



GATHERING 'GUANXI'

'Guanxi' is a Chinese concept describing the obligations that come from a relationship, and Australian companies that understand it are doing very well in China.

STORY BY **NATALIE APOSTOLOU**

In China, they call it the 'Water Cube' model — designed in Australia and made in China. The moniker comes from China's innovative and stylistically impressive National Aquatics Centre, which was designed by Australian architects for the 2008 Olympics in Beijing.

For companies like Australian-owned and operated digital agency and software development house Gruden, the Water Cube concept has not only delivered results in China, but has worked as a strategic bonus for their marketing efforts.

The digital services company has an impressive client list including Accenture, the Walt Disney Internet Group, Yahoo! and SmartTrans and, since expanding to China, has quickly learnt how to leverage Australian skills and expertise in the Asian market.

Gruden opened an office in the in Northern China's Qingdao Software Park in 2008 with a full-time team of five people. It now boasts a team of 15 mostly local staff comprised of developers, producers, admin support and sales.

Gruden CEO Todd Trevillion says the company entered the market with a strategy to build relationships with western companies based in China. "We are targeting the companies that value the quality, process and visibility Gruden provides over local competitors," he explains.

That strategy has proved to be a wise marketing differentiator in a very price-competitive and relationship-based market. But it has happened overnight. Trevillion warns that Chinese business development is a time-intensive process

and must be coupled with a strict focus and a lot of patience.

The company spent the first 18 months of operation on training staff and integrating the business and production operations with its Sydney office.

Consequently, there was limited production work undertaken as the focus was on process and procedures, but it also allowed for the relationship building, known as 'Guanxi', essential to building profile and business in China.

"We really didn't focus on competing in the local Chinese market until a year ago. This was due to the price-sensitive nature of the China market as well as having only a limited Guanxi network from which we could leverage," Trevillion reveals.

The wait was worth it, as the company successfully established itself as a centre for training and development in China while also having international expertise.

The combination has led to securing preferred supplier status on a project with ASX-listed SmartTrans to build telecommunications giant China Mobile's Android-based apps store. As part of the deal, Gruden will support, source, localise and rollout mobile applications to China Mobile's 600 million users.

"Once this deal is finalised, our China team will be required to double or triple in size in order to provide ongoing support," he says.

Most significantly, the China Mobile relationship will also provide a great foundation client for Gruden to leverage itself much further within the local China market.





Where niche means huge

Trevillion explains that Gruden crafted the growth of its Guanxi with organisations such as Austrade, AIMIA and its own growing network of commercial contacts.

Key to its marketing cut-through was launching in and leveraging off the Qingdao Software Park, which is a fast-growing tech development hub.

Founded in 2002, with 2 billion RMB (RMB is China's currency, see P 22 for details) in government investment, the Park offers incentives to companies who operate there and helps to foster relationships with industry and government. It currently has more than 6,000 developers and IT-related staff and features local and international companies such as Microsoft, Alcatel Lucent and NEC.

"Our evolving relationships with the Park's management team and ongoing interaction with local government officials have assisted us immensely and helped us garner Chinese government support in the form of grants and development incentives," he says.

While Qingdao is not Beijing or Shanghai, it offers a far more targeted and direct route to market services to clients, which is the key to success, according to Alan Morrell, Senior Trade Commissioner, Australian Embassy Commercial Section, Australian Trade Commission, Beijing.

Morrell suggests that when determining the focus of marketing efforts, they should be based on geo-targeting rather than market segment.

"It is a huge market with lots of geographic diversity. The main question to ask is 'where do I have the best opportunity to get the mindshare of my customer?'," he says.

While many foreign companies are attracted to the commercial opportunities of Beijing and Shanghai, a smaller city — one that may have a



focus on a particular industry sector — may be a better place to start engaging with the market, he suggests. “There is always the temptation to be everywhere. You must be focused on a small target rather than spreading yourself too thin.”

He adds that targeting Shanghai straight off the bat can be prohibitively expensive.

“Niche marketing in China takes a different complexion, as niche here is a significant market size compared to Australia,” Morrell says.

Trevillion firmly recommends utilising the opportunities that these hubs present. Morrell adds, “Tech parks can be a good way to go for tech firms, because of the collaboration that can ensue. There are a number of tech parks emerging across China, but the quality does vary,” he warns. Morrell suggests testing and comparing them for benefits, facilities and other participants.

Gruden also used the opportunity to be based in the technology park to develop a training adjunct to their business.

The company originally looked to China to source talent because of a growing digital skills shortage in Australia. Structured training courses are delivered within the software park training centre, so that graduates can undertake a three-month course with the view to securing a full-time job at Gruden.

“The China office and its access to this pool of skilled developers helps us with flexibility in scaling our team and offering clients competitive pricing,” Trevillion said.

He adds that building a local team is the best marketing a company can invest in.

“Don’t underestimate the marketing power of a Chinese team and trusted management. Dong Wang, our China General Manager, has been critical to our success in growing our Qingdao office and developing our market presence,” he says.

Tony Chen, Managing Director for advertising and marketing agency GroupM Interaction, agrees. “Stop sending executives to China and hiring McKinsey people, listen to the local people,” Chen said. After watching and being employed by a succession of dominant US technology companies in China, which all failed he advises, “Hear their voices and react to the market in a local way.”

Chen has observed that no amount of marketing spend or branding clout can cut

GRUDEN’S CHINA MARKETING TIPS

- *Everything takes longer in China. Patience and a continual focus and drive is always needed.*
- *Having a predominantly Chinese team and trusted management in place provides a strong foundation. A western company is fine, but a local touch always helps.*
- *Quality is not appreciated by local Chinese companies. Price cutting and negotiations drives the business decision.*
- *It is critical to engage with all levels of the business to ensure all departments and people are happy. While a key decision maker can push a deal through, it’s the delivery team that will make it a pleasant experience or not.*
- *Learning the local Chinese culture is key. A lot of respect is either gained or lost by actions you do or don’t do. While speaking the language is a pinnacle, it’s not everything.*
- *Relationships are everything. Face is everything, as is respecting seniority.*
- *Building up credibility and key relationships is critical to doing business in China and is our chosen way of marketing at this point.*



through the Chinese market. He advises that marketing strategies need to be geared towards the local market and adopted to fit their needs, not the other way round.

When Yahoo! entered China in 1999, it had less than one per cent of market share. eBay entered China in 2001, then acquired the local number one competitor in 2006, but was sold to Tom.com in 2006. Amazon.com is unprofitable and losing market share to local clones, and a whole new breed of China-developed social networks and group buying ecommerce sites has kept the usual suspects far from the Chinese consumer’s mindshare.

Research holds the key

The spectacular marketing failures of these international companies in China send a sobering message, but they highlight the importance of researching extensively before embarking on a strategy.

“Research is key to assessing the market before you enter and to help navigate your progress and growth,” Morrell advises.

The basics such as who the competitors are, channels to market, market structure and challenges take on a more complex nature in China. “There is a lot more access to information now than there was 15 years ago, but US and

Australian companies still find it difficult without having an associate or marketing consultant on the ground,” he says.

Austrade and Australian trade authorities can help provide relevant and trusted contacts in China. “For most companies, you still need a good local partnership to access markets. It remains very difficult and risky to do it from Australia and it leaves you exposed,” he says.

A good agent or local representative will also be able to provide you with valuable information on finding the right networking opportunities for your business.

As the core focus on marketing in China is built around networking and building your Guanxi, the old-school marketing methods of relationship building, attending and exhibiting at conferences are the most effective.

“It is a fast-moving market and trends gets turned around quite quickly. A new entrant can shake things up easily,” Morell says, adding that a local advisor will also help keep new entrants plugged in to local industry developments.

Above all, Morell adds, an investment in China takes patience and a strong strategic focus. “Learning not to be attracted too much to the bright lights and keeping your marketing focus centred will hold you in good stead for taking advantage of the great opportunities in China.” ■