

## Chinese Style Entrepreneurial Marketing - Some Lessons to be Learned...

By Moti Blau \*



On their way to success, entrepreneurs, regardless of their origin, share the fact that they operate in an uncertain business environment, and lack many of the critical resources needed. As such, marketing done by entrepreneurs is very different from marketing of established firms. Established firms have accumulated market knowledge, managerial experience and financial resources, thus having the luxury to choose from a range of possible marketing strategies, and the ability to execute a variety of marketing plans. On the other hand, entrepreneurial firms, mostly young and small in nature, are short of these capabilities and resources, therefore resort to a different, less formal or methodical, marketing approach and techniques.

Set on the above background, Chinese entrepreneurial firms stand out with some unique marketing approach, which entails both advantages and disadvantages. Chinese entrepreneurs utilize their personal social network (known as Guanxi), and leverage on it quite significantly along their marketing processes.

At one end of the marketing process, this network is used to collect market information and to learn about new opportunities, such as unmet customers' needs, which may lead to new product ideas and additional revenues. At the other end, these trust based relationships can be used cleverly to identify potential customers, as well as channel partners (distributors, agents etc.), reducing both risk and time to market. Clearly, doing business with someone you know is much easier than with someone you never met.

This leads to better responsiveness of the firm, reacting to market changes and finally may very well create a competitive advantage over entrepreneurs that lack such a network. Unlike other resources, such a network cannot be easily imitated or transferred.

Still, there are few distinct downsides to this entrepreneurial marketing approach of reliance on personal relationship network. Firstly, it takes quite some time and efforts to develop. Many of the Chinese entrepreneurs are young and their network is not very well developed, especially on the international front. Most Chinese firms have been starting to engage in international business only in recent years. Local relationships will not provide much advantage for firms wishing to export their products.

Therefore, a not surprising fact (and well documents) is that Chinese entrepreneurs are utilizing their connection network, of Chinese family and friends living abroad, in order to have access into foreign markets. Interestingly enough one can find a similar approach with Israeli business people, who are seeking and utilizing the Israeli / Jewish connection. A distinct difference with Israelis is that they are building trust rather quickly with other Israeli or Jewish people. This might be explained by the fact that the overall Israeli / Jewish population is of fractional size of that of the Chinese, so 'points of similarity' might be recognized quicker.

The most notable disadvantage of this approach is that entrepreneurs stick too much to their existing network, and do not do enough to explore alternatives. They apparently 'feel better' at the comfort zone of their existing network. This means that possibly some better opportunities, attractive target markets, efficient routes to market or a more sustainable competitive position could be missed out. This may lead to potential lost revenues, lower profits or smaller market share.

Until few years back this might not seem to be such of a problem to Chinese entrepreneurs as they were very much sales oriented, focusing on having price advantages by lowering costs and increasing production efficiencies. They were basically reacting to western customers seeking for cheaper manufacturing outsourcing. This however changes gradually (or rapidly, depends on who is being asked) but surely. China is further opening up to foreign, in many cases very professional, firms and at the same time costs within China are rising.



Therefore cost leadership strategy may not be sustainable anymore for Chinese entrepreneurs, so they must seek out more sophisticated marketing strategies. This is true for both entrepreneurial firms that operate within mainland China, as well as those that operated internationally, where competition has always been fierce. Based on its plans, the Chinese government is aware of these trends, and is putting much emphasis on fostering innovation as a source of competitiveness, rather than on low cost production.

In order to better response to these environmental changes and better compete, Chinese entrepreneurs need to embrace a more strategic and methodical approach to marketing. This means that choices should be evaluated more thoroughly and a longer term view of the market is to be taken (branding for example).

Analysing the market more objectively, having better defined marketing objectives, and formulating a more sophisticated targeting and differentiation are few areas of possible improvement for Chinese entrepreneurs. This does not necessarily mean that greater financial resources are required, on the contrary. Smaller firms that enjoy inherent flexibility are able to respond quicker to market opportunities, and do much more with much less.

Better strategy means better utilization of existing resources, including social networks. Chinese entrepreneurs may need to try and explore new markets and marketing channels which are beyond their personal reach, as these may better fit their newly formed strategy. Trust can be expanded beyond the existing network by having professional processes in place and by improving quality of service for example. At the same time Chinese entrepreneurs can expand their network in a way which is synergetic to their strategy. This can be done by cooperating with seasoned, better connected entrepreneurs or managers which relate stronger to the relevant target market.

Raising awareness and increasing marketing knowledge base, among Chinese entrepreneurs, learning about new marketing methodologies and techniques, combined with strong networking capabilities, will definitely pose a serious challenge to western firms either in China or abroad.



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