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What Chinese Want

Culture, Communism, and China's Modern Consumer

Tom Doctoroff • St. Martin's Press © 2012 • 272 pages

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Take-Aways

- Despite radical upheaval in recent decades, the Chinese maintain their traditional values.
- “A fatalistic, cyclical view” and a desire for stability define their culture.
- In China, the family comes before everything else, including the individual.
- However, China's patriarchal system works against independent thinking and innovation.
- The Chinese people believe in their government, but have ambivalent feelings about it.
- The Chinese Communist Party is likely to remain firmly in charge for the near future.
- Chinese consumers prefer foreign brands because they confer status.
- Common Western misconceptions include, amongst others, a belief that the Chinese will adopt American values.
- The rest of the world shouldn't see China as a military threat. It wants to maintain its territory and coexist peacefully with other nations, including the US.
- Expect China's strong economic growth to continue in the coming years.

Recommendation

Already the world's second biggest economy, China will one day not too far into the future supplant the United States economically. Western companies look at China's 1.3 billion potential customers with longing, particularly given the Chinese people's contemporary reverence of materialism and pursuit of consumer goods. Western businesspeople should welcome this comprehensive, enlightening guide to Chinese culture, corporations and consumers by J. Walter Thompson's lead China executive Tom Doctoroff. Early in his instructive compendium, Doctoroff wisely attempts to defuse any objections readers might have to learning about China from an advertising executive by pointing out that admen operate at the "intersection of commerce and culture." The expertise Doctoroff has gained from years of living and working in China hasn't hurt his efforts, either. He turns out to be an excellent, if sometimes redundant, guide to many aspects of commerce and life in this complex society. *getAbstract* recommends his densely informative overview to executives and managers conducting business in China.

Summary

Who Are the Chinese?

The world's largest Communist country has changed dramatically, largely due to its enthusiastic embrace of state capitalism. But though the nation is modernizing on the outside, the Chinese people retain three intrinsic core values that define them:

1. **"A fatalistic, cyclical view of time and space"** – Logic, analysis and regimentation are prized attributes in Chinese culture. The ancient texts of the *Book of Changes* (the *Yi Jing* or *I Ching*) explore the "dynamic balance of opposites" in a continuously recurring and changing universe.
2. **"Absolute evil is chaos, and the only good is stability"** – The cultural influences of Daoism and Confucianism persist in modern China. Harmony and constancy are foundational goals, and duty and responsibility are the ways to achieve them.
3. **"The family, not the individual, [is] the basic productive unit of society"** – Chinese society discourages individualism, and holds rebels in low regard. The group's well-being matters most. Saving face is crucial to a person's sense of belonging.

"China is modernizing, but it is not becoming Western."

These cultural standards promote a tendency among Chinese to pull together as one: As with the Great Wall and the 2008 Olympics, the Chinese apply precise engineering and group effort to accomplish ambitious national objectives. China learns from and adapts the principles of other cultures; the ancient Chinese were avid international traders, and even "Communism was...a Western import."

"To establish a productive relationship with the Chinese people, we – businesspeople, politicians, students and tourists – must reorient ourselves to engage with a profoundly different worldview."

To the Chinese, slow and steady is the way to go; anything radically new is suspect. Yet these same cultural traits also instill a conformity and orthodoxy that can stifle innovation and self-expression. In addition, China still has a long way to go toward ensuring respect for people's civil and economics rights.

Commerce in China

In China, when it comes to business, bigger is always better: "Scale begets security." China is the ultimate top-down society. Its patriarchal culture and command-and-control corporate management style thwart original thinking, making it difficult for many Chinese businesses to compete creatively. They often become mired in commoditization. A conformist approach discourages innovation and bottom-up thinking, so one of the conflicts in modern Chinese society is the tension between rule-bound regimentation and newly born entrepreneurial ambition.

"China is still obsessed with importing and applying expertise from abroad, particularly in the business realm."

Businesses that want to sell in China should follow three rules:

1. **"Maximize public consumption to justify price premiums"** – In China, people will pay extra for quality brands that signal status to others, but will skimp on goods they use in private. Therefore, "externalize" the benefits of your products.
2. **"Simplify communications/benefits to enhance comprehension"** – Advertising messages constantly bombard Chinese consumers. The less complicated your ads are, the more people are likely to pay attention to them.
3. **"Extend brands downward to generate both scale/affordability and margin"** – Foreign products carry considerable prestige, so selling premium brands at less than premium prices without diluting your image is a good sales strategy in China. Portray low prices as bargains. The Chinese admire resourcefulness and like to buy quality goods at discounts.

"The ancient proverb 'Dripping water pierces a stone; a saw made of rope cuts through wood' is revealing: In Chinese eyes, haste does more than make waste; it triggers pandemonium."

In your business negotiations with Chinese companies, remember that face means everything in China. Don't phrase your pitch by suggesting that your prospect doesn't understand or needs to learn about your product. The Chinese are extremely rational, so your business proposition should be logical and factual. If you can arrange a meeting to sell your concepts to Chinese CEOs and other senior executives on their own turf, be prepared for awesome ostentation. Chinese business leaders exhibit their power by working from enormous, lavishly furnished private offices.

Consumers in China

How did Starbucks open 500-plus coffee shops in a land where almost everyone drinks tea? Capitalizing on the Chinese people's respect for quality name brands, Starbucks positioned its stores as upscale locations

where patrons can show off their status. For the Chinese, brand names are “badges of identity” that signify professional advancement.

“It is difficult to overstate the primacy of the clan, driven by a profound sense of mutual obligation, obedience to natural hierarchical order and protective bulwark against contemporary economic realities.”

In China, the emergence of the middle class is a recent phenomenon that represents a massive opportunity for businesses. But don’t assume that Chinese middle-income-earners will become more like Western consumers. You must tailor your products and their positioning to appeal to Chinese motivations. For example, DeBeers markets diamond engagement rings as symbols of commitment, a message that resonates more with young Chinese than the images of romantic love that persuade Westerners.

“Chinese define themselves not only as citizens of the People’s Republic of China but as apostles of a great Chinese civilization.”

Popular products play on the Chinese middle class’s struggles to climb the socioeconomic ladder: Wrigley’s touts its breath-freshening gum to ambitious office workers, and Ariel laundry detergent advertises that having a clean white shirt is necessary to “rise and shine at the office.”

The Chinese mass market among people without much money has now spread from relatively better-off coastal cities to up-and-coming inland communities. These buyers balance a strong desire for name brands with restricted budgets. At the other end of the spectrum, “China is now the second-largest consumer of luxury items.” Its newly minted millionaire shoppers seek “constant innovation,” “extensive line[s] of accessories” and “design that addresses the need to show off, albeit in an understated manner.”

Society in China

In China, the family always comes first. Grandparents and parents dote on their “little emperor,” the result of China’s one-child policy. Though families’ rising disposable incomes pay for more electronic games and costly comforts for kids, Chinese parents still insist on academic excellence.

“Within the next several years, China’s gray market – people aged 50 and older – will be the most potent spending demographic on the planet.”

After family, the Chinese hold deep allegiance to their country and their civilization. However, their reverence for their ancient society does not necessarily extend to a veneration of the Chinese Communist Party. Indeed, most citizens have ambivalent feelings about their government. The Chinese – particularly the high-income strivers who have benefited so much from “pro-growth” policies – depend on their government, but Chinese leaders also depend on the Chinese people.

“Patriarchal corporate culture militates against conceptual experimentation.”

The Chinese government controls every aspect of state affairs. The people want their leaders to maintain stability, order and the status quo. They expect the Communist Party to continue to build the national economy and to improve life for everyone. For the Chinese, government is a vital force for national

unification. At the same time, as people move up the economic ladder, they want accountability from its government. Corruption and cronyism, unsafe working conditions, unenforced property rights and “opaque” dealings are just some of the issues coming to the fore in Chinese civil society.

Geopolitics and China

Today, China is not isolationist in its relationships with other nations. It is active in global organizations like the G20, the World Health Organization (WHO) and the International Monetary Fund (IMF). But it deals in “pragmatic engagement” when assessing the worth of any encounter with foreigners. China’s “ethnocentric isolation” keeps it from fully integrating with others: Chinese companies generally do not fare as well in foreign markets. Appliance manufacturer Haier, however, is the exception – it has captured 10% of the US refrigerator market.

“In China, there is no Steve Jobs of Apple or Mark Zuckerberg of Facebook.”

With its decision to present a “defensive offense,” China doesn’t pose a threat to the sovereignty of other nations – as long as the international community respects its borders. As a pragmatic country, China understands that it cannot develop global power without the support of other nations, but it is sensitive to “threats” to its “unity”: hence its territorial issues with Japan over islands in the South China Sea, its condemnation of the Dalai Lama and its censure of US arms sales to Taiwan.

“China is evolving, but its trajectory will never collide with that of the West.”

Additionally, China is carefully circumspect in its dealings with other countries. The last thing it wants to do is upset the geopolitical applecart. Thus, as China grows economically and amasses additional global power, expect it to operate as a responsible international stakeholder. Its modus operandi will be peaceful coexistence.

“The Myths of Modern China”

Those who wish to do business in China should dispel the following misconceptions:

1. **“Popular anger means the party’s power is weakening”** – Chinese bureaucrats are routine subjects for opprobrium and disgust. Wealthy Chinese apply for foreign passports as protection from future political problems. Chinese dissidents in cyberspace regularly roast the government on their blogs. Nevertheless, the Communist Party’s strict control is unlikely to waver. Authorities regularly stifle dissent and the Party is China’s “most enduring brand.” The Chinese crave stability and trust their leaders to guide the nation into an even more prosperous future.
2. **“American-style individualism is taking root”** – Despite their love for Lady Gaga and American-style talent shows, most Chinese do not embrace US-style nonconformity. In China, it’s the clan that counts. Society is far more important than any one single person.
3. **“Contemporary Chinese have no beliefs”** – The Chinese are practical people who value the ancient traditions that guide their actions and beliefs. “Secular spiritualism” is surging as the Chinese rediscover the ideals unique to their heritage.

4. **“The Internet will revolutionize China”** – Not likely: The Communist Party restricts searches and walls off social networking sites. Additionally, international corporations often work with the government in implementing its controls of the web.
5. **“The Chinese market is, like Europe, many countries”** – The Han culture unites the Chinese, who live under one political system. The weak infrastructure, fragmented distribution networks and “operational hurdles,” not culture, keep the population “balkanized” across the country.
6. **“The Chinese consumer is inscrutable”** – Westerners mistake Chinese reserve for aloofness, but once Chinese people know and trust you, they open up. The Chinese are naturally warm and friendly – and easy to understand.
7. **“The Chinese growth model is in critical danger”** – Many believe that China’s amazing economic growth will soon come to an abrupt halt. But the government’s tight control of strategic industries works, and it does little to interfere in private businesses. As the middle class expands, the “investment-production-consumption” cycle goes on.
8. **“China Inc. will eat America’s lunch”** – China will continue to grow economically, but it will never outdo corporate America. Western organizations have a sizable lead, and China’s top-down, “imperial management” system does not encourage bottom-up creativity.
9. **“China is the 21st-century superpower”** – Superpowers leverage military strength, economic power and “universal values” to influence the world. By any measure, China is not a military superpower, though it will become an economic one.
10. **“China is militarily aggressive”** – China’s strategic posture has always been defensive. It built the Great Wall to keep invaders out. The last thing the Chinese want is war; they long for stability, not turmoil. It’s true that if Taiwan were ever to declare its independence, China would invade the island. But in the eyes of mainland Chinese, this seeming aggression would actually be a defensive act to protect China’s ancient borders.

About the Author

Tom Doctoroff, an advertising professional, is the North Asia area director and Greater China CEO for J. Walter Thompson.



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