

SUMMARY

CHINA'S SUPER CONSUMERS

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Summary of “China’s Super Consumers” by Savio Chan and Michael Zakkour

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What the experts know about selling to one billion customers.

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Introduction

When I moved to the United Kingdom as an international student from America, I had the opportunity to live in a multicultural housing hub with many other international students, many of whom happened to be from China. And although they usually kept to themselves, existing as quiet and unobtrusive neighbors, a few things were easily observable, even without direct interaction. For starters, it was impossible not to notice the common denominator among them: they all appeared to have a great deal of money and be able to afford nice things. Although you can hardly broach that topic of conversation with people you don't know-- "Hey, how come you have all this money?!"-- it definitely generated a lot of questions in my mind! And while we certainly can't generalize and assume that all Chinese people are wealthy, we can acknowledge one thing: that the Chinese economy is definitely thriving!

However, that's not just because of their government, their political policies, or even the type of goods they manufacture. It's also a result of their unique customer base and what Chinese entrepreneurs have learned about interacting with them. So, if you want to unlock the secrets behind the success of the Chinese economy (and learn to duplicate them in your own endeavors) just keep reading!

What Sets China's Retail Opportunities Apart

What does your local mall look like? Chances are, even if you live in Nowhere, USA, you still have a local mall, even if it's tiny. Depending on where you live, it might be two or three stories tall and serve as home to a variety of popular chain stores including Belk, Bath & Body Works, Claire's, and Aeropostale. This is significant because, although this is par for the course in pretty much every American town, the set-up is radically different in China. This is due in part to the prevalence of legal restrictions that previously prevented the construction and operation of malls. But it's also because China observes a strict hierarchy when it comes to consumer's trends and shopping patterns.

In this respect, China is massively ahead of the curve. That's because they've studied consumers' buying habits so thoroughly that they use this research to inform the layout of their malls. For example, you're unlikely to find a home-goods shop in a Chinese mall or decorative supplies such as bedding, throw pillows, and other household necessities. Chinese malls also don't follow the Western structure of two-three story buildings. Instead, a more common mall design would be comprised of up to six stories, with the most popular and most expensive retailers located on the lower floors. That's because Chinese entrepreneurs know two things: what their consumers prefer to buy and where they prefer to hang out. And because malls were slow to enter the Chinese economy, they've become a popular hangout for teens who are drawn to the latest fashions and trends.

So, if you put the stores most likely to be frequented by kids at an accessible level-- the main two-three floors of the mall-- and keep them stocked with the next big craze, it follows naturally that you'll attract more foot traffic and be able to convert those shoppers into buying customers. Pretty smart, right! Another significant difference can be found in the dichotomy between retail and wholesale in China and the US. For example, Western businesses distinguish between retail and wholesale because of the prevalence of corporate buyers.

And because Chinese sellers are free from the restrictions imposed by corporate buyers, each brand is free to establish its own rules for product pricing, store policies, and order fulfilment. Likewise, Chinese brands are free to act as their own retailers and make their own rules. For them, their location in a department store is simply a blank space that each store can personalize individually, in much the same way as you might if you're renting an apartment. As you can imagine, this marks a significant difference between the Chinese and Western models of shopping.

China and the E-Market

How many online purchases do you make every month? Think about your Amazon orders, your online Pizza deliveries, the impulse buys you make because of targeted Instagram ads... You might not know the figures off the top of your head, but economists make their living by analyzing our shopping habits. And the data might surprise you! Because according to a recent study conducted by international statistics website Statista, 1.8 billion shop online as of 2018. And although that data measures the population of online shoppers worldwide, a percentage breakdown indicates that not only does China account for more than half of the world's online shoppers, there are more active online shoppers than there are people alive in America!

Likewise, a study conducted by financial website Oberlo concluded that Chinese firms Alibaba and Taobao rank as the world's two largest online marketplaces, with Taobao grossing a GMV of \$515 billion. Similarly, Alibaba holds a shocking monopoly, dominating over 80% of all online retail interactions in China. Statistics have also indicated that Chinese shoppers make a whopping 8.4 online purchases per month compared to 5.2 in the United States. So, what makes the difference? What gives China an upper hand in the world of online shopping?

The authors posit that one major difference can be found in the fact that China possesses superior technological advancements. As a result, they can orchestrate significant economic change in a much shorter period of time than countries who are less technologically advanced. Even if these countries-- like the US-- possess strong economies, the fact that they have developed gradually over time means that they can't handle massive spurts of change overnight. This can account for the popularity of Chinese e-retailers such as Alibaba and Taobao because they utilize platforms like Tmall. Tmall enables over 135,000 retailers-- both those who are local to China and their foreign counterparts-- to collaborate in one hub that gives them access to 600 million Chinese shoppers. And because it offers both

maximum accessibility and an incredible variety, it works! Every single one of those 600 million users have been converted to paying customers on either Alibaba or Taobao or both.

So, how do you break into the market and access those 600 million customers? Well, the bright side for American retailers is that statistics indicate Chinese shoppers prefer American products! This is ironic, given the wealth of American products which are actually manufactured in China, but reports from Chinese users confirm that there is such a strong market for American-made products, consumers are actually willing to pay through the nose to get them! So, if you're an American retailer, the good news is that you can sell pretty much anything in the world and know that you already have a market ready and waiting! However, don't expect it to be smooth sailing. China handles copyright and property laws differently than Western retailers.

For example, in the US, our policy operates on a "first-to-use" basis when it comes to registering intellectual property rights. So, if you've created something and you're the first retailer to use it, as long as you can prove that when you file for intellectual property rights, you can claim the idea, the brand, and its subsequent products and revenue as your own without being challenged on it. But if you're in China, the rules are a little different. They operate on a "first to file" basis, meaning that the first person who files for intellectual property rights gets to own that idea and its results, even if you thought of, invented, and started using that thing first! As a result, this creates an aggressive first come, first serve mentality in the world of Chinese online shopping.

Strategize for Success

Because the rules of online retail function differently in China, you can't just dive in on a whim and expect to succeed as you might when founding a new start-up in the West. Instead, your new business venture must be characterized by careful planning and strategizing. So, how can you successfully break into the Chinese market? Well, the author posits that one major step is relinquishing the common perception that China is simply a hotspot for manufacturing cheap goods fast. Replacing this vision with the understanding that China has a powerful economy and stands as a titan of retail will help you succeed from the beginning.

Entrepreneurs may also find it helpful to follow what the authors call "the six megaprocesses of the supply chain." These megaprocesses can also be a thought of as a six-step plan that can be practiced in this order: planning, buying, making, storing, distributing, and selling. If you engage with these practices while cultivating your awareness of the differences that characterize the Chinese market, you'll be well on your way to success! You can also give yourself a leg up by learning from other companies' mistakes. For example, many companies who attempt to integrate into the Chinese market report issues with their suppliers. This might manifest as the procurement of shoddy products or inconsistent deliveries, both of which differ from the standards to which Western retailers are accustomed.

So, if you want to avoid these challengers and chart a smooth course for your company, here are some tips you can consider. For starters, develop a strategy that anticipates these struggles. What are your standards for your suppliers? What are your purchasing requirements? When conflicts arise between you and your suppliers, how will you handle them? However, each of these questions should be filtered through one guiding golden rule: how much do you know about Chinese culture in each of these areas and how will you allow your knowledge to inform your policies? As you seek to answer these questions, you should also consider how you will train and

educate each member of your staff, particularly those who will be working directly with your Chinese suppliers.

And last but not least, the authors recommend preparing to integrate your current technology systems with the latest in Chinese tech. This is vital because, as we've discussed in previous chapters, China is more technologically advanced than many developed Western countries. This means that in order to succeed in their market, you should be willing to use their tech. If you attempt to use Western platforms or tech practices in your new Chinese market, you're unlikely to succeed. To put it simply, following these practices can't guarantee that your venture into the Chinese market will never encounter problems, but it will arm you with some best practices for success.

Marketing is Key

If you're an entrepreneur today, you already know the necessity of marketing. You also know that studying your target market and learning your customers' needs is a science all its own. And to that end, you've probably devoted an entire branch of your company to marketing. But the authors assert that if you're going to take the leap and tap into the Chinese market, the most important thing you can do is throw your existing marketing knowledge out the window. Why? Well, for starters, achieving success in Chinese marketing requires you to adopt the tech trends they're currently employing to reach prospective customers.

And just as Chinese malls tailor their structure to their consumers' habits, the same is true of marketing strategies. As a result, a clear distinction can be observed in the selling strategies retailers use to target emerging markets versus developed markets. For example, statistics show that when Chinese companies target emerging markets, their branding strategies concentrate on depicting themselves as solid, stable, and trustworthy. In other words, they give credibility to a new product by telling customers, "We might be new, but we're reliable. You can trust us." By contrast, when targeting developed markets, brands concentrate on connecting with their customers and building a lasting relationship. This strategy works to set them apart from the competition by acknowledging, "There may be a lot of other people out there selling this product, but we're special because we value our customers."

So, if you want to be successful at marketing in the Chinese business world, you should start by identifying your target market. Once you know whether it's developed or emerging, you can tailor your marketing strategy accordingly. And for another helpful strategy, remember what we discussed earlier about the Chinese preference for American brands? Bearing this in mind can really boost your marketing strategy! So, to give yourself a leg up, consider writing your logo and tagline in English and marking up your prices. This will make you appear international, sophisticated, and--

perhaps most importantly-- American. Similarly, if you brand yourself as being globally accessible-- rather than implying that you aim to target China exclusively-- this will also increase your appeal.

However, with that being said, the authors caution that applying your knowledge of Chinese culture is critical when it comes to tailoring your branding. For example, if you intend to advertise primarily in big cities, go for a global appeal. But if you want to connect with users in small, rural villages-- where the values of family and tradition are more heavily emphasized-- draw on the cultural respect for Chinese heritage and favor branding written in Chinese over English. It might also be beneficial to consider that the concept of creativity functions differently in Chinese culture than in our own Western sphere. For example, where American marketing might prioritize innovation, individuality, and the appeal of standing out from the crowd, Chinese culture favors branding that puts an appealing spin on traditional values.

So, rather than attempting to validate your customers and convince them that they're unique or special, draw on cultural values like tradition and the collective happiness of their social group. Indicate how your product will help them find harmony within their family or circle of friends; show how you can bring people together as a group instead of demonstrating how one person can stand out. However, while maintaining a sense of cultural integrity, it's also important to send the message that your product aligns with Western perceptions of happiness, value, and luxury.

Final Summary

If you're a foreign-- especially Western-- retailer seeking to break into the Chinese market, you have a lot of fantastic opportunities. For example, because Chinese customers value Western standards of quality, many Chinese consumers are willing to pay a premium for American-made products or even those with Western branding. Chinese customers also account for the world's largest percentage of online shoppers and their advanced tech has created compelling new online platforms. This means that your opportunity to connect with 600 million customers just got more accessible!

But China is also in a league of its own when it comes to marketing, branding, and economic growth. As a result, the authors posit that success can only be achieved by cultivating your awareness of these differences. So, if you develop an understanding of Chinese culture, learn to identify the differences between an emerging and developed market, and brand with sensitivity to the differences between big cities and rural villages, then you can succeed in the Chinese market.



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