

HOW TO REACH 1.3BN CONSUMERS IN CHINA?

Deutsch-Chinesisches Wirtschaftsforum (2001) vol 5, 13-19

Ying Fan
Nico Pfitzenmaier

INTRODUCTON

To international marketers, China is undoubtedly a large important market with 1.3 billion consumers. The economic reform and opening up of the country since 1979 has set off an unprecedented consumer revolution, which has significantly changed the living standards and lifestyle of million people. Consumption is a relatively new experience for Chinese consumers, who began, just in recent years, to enjoy shorter working hours and more official holidays. With more spare time and raising disposable income consumers have now demanded a wider choice of products and services, particularly in sports, leisure and entertainment sectors. This is in line with the experience of other Southeast Asian countries: as economic development progresses and personal wealth raises, leisure activities will grow enormously.

The phenomenal growth in the consumer markets is mirrored by the dramatic development in the advertising industry. A sector virtually not existing until the early Eighties, the advertising industry is now the second largest in Asia after Japan and employs more than half a million people. The total advertising expenditure in China in 1997 reached US\$3.7 billions, with a growth rate of 208% in 1997, 45% in 1998. There were 48,000 advertising agencies in China as of the beginning of 1996, an increase of 12% from previous year (*Asian Advertising and Marketing*). As the market becomes more competitive, it is crucial for international companies to find a better way to cut through the competition and reach the target audience. Event sponsorship provides companies with alternatives to the cluttered mass media, an ability to segment on a local or regional basis and opportunities for reaching targeted lifestyle groups whose consumption behaviour can be linked with the sponsored events. On the other hand, the huge growth in sport activities, music and art events, and other forms of entertainment offers a vast potential in sponsoring such activities and events. In the following paragraphs music events are used as an example to show how they can be exploited to reach target consumer segments.

Music is probably the most universal means of communication we have nowadays, instantly traversing language and other cultural barriers. Popular music reflects changes better and faster than any other genre. And it is usually reflective of what is happening in society as a whole. Finding a way to link your message to the popular music in order to reach a target segment of Chinese consumer is what music event sponsorship is pursuing. Younger people living in big cities consume popular music through MTV and the Chinese MTV channel called Channel V. They also listen to the radio, regularly attend music events and go to clubs and discos. In Shanghai there are a variety of discos and clubs

which are equipped with the latest laser, light and sound system and provide enough space for 2000-3000 people. Some discos specialise in hosting big music raves featuring famous DJs from the US and Europe, attracting young people who can be classified into what Wei (1997) called 'Modern' and 'Generation Xers' lifestyle segments. These two segments are characterised as being more affluent, better educated, hedonistic and pursuing a fancy and distinct lifestyle. They become the core target groups for international companies in consumer goods and sports fashion markets. The sponsorship of such events offers the sponsor good opportunities to reach and communicate directly to the target audience by means of free samples, prize draws and information gathering, etc. For Chinese young people the latest techno rave, house and hip hop music events are the only means to express their new lifestyle. At the same time such events give them the opportunity to taste/experience new things (products, ideas, fashion and lifestyle) portrayed through the music. Music raves reflect younger people's contemporary wants and attitudes, something that is highly valued by a specific group of audience. Event sponsors can develop positive effects in building favourable associations and links to the brand. For example, Carlsberg had cooperation with MTV on which they sponsored special programs. In addition Carlsberg also organised special music event parties in Shanghai. The sponsor benefited not only from the impact generated from the events themselves, but from the wide coverage in the local media.

One of the most important benefits is that events offer the opportunity to establish direct contact with opinion leaders and innovators. Chinese culture value system places emphasis on uncertainty avoidance and conformity (Fan, 2000). To a Chinese consumer, any uncertainty, ambiguity and risky or undefined situation is viewed as threatening and must be avoided. The innovator takes over the social and financial risk in trying for instance, new products / fashion or lifestyles. Other members in the group make use of the reference of the opinion leader /innovator. As the result the perceived risk for other group members diminishes. They may also feel discomfort of being left behind in the new fashion and are easily induced to follow what the innovator has tried. Innovators in this case as the opinion leader develop important links between members in the diffusion cycle of new products because they introduce the new product and lifestyle to early adopters, who then influence the early majority to purchase the product. Group conformity is another important cultural variable among Chinese people and has a strong implication on consumer behaviour as the product/ fashion or lifestyle must reflect the values and norms deemed by the group as acceptable. In this regard, event sponsorship can play a key role to forge links with opinion leaders and reach targeted audience. This is particularly important as many foreign companies found themselves facing the difficulty in identifying and reaching to the target segments.

THE SURVEY

The purpose of the survey was to find out how and why international companies practiced event sponsorship in China and what benefits and problems they encountered during the process. The survey was conducted in England via the internet in March 2000. A website was designed with an online questionnaire. 45 companies were selected from wide business sectors including automobile, beverage, sport apparel, airline, bank, hotel and entertainment. The names and email addresses of the contact person were obtained mainly through personal contacts and from a German agency's website. All the companies have their headquarters in Europe or USA and are currently operating in the Chinese market. A total of 13 completed and usable questionnaires were received, a net response rate of 29%. Among those responding companies were two sports marketing firms, three companies in brewing or wine trading businesses, one advertising agency, one estate agency and one TV channel. Geographically, 12 were from Shanghai (China's largest industrial city) and one from Chengdu (Capital of Sichuan Province). Due to the exploratory nature of the study and a small convenience sample, any generation of the findings observed in the study should be made with caution.

THE FINDINGS

The main findings from the survey are summarised in the following tables. Brief comments are made whenever necessary.

Table 1. Which is your most used marketing medium?

Rating	1 Most used	2	3	4	5 Least used	Replies
TV	5	1	1	0	3	10
Radio	0	2	2	3	4	11
Internet	0	3	3	5	1	12
Print	5	3	2	1	2	13
Billboards	2	1	4	0	3	10

From Table 1 it can be seen that traditional forms of media such as TV, print and (to a less degree) billboards are still most used. However, majority of respondents have acknowledged the importance of Internet as the new media. The highest concentration of promotion budget is on direct marketing, followed by sales promotion and point of sales. Long term brand-building tools seem to have a low priority in the budget, as event sponsorship received low percentage of the budget with two exceptions.

Table 2. What kind of event(s) would you consider sponsoring or hosting?

T=13	%	Replies
Music	46.2	6
Sports	64.5	8
Arts (Theatre, Galleries, Dance)	46.2	6
Company events, celebrations	46.2	6
New product or collection introduction	15.4	2
Local culture/lifestyle events	46.2	6
Education (Schools, University, Grants)	30.8	4
Others (specify)	7.7	1

Table 3. What event(s) have you sponsored in the past 3 years?

Christmas parties	Annual tournaments (basketball, tennis)
New Year parties	Soccer games
British Embassy balls	FA Cup Final
Opening of new British Consulate	Rugby
Receptions of ambassadors	Shanghai Frisbee League
Belgian Business Association event	Ultimate Frisbee
American Chamber of Commerce event	Hash House Harriers
Canadian Business Forum event	Shanghai Darts League Cup
	TV shows, music concerts
Company openings	Theatre production
Opening ceremonies of official institutions	1 st Shanghai Asia Music Festival
Release of new movies	DJ Swing in Rojam (Music)
	DKD DJ parties
Local charities	Jazz Concert in Park97
1 st Shanghai International Food Festival	Wine tasting
Rave parties of various scales in East and South China	Company events (eg. Shanghai-Suzhou Outing)

Table 2 presents the most favourable events that the companies would consider to sponsor or host. Sport was considered to be the number one (64.5%). The next three had same ranking: music, arts and local culture events. This is confirmed by the listing of events which these companies had actually sponsored in the past three years. Table 3 clearly shows the majority of events sponsored were sport or music related.

Table 4. How did you build an association or link between the sponsored event and your brand/company?

	%	Replies (T=13)
Event signage	61.5	8
Event title	30.8	4
Official event sponsor	53.9	7
Company brand, logo, name on:		
1) Event poster	53.9	7
2) Event ticket	46.2	6
3) Other print media	23.1	3
Others	7.7	1

Table 5. How did you integrate the event sponsorship into your marketing mix or campaign?

Total =13	%	Replies
Event logo integrated into own ad campaign (TV, print, etc.)	38.5	5
Event logo or name on product package	23.1	3
Competition and lucky draw with event related involvement	38.5	5
Sales promotion	38.5	5
Direct marketing	30.1	4
Merchandising	38.5	5
PR	23.1	3
Others	0	0

Table 4 reveals that event signage was regarded as the most important method (61.5%) for building the association and links between the sponsored event and the sponsor's brand. Official event sponsorship and company /brand logo on poster came next (53.8%). Event title sponsorship was considered as less important (31.8 %). A finding in Table 5 indicates that the event sponsorship was integrated into the marketing mix by combining it with other marketing tools: from advertising and sales promotion (38.5%) to packaging and PR (23.1%). The ratio of the expenditure for the event sponsorship and

sponsorship-linked marketing shows that the spending on the latter was quite low. Only one company had a ratio of 1:2, five companies spending 1:1 and below. The two most important objectives in sponsored events were reported as enhancing brand awareness (88.9%) and reinforcing brand image (55.6%), followed by brand positioning (44.4%) and providing platform to increase sales and market share (44.4%). Forging links with opinion leaders and strengthening corporate image through PR were also viewed as important objectives.

Table 6. What difficulties have you experienced in reaching the objectives?

- | |
|--|
| <ul style="list-style-type: none"> • Brand loyalty does not seem to depend on promotions. Chinese find promotions as a chance to have something for free and it usually ends there. • Competition, Budgets • Government regulations • How to increase the real news value of the sponsorship and make it interesting to media, trade and regular consumers • Being effective in reaching the consumer with the least expense possible • China itself in every way is difficult: corruption, lying, cheating, empty contracts • For parties involved to abide to the agreed terms • Target groups not clear • Opinion leader were not identified |
|--|

The unique business environment in China created some difficulties in achieving the set objectives according to some respondents. They cited problems in bureaucratic regulations and corruption. One respondent highlighted the differences in perceptions among Chinese consumers of brand loyalty and promotion. When asked about whether the outcome of the objectives is measured or researched, the responses were divided with four saying ‘yes’ and five ‘no’. This shows there were difficulties in measuring and monitoring the objectives outcome.

Table 7. Does event sponsorship offer you an advantage in the above factors compared to traditional advertising?

%	Yes	No
Adapt to Chinese culture /language	38.5	30.8
"Buy into" (create brand associations related to) Chinese popular culture and lifestyle	53.8	15.4
Give the brand a local identity and fit	53.8	15.4
Reach target prospects and get into direct contact with them	53.8	15.4
Cost advantage and efficiency of communication tools	53.8	15.4

The important factors that companies would consider when making decisions on event sponsorship are: cost and efficiency. Reaching the target prospects came next. The respondents also emphasised the importance of Chinese culture. They acknowledged that event marketing should adapt to the local culture and language and give and brand a local identity. Table 7, on the other hand, indicates that the majority of respondents clearly believed that event sponsorship did give them an advantage, compared to traditional advertising, in four out of five factors.

Table 8. What is your future strategy for event sponsorship?

• Focus on small scale parties and events where your product is purchased but some free samples are given in support.
• We will be involved in a minor way in the events that allow us maximum exposure to the target market at a minimum cost.
• Our key focus will be to enhance the brand image and create a distinctive brand identity among specific target consumers instead of boosting the brand awareness in general.
• We want to reach the persons passionate about sports through being active in sporting events. Especially related to young people. Limited budget.
• Large parties, co-operation with multiple-sponsors.
• High quality ones which closely link to brand position.
• Continue to focus on music and sports and to promote British culture.

Table 9. What role does event sponsorship play in your integrated marketing mix?

• At this point a minor one.
• To remind the community of our presence, to develop potential contacts and to support activities that we believe in.
• More and more important.
• In fact, event sponsorship is a critical part of promotional programs in our marketing mix. It is seamlessly combined with sales promotions and always PRed in a well-branded manner to enhance brand image/positioning.
• Event sponsorship has been the major way to market our name and product.
• Important, but one has to bear the costs in mind.

Table 8 on the future strategy for event sponsorship indicates that the companies wanted to have a sharper focus on two objectives: ‘maximum exposure to target audience’ and ‘to enhance image and create distinct brand identity. Cost control and budget implications was another major concern. When asked the role that event sponsoring played in the integrated marketing mix (Table 9), the respondents were divided in their opinions: seven respondents replied that event sponsorship played a minor role at this point. Other six claimed that it had already played an important role and would become even more important in future. In the words of one respondent, *event sponsorship is a critical part of promotional programs in our marketing mix. It is seamlessly combined with sales promotions and always “PRed” in a well-branded manner to enhance brand image /positioning.*

Table 10. Comments on the future development of event marketing in China.

• Direct contact with consumers is becoming increasingly important in the China market. All the major marketers will pay much more attention to below-the-line programs instead of above-the-line advertising. Event marketing will play a key role to build contacts.
• Event marketing is just at the infant stage with a great deal of growth to be had.
• Growing but painfully, no big events to come off yet.
• Event marketing is considered to be a good marketing tool, yet any blind following without right strategy is dangerous. Measurement of the efficiency is needed.
• It should increase in usage.
• The above questions are all relevant to a company that sells products or services in China. We are the largest sports marketing company in the world including China. We do very little above-the-line promotion of our company.
• Sports and music as a means to bring people together.
• One must consider the socio-political context in China (marketing mix) and the feasibility of using event sponsorship does depend on the product of the company in question (i.e. there are restrictions for tobacco companies etc.)

The last two questions asking respondents to comment on the future of event marketing in China, and their feedback to the survey. There seemed to be an agreement that event marketing had a potential for growth. Though event marketing was regarded still in the infant stage there was no doubt that ‘*all major marketers will pay more attention to below the line programs*’. One respondent cited the importance of establishing direct contact with consumers in which event marketing could play a key role. The impact of local environment on any marketing activities was also emphasised. For example, Marlboro’s much publicised promotion campaign in 1998 was cut short after strong criticism from the press. In 1999 the company was forced to give up the title sponsorship of China’s premiere football league after the government tightened up legislation on tobacco and alcohol advertising.

CONCLUSION

International companies in China today are facing stiff competition from not just other foreign firms but local brands, which have moderate or even matching quality but sell at a far lower prices. They also find it more difficult to reach the increasingly sophisticated consumer markets. Communications through the traditional mass media such TV and press become more expensive and less effective. Findings from the survey have shown that event marketing, though still at the early stage, can provide these companies with a good alternative, if used in coordination with other elements in the integrated marketing mix. The sponsorship of popular sports, music and local cultural events are reported to be particularly effective in forging direct contact with the opinion leaders, gathering marketing intelligence and encouraging product trials.

REFERENCES

- Asian Advertising and Marketing*, April 1997, May 1998, Sept. 1999
Fan, Y. (2000) “A Classification of Chinese Culture”, *Cross Cultural Management: An International Journal*, 7:2, 3-10
Wei, R. (1997) “Emerging Lifestyles in China and Consequences for Perception of Advertising, Buying Behaviour and Consumption Preferences”, *International Journal of Advertising*, 16:4, 261-276

Dr Ying Fan is a principal lecturer at Lincoln School of Management, England. He has been doing research and published widely in the area of strategic and international management. Dr Fan can be contacted at yfan@lincoln.ac.uk. Nico Pfitzenmaier is a business graduate from the same institution.