THE WEST’S GREAT MARKETING OPPORTUNITY IN CHINA

China is home to 1.4 billion people—more than 800 million of whom are now internet users—and a rising middle class. But the marketing plans of most Western companies fail in China because of inadequate research of the market, population, demographics, trends and culture. Western companies attempt to make China’s giant market fit to their brands, rather than the other way around. To be successful in China, brands must realize that differences in marketing go deeper than East versus West.

BY HAL CONICK
TWICE EACH YEAR, FENG LI TRAVELS BACK HOME TO CHINA FROM THE U.K., WHERE HE’S LIVED FOR THREE DECADES.

In the U.K., change comes slowly and cultural movements can linger for years, but Li notices new trends every time he visits China, especially as the country’s wealth has blossomed. “People want different things,” says Li, a professor and chair of information management at Cass Business School in London.

One of the country’s biggest changes came by phone. In 1996, there were 55 million landlines across urban China and 15 million across its rural areas—that’s one phone for every 6.5 urbanites and one for every 57.5 rural Chinese residents, according to a paper by Dan Lynch, professor at the University of Southern California’s U.S.-China Institute. The Chinese government tightly regulated the flow of information and communication by stanching telecommunication.

But in 2019, there are 1.6 billion mobile subscriptions across China’s 1.4 billion people, according to Statista, more than one subscription per person. The government has moved from blocking the flow of information to censoring and regulating it through the country’s “Great Firewall of China,” which the Chinese government uses to control what its citizens can see online.

Mobile has been at the heart of many of the changes Li has seen in China. Five years ago, people in China still relied on cash, Li says, but everyone now pays with mobile devices, even at small markets. On another recent trip, Li saw that people had been making restaurant reservations, ordering their meals and paying entirely through mobile devices. “By the time they get there, the food will be waiting for them on the table,” Li says.

As Li has noticed these trends, he’s followed the Western brands trying to enter the Chinese market. China has been slowly opening to Western business since its 1978 Open Door Policy, which allowed foreign businesses to operate in the country. But most fail.

Western brands experience several problems in China, Li says. Fixing them all can feel akin to putting out a series of small fires that threaten to coalesce and engulf the entire business. In 2019, Li published a paper in the Academy of Management Discoveries, which examined why so many Western internet-based firms fail in China. Li interviewed more than 40 senior business executives from Western firms, including eBay and Google, and their Chinese competitors, such as Taobao (akin to eBay) and Baidu (akin to Google).

One reason Western brands fail, Li found, is competition. Brands are often initially successful after launching but are then swarmed by competitors. The clearest example came when eBay entered the Chinese market in 2003, buying EachNet for $180 million and launching as eBay EachNet. At the time, EachNet was China’s biggest online auction player, holding 80% of China’s small consumer e-commerce market—eBay executives were confident the dominance would continue. Meg Whitman, then eBay’s CEO, predicted that eBay’s e-commerce business in China would be worth $16 billion within four years, according to The New York Times. But Jack Ma—founder of Alibaba (akin to Amazon) and now one of the world’s richest people—had other ideas. He decided to go to war with eBay.

Porter Erisman, former Alibaba VP, writes in his book, Alibaba's World: How a Remarkable Chinese Company is Changing the Face of Global Business, that Ma thought he could outmaneuver eBay in his home market. Ma started his own online auction platform called Taobao, which translates to “search for treasure.” Erisman writes that Ma told him, “The launch has to be a really big bomb to generate a lot of buzz in the media. I don’t want this to be a war between Taobao and EachNet. It has to be about Taobao versus eBay.” Taobao announced to the press that it would invest $12 million in a consumer marketplace customized for China, one that would offer free transactions for its first three years—Taobao wouldn’t focus on revenue for now, Ma told reporters, but instead on helping Chinese sellers establish themselves. The Chinese press called eBay to see if they’d also offer free transactions; eBay PR reps said no, commissions were too important to the marketplace. Ma had won the first battle.

Ebay tried counterattacking by signing exclusive internet advertising deals across China to prevent Taobao from advertising online, according to Li. “But in China at that time,
the number of internet users were relatively small compared with other channels,” Li says. Then, more Chinese people watched TV than had the internet, so Ma advertised Taobao on TV.

TV proved to be far more effective than eBay's online advertising. Slowly, eBay EachNet lost another battle, then the war; their market share was captured by Ma and Taobao.

By 2005, Taobao owned 57.7% of the Chinese marketplace, while eBay EachNet’s shares diminished to 31.5%, according to Analysys International. The next year, eBay EachNet CEO Martin Wu resigned. eBay scaled back its goals in China, shutting down eBay EachNet to form a different service with Tom Online, a China-based mobile internet company.

“That’s one example [of] a Western company going into China and doing something that appears to be sensible but doesn’t really fit the cultural or the market setting,” Li says. eBay simply wasn’t ready for the level of competition—the competitiveness common in Silicon Valley is seen as very mild by Chinese competitors, Li says, something that Ma showed when confronting eBay in the auction-space battlefield.

Other brands are simply caught unawares by the changes Li sees every time he goes home. Chinese brands have homefield advantage; these brands see consumers using a new, popular technology in real time, watching how they use it and shifting their strategy to incorporate that new technology. Meanwhile, Western brands rarely have any idea how or where new technology is burgeoning in China and continue to use outdated methods to reach consumers.

But an overarching theme of why Western firms fail, Li finds, is that they enter the Chinese market and expect to be as big as they are back home. They attempt to make China’s giant market fit to their brand rather than making their brand fit into the Chinese market.

Chris Breikss, a founding partner of full-service agency Major Tom, had no delusions of grandeur in 2014 when his company launched its Chinese marketing arm, Sheng Li Digital. His company employed people who were born in China, but educated in the West, giving the North America-based marketing agency a unique set of knowledge and skills for entering China.

And the Chinese market was growing. The ChinaPower Project, an arm of the Center for Strategic and International Studies, reports that the Chinese middle class was only 4% of the country in 2002, but by 2012, the middle class had become 31% of the country—more than 420 million people. And, as Breikss saw, China’s internet ad revenue was rising as more of the country gained internet access—Statista reports that internet ad revenue in China grew from $7.7 billion in 2011 to $22.5 billion in 2014, while internet users in the country had risen from 500 million to 650 million over the same period.

“We could see that the advertising revenue was growing by billions every year,” Breikss says. “And we thought that we would grow at the same rate and that brands would be ready to jump in and start advertising in China.”

Breikss assumed that a flood of Western brands would soon enter the market. But then 2015 came—China’s internet ad revenue grew to $31.7 billion, then $42 billion the following year—and Breikss noticed that most brands and agencies still had no marketing strategy in China. By 2018, a report from China’s Interactive Advertising Marketing Lab found that Chinese internet ad revenue had reached $54.9 billion (Statista’s prediction of $71.46 billion was even more flattering), growing by 24.2% every year.

The Chinese market was thriving, but few Western companies were succeeding—most never tried. There’s no official count of how many Western brands market in China, but Breikss predicts that the top 2-3% of Western brands have a China strategy, while one out of 100 middle market brands and almost no small companies have a China strategy.

“What we didn’t anticipate was that [brands] weren’t really ready or prepared to invest what it takes,” Breikss says.

Sheng Li, which currently has a team of 10 people dedicated to 30 active clients marketing in China, works solely from its offices across North America, using marketing tactics built for China. But even with their presence in the West and knowledge of China, Breikss says that it’s often hard to convince Western brands to start campaigns in China. Before launch, many are scared away by the scale or budget they’d need to be successful. Sometimes, even success after launching can be overwhelming: One of Sheng Li’s clients stopped its campaign in China after getting 160,000 visitors to its website in a two-week span, Breikss says. The campaign performed far better than the brand expected, but that was the problem: The company didn’t have the back-end infrastructure it needed to give customer service to the Chinese visitors.

“They abandoned that because they would have had to invest in more staff and more infrastructure,” Breikss says. “And they just weren’t ready to do that yet.”

“When they win, sometimes they lose,” he says.

Sheng Li has had many successes, too, which Breikss credits to the relationships they’ve formed and access they’ve won within Chinese companies and the government, relationships that few other agencies have. This success, he believes, is also available to other patient, persistent brands and agencies.

“If you have a unique product or a unique service that works with the Chinese demographic and you can be the first one to market in your industry, you can own it,” Breikss says. “And by being first to market, you could take over that channel and no one else would be there.”

**DOMINATE NICHEs AND FIT THE CULTURE**

Amazon usually attempts to dominate every market it enters, but it couldn’t dominate China. This year, Amazon closed its Chinese e-commerce store after grasping less than 1% of China’s
market. Now, Amazon has reportedly merged with cross-border shopping platform Kaola (owned by Chinese tech company NetEase) to help Chinese people buy from the West and Chinese sellers sell to the West.

“In that aspect, they’re actually doing better than most other companies,” Li says. “When we talk about failure, some of them are probably not a strict failure. … They just didn’t achieve the same level of success people would expect them to do in international markets.”

Instead, the brands that have been successful in China are those that have attacked market niches, Li says. By thinking of China in terms of niches, the bar for market share can be set lower than in other countries. For example, if a U.S. brand launched in the Netherlands and worked to dominate 50% of the country’s 17-million-person market, the brand would have 8.5 million customers. But in China, brands that capture even 1% of China’s 1.4 billion population would have 14 million customers. If Western brands started going after niches instead of attempting to dominate straightaway, Li says that they could gain a foothold in China’s market.

Although niches are powerful, Li agrees with Breiikss that market dominance in China is possible. For example, most of the country’s auto market is owned by international brands, with German manufacturers dominating the luxury market. Car manufacturers succeed by making their brand fit the market, he says. BMW increased the length of the wheelbase in its 300 Series to lengthen the back seat. Li says that this is because senior businessmen in China hire chauffeurs to drive them to work; BMW customized its car to fit that market trend.

“Those kinds of subtle differences will show,” Li says. Jon Dupuis, global managing director of ad agency mcgarrybowen, has been working on launching the American Express brand in China and was recently impressed by a subtle change made by a Western brand. A competitor—the digital agency Isobar—runs KFC’s China campaign and found that there were language problems at KFC’s digital ordering kiosk. There are eight different languages and hundreds of dialects spoken across China, but the digital kiosk didn’t understand what many of the customers were saying. To improve the customer experience, the agency created an AI-driven ordering system that could learn and understand many more Chinese dialects.

“It’s a wonderful story of what agencies are doing these days,” Dupuis says. “It’s not a prescriptive campaign development for brands, it’s understanding what are the behaviors that we need to put into the market to make change.”

Dupuis, the global lead for the American Express campaign in China, agrees with Li that brands can’t “cast a shadow” over any market they’re entering, especially China. To avoid casting a shadow, he says that brands must research and map out the full customer experience of their Chinese audience before launching. Brands should look for potential issues, conflicts and problems to avoid or ways to fit their product into the Chinese market, as BMW did with the 300 Series. There’s a rise in nationalism everywhere, Dupuis says, so Western brands—especially brands with “American” in the brand name—can’t be cocky. Rather than assuming consumers will automatically be drawn to a Western product, brands must research the market from many angles.

Some unresearched problems could be fatal blows to a brand’s prospects in China. Ashley Galina Dudarenok, founder of Chinese social media agency Alarice and Chinese marketing training company ChoZan, says that one Western brand launched a toothpaste in China for pregnant mothers—it supposedly made their teeth stronger, she says—but, according to traditional Chinese medicine, an ingredient in the toothpaste causes miscarriages. Western science, in this case, would be no match for belief in Eastern medicine. “There’s no way that people are going to be buying such a toothpaste,” Dudarenok says.

Aside from preventing such oversights, Dudarenok says that research allows brands to learn about the people to whom they’re selling in the Chinese audiences. There’s a bigger difference than simply Eastern versus Western sensibilities—China is like Europe, in that there are many different cultures. You wouldn’t market to Spaniards the same way you’d market to the French, she says. But China is also a larger culture with shared values that are in flux: There are divides between its generations, seven prefectures and multiple socioeconomic levels, but also differences in consumer philosophy and preference.

“They all have different buying preferences,” Dudarenok says. “Without knowing, it’ll be very tough. You could sell some, but then [the market will] be gone because you have no idea who you’re selling to, what their local problem is or why they bought it.”

Research gives brands the cultural awareness to know what the audience wants, but it can also allow brands to break cultural convention and go viral. Tony DeGennaro, director of marketing and business development at Chinese marketing agency Dragon Social, says that branding is less popular in China, while performance marketing dominates. But that doesn’t have to be the case in every campaign. DeGennaro points out a 2017 McDonald’s ad on WeChat that became wildly popular—a 152-inch illustration that took five or six minutes to scroll before revealing itself as a McDonald’s ad.

“Nearly every person I’ve met who’s seen that ad has said they enjoyed it and reacted positively to it,” DeGennaro says, adding that Chinese ads are typically hard sells. He references an influencer on Weibo (akin to Twitter) who features a product in nearly every one of her posts, sans the getting-to-know-you posts of Western influencers. “There’s no subtlety at all. This [McDonald’s ad] was a welcome surprise for many Chinese netizens,” he says. “Any type of advertising campaign that bucks this trend and stands out from all these hard-selling advertisements has the potential to go viral and get recognized.”

But whether getting creative or maintaining the status quo, Western brands launching in China will likely have setbacks and need to make changes. Dupuis—who kept quiet on when and how American Express will launch in China—says that the
Chinese financial market is still very restrictive. But some of the restrictions loosened last year when the Chinese government relaxed regulations on foreign-funded banks. With newly relaxed restrictions comes unchartered territory—Dupuis and the mcgarrybowen team will need to know how the market feels about the brand across the entire campaign, which will mean continuing to research and map out customer experience and perception.

"There’s just not that existing playbook," he says. "You can't open page three and say, 'Here's what we do.' It just doesn’t work that way. I find it’s incredibly refreshing to go in there, [have] a blank canvas and allow the market to paint it. You’ve got to know the fundamentals of what you need to care about—that full customer journey and customer experience—but you can’t predetermine what you’re going to hear."

**HOW CAN BRANDS ENTER THE MARKET?**

There’s a perception among Westerners that doing business in China is inexpensive, even when the brands are marketing to affluent consumers. But entering the Chinese market is not only expensive, Sheng Li’s Breikss says, it also takes a lot of time, patience and access to connections in China’s government.

To launch in China, at minimum, Breikss says that brands must have a landing page on WeChat—a social media, payment and communications app with 1 billion users, akin to Facebook—and earmark $30,000 for their campaign. It’s a labor-intensive process: This amount would be enough for translating content, creating ads, designing graphics, building a Chinese microsite or landing page on WeChat and registering and hosting it on Chinese servers, as well as having discussions between the agency and Tencent, WeChat’s owner, and managing the WeChat account for the three months.

"WeChat is a social media channel that needs constant nurturing and content created," Breikss says. "Ongoing community management is required to respond to inquiries and engage with the brand’s audience and build a relationship with the followers and fans. … If you’re not willing to invest $30,000, you’re probably not going to see the kind of success that’s going to justify the investment."

WeChat has 1 billion daily active users, according to Tencent. But even though WeChat is akin to Facebook, Breikss says that brands can forget about the five minutes it would take to make a programmatic media buy on Facebook. To start on WeChat, it takes anywhere from one to three months, Breikss says, depending on the industry. Due to The Great Firewall of China, Western websites tend to load slowly for Chinese people, sometimes taking minutes—and some never load. A Western brand running a campaign in China without an established, local web presence—whether a WeChat page or a website carried on a Chinese server with a.cn domain address—will be trusted about as much as a Chinese brand in the U.S. that sends potential customers to a slow-loading website filled with Chinese characters.

**MARKETING TO THE CHINESE IN AMERICA**

Brands don’t have to leave the U.S. to market to Chinese people: Sheng Li’s Breikss says that many brands now have a China strategy in the States. These strategies make up about half of Sheng Li’s campaigns.

The potential to reach Chinese people in the U.S. is still great. The Migration Policy Institute reports that there were 2.3 million Chinese immigrants in the U.S. in 2016, 5% of the country’s total immigrant population and just less than 1% of the country’s total population. Remember: There’s power in niches.

"The other competitors aren’t doing the same thing and the conversion rates are a lot higher, actually," Breikss says. "It’s remarkable: The same brand could be targeting an American customer and there’ll be a 1% conversion rate, but if they’re targeting in Chinese to a Chinese customer, we might see a 3% conversion rate."

Google and Facebook are the essential platforms for marketing to Chinese people in the West. Breikss says, as both platforms can detect and target the people who are reading on Chinese language settings.

"The Chinese demographic likes to be communicated with in-language and their needs catered to specifically," he says.

But caveat emptor: These campaigns aren’t easy just because they’re close to home. Just like in China, you must do research about a U.S.-based Chinese audience. Campaigns for a Chinese population in Brooklyn, New York, (where Fujianese people are the largest population) will need to be different from campaigns in Manhattan (where people from Hong Kong, the Guangdong province and Shanghai represent the largest populations).

And just because you’re home doesn’t mean the need for Chinese infrastructure will disappear. Brands marketing to Chinese immigrants in America will need to have Mandarin-speaking customer support representatives and landing pages for Chinese customers—they’ll need infrastructure that lets the consumers know that the brand is serious about winning their business. For example, Sheng Li worked on a campaign with Bryant Park Hotel in New York, which prepared the front desk and bellmen to cater to the Chinese and had staff members who spoke Mandarin.

"It’s not just about getting someone to buy something or book a room or become a lead on your website," Breikss says. "You truly need to have that Chinese communication through all aspects of your internal infrastructure as well. You can’t fake it."
CHINA MAY COME TO YOU

Disruption comes from everywhere, says David Doty, former CMO and executive vice president of Interactive Advertising Bureau. Why couldn’t disruption reach the U.S. from China? Doty says that when he started at IAB a dozen years ago, AOL, Yahoo! and Microsoft were the three top companies. Now, Facebook and Google own the tech landscape in the U.S. But will it always be this way? “Pull up off the planet, if you will, and look down and see that there’s a growing population in Asia and there are growing technical capabilities in Asia that are really surpassing a lot of what’s going on in the U.S.,” Doty says.

In the 1950s, Americans saw Japanese car manufacturers as cheap, Doty says; now, Honda and Toyota sell millions of cars in the U.S. and are lauded for their quality. Even if Western brands never launch in China, Chinese tech giants may launch in the U.S. For example, Tencent invested $150 million in Reddit, the U.S.-based mega-message board, which made many Redditors worry about the potential of censorship. Baidu launched DU Ad Platform—an app that predicts ad performance—to app developers in Silicon Valley.

“People aren’t talking about this here, but we really ought to look and ask what it means when Tencent and Baidu and the others are actually doing more than just sitting in China,” Doty says. “They are looking to expand.” And even if they don’t ever fully launch in the U.S., Li and Breikss both noted that Google and Facebook have been imitating Tencent and its WeChat platform.

“Imitating is going both ways now,” Li says. “This is a new phenomenon.”

And certain industries—healthcare, medical devices, cryptocurrency—aren’t allowed to advertise at all in China. Other industries take longer to be approved by the Chinese government—Breikss estimates that the government takes two to three months to approve education companies. Just last week, Breikss says that the government denied a Sheng Li education client the ability to advertise. Sometimes, approval depends on politics—the restrictions can become tighter based on relations between the U.S. and China, for example. He pauses, murmuring to himself that he must be careful with his words: “You don’t always get the same answer, depending on where you look or what your connections are,” he says of government approval.

Breikss says that Sheng Li has built up connections and partners across China to help navigate the sometimes-shaky ground, but the solutions go too far for some Western brand leaders. “For example, when you want to set up these social media or search accounts, you may need a copy of the business license,” he says. “And depending on the size of the brand, getting a copy of the business license can be difficult. Or getting the personal identification of the CEO may be required to get an account set up. Well, the CEO doesn’t necessarily want to provide scans of their passport. But sometimes that’s the requirement of the Chinese government for setting up an account.”

“So then I’d probably layer on a month of planning in advance of that,” Breikss says. “Three to six months is a good window for what companies can expect to have a basic presence set up where they’re able to target the Chinese demographic. It depends on how much content they have ready.”

But fitting that content to the market will take research and translation. One Sheng Li client had a great video, Breikss says, one brand spent a lot of time and money producing. But the video was entirely in English, using English characters to explain features of the product, and was hosted on YouTube, a website that has been blocked by the Great Firewall of China for a decade. The brand wanted to put the video on their Chinese landing page—Breikss says that he explained to the brand that they’d need to dub the video or provide Chinese-language subtitles, move it to Tencent Video (akin to YouTube) and rework certain parts of the video. As it stands, Breikss told the brand, the video would be a clunky translation for the Chinese market.

“Ideally, it should be reshot with the ideal target Chinese customer in mind, not the Western customer,” Breikss says that he told the brand executives. “You’ve spent $30,000 producing this video, you have to spend another $75,000 or $90,000 doing the Chinese version—more than double because there’s more intricacies and it’s not in our backyard to go and shoot it again.

“Well, brands aren’t necessarily ready to hear that,” he says.

The video wasn’t reshot, but given subtitles for its Chinese audience. Breikss hopes that if this version is even somewhat successful, the brand will reshoot the video next year specifically for the Chinese audience. “We still want it to be a successful campaign,” he says.

Breikss ran into another issue with this brand’s campaign that Sheng Li often sees: cost. The brand translating the video had a budget of about $100,000, but Sheng Li would be taking 30% in service fees—the cost of launching in China is higher than the standard 15% agency fee for media buys because of the complexity. Brands often think that launching in China is simple, Breikss says, but are surprised when they must split their budget between advertising and creating infrastructure. In this brand’s case, Sheng Li had to set up the brand’s landing page, host the video on Tencent Video and translate the video’s English into Mandarin. And it’s not just the language that has to be translated—the data does, too. Chinese channels such as WeChat and Tencent Video don’t have API interfaces like Facebook and Google that quickly populate data, so Sheng Li needs to manually pull the analytics from the brand’s account to measure...
the campaigns. Still, Breikss says that the brand was surprised by the higher-than-usual service costs.

"That's actually the No. 1 problem that we run into," Breikss says. "All other partner agencies, all other brands seem to think that it has to be under 15% for us to run campaigns into China, but because they don't have the infrastructure in place, that formula doesn't work yet."

That formula doesn't work because—as McGarryBowen's Dupuis noted—there's no roadmap to success in China and a lot of unknowns. But Breikss believes that launching in China will become easier over the next few years. Lately, branding work and getting approval in China seems to be getting faster.

"Every year seems to be accelerating and there's more agencies like ours providing these services—there's more competition," he says.

'YOU CAN OWN IT'

Every company entering the Chinese market takes a different approach. Li says that he's spoken with companies who parachute experts into China—senior leaders from the U.S. or Europe—many of whom don't speak Mandarin or any other Chinese

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**INTERNET AD REVENUE CHINA VS. U.S.**

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*Revenue numbers from China come from a Statista report
**Revenue numbers from the U.S. come from multiple years of IAB’s Internet Advertising Revenue Report, conducted by PwC

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**CAREFUL WITH CONSUMER ATTENTION**

Recent research in the Journal of International Marketing finds that while U.S. consumers love highly attentive brands, attention can rub Chinese consumers the wrong way.

In one experiment, the study—titled “Consumer Responses to High Service Attentiveness: A Cross-Cultural Examination”—found that when brands are highly attentive to Chinese consumers, the consumers become suspicious and lower their patronage of that brand. "This finding suggests that high service attentiveness by itself may be enough to trigger suspicion and result in negative responses among Chinese consumers, who are usually associated with an interdependent self-construal," the researchers write in the study.
WHAT’S THE FUTURE OF WESTERN BRANDS IN CHINA?

Marketing News spoke with Simone Tam, CEO of mcgarrybowen Greater China, about how the Chinese market has changed for the West, how branding differs in China and what the future holds for Western brands in the country.

IN THE YEARS SINCE THE OPEN DOOR POLICY, HOW DO YOU THINK THE MARKET HAS CHANGED FOR WESTERN BRANDS IN CHINA?

Being a Western brand used to be an advantage. Chinese consumers would naturally prefer Western brands as they associated them with high quality and prestige. This is no longer true. With a multitude of global brands to choose from and rising incomes fueling premiumization, “Western” doesn’t automatically equate to better.

High-level autonomy is critical for those working in China for a brand, Li says, but often difficult for Western brands to accept. China is an ideas-based economy, one that moves rapidly—being quick and willing to experiment may mean more failures, but it will also likely mean more successes. Brands can put all the work they’d like into crafting their strategy, but it’s just as important to adapt your strategy as the market changes.

“When you don’t even know where your destination might be or what course you are going to take, execution becomes a very different ballgame,” Li says.

To be given autonomy, the agency must have the brand’s trust. Dragon Social’s DeGennaro says that they try to establish trust with clients early so they can quickly jump on new trends. But if a company can’t trust its marketing agency, they’ll likely not bother working together.

“Working with stubborn customers who think they know better than we do with close to zero experience can often be more of a headache to work with,” DeGennaro says.

Success in China takes a lot of research, money, patience, hard work and adjustments. Breikss says that brands should have one thing within the organization that will likely set them apart from their competition: a brand champion for the China market. The brand champion is someone who sees the potential in China campaigns and knows what their success could mean for the company. They’re someone who can bring excitement about the campaign’s potential to the C-suite. When the company has put in the work and sees the opportunity in China, Breikss says that the size and potential to fail may be scary, but it’s best to double- or even triple-down on the efforts. Having someone inside pushing for more effort and resources can make the difference between moving forward in China and stopping the campaign entirely.

Marketers have built consumer confidence.

We see an increasing share of Chinese brands in many categories, including mobile phones, automotive, infant milk formula and home appliances. According to Mintel data, 58% of consumers buying a new smartphone in the next six months would choose domestic brands; the top 10 electric vehicle car brands are all local brands; a premium line of local IMF brand Feitong grew 80% in one year; Midea, Gree and Haier [all Chinese brands] are leading the growth in home appliance.

Chinese consumers are sophisticated language. There may be a room full of Chinese people with one Western executive, but the entire room tries to communicate in English, which Li doesn’t believe is effective.

Other companies empower local talent to run the show, but the head office often wants final say over big decisions. Since China is many hours ahead of both Europe and North America—and has a first-hand look at any budding trend—the decision-making process is neutered. Brands often fall behind on this alone, Li says.

“I have seen examples where approval was given to the local Chinese executives to do things to compete with local competitors,” Li says. “But then it’s probably too late [after] several weeks have gone. The competitors are already doing things. … How much autonomy do you give the local leadership? That’s a really critical issue.”

High-level autonomy is critical for those working in China for a brand, Li says, but often difficult for Western brands to accept. China is an ideas-based economy, one that moves rapidly—being quick and willing to experiment may mean more failures, but it will also likely mean more successes. Brands can put all the work they’d like into crafting their strategy, but it’s just as important to adapt your strategy as the market changes.

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To be given autonomy, the agency must have the brand’s trust. Dragon Social’s DeGennaro says that they try to establish trust with clients early so they can quickly jump on new trends. But if a company can’t trust its marketing agency, they’ll likely not bother working together.

“Working with stubborn customers who think they know better than we do with close to zero experience can often be more of a headache to work with,” DeGennaro says.

Success in China takes a lot of research, money, patience, hard work and adjustments. Breikss says that brands should have one thing within the organization that will likely set them apart from their competition: a brand champion for the China market. The brand champion is someone who sees the potential in China campaigns and knows what their success could mean for the company. They’re someone who can bring excitement about the campaign’s potential to the C-suite. When the company has put in the work and sees the opportunity in China, Breikss says that the size and potential to fail may be scary, but it’s best to double- or even triple-down on the efforts. Having someone inside pushing for more effort and resources can make the difference between moving forward in China and stopping the campaign entirely.
and rational in their choices. Simply claiming overseas origin isn't enough. The challenge for modern marketers is to make the brand origin meaningful.

**WHAT'S THE BIGGEST CHALLENGE FOR WESTERN BRANDS MARKETING IN CHINA?**

In general, Chinese local brands are more flexible in terms of adapting new consumer trends versus Western brands. Commonly, Chinese local brands tend to adopt centralized organization. Decision-makers are normally the founder of the brand or direct appointments connected to the CEO. They have unrivalled power over everything related to the brand and are expected to be fully accountable for sales. Once the decision-maker is convinced of the importance of a new consumer trend and has decided to push products, services or communications toward that trend, the whole organization responds at speed. Western brands with [multiple] market-layered decision-making processes are just too slow.

**CREATIVELY, WHAT'S THE BIGGEST DIFFERENCE YOU SEE IN CAMPAIGNS THAT WORK IN THE WEST AND THOSE THAT WORK IN CHINA?**

At a global level and in established Western markets, fame and creativity are strongly tied to effectiveness. "Fame" campaigns are four times more effective than other campaigns. Creatively awarded campaigns are 10 times more effective than other campaigns.

In China's mobile-first landscape, "make me care" has less impact. Although consumers' time spent with media is increasing, the growth is driven by the time spent with mobile screens and across fragmented platforms. In comparison to YouTube in the West, China has 10 major online video platforms all competing with hot drama shows as well as a multitude of vertical sites that cater to every interest. The challenge is to capture consumers' attention as they easily jump from one piece of content to another. This requires a new approach to delivering effectiveness. To increase awareness and recall from fragmented exposures, the direct benefit needs to be clear: repetition with resonance rather than a single emotional exposure. During FIFA World Cup in 2018, Chinese digital economy brands—such as BOSS Zhipin—gained awareness within two weeks by taking a high-profile and high-intensity approach. More brands are adopting similar approaches.

But does this work in the long term? Direct and repeated information can raise brand awareness for a short term, but blunt and irritating creative will have a negative impact on long-term brand consideration and preference. Hitting me over the head again and again doesn't mean I like you. Short-term hits do not automatically translate to sustained success.

**WHAT'S THE BEST WAY FOR WESTERN BRANDS TO FORM RELATIONSHIPS WITH THE CHINESE GOVERNMENT?**

Demonstrating an understanding of Chinese culture and delivering "positive energy" to society is a good way for Western brands to form better relationships with the government. In China, especially lower-tier cities, consumers are politically sensitive. Any misunderstanding or play on Chinese culture will be seen as disrespectful to China, and it will lead to criticism from Chinese government. Brands that inspire Chinese consumers can gain support from the government. eSports used to receive a lot of criticism due to the stereotype of [being an] "electronic drug." When Chinese eSports teams began to win worldwide and proactively looked to inspire younger generations to work hard and be their better selves, [the government changed their opinion]. Recent government communications have changed tone and shown their support via state-owned media channels.

**WHAT DO YOU THINK THE FUTURE HOLDS FOR WESTERN BRANDS MARKETING IN CHINA?**

The era of double-digit growth in China has passed. Growth rate in GDP is expected to stay around 6% in the coming years. Despite incentives and the ending of the one-child policy, population growth looks stagnant and lower than official expectations. This will impact consumer spending in the long term, influenced by macro factors in the economy and an aging population with more demands on their income.

The environment for foreign-owned entities continues to improve and the doors remain open. Industries that were dominated by state-owned companies or joint ventures continue to open for competition. In 2018, we saw the easing of restrictions for verticals as diverse as banking, insurance and automotive. Even petrol stations can now be foreign-owned.

Innovation will be the competitive battlefield. Under the central "Made in China 2025" strategic plan, the government will help Chinese brands to grow competitiveness in industries currently dominated by Western brands. Western brands are facing bigger challenges, especially in high-tech industries like pharmaceuticals, electric vehicles, IT and robotics.

No brand should expect to benefit automatically from China's growth potential. With consumer sophistication and ever-increasing competition, delivering real value to consumers is critical for Western brands looking to cut through. Localization and authenticity are key. Brands need to stand out for their product, service, technology or consumer experience.