

2008

SEIZE THE OPPORTUNITY

Your Guide To Getting Business Results
From Communications In China

UPSTREAM ASIA

MARKETING+MEDIA

A Movéo Integrated Branding Partner

To help its clients make the most of business opportunities in the Asia Pacific region, Movéo Integrated Branding has developed a strategic partnership with Upstream Asia. Upstream's marketing and corporate communications network has the reach and the capabilities to deliver results across one of the world's most populous and fastest-growing markets. Upstream operates throughout Greater China (Beijing, Shanghai, Hong Kong and Taipei) and has offices in Singapore, Sydney and Tokyo, as well as affiliates regionwide.

Working in close collaboration with Upstream, Movéo can now offer its B2B clients the kind of intimate knowledge of the government, economies, media and social trends of the region that helps build brands and businesses. Our combined services provide a full range of off and online communications solutions, including brand development, strategic public relations counselling, media relations, event management and digital marketing.



What's **luck** got to do with it?

It's no accident that the Beijing 2008 Olympics will begin on the eighth day of the eighth month of 2008. Eight may be a lucky number in Chinese, but China's development through to this auspicious day has had very little to do with luck, and a lot to do with economic planning, hard work, and international business and infrastructural development on a massive scale.

In the same way, luck plays little part in business communications success in China. You need the right insight, strategy, access, and resources. This guide provides tips on how to effectively use communications in China to support your business expansion and maximize opportunities in this dynamic business environment.



Growth on a **massive** scale.

The People's Republic of China clocked a growth rate of 11.9% in the second quarter of 2007, the fastest pace in more than a decade. This blistering rate continues despite the central government's efforts to rein in the economic expansion. China is on track to overtake Germany as the world's third largest economy.

The drivers include post-WTO competition in a range of industries and markets, and financial reforms allowing increased international flows of capital. In addition to being the "workshop to the world," China has experienced the stunning rise of the world's largest and fastest growing middle class in history. The resulting increases in consumer incomes mean that China is becoming a highly alluring domestic market in a variety of sectors from booming consumer products and retail sales, to telecommunications, finance and insurance.

- By 2009, 105 million households are expected to have \$3,000 or more in annual disposable income – a tripling of the size of the consumer class in three years.
- In 2006, China overtook Japan to become the world's second-largest auto market as total vehicle sales came to 7.2 million units, up 25.1% year-on-year.
- China is now the world's third largest buyer of luxury consumer goods, accounting for 12% of global demand.
- China's electronic and information industry sales grew 23.7% to \$60 billion in 2006.
- China is the second-highest investor in research and development behind only the US, with R&D growth rates that exceed those of China's overall economy.
- Semiconductor shipments in China are set to accelerate to \$51.7 billion in 2007, up 20% from \$43 billion in 2006, on top of 15% revenue growth in 2006.
- By 2030, two-thirds of China's 1.3 billion people will live in cities, and the spending power of these urban, Internet-connected residents is already impressive.
- China's infrastructure expansion is causing shortages of commodities worldwide, from coal and concrete to steel and heavy tractor tires.
- Development is not without its costs: China has 16 of the world's 20 most polluted cities, and environmental awareness is sweeping China's emerging consumer class.



The China business **opportunity**.

It's not just there for the taking, of course. Consider the logistics challenges of this vast country. Even in the affluent southern and coastal cities, distribution systems and retail chains are still modernizing. Managing supply chains is testing. Finding, training and retaining good staff is an ongoing problem. Chinese product quality is coming under increasing scrutiny, both domestically and abroad, and some business practices remain questionable by international standards. China ranked 72 out of 163 on the 2007 Transparency International Corruption Perception Index.

Much has been written about the importance of business contacts and good relationships with national and local government officials. The clichés about the importance of government and business connections are true – although *guanxi* is now just one of the elements of success, which also include technology, management best practices, powerful branding and marketing, and managing relationships with communities and the media.

Upstream on the ground.

Upstream has been helping companies start operations, launch products and drive demand in China since 2002. Here is how we have helped some of the world's leading companies across a wide spectrum of business sectors with a variety of marketing and communications activities:



Market entry communications strategy surrounding pre- and post-acquisition and corporate business development.



National trade and business awareness campaign for a Brazilian jet challenger brand in the world's fastest growing aviation market.



Media relations in Shanghai to announce and create a market buzz during the Kia X Games Asia 2007, the world's premiere extreme sports competition, held for the first time in China.



Corporate communications to automotive and business media in the context of a complex and fast-changing joint venture partnership landscape.



Ongoing media and influencer relations campaign encompassing editorial awards program and blog and bulletin board service coverage, for the home/SME networking division of Cisco Systems.



Influencer education and communications on role of sophisticated crop innovations and their potential for agriculture in China.



Consumer and corporate communications for leading airline expanding routes in China.



Communications for the largest-ever software donation to the education sector in China worth US\$1 billion on behalf of Siemens PLM Solutions, formerly UGS.



Top tier financial and business public relations outreach throughout Asia Pacific for the global interbank network, backed by a public affairs program to align with the regulatory environment in developing markets.



Making a splash in the China market via a press conference targeting consumer, business and international media announcing the launch of its first store in China.

Lessons from **experience**.

Here are a few tactics we've learned along the way that we like to impart to multinational brands and companies to achieve successful communications in China:

- On a busy day in Shanghai, this may feel like capitalism, but it's not a democracy. Understand the Government's policies and point of view about your industry sector and relevant issues, at both national and regional levels. Then tailor your messaging to show your support for and contribution to national development.
- Behave like a diplomat, not a salesperson. Position your business activities as responding to the initiatives and policies of Chinese government at the highest level, helping to build up and stimulate Chinese industry and development.
- Make your Chinese team members, customers and partners the heroes. The characters for China literally mean the 'middle kingdom' – so make sure you treat your audiences as if they are the center of the world.
- Be humble and respond proactively to criticism. Slow or defensive responses can be viewed as rude and arrogant, and trigger a broad-based nationalistic reaction to your company or business initiative.
- Well conceived and implemented Corporate Social Responsibility programs in China can help multinationals embellish their perception while cultivating good faith with local government officials and consumers. Increasing government and social attention to environmental protection issues offers opportunities for MNCs to demonstrate their goodwill and supportive positions.

- Focus on the differences. While Chinese consumers want quality, reliability and low prices similar to their counterparts worldwide, there are tremendous differences in nuances and expectations of companies and brands. Ignore these at your peril.
- Be seen in the news. Commercial priorities are driving competition and changing the style of news reporting. The Chinese government is reducing its funding of state-owned media organizations encouraging them to generate revenue through advertising. In an increasingly commercialized business environment, a strong media presence conveys a sense of leadership and wider presence.
- Localize deeply: Yes, you will certainly need local language websites and collaterals, but smart foreign companies take a long look at business practices, processes and models too, and adapt to local culture and tastes where it makes business sense.



The media.

As one might expect in the world's most populous nation, China has an incredible abundance and variety of media outlets with more than 10,000 print media titles, along with thousands of websites and hundreds of TV and radio stations.

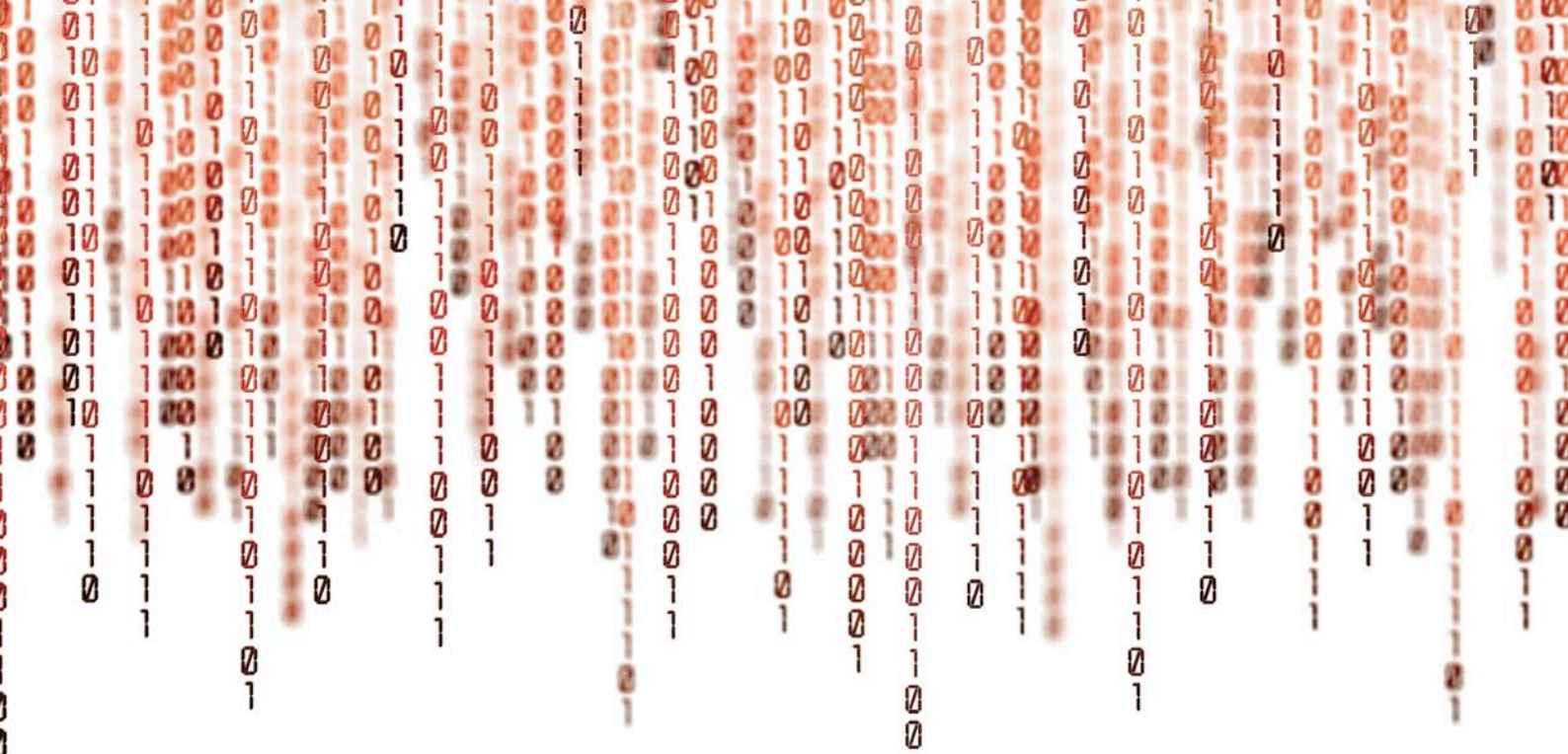
China's entire media industry is currently undergoing significant change, characterized by the Chinese government's reduction of funding to state-owned media, and the gradual loosening of restrictions on non-official media organizations. The Chinese government remains the key player in the media industry but not necessarily as monopolistically as previously. Commercial considerations such as competition for readership and viewers are the driving the media industry to be increasingly innovative and credible.

Beijing is home to more than two thirds of all Chinese media and where most corporate news is released nationally. Media in Shanghai are typically interested in local and eastern region issues, while all key national media are also represented. South China's Guangdong province is emerging as the spot for media trendsetters, with young, aggressive reporters and publications driving for more sensational angles.

Chinese editions of international titles such as *BusinessWeek*, *National Geographic*, *Elle*, and *Computer World* are available nationwide. They are popular with the younger generation and white-collar workers.

As in the West, Chinese reporters need access to senior executives for commentary. In a bureaucratic society such as China's, reporters pay particular attention to the spokesperson's title, status and openness during interviews. The higher the level of the executive, the more "face," and consequently the more coverage will be generated.

Foreign media	Chinese media
<ul style="list-style-type: none"> • More objective • Tend to receive prepared statements • More critical and persistent • Focus on hard and timely news • Fewer technical details; prefer market comments • Working relations are critical 	<ul style="list-style-type: none"> • Tend to bring personal feelings to work • "Copy and Paste" reporting • Less inquisitive and forceful • Prefer macro-policy related comments • Inquire about technical details • Personal rapport important



The Internet.

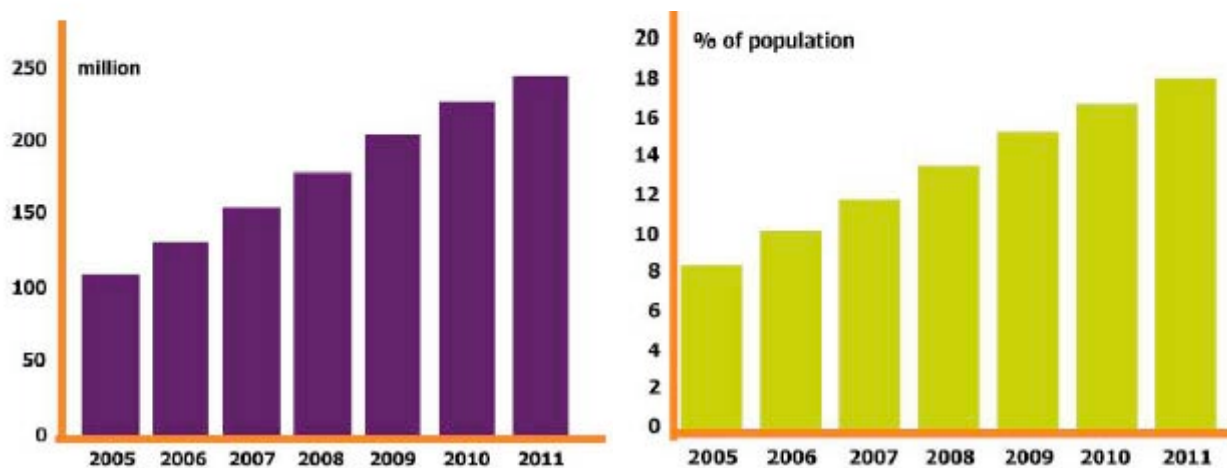
There are now 137 million Internet users in China – making it the world’s second largest market after the US. Of these, 90.7 million have a broadband connection, and 17 million now access the Internet primarily via a wireless device. Internet users are more likely to be urban dwellers, with nearly 60 percent of all users living in Beijing or Shanghai. E-mail, news and search are the most common uses of the Internet in China (in that order). Blogs and community websites are becoming increasingly popular and influential, however Chinese bloggers seldom link to many other blogs – so linking is not as good a measure of popularity as it is in the West.

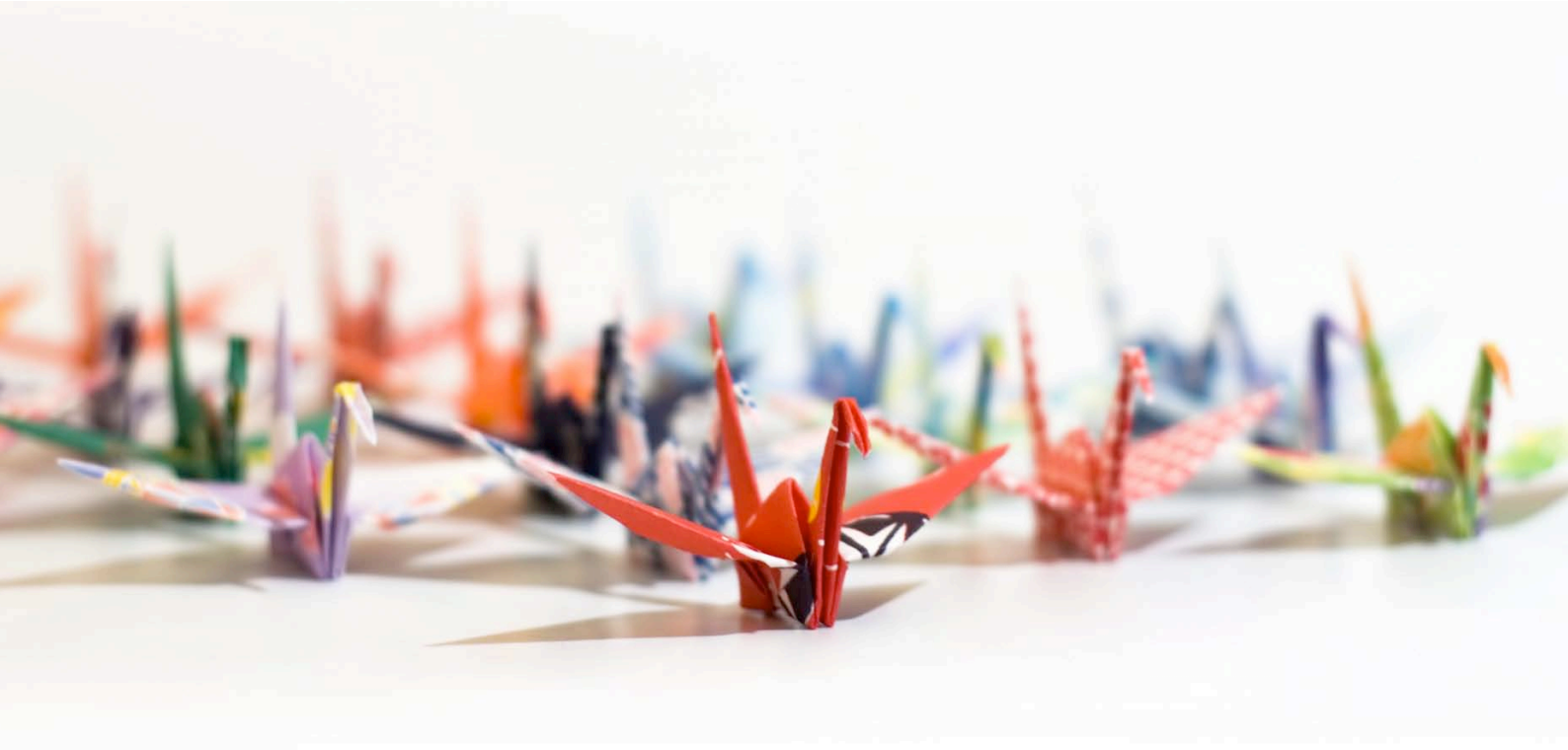
Internet filtering and censorship is prevalent to such an extent that it has been called the Great Firewall of China. Companies that supply equipment and access to the Internet, or which do business on the web, need to be aware of the situation in China, and how their actions in China may be perceived globally.

Upstream in China regularly distributes client news to Sina.com and other websites as soon as it happens. Many journalists surf websites for information, and this information gets picked up by print and even electronic media, as well as reaching Internet users, and can be found by search engines.

Savvy businesses are not only driving their news online, but also creating consumer microsites and conducting targeted e-mail marketing campaigns directed at customers and prospects. Mobile marketing is another exciting consumer opportunity. In addition to brand building, the Internet is particularly powerful for reaching the important youth market, with nearly 50 percent of all Internet users in China between 18 and 30 years old.

Number of Chinese Internet Users 2005-2011
(millions and % penetration)





The right **tools** for the job.

Upstream is a fast, flexible consultancy that responds to fast-changing client needs. We deliver a wide range of business services across marketing and corporate communications. Some of our services most frequently requested in China are:

- Corporate communications campaigns
- CEO visits/corporate announcements
- Public affairs communications
- Crisis management
- Retail outlet openings and product launches
- B2B/trade communications
- Event staging and support (trade shows, consumer events, etc.)
- Digital marketing
- Issues and media monitoring

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Through synergies combining the best of local and international talent, we match our knowledge of the government, economies, media and social trends with passionate client service to help build brands and businesses. We provide a full range of off and online communications solutions, including brand development, strategic public relations counselling, media relations, event management and digital marketing.

Build or enhance your brand in the Far East.

Contact Movéo today.

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