse for international businesses. Though the initial set-up cost can be high, it ensures products can be delivered in 2-3 days from local warehouses. That is the expectation from demanding Chinese consumers.

The unofficial channel is "Daigou", which many Australian businesses are already familiar with. There are an estimated 400,000 Daigou in Australia, who generate sales of AUD120 million annually according to the ANZ Opportunity Asia Report 2019.

However, there is an increased risk using this unofficial channel due to changes in China's e-commerce law. The comprehensive new law has taken effect since 1 January 2019 and increased the pressure on online retailers to fight the sale of counterfeit and copycat merchandise. The new requirements include registration and licensing of e-commerce operators,

taxation, electronic payments, dispute resolution and intellectual property protection. Individual Daigou may be grappling with these requirements.

Regardless of the e-commerce sales channel, it is important for Australian businesses to have a viable online presence in China. This is because the first thing Chinese buyers do is to search for products or services online – in their native language. Having a Chinese website or Chinese content helps you build credibility and increases product visibility in the Chinese market.

The Chinese website content needs to be localised for the Chinese audience. That means you may need to copywrite some of the content, replace and rearrange some of the images and even change some of the colours as they have different implications in Chinese culture.

Over three decades in the language business, Chin Communications has helped many Australian businesses translate and create content for their Chinese websites. Most of our clients choose to have a tab that switches languages or a separate link for the Chinese page/s. This could also work well for those who are targeting the local Chinese community in Australia.

However, for those doing business in China, our advice is to host your Chinese website in the country. The main reason for this is China's Great Firewall. Keeping your Chinese website in Australia will affect the loading speed, sometimes dramatically. Many Australian companies don't realise that their websites can only be accessed at an unacceptably low speed in China, putting them at a disadvantage in a country where consumers expect instant access to everything.

The constantly changing list of banned terms in China and cultural sensitivity also poses great challenges. For most Australian businesses that are trying to sell products or services to China, the risk of their Chinese websites being shut down is not grave. But a few inappropriate words, images or even the way you say something may just be reason enough to make Chinese consumers shun your website altogether. Dolce & Gabbana is still paying the price today for its China marketing fumble in 2018.

If you are not sure about what is appropriate and what is not, you can get help through Chin Communications' culture advice and training.

Venturing to China is an exciting journey, but it is also a daunting task. If you ask any Australian business that has been successful there, you are going to hear the same answer: it is not easy.

If planned right, China can become a lucrative market. But without a well thought through strategy, your budgets can blow out rapidly even before you can reap any returns.

To make sure you don't repeat the mistakes that many international businesses have made, getting to understand how the Chinese market works before going in is key. You can get help right here in Australia through experienced marketing and language experts with connections in China. Government support is also likely available with subsidies, expos, or missions for you to learn about the market first-hand. And don't forget there is already a savvy Chinese audience in Australia who can help spread your word.

Want to find out more? Our Chinese marketing experts are just a phone call away ■

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