Submitted by Lou Pelton

As we learned throughout our experience, the role of "luck" may be an important variant in marketing products and services to consumer and industrial customers. In the spirit of Don's "generous" time allocation and Chinese tradition, we'll summarize a lifetime of experiences in just eight discussion platforms. After all, baat (ba) or eight is a lucky number in Chinese.

Connectivity and connectedness

From factory tours to our executive briefings, it was enlightening and informative to discover the intensity of connectivity and connectedness in Hong Kong and the Pearl River Delta. As marketers, it is particularly interesting to witness the intensive growth of affording buyers and sellers access to new products, services and resources (that may ultimately impact their standards of living).

We became keenly aware of the impending construction of a bridge that will surely develop new channels for the movement of goods and peoples between regions. We were beguiled by the rapid retail development throughout the Guangdong province and happy to report that marketing is still alive and well in post-SARS Hong Kong. We also witnessed connectivity through technology - we were all surprised by the communication systems. [My cell phone constantly hits dead spots in Plano, Texas; but, I watch with amazement how many cell phone users enjoy clear communications on the MTR and KCR.]

I am sure that our finance colleagues will address the Shezhen stock exchange and the trade environment; however (from a marketing perspective), we were equally engaged by the connectedness between peoples and retail markets in Hong Kong and the PRD. The free flow of RMB between Hong Kong and the PRD will naturally have an unprecedented impact on capital markets and buying behaviors. The free flow of peoples between Hong Kong and the PRD will naturally have an unprecedented impact on building regional and global brand equity.

Heterogeneous market environment

Despite the allure of 1.3 billion consumers, we must recognize that market segmentation is a necessary and important activity in this region. My colleagues noted that it is far more diverse than they originally anticipated. One thing was crystal clear from our broad spectrum of experiences: the consumer population and market segments within and between China, Hong Kong and Macau are extremely heterogeneous.

Languages, dialects and cultural norms are extremely diverse among the peoples of each province, city and prefecture in China. This is especially important to consumer researchers, attempting to identify and create market opportunities. There are divergent purchasing power, and ensuing discretionary incomes - especially between Hong Kong and the Guangdong province. But even within the Guangdong province, we must remember that a large part of the population is essentially an immigrant population from other provinces. The underclass represents a substantial percentage of the population, but their constrained purchasing power is a challenge for marketers. Despite the reality of employers providing sustenance needs, the migrant workers still have needs and wants that may be addressed by local merchants (retailers).

Clearly, there will be an emerging middle class in South China that will provide tremendous marketing opportunities to Hong Kong- and Taiwan-based firms who currently compete in markets with extraordinary competitive density. Marketers will have to carefully tailor their marketing mix - the infamous 4Ps - to target diverse micro-segments in this region. From Erik's courageous experimenting with some regional cuisines to our tour guide's concession that he has eaten cat, we were treated to a sensory experience that highlighted just one of many heterogeneous components of PRD markets.
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Infrastructure development

We have already alluded to the burgeoning infrastructure development in the region; but, infrastructure extends beyond the roads, rails and tunnels to bridge marketing channels: infrastructure from a marketing perspective includes capital, logistics and education infrastructure. We'll leave the capital infrastructure to our colleagues, but we are clear that Hong Kong will play an important role in sourcing and stewarding FDI for the region. It is considered a safe haven for market entry and expansion. The physical distribution of goods will be a major priority in the region, and it is clear from the proliferation of regional airports, multiple port development projects and 3PL facilities that China is readying to give the well-established Hong Kong port a major challenge.

The extent to which China, Macau, and Hong Kong are able to develop a collaborative, regional logistics infrastructure - rather than a competitive, national infrastructure - will be important. We saw countless examples of educational cooperation between major universities in Hong Kong and China; but, we saw far less cooperation among China PRC universities. It seems that the educational infrastructure is in need of significant investment and development. Hong Kong will be one natural resource for China’s higher education development. But, it also appears that our [U.S.] universities have great opportunities to forge collaborative agreements with existing higher education institutions in the PRD, and this would extend to certificate and executive education degree programs. So, there exists an opportunity to market one of the U.S.’s principal global comparative advantages: higher education.

Competitive intensity and demography

All one has to do is step outside our hotel to appreciate the competitive density in Hong Kong. Some of you visited a tailor in Tsim Sha Tsui, and you literally experienced the population intensity on Nathan Road, Hong Kong’s equivalent to the Miracle Mile in Chicago. So much for cannibalizing brands and retail outlets. There is a Mannings or Watson’s on nearly every block. And, Starbucks abound. Obviously, the population density in Hong Kong and the population magnitude in China will provide significant consumer markets for goods and services.

Inder and our group discussed retailing and promotions - he felt that it was underdeveloped. While I would agree with that overarching statement, but I countered that Hong Kong retailers are pretty savvy when it comes to advertising and other promotions. Perhaps, they have to be because of the competitive density. Even an all-American brand like Espirit is now Hong Kong-owned and managed.

But, it is also clear that there is aggregation within the market, and mergers and acquisitions are especially paramount to the changing retail structure in the PRD. There also appears to be a thirst for Western brands despite the competitive density, and that may have to do with greater access to brands through the growing travel between China and Hong Kong.

As Mark noted, there is a real opportunity to bring U.S. brands into the PRD - besides Hawaiian macadamia nuts. I guess the bottom-line that Mark has brought out is that we must avoid market myopia in the global marketplace, especially in light of the impending growth in consumer buying power in the PRD.

Discordant exchange governance

This is an important issue in marketing. The divergent values, attitudes and lifestyles across Hong Kong and the PRD suggest that there are very different ways of doing business. Mark and Mike pointed out that customer satisfaction benchmarks are very different. You may recall that Mark asked the banking executives how customer satisfaction was measured, and there seemed to be little concern with anything but market share and employee share. We wondered if that was just the financial sector. But, our experience was that customer service means something very different in the extended PRD.
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In marketing, we often discuss the price-value relationships across branded products and across retail markets. Well, return policies, merchandising assortments and EDLP are U.S.-borne retailing ideals. As Wal-mart, Carre Four and Costco continue to expand into this region, local retailers will have to grapple with Western-style marketing. The ethics and exchange processes that impact buyer-seller relationships are too tough to tackle in a few minutes, but it is clear that there is overt discrimination between Hong Kong and Mainland Chinese buyers and sellers.

Semiotics and symbolism

We already spoke of dialectic differences - it seems Cantonese is even spoken differently between Hong Kong and various cities in the Guangdong province. It also seems that the simplified versus formal Chinese characters would pose packaging and advertising challenges throughout the region. Mandarin may be the only common language, but it is not commonly spoken - there are differences in pronunciation.

We are still in awe of Glenn's ability to translate at our government-hosted briefing. We haven't even touched on the Portuguese influences in Macao. Chinese numerology, bing fa, mythology and history all appear to have a monumental impact on consumers' attitudes, lifestyles and behaviors. We noticed differences in what people wear, what they eat and what they drive. Inder was quite intrigued by the "baby" Buicks that are commonplace on the streets in Guangzhou.

Embryonic stages of marketing development

Inder contributed an interesting perspective about the paucity of contemporary marketing development in the region. This should not be a surprise in the Mainland, where markets once were synonymous with the places to buy stuff. Even with the entrepreneurial settings in Guangdong, the PRD is a vast contrast between a largely centrally planned economy and a long-time market-driven economy. The one-country, two-systems is a reminder of the economic and political challenges that underlie collaboration, cooperation and coordination across market settings. Hong Kong has an opportunity to provide marketing tactics and training to companies in Mainland China. But, it won't be long before emulation gives way to dog-eat-dog competition within the region. Some of you will be venturing on to Shanghai, and you'll likely see how the seeds of competition are forging direct competition between HK and the Mainland.

Guanxi and relationship marketing

We may all recall that the word for crisis in Chinese is written with two brush strokes - one meaning danger; the other for opportunity. We think there are many opportunities for market entry and expansion in Hong Kong and the Pearl River Delta. However, there will need to be careful consideration of the challenges of a multifarious market setting that is based on relationships. One can't just enter the market. In many of our readings and briefings, there was the ubiquitous norm of guanxi that appears to permeate every aspect of business in Mainland China and Hong Kong. We were extremely fortunate that Ji Chen, Don and Glenn were able to leverage their collective guanxi to give us valuable insights into the marketplace.