

# Develop your social capital

The idea of commissioning market research in China is daunting to most Western companies. It's a country of over 1.3 billion people with 200 dialects and 57 ethnic groups. To compound the problem, China is not homogeneous. The larger cities contain educated, Internet-savvy people who earn incomes comparable to U.S. citizens. On the other end of the spectrum, there are people living in villages who survive on \$400 a year. If you ask a survey question to both groups, you are likely to get vastly different answers.

The first task is to pick your market segment. If you only want information about consumers in tier-one cities such as Shanghai or Beijing, then your task becomes easier. All forms of data collection are available when researching in top-tier cities, whether it's online surveys or face-to-face interviews. The task becomes more difficult if you want to learn about the rural population. Even though more than 900 million Chinese live in villages and the outlying countryside, they are difficult to reach. Phone interviews are impossible since they don't own any phones, most have never seen or used a computer, so online surveys are not an option either. Really the only option left is a face-to-face interview.

You should also keep in mind that Chinese respondents in different markets have vastly differing opinions on many consumer products. Chinese in top-tier cities prefer import products, while the rural population would rather buy locally. The difference lies in the education and income disparity. In Shanghai, a typical white-collar worker's monthly salary is eight to

10 times more than someone from a small town or the countryside. As a result, Coca-Cola and Pepsi win in tier-one and tier-two markets, with a customer base of 300 million. Wahaha, a local Chinese cola company, wins the rest of the market with one billion customers.

## Local presence

When picking a partner to conduct research in China, it's impor-



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Getting started  
with market  
research in China

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tant to find one with a strong local presence. Understanding the Chinese market is tricky. The raw data won't give you the whole picture. To understand the market, you must take local culture and customs into account. Several U.S. and European companies made this mistake in the 1980s. The raw data indicated that a typical Chinese family had to save for more than a year before they could afford a TV, so Western companies decided not to invest in that market. Japanese companies saw the same data but they knew that in China, owning a TV indicates high social rank and wealth. In the 1980s and throughout the 1990s, Chinese families were willing to save for more than a year to buy a TV. Most ended up buying their status symbol from Japanese companies, not Western ones.

Any company looking to commission research in China should stick to the national and international players. Many of the largest market research firms have offices in China. No single agency can research every single part of as vast a country, so most of them subcontract their fieldwork. When you commission research to a national or international firm, you're relying on that agency's intrinsic research capability and on the quality of its network of local fieldwork affiliates.

### **Emphasis on face-to-face**

In China, there is a significant emphasis on face-to-face interviewing. In 2000, around 90 percent of all research interviews were conducted in person. In 2006, estimates put it at just over 60 percent. This is a huge contrast to Western countries, where less than 10 percent of all interviews are conducted face-to-face.

Face-to-face interviewing is particularly prominent in business-to-business research. In China, the more senior the respondent, the more likely he or she is to require

a meeting to discuss his or her views. Government officials and mid- to senior-level managers are the most likely to fall into the face-to-face interview category. Part of the reason for the preponderance of in-person interviews is curiosity. Respondents want to know who they are giving their opinions to, but even more important is the cultural perception that high-level discussions merit the time and effort that goes into a face-to-face meeting. It should be noted that this perception is often as prominent within the research agencies as it is among respondents.

As understanding and acceptance of market research grows, the Chinese people are more willing to discuss business and other matters over the phone and the Internet. These changes are happening very quickly, which is remarkable since the industry has only been around since the 1980s. According to ES-OMAR, market research in China was worth \$475 million in 2005 with a growth rate of nearly 25 percent. The U.S. on the other hand is a much more mature market with \$8.3 billion in revenue in 2005 and a growth rate of 2.1 percent. It is important to note that a side effect of an immature Chinese market research industry is that, unlike Western markets, access to respondents is increasing rather than decreasing.

There is a perception among Chinese market research agencies that online surveys are only useful for two groups: IT managers and teens. That view is rapidly fading. Currently, online surveys are effective at gathering intelligence on the 300 million Chinese citizens who live in tier-one and tier-two cities. It will be a while before online research can reach the one billion people living in rural China.

While market research firms are techno-savvy, most are so unconvinced that the Chinese can or even will take part in online sur-

veys that, when asked to include Chinese respondents in an international online survey, most will conduct a telephone survey, with the interviewer manually entering the respondents' answers into the online questionnaire.

### **Little reluctance**

Culturally, the Chinese people show little reluctance in providing any sort of opinion whether it is personal or business-related. As they become increasingly familiar with market research, obtaining their views will only become easier. As open as market research in China has become, there are still a few pitfalls to be mindful of. There are certain areas of social research that are closely monitored, and any mention of the government or any sort of question that can be construed as criticizing the Chinese government should be avoided.

The upside is that Chinese market research firms are not in the habit of promising information that is impossible to obtain. On the few occasions that cultural, legal or practical issues make obtaining a certain piece of information impossible, agencies quickly speak up and tell you what can and cannot be achieved.

Chinese research firms are required to have an overseas research license before they can start a research project with a non-Chinese client. You should ask the agency you select to present this license, or you risk delays to your project if the Chinese government starts asking questions. In addition, all research projects must be presented to the government in the planning stages and at the study's completion. This is really just a formality, and nearly all research projects are approved with nothing more than a cursory glance.

### **Social capital**

*Guan xi* is a term that is often bandied about to describe Chinese business relationships. The two

most common translations are “connections” or “relationships,” but the concept is closer to social capital. Guan xi is still important in Chinese business and culture but it isn’t everything.

In the past few years, Chinese market research firms have become very good at catering to Westerners, which makes sense since nearly all market research revenue in China comes from international sources. Even though it’s becoming easier for Western companies to conduct research in China, companies should still be mindful of cultural differences.

Historically, the Chinese prefer to open proceedings with a discussion of general topics of mutual interest, often including small talk. In China, business is more about personal relationships than contracts, so if the agency negotiates step by step in an unhurried manner, it’s in your best interest to follow suit. Lots of Westerners tend to become nervous or impatient, thinking the slow-down techniques are bargaining ploys.

The Chinese are very polite people, and they often have a hard time saying no. If you say, “Make me 5,000 units of these widgets, and have them ready tomorrow,” they’ll likely say yes to oblige, even if they know it’s not possible. This is where you need to remember that politeness and tenacity are watchwords in Chinese culture, and confrontation and loss of face (on either side) are painstakingly avoided. For instance, when the Chinese response to your request is “under consideration” or “being discussed,” it generally means that your request is unlikely to be satisfied. These sorts of cultural differences often lead to misunderstandings. Your Chinese counterpart may feel that their hints are so obvious that

understanding is assured, while most Westerners have no idea they were just told no.

Politeness and saving face are just as important in survey creation, but most of the big agencies know the culture, and therefore are good at reading between the lines. It’s good to be involved in the research process and become a partner, and not just be a passive client, but you should also remember that the agency knows the language and cultural subtleties.

### **More standardized**

Data analysis techniques have become more standardized in recent years. Techniques such as customer satisfaction and segmentation statistics are now commonplace. Agencies typically have in-house data processing and quantitative analysis departments, often consisting of around half a dozen people. Some of these departments contain an advanced statistical analyst, others outsource it since it is still a relatively rare requirement.

Agencies also have an increasing ability to provide strategic insights in their research projects. The line between consultancy and market research is rather blurred in China, and many companies have business licenses for both activities. The need for strategic insight is mostly being driven by Western companies. Chinese research agencies have stated that Western clients demand more insight, whereas Chinese clients prefer to provide the insight themselves. On the whole, Chinese research agencies are on par with their Western counterparts in terms of their ability to provide strategic insights.

In closing, here are five additional tips for buyers of research services in China.

1. Focus. The best-quality re-

search will focus on a few areas of China. Differences between regions, as well as the sheer size of target audiences, are so vast that – without a large budget – country-wide studies can risk spreading the research effort too thin.

2. Go national. Choose an agency that is national or international. These are the agencies that have the most resources, are most used to dealing with Western clients and most accustomed to providing insightful analysis rather than just raw data.

3. Remember that you get what you pay for. The good-quality Chinese agencies are slightly cheaper than Western agencies but don’t expect to pay a quarter or a third of what you pay your European or American agency. Incentives to respondents, rigorous quality checking and high-level involvement by very senior staff are all reasons why the better agencies are not “cheap and cheerful.”

4. Conduct a thorough background check. It is important to check not only the client list of a potential market research agency but also the type of work that the company does. In particular, it is essential to differentiate between experience in collecting data and experience in analyzing data and drawing conclusions.

5. Keep frequent contact. You should keep frequent contact with the agency you appoint, not only to keep track of the progress of your projects but, more importantly, to establish a relationship and be seen by the agency as a partner. Chinese business is extremely relationship-oriented and the closer you work alongside your agency, the more proactively they will work for you. There is no such thing as pestering! | Q