

Finding growth in China

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In 2020 marketers need strategies and systems focused on the volume, location and type of growth China is experiencing if they want to gain a disproportionate share, MediaCom's Erika Machamer explains.

In 2002, I first travelled to China on a business trip for The Coca-Cola Company. I'm from a friendly, small town in Texas and stand six feet tall, so the first words I learned in Mandarin were nǐ hǎo (hello) and gao (tall).

China today stands in brilliant contrast to the country I first visited. When the first Starbucks opened in Beijing in 1999, we all wondered if China's deeply steeped tea culture would welcome coffee into a daily routine. Now, Shanghai is home to the world's second-biggest Starbucks, while ele.me and Meituan Waimai scooters zip around delivering millions of

coffees.

In October 2019, I embarked on my most in-depth trip to China thanks to MediaCom's China Passport programme, a three-month executive immersion into the Chinese media marketplace and culture.

I was fortunate enough to be in Shanghai for the November 11th sales holiday (aka, 11.11, Double Eleven or Singles Day). I naively thought this was China's Black Friday – 11.11 made Black Friday look like a child's lemonade stand. Day one numbers from 11.11.2019 showed that Alibaba's Tmall secured \$38.4bn in revenue while JD (aka Jingdong) reached \$29.2bn. By comparison, Black Friday sales in the US hit just \$6.2bn.

On the eve of 11.11, each major eCommerce site (Tmall, JD and Suning) televises a gala variety show filled with pop stars, costumed characters, lights, sequins and even choreographed roller skating. As midnight approached, everyone stopped watching the TV, fell silent and stared at their phone. Little did I know, everybody was waiting to see if they would "win" the items in their personal electronic carts before the deal sold out.

Those who "won" their 11.11 orders expected to receive almost all their purchases on November 12. It's baffling: approximately 50% of eCommerce sales happen in China on this one day and purchases are delivered right after – impressive logistics behind this cultural phenomenon.

Whether you get inspiration from coffee delivery or eCommerce holidays, there is much to admire in China's smooth ordering systems, seamless online to offline integration, and heavenly cashless payment systems.

Brands need to focus on these two key areas to increase success in the Chinese marketplace over the next five years:

1. Focus on capturing a disproportionate share of growth

By 2025, China's population is expected to top 1.41 Billion (Euromonitor). By 2030, approximately 70% will live in urban cities and 35% of the total China population have an upper-middle to high annual disposal income (RMB67,000/USD10,800 and above) (The Economist).

It is no longer possible to just ride the wave of growth in China. The Chinese market is increasingly concentrated on a few brands in each category; the top three automotive brands, for example, already account for 54% of new car sales (McKinsey) and the same process is happening in every sector.

So, if you are currently planning and assessing quarter to quarter, it's imperative to think on a longer timescale. Brands need to develop strategies and systems now that will capture a disproportionate share of the growth in China to come in the next five years.

2. Reduce friction to move at greater speed and with greater fluidity

While in China, I became hooked on cashless payments. Back in the US, I miss being able to swipe my phone for fast, clean payments. Once you have such speed and simplicity it's hard to go backwards.

Global brands must identify points of friction and opportunities to move with greater fluidity to seamlessly connect consumers' offline and online worlds.

Such thinking and the experience of the MediaCom China Passport executive programme, led to the formation of a new consulting offering called INCITE in partnership with GroupM. Rupert McPetrie, CEO MediaCom China and Chairman of the Board, says, "Clients in China are increasingly seeking guidance beyond media to support their business plans. Through INCITE Consulting we have been able to provide that guidance, with our Consultants expertise and experience we advise clients on the bigger picture and broader business context."

The work we do on INCITE has been really exciting as we help marketers identify

strategies and systems to capture a disproportionate share of the exponential growth in China by getting to the core of these questions:

- Do you have the right investment levels in the right Chinese markets across your business model?
- Will you have the right brick and mortar retail presence in the growth cities?
- Will you have product offerings for the burgeoning upper and middle classes?
- Can you move seamlessly between offline and online worlds?
- Will you be the most frictionless consumer experiences in the marketplace?

Our aim is to create zhuǎnjī as they say in Mandarin. May you all experience and create zhuǎnjī – a favorable turn for the better.

If you want to learn more about opportunities in China to develop growth strategies and systems for your brands, contact:

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