CRACKING CHINA

IT'S A HUGE CONSUMER MARKET BUT SELLING TO THE CHINESE IS STILL A MYSTERY FOR MANY

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ELEVEN YEARS ago, Detroit-born Tom Doctoroff set off for China – and stayed. He watched and listened; he learned to speak and write Mandarin. Today, as Greater China chief executive for JWT, the world's fourth largest advertising agency, he is one of Asia's most respected advertising minds.

His new book, *Billions: Selling to the new Chinese consumer* (Palgrave Macmillan, 2005) combines psychology, anthropology and philosophy within a practical marketing framework. Doctoroff describes a country bound by rigid social structures and a sclerotic bureaucracy, creeping its way to the rule of law, balanced against a resourceful nation that knows exactly where it is going.

Unless marketers understand these parallel versions of China they will fail, he says. Many marketers from the world's leading brands have fallen flat on their faces in China. Yet there is incentive enough to succeed. China's market is unlike any other in terms of scale, growth rate and ambition: a population of 1.3 billion, and a middle class of at least 100 million people with purchasing power – doubling to 200 million in 2010.

Doctoroff says that as China's youth become more Western in outlook and lifestyle, sectors like travel, fashion, glossy entertainment magazines, leisure, and home ownership are burgeoning. But beneath the aspirational Western-style individualism, he believes young people will not eschew 5000 years of history. China's culture is strong and a decade of economic liberalisation will not blow it away.

For example, few young single women are bold enough to move into their own flats, and despite being attracted to Western goods, Doctoroff believes that China's emerging middle class will stay firmly rooted in the continuing social order. "The middle class will reinterpret tradition and convention, but will not abandon them," he says.

The crux to understanding China is appreciating its historical and cultural differences with the West, says Doctoroff. Western civilisation is monotheistic and based on individualism. Judeo-Christianity declares that morality is absolute: whatever the circumstances, murder, theft and adultery are wrong. Moral absolutism gives us the chance of a reward and the power to change our own and society's destiny. A willingness to challenge convention and expectation defines Western individualism.

The Chinese world view, however, sees history as cyclical and morality as relative. Every aspect of the universe, from the position of the stars in the heavens to a grain of sand on the ground, has its place. Life is the Great Wheel: Yin will follow Yang; bad times will follow good times. Life is inherently dangerous and unstable: the best one can to do is to manage it. So, Chinese religious, political and philosophical institutions are geared towards order. "That which creates order is good: that which creates stability is sublime," explains Doctoroff. "The only absolute morality is 'that which creates chaos is evil'."

Doctoroff says that Daoism, the mainstream Chinese theology, is about stability, order and safety – moving forward by assuming the shape of that which surrounds you. "Marketers need to be aware that the products which hit the high C in China will deliver this balance," says Doctoroff.

He says that it explains why the Chinese are apolitical. He argues that without a unified dissident network in China, there will be little backlash, for example, against Google's decision to strip out some controversial

material from its service. After all, China's internet is already heavily monitored by "net policemen".

He believes there is no bottom-up push for representative democracy in China. In fact China looks to Singapore as a role model – a central government that has preserved order and become an efficient, transparent economic system without democracy.

"Chinese people want their economic interest safeguarded, both today and in the future," he says. "They like strong government; they do not understand the linkage between human rights and economic development. They believe China will grow only through preserving order."

Many Chinese, Doctoroff says, instinctively protect themselves against change. It explains why they save 40 per cent of their income, and the common unwillingness to express a point of view, which so frustrates Western managers.

Against this, he says, status is a weapon to be wielded. The Chinese want to advance, whatever the challenges. The key to successful marketing in China is in understanding this dilemma between bold projection and anxious protection.

Doctoroff sees two business dynamics operating in China. From the consumer perspective, there is the tension between private indulgence and public display. In the Confucian world, social status is an investment. Thus global brands are to be seen, while local brands are used in the home.

"This affects marketing strategy like you would not believe," he says. "It's a major deal that Chinese consumers will pay substantial money for a Nokia mobile phone, but are not willing to pay a dime extra for a television set. People take their family out to Pizza Hut, but never order pizza in to the home. Häagen-Dazs barely exists in cartons, but is very successful as ice cream parlours. Then there is the penetration of diamonds – up 70 per cent from nothing 10 years ago. It is all about public display."

Second – from a brand and advertising perspective – is the brand equity dynamic. "If you believe in brand equity as a religious conversion, then the Chinese have converted," says Doctoroff. "They understand the importance of brand building. They understand that to sustain a price premium over time and get total market domination, you have to have a robust brand; but they do not practice what they preach, because the system and the structure do not allow it. This jarring co-existence of beautiful ambition, but gritty hierarchical, regimented, corporate and political reality is a very interesting – and unstable – ping-pong match."

His key business challenge in China is navigating through it. Since Doctoroff became managing director of JWT Shanghai in 1998 (after four years in Hong Kong as regional business director, JWT Asia Pacific), he has seen business multiply 4.5 times. One of his team's major successes is DTC (the Diamond Trading Company, part of De Beers), where JWT established the new cultural imperative of giving diamond rings for anniversaries and engagements, rather than the traditional jade or gold.

He says he is battling the "forces of commoditisation" to carve out brand awareness. JWT has worked with the pharmaceutical company 999 and Sedrin beer for five years – a long time in China. "999 competes in a commoditised category and had the worst possible advertising: we made this brand into one of the most creative advertisers in China," he says. "For Sedrin, we defined the relationship between drinking beer and establishing connections and trust between men."

Doctoroff's tips for doing business in China? Neither abandon nor impose Western assumptions about how people should interact: know who you are and what you can do. "The only way to get through the maze is to have your own moral compass and not partake in anything that you do not feel comfortable doing," he says.

The key rule in negotiating is "face". "Be careful to let the Chinese feel they have got a bargain by using their clever resourcefulness," says Doctoroff. "Let them think that they have won and outsmarted you."

Before negotiation begins, the Chinese can be evasive and inconsistent, he suggests. So set the ground rules early. This is when you may not be clear about the agenda or goals. Establish whether there is a viable chance of a partnership; use American/Western directness to your advantage. Then remove ambiguity once negotiation commences: the Chinese do not like it. "They are fearsome sticklers to a contract," says Doctoroff. "Have every dot of the contract clear." ✣

HOW TO ADVERTISE IN CHINA

1 Don't anger Beijing: the Chinese power structure is deeply suspicious of advertising.
2 Keep it simple in smaller and rural cities: 800 million rural consumers have little experience of "creative".
3 Teach the old: parents, uncles, aunts and grandparents want you to get straight to the point.
4 Amuse the young with "China cool" – but don't rock the boat.
5 Show the promise, not the process: new Chinese shoppers need all the help they can get.
6 Tell Mom they need her: Chinese women hold up half the sky. In the home, the role of even liberated women is paramount.
7 Don't show real lives: daily life in China is an obstacle course. Don't remind them.
8 Be confident, but never, ever brag: in a Confucian society boasting is the pits.
9 Big is beautiful: top quality ads signal corporate credibility.
10 When all else fails, use a baby.

From *Billions: Selling to the New Chinese Consumer.* Reprinted courtesy Palgrave Macmillan.