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# Market Research in China: Considerations

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As the world's sixth largest market for market research, China was measured at USD918 million in 2009 (latest available data from ESOMAR). Though one-sixth the size of the US market, this figure is double the size of China's market research industry in 2005. This amazingly fast growth is partly because commercial market research is relatively new: The first Chinese market research provider, Guangzhou Marketing Research, celebrated its 20th anniversary in 2008. Market research in China has a number of unique qualities. The purpose of this article is to present China-specific market research considerations, with references to the technology market as experienced by Market Strategies International.

## Socialist Legacy

Today, when you walk the streets of Beijing and Shanghai, you barely feel that the country was a socialist economy in the recent past. However, some legacies of the socialist era remain that are important to researchers. One obvious trait is the economic sector division; not only are there public and private sectors as seen in the West, but there is also the additional "state-owned enterprise" (SOE) sector. SOEs are typically monolithic companies founded during the socialist era, employing tens and even hundreds of thousands of people, such as China Mobile or China Unicom, 2 of the world's biggest telecom operators. As the name "state-owned enterprise" suggests, SOEs are profit-making companies that participate and compete in the national as well as global markets at the same time that their goals and strategies are influenced by government initiatives and policies. In fact, government officials are formally part of the SOE management. It is sometimes hard to draw the line between government and business in SOE boardrooms. SOEs are an important species to include in business-to-business (B2B) studies because their attitudes, purchasing

behavior and decision-making dynamics are often quite different from those of private businesses. Market Strategies always seeks to quota-control samples to include SOEs, especially for product categories in which they could be a reasonably big slice of the available market.

## The Government Factor

Have you traveled to China recently? Did you wonder why you could not access your Facebook account or broadcast tidbits about your China trip to the world on Twitter? China heavily monitors and regulates many business sectors, especially the media and any information-related services including market research itself. As of this paper's writing in mid-2011, Facebook, Twitter and YouTube services are blocked and essentially do not exist in China (local competitors and imitators typically employ various forms of filtering, content blocking or censorship). Not only do the social media habits of Chinese consumers and businesses differ from those of the international community, the competitive landscapes of certain technology products and services in China also differ as a result. Researchers should bear this in mind when designing and analyzing research.

Lesser known is the level of regulation imposed on the market research industry. In the late 1990s, for example, the Chinese government implemented new regulation to prohibit foreign research companies from conducting social and market surveys in China. This regulation is still in effect, but its enforcement seems to have become less strict recently. Foreign companies are allowed to conduct surveys but only by hiring domestic research companies licensed by the National Bureau of Statistics.

Sometimes government influences are felt in even less expected circumstances. We once conducted a central

location test for new inkjet printer models imported from abroad. Three days before the test, Chinese customs held the printers, citing lack of certain certifications. Although we never obtained the certifications, we dealt with formalities, paid extra costs and the printers arrived before the test date. Stories like this are common. Researchers need to be prepared to deal with regulations and formalities in China.

### **Fakers, Professionals and Proxies**

“Fakers” refers to respondents who claim to but do not actually possess the characteristics researchers seek. “Professionals” are respondents who have participated in research so often that it might be considered an occupation. “Proxies” are co-workers, subordinates, friends or relatives of respondents, often participating in the research on behalf of the actual person. All these are found in any market in the world but are particularly common in China and some other emerging markets. The key reason is economic: Study cash incentives offered to business executives or well-off consumers are relatively high compared to the income of average Chinese blue-collar workers and the under-employed. As a result, the incentives attract some people not qualified to participate in research, who treat earning incentives as their full-time or part-time job. Identity fraud exists in all markets, but given the current economic and social context, organizations such as the CMRA (China Marketing Research Association) identify fraud as a fairly serious problem in China. Extra screening and data cleaning procedures are essential in both qualitative and quantitative studies to address quality concerns.

### **Market Heterogeneity**

While Lifestyles of Health and Sustainability, organic food and farmer’s markets are becoming popular among some Beijing and Shanghai young elites, millions of others still worship skyscrapers in the spirit of early 20th century modernism and urbanism. China has a huge population, vast geographical area, wide language and cultural diversity and, most importantly, different economic developmental stages within the country. In most circumstances, the country should not be considered a single market, but rather conceptualized as 2 or 3 markets at different developmental stages. For instance, in consumer computer product research, modern megacities such as Shanghai, lower-tiered cities such as

Xi’an and small towns/rural areas can behave as differently as Korea, Thailand and Cambodia. Should a researcher study just Korea and draw conclusions for all 3 countries? Likewise, studying only Shanghai and projecting findings to the whole of China can lead to inaccurate market readings and hypotheses. For instance, in typical qualitative exploration, consumers in Shanghai more often enjoy tech products and concepts with a foreign touch than do consumers in smaller, less Westernized cities. When discussing research markets, it is common practice to group national markets like the UK, Germany and France together as a “European” group, and likewise to group China, Japan and Korea as “Asia” or “APAC.” But researchers should be reminded of the need to differentiate the segments within China’s huge and heterogeneous market.

### **Rapid Change**

In the early 2000s, web surveys emerged as a data collection approach in China. Then, the small online Chinese population made researchers suspicious of significant bias in online data collection in China. 2010 CNNIC (China Internet Network Information Center) figures suggest that just a decade later, by 2010, up to 35% of China’s 1.3 billion population and over 60% of residents in the biggest cities are internet users. Sample representativeness is thus much less of a concern than it was just a few years back. Of course, researchers must still exercise care. For instance, the profile of internet users in China is significantly skewed toward younger age groups and students, compared with many mature markets. The middle-aged could easily be under represented in naturally grown web panels. But these demographics are changing fast.

Another example of the fast evolution of the China market is the growth of the mobile research platform. China is well known as a late adopter of technology that has nevertheless made leaps and skipped technology generations. For instance, cassette VCRs have never been popular but DVDs are ubiquitous. Many small-town and rural residents still do not have landlines but they do possess mobile phones. Mobile phone adoption in China is growing at a double-digit rate. According to the Ministry of Industry and Information Technology, mobile phone penetration exceeded 120% (some people owning multiple phones/SIMs) in the biggest cities

in 2010. In the latter half of the 2000s, there were attempts to do quick and simple studies on the mobile platform in China's tier-1 cities, making use of smartphone functionalities including texting, photo and video capture as well as web access. The mobile platform is evolving fast and might soon become an important data collection method in urban China.

### **Craving New Technology**

Numerous findings in our recent studies about new tech products and concepts show that Chinese consumers and businesses exhibit high enthusiasm and stated purchase intent, even after discounting the inflation due to the research context. In many markets, new technology is welcome only when its benefits and values are understood and perceived. In China, by contrast, being new is often a sufficient condition for being liked.

Contemporary Chinese culture places high value on adopting new and high-end technologies. One good example is the maglev train. It was and is in most countries an innovative and exciting, but experimental, not-yet-practical technology. In China, maglev trains were put into commercial service in Shanghai starting in 2004. In the short, 8-minute voyage of the maglev train from Pudong Airport to central Shanghai, you see dozens of passengers lining up under the LED speed indicator on board to take photos and videos. The indicator shows the train is flying at an amazing 430 km/h (267 mph). But what interests a market researcher is not the speed, but the enthusiasm of the Chinese people. Many are not travelers to the airport but simply come to experience the train. This is a lively illustration of the sentiment of the hunger for new technology and the satisfaction of using it. Technology market researchers should bear this in mind as a cultural context of contemporary China.

### **Linguistic Complications**

For practical purposes, it makes better sense to consider the so called Chinese dialects as dozens of related but mutually unintelligible languages, namely Mandarin (Guanhua), Cantonese (Yue), Shanghainese (Wu), Hokkien (Min, Taiwanese), Hakka (Kejia) and many others.

Phone interviews can be particularly problematic. In the mid-2000s, for example, Market Strategies fielded a CATI project across China in which the interviewers and

respondents discussed a number of software brands and product names. In the technology market, these names are often in English and not translated into Chinese; however, local pronunciation of English names can vary considerably because of different phonetic systems in different Chinese languages. As a result, interviewers and respondents spent a significant portion of the interview trying to understand each other. We have also seen interviewers spending more than a minute trying to understand a single response. In light of this language issue, experienced and well-managed field providers are particularly important in China.

### **Confucianism**

One of the most embarrassing business situations in China is when you find your pocket empty when everyone else is exchanging business cards. Business cards, from the perspective of cultural studies, are not only cards with text that communicates your name and phone numbers, but are also symbols of one's identity in the business community. You receive cards of other people with both hands to show politeness and respect. Respect is one fundamental element in Confucianism. In very brief terms, Confucianism is a set of moral codes that govern political practice and social norms, including what kinds of research modes are considered appropriate in certain situations. While phone interviews and web surveys are now the default data collection modes for quantitative studies in the technology market, in some situations, in-person interviews are still required. Under the Confucian norms, for example, only a face-to-face interview shows the appropriate level of respect for an executive in a large company, a quasi-government officer in an SOE, or even an affluent consumer. Such respondents tend to demand human contact, and researchers must employ proper introductions, identification (business cards, documents, invitation letters) and, most importantly, politeness and respect. This significantly contrasts with Western customs. In the US, for example, senior business executives prefer phone interviews to save time and simplify logistics.

Another aspect of Confucian culture is the emphasis on surface harmony in relationships. Western researchers who have worked with their Chinese counterparts may be familiar with this cultural trait. The Chinese are unwilling to

visibly and explicitly disagree with others. As a result, when Western clients want to implement certain approaches in a research project, their Chinese field providers might feel reluctant to voice anticipated problems. Disagreeing with someone can hurt the relationship, which is seen by some Chinese as more grave than having a problem in the project caused by another party.

## Conclusion

As China's economy keeps expanding in scale and degree of sophistication, and the Chinese market research industry enters its third decade, we predict that the characteristics described in this paper will continue to evolve at a very rapid pace. To ensure that research approaches are meaningful and culturally appropriate, practitioners need to diligently update their understanding of the market and customize their studies accordingly.

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