CHALLENGES OF TAPPING INTO THE CHINESE MARKET

Despite the immense market potential that the Chinese market carries has it proven difficult for international companies to successfully establish themselves in the market. The main reason being a lack of a consistent marketing strategy which accounts for cultural differences, along with flexible promotion approaches and a local presence. International companies frequently have a lack of understanding of the Chinese market most likely caused by a significantly contrasting culture, particularly the internet culture. Chinese consumers have different needs and desires when it comes to online services and companies that ignore this are usually doomed to fail. The way that Chinese citizens use social channels is also markedly different therefore, marketers need to
carefully adapt their approaches for according to China’s cultural and societal peculiarities.

**LOCAL CONTACTS**

The main business-related cultural difference between the West and the Chinese is the importance of long-term business relationship. Business relationships to the Chinese are personal relationships and must for those reason be built on networks that are trust and moreover nurtured and developed, also known as ‘Guanxi’. It is common among foreign corporations to neglect ‘Guanxi’ and long-term relationship thinking which can be problematic. In China ‘Guanxi’ or social connections hold a great power. ‘Guanxi’ is the driving force behind business deals and government contracts. The Chinese invest extensive time and effort into participating and reciprocating in networks in spite of not knowing when, how, or even if those relationships will in the end pay off. It is these slowly-built friendly bonds that eventually lead to trade accords in China rather than the short game played in the West.

The seafood business in China has complicated market access issues, regulations and localized practices. When entering the Chinese market it is therefore of vital importance to have experienced and reliable locals to work with. Overseas firms often struggle with laws and regulations in China, most common complaints revolve around obtaining the required licenses and permits. Rules stating how products are designed, manufactured, sold, used and disposed of exist in China which all products must comply with before entering the market. This can be a very unfamiliar procedure to foreign companies. Many of them hold unrealistic expectations that one local Chinese partner can accomplish everything for them. They are not aware that you may likely need specialists in every area of your target business, and not only a local fixer.

**IMAGE CONSCIOUS**

Brand building is one of China’s trickiest business challenges. Research on cultural differences has shown that the Chinese are perhaps the most image conscious consumers in the world. They rely on and infer meaning from symbolism to a much larger extent than their counterparts in the west. Due to conformity pressure they rely more on personal, independent sources of market communication meaning that mass-communication has less of an impact. This is perhaps why the Norwegian Seafood Export Council (NSEC) is targeting opinion leaders such as chefs, restaurants, hotels and catering companies in the initial entry phases. Combined with a high degree of risk aversion, the Chinese are regarded as the most brand loyal consumers in the world. This implies that Chinese consumers will be receptive to products based on extensive symbolism rooted in social meanings.

**PROMOTIONAL MARKETING CHANNELS**

Another factor often overlooked is the importance of participating in promotions using both traditional and new marketing channels in China. Seafood exporters should be aware that the hospitality and retail industry has a strong influence on consumer behavior for high-end imported seafood. Promotional activities linked to local hospitality and retail platforms, and with support from local celebrity chefs or professionals can exercise considerable influence. Considering the highly-regulated nature of the country’s more traditional mass media, word-of-mouth, is critical in China. For this reason, recommendations both offline and on social networks have become the most important factor in the online shopping decision. Given this behavior, marketers must begin to explore how the dynamics of social referral work in China for their specific audiences and industry.

**E-COMMERCE AND E-MARKETING**

Companies are furthermore lacking online presence on leading e-commerce and e-marketing platforms in China. There is huge potential for the development of innovative promotions in digital technology but the Chinese are enthusiastic users of it. The three elements that are driving this growth are social media, online videos and mobile phones. Companies entering the Chinese market must not ignore the fact that Chinese consumers have different needs and desires when it comes to online services in comparison to the West. The ways that Chinese citizens use social channels is also markedly different, and marketers need to carefully adapt their approaches for China’s cultural and societal idiosyncrasies as much as for its technological differences.

Currently, China’s e-commerce food consumption is 3.3% but the potential for growth is enormous. E-commerce is the fastest developing segment and will take up about 20% retail market share by 2020. Imported seafood is more eagerly accepted by e-commerce companies compared to traditional wholesale markets, hypermarkets and food services. Emerging e-commerce companies are willing to try and accept new products to sell online. China’s e-commerce has, as a result, become the best platform to launch new product sales. Seafood products that have proven successful on the e-commerce channel will be selected by hypermarkets and restaurants to sell in their channel because online big data demonstrates the market demand and potential of this seafood product. There is also the aspect of the fast branding establishment as e-commerce presents a bigger opportunity for companies to brand and spread their products.

**NORWEGIAN SEAFOOD EXPORTERS’ LONG-TERM MARKETING STRATEGY**
Norway is the third largest fish importer to China, and Asia is at the moment a highly prioritized market for Norwegian seafood. There’s a valuable lesson in Norway’s long-term willingness to spend on marketing, which is unmatched in China’s seafood market. The funds and vision to invest consistently over decades has delivered success for Norway. The same method could be employed by Iceland given the shortages of land and clean water faced by Chinese aquaculture and fisheries. NSEC is attempting to establish a long-term profile for Norwegian fish products in China. Currently forty percent of their marketing budget for salmon and trout is dedicated to building a name in the Chinese markets.

Market analysis carried out by the NSEC for these new markets showed that Norway’s image was initially fairly weak. The NSEC therefore emphasized on increasing their long-term recognition, knowledge, and preference for Norwegian Seafood in these markets. They wanted to associate Norwegian Seafood to quality and good taste based on the cold, clean water in Norway. A standardized marketing strategy was used to accomplish this and the same message was used for all products across all markets.

COUNTRY-OF-ORIGIN STRATEGY
The NSEC illustrates an effort to coordinate the marketing of Norwegian Seafood based on a country-of-origin (CoO) strategy. The Norwegian fishing industry consists of multiple small producers, fish farmers, fishermen and exporters, and due to this fragmentation they saw the possibility to increase their international competitiveness through a joint marketing effort. To accomplish this, they recognized national origin as a common factor, particularly as some types of Norwegian fish already have a “name” internationally.

The Norwegian fish industry’s strategy to market fish in Asia demonstrates that the CoO strategy can be beneficial even if there is originally little knowledge about the country of origin within the target market. This strategy is a branding strategy of sorts as it attempts to acquire a competitive advantage built on familiarity with the CoO. The CoO effect strongly depends upon the knowledge of the CoO in the target market. For small countries, like Norway, a CoO marketing strategy represents the possibility of enhancing its international competitiveness within products that otherwise would be too small to position on a global scale.

When discussing Norwegian food, most Chinese consumers of imported food refer to the Norwegian salmon and Norwegian seafood at large. Norwegian salmon is now well known in China and is associated with high quality, good taste and health benefits. The key images of Norway as a food producing nation are of snow and ice, deep clean water and a sparse population. All of these images come together to create the perception of a country with a natural, untouched and unpolluted environment. The Norwegian government is considered to be diligent in the enforcement of food safety standards, which instills confidence in Chinese consumers regarding the safety and quality of Norwegian food. Overall, perceptions of Norway as a food producing nation are positive, although they are generally limited to seafood and salmon in particular.

LONG-TERM MARKETING STRATEGY
Norway has also opened up a new front in China. It’s effectively building a market for a new premium product, the Cod. It’s an improbable product, but this is "Norwegian Arctic Cod": a high-end Cod being sold in steak-style portions, packaged in single or double pieces along with cooking instructions, meant for the busy middle-class Chinese consumers. A well-market-ed Cod product can be successful in China because it’s a product which can be cooked at home unlike salmon which is largely served raw in food service outlets. Presently, the most active buyers are Chinese processors who instead of shipping it overseas are seeking wealthy buyers at home. They’re selling it in online stores such as Taobao and Yihaodian and meanwhile is the NSEC backing up these sales with online and point-of-sale marketing.

This marketing support is effectively making Cod attractive to Chinese distributors, who have been keen to take on this product owing to the Norwegian commitment to long-term marketing of seafood in China. “They say ‘we want it because you made such a success of salmon in China’” said NSEC China manager, Sigmund Bjorgo. Fifteen years of marketing campaigns and spending in China made Norway a top-five global market for salmon, bordering on 70,000 metric tons in 2014. Chinese end-users are also proving receptive to Cod because of a positive image of “Arctic” Norway as a source of seafood, which was a result of patiently built up marketing for almost two decades.

HOW ICELANDIC SEAFOOD EXPORTERS COULD TAP INTO THE CHINESE MARKET
Due to a higher disposable income, increased numbers of Chinese consumers seek value from their products and are prepared to pay more for greater quality and safety. Additionally, in the Chinese context, “value” consumers are moving upscale, willing to pay a premium for high quality products with integrity and reliability. It is therefore astonishing that Icelanders are currently not importing more fish to China as the Icelandic fish should appeal greatly to the Chinese consumers.

BUILDING ICELAND’S IMAGE
It is important to realize that the Icelandic name in
Chinese “Bingdao” means “Ice-Island”, being one of the few countries whose name the Chinese have translated literally into their own language. It could be interesting to research what connections this name could have in the mind of the Chinese consumer. If the image is already favorable it could be enhanced with the use of social media. It’s after all necessary for the Chinese people to have a very good general impression of Iceland. Iceland, similar to Norway, should be viewed as an arctic country with friendly people, rich natural resources and a clean environment characterized by snow and ice. These characteristics are valuable “selling points” and could therefore be reflected in future branding initiatives. Aquatic products with labels that claim the products are importet, not to mention caught in the wild, after all enjoy great popularity among the Chinese consumers.

Using a CoO strategy may contribute to differentiation by taking advantage of the low risk affiliated with a rich, politically stable country such as Iceland. However, to stimulate reinforcement for Icelandic fish products it is crucial that the country’s image attributes are reflected in concrete product properties. For instance, firm fish meat with a pleasant smell, matches the Icelandic image of a cold and clean environment. However, fish packed in thick plastic may not reinforce the cold, clean image, even though the thick plastic serves to preserve the freshness of the fish.

THE LONG-TERM CHALLENGE

It is essential to find the correct person to open doors in China. They can make formal introductions and vouch for the dependability of the company, furthermore can they direct companies when it comes to the Chinese bureaucracy. Seafood companies should therefore participate in events, including professional seminars and trade exhibitions. As the world’s major low cost manufacturer, the Chinese are large participants in international trade fairs. Chinese trade fairs, which tend to specialize in specific industries, are an outstanding source for finding suppliers and buyers. The trade commissioners in China are experienced in consulting market-entry strategies and assisting export-ready companies to develop in the local market. As this can be a complicated and time-consuming process would it give Icelandic export-ready companies a significant advantage if they chose to work together in a cluster with the mutual purpose of successfully establishing connections in the Chinese market.

In order for successful business relations to take place, Icelanders should invest time, energy and effort to build and maintain personal connections with their Chinese counterparts. The approach of seeking quick gains may eventually work once, but it could never become the basis for a stable relationship. Developing credibility and reputation takes a long time. Every step along the way is slow, burdened with bureaucracy, and requires extreme patience. When the deal is then finalized it is crucial for Icelanders to maintain the relationship with their Chinese counterparts for future reference.

The Free Trade Agreement (FTA) between Iceland and China, signed in 2013, was the first FTA between China and a European country. The signing of the FTA is expected to boost Icelandic exports to China in the near future. This is an opportunity for the Icelandic seafood exporters to develop relationships in China however they must be viewed as a long term strategy. Therefore, it could bring in the benefit of a faster entry into China’s market, by selling online as it’s quicker, but once one e-promotion succeeds the whole supply chain will follow the online market demand quickly and e-commerce will rapidly cover the whole Chinese market. Furthermore, it will bring demonstrative influence to traditional channels because once the Icelandic fish is selling well in emerging e-commerce channels, hypermarkets and food service channels will follow.

Iceland’s country image in the Chinese market is weak, so Iceland can be placed in the beginning of the country image developing process. This position implies a need to establish and strengthen the country image, conveying a clear and consistent message will therefore be crucial. As Iceland already has the market access in China because of the Iceland-China Free Trade Agreement, the next steps should be to establish associations with Chinese counterparts through trade exhibitions and buyer delegation. Once these associations have been established then marketing of the “Made in Iceland” brand may begin. In terms of social media the best platforms suggested would be Weibo, Wechat, recipe sharing websites etc, additionally, TV cooking programs are a strong platform. E-commerce and e-promotion should be prioritized due to the immense potential that it holds.

Successfully establishing an Icelandic seafood company in the Chinese market may appear to be nearly un-achievable, especially since Iceland’s country image is weak within the market. It nonetheless can be done, if these companies learn from the Norwegians, use the uniqueness of their products to their advantage and commit to using a long-term marketing strategy. Keeping cultural differences in mind, it is furthermore crucial for companies to leverage their social media knowledge and invest time in establishing personal long-term relationships within the market if they are to be successful in this venture.

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