

Forbes

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SELLING IT

The Myth of the Chinese Consumer

By ERIKA MORPHY



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Groupon has been a smash hit in the US, as consumers – not to mention legions of competitors – have flocked to its discounted group buying offers. So a similar offering in China to be launched by premier search engine Baidu should do just as well, maybe even better, correct? Might even foreign firms make a splash in the market with a national Baidu offering, a la Gap jeans did a few months ago? If one plus one always equaled two in China, then yes, those things could happen. But to hear US companies tell it just about every aspect of doing business in China – from sourcing to manufacturing to, worst of all, intellectual property protection – is fraught with risk and the great possibility of cultural, political and business research missteps.

And so it goes with sales as well, especially when targeting the mythical Chinese consumer. That - the mythical China consumer – is a term used by Usha C. V. Haley, a professor of International Business, Massey University in Auckland, New Zealand and author of several books on China including the forthcoming “Subsidies to Chinese Industry: State Capitalism, Business Strategy and Trade Policy”. “The myth of the Chinese consumer is that that market doesn’t exist – at least not as it has been portrayed in other countries,” she tells Selling It. “Firms around the world have been captivated by China’s huge – and more recently, enriched, population. More than a few, though, have been burned trying to reach them.”

Washing Machine-Potato Peeler

China, in short, is an export-oriented economy and its government policies reflect that. Foreign firms that do sell there, she says, have to alter their products substantially to make a profit. As an example, Haley points to the best-selling washing machine in the country – it is, in fact a combination washing machine-potato peeler manufactured by the Chinese firm Haier that is a favorite among farmers. “Obviously it is hard to imagine other markets where such a product would so well,” she says. Then there are the barriers the government throws up: numerous regulations, its insistence that for strategically important industries a local partner is involved, a distribution channel that must take into account the fact that many roads in China are still controlled by the PLA, its currency policies, which is yet another indicator of where China’s interests really lie, Haley says. “China hasn’t shown a lot of sensitivity to the needs of its consumers. If it did it would allow its own currency to rise to increase their purchasing power.”

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