

## B2B Market Research in the Context of Regional Disparities

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### Abstract

*The article deals with the factors influencing market research activities from the point of view of foreign companies, mainly German companies at the example of Chinese market. China, country that has achieved remarkable economic development since the late 1970s and that is still growing. The differences between China and the European countries in policy, culture, society, language etc. are great. The key factors examined, fundamental for effective and successful marketing research are connected with the information infrastructure, quality of data, cultural specifics, social structures and political restraints, linguistic differences and the size and diversity of Chinese market. The behaviour in China has mainly derived from culture and mentality, opinion formation as well as level of individualism and hierarchical structures. The culture is affected by a great national pride. The contribution includes important implications for conducting market research in China.*

**Key words:** market research, Chinese market, regional disparities, cultural specifics

**JEL Classification:** R50, O53, M30

### 1 Introduction

The increasingly complex and global markets underscore the importance of market research to guide decision making. Firms are confronted with the task of developing appropriate strategies that react to the changes of global markets. Timely information is essential to provide an adequate basis for daily decisions and to direct firms in an increasingly competitive environment [1]. It helps to estimate which markets or countries offer the most attractive opportunities for entry or expansion, to assess how to enter these markets, to specify local market conditions and to determine whether new products and services can be launched and whether global strategies can be developed for existing products in a global environment [2].

International market research is affected by problems associated with extending the scope of research beyond the borders of a single country. Some of these problems are apparent. They are connected with geographic distances, different languages and arrangements of data collection in multiple locations [3], [4]. Besides these obvious differences, there are more subtle issues stemming from differences in the socio-cultural context in which research is conducted and that are important for the integrity of the research [5], [6]. These issues have been discussed in literature on international marketing and cross-cultural studies and refer to the difficulty in

establishing equivalence and comparability at the various stages of the market research process [7], [3], [5], [8], [9], [10].

The core objective of the paper is presented the results obtained in the process of examining the challenges of pursuing market research in China. To explore the great variety of factors influencing and determining the international marketing research strategy of German companies planning to enter the Chinese market and to enquire the particularities and challenges of market research in China the study was based on combining the know-how of market research experts, on the one hand, and the experience of managers of German companies in China, on the other hand. The research focuses on companies in the business-to-business sector. As [11] and [12] state, the consumer market research is well developed in China whereas existent literature reveals that research in the production sectors is less explored.

## 2 Research model

In literature different aspects have been addressed that explain the requirement of market research for firms to compete in their business environment [13], [14], [3], [15], [16], [17], [18], [19]. These sources primarily refer to company-specific, strategic and market-specific characteristics and form the basis to derive several hypotheses about factors of influence on market research in China.

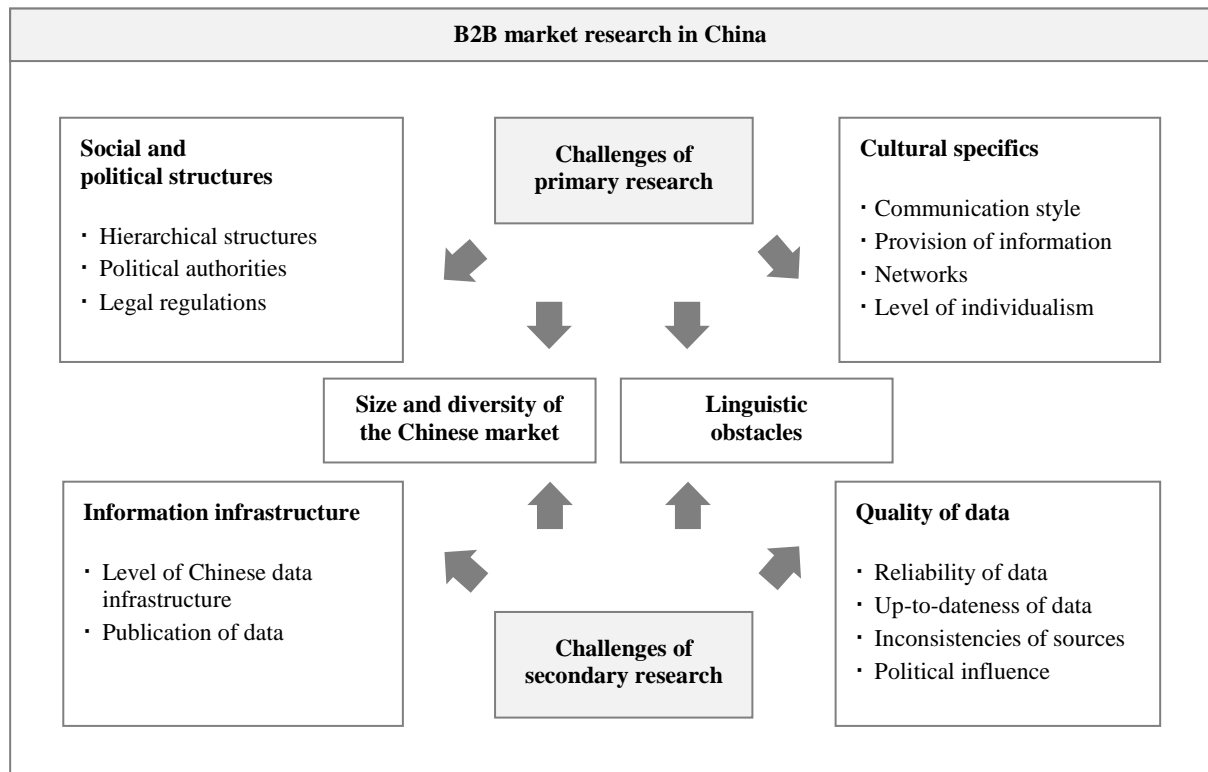
Three sets of factors were included: First, comparing intrinsic company-level determinants (i. e. size of the enterprise and market entry mode) that affect the implementation of research for international marketing decisions. Second, hypothesising level and importance of market research within a company, which were instrumental to explain the intensity of doing market research. Third, elaborating on environmental factors (i. e. environmental uncertainty) that were beyond the control of the company by having an impact on market research decisions. The particularities of the Chinese market for market research as well as the challenges of information collection in this fast growing market have important implications for marketing practice.

## 3 Factors influencing B2B market research in China

According to analysis of recent literature and the findings of the empirical studies, Figure 1 gives an overview of challenges companies have to consider when planning B2B market research in the Chinese market. Challenges of secondary research are linked with the information infrastructure and quality of data. In primary data collection, cultural specifics (e. g. networks, communications style, and level of individualism) as well as social and political structures (e. g. hierarchy, political authorities and legal regulations) have an impact on the implementation of B2B research. Both, secondary and primary research, are affected by size and diversity of the Chinese market as well as linguistic obstacles. At this point recommendations for the successful implementation of market research in China are deduced below.

**Information infrastructure:** Since opening the economy three decades ago, a lot of progress has been made in data collection; however, the availability of data is still limited. In some industries a lack of current data is apparent, even though the provision of Chinese data has improved significantly. Reasons for this situation might be the absence of a compliance to provide information towards the public (data are often seen as business secret) and the rapid changing markets to which the Chinese database cannot keep up with.

- Networks are helpful to get information, especially confidential data. German companies should try to cultivate their business relations in order to access networks.



**Figure 1: Overview of B2B market research challenges**

**Quality of data:** According to recent literature and studies as well as findings of the empirical survey, the criticism of data quality in China refers to the reliability of data, the political influence on figures, the inconsistencies of different secondary sources and the little up-to-date information. These factors make it a challenge for German companies and also market research institutes to implement an appropriate market analysis in China. It is argued that the Chinese official statistics are inaccurate and figures are influenced to the favour of governmental authorities. Therefore, if different sources are compared, there is an inconsistency of data and a wide spectrum of results. Due to China's rapid economic growth and industry dynamics, data change rapidly and, consequently, are often not up-to-date.

- Firms should avoid decisions based on insufficient and unreliable market data. Therefore, it is essential to understand the source of information and to know how to use it. They should seek assistance of experts which are familiar with the Chinese country and have networks in China if the knowledge about how to interpret Chinese market data are inexistent in the company.
- With the use of secondary sources, it is imperative to compare different sources and crosscheck the data.
- For analysing Chinese data sources, marketers should ensure that the sources include methodology and definitions and are therefore more credible.
- If marketers are unsure about the quality of secondary data, it is advisable to get information from the field through personal interviews to crosscheck secondary data.

**Cultural specifics:** The Chinese culture is strongly influenced by Confucianism. Communication primarily intends to establish personal relationships and to maintain structure and harmony rather than to exchange information. The communication style in China is diplomatic and indirect. Criticism is not to be brought up. Therefore, answers of respondents

are not always forthright and partly deviate from the truth in order to avoid conflicts and to protect the face of both, the interviewer and interviewee.

Regarding business relationships "guanxi" represents one of the biggest challenges for Western companies. Often the only way to gain information in China is to use one's guanxi, by being in good relationship with a person. Therefore, long-term relationships and mutual trust are very important.

In China, the level of individualism is low. Chinese are more part of the society than individuals. By holding this social role, certain behavioural traits and expectations arise. These become apparent in the sense that one's own opinion is restrained in order to avoid conflicts. Chinese grow up without the understanding of an own position. Giving their personal opinion officially is not self-evident. More than in Western countries, interviewees expect a benefit when participating in a survey.

- An interpersonal and polite level is important for discussing substantive issues. Initial contact should always be on a personal level and not via e-mail. Face-to-face interviews, telephone interviews are more personal than questionnaires in written form and therefore better to use.
- Because some Chinese have a negative tendency towards foreign cultures, sometimes it is necessary to discuss sensitive issues without the presence of foreigners.
- On the one hand, connections and relationships are very important for gaining information. On the other hand, they might not be a sufficient source of information as they result in unreliable information in order to save a person's own face as well as the face of the counterpart. Therefore, a certain distance between interviewer and participant can be helpful to get authentic data.
- Since Chinese are used to an indirect communication style, firms should predominantly use open structured questions allowing indirect conversation. They should avoid questions proposing "yes/no answers". If the interviewee is willing to offer more information, it might be an advantage to have some discerning questions up one's sleeve. Control questions are helpful to crosscheck the answers.
- Instructions to fill in a questionnaire are helpful. The letter of invitation should clearly define what the respondent has to expect and how he should proceed if he does not have the required knowledge.
- Chinese feel uncomfortable if they are not able to answer a question. They may rather tend not to fill in the whole questionnaire than to leave unanswered question. Therefore, a category "not applicable (n/a)" is necessary.
- As Chinese tend to make positive responses, the interviewer needs to reveal that negative answers do not insult the opponent but that they are rather needed to gain authentic results.
- Incentives are a good motivation and may lead to an increasing interest in the study. Nevertheless, interviewers have to consider that some interviewees will only participate in a study because of the incentive. This can lead to incorrect answers.
- If firms need the help of experts, they should choose consultancies and agencies familiar with the Chinese culture as well as with Western clients.

**Social and political structures:** The Chinese society is strongly affected by hierarchical structures. In business life, Chinese are hierarchically organised, too. Tasks between employees and superior are clearly defined. This concerns the responsibilities for external communications as well. Normally an employee does not have the authorisation to hand out information. Often the supervisors fill in a questionnaire even if they do not have the required knowledge.

There are state attempts to control market research activities, particularly those conducted on behalf of foreign clients. In China, the State Statistics Bureau enacted regulations on market

surveys. Especially social surveys compromising the social and economical system as well as the national security are prohibited.

- In order to interview an employee, it is advisable to consult the supervisor first and ask for permission. Then it is an explicit task for the employee and for the supervisor to bear responsibility.
- As regulations on market surveys (e. g. the law on "Measures for the Administration of Foreign Related Surveys") concern predominantly B2C surveys, it is less problematic in B2B research and - according to experts - relatively unknown and not used in reality.

**Linguistic obstacles:** The Chinese language issue is compounded by the existence of various dialects that are somewhat similar but exist as separate entities. Therefore, the language is problematic not only for foreigners but also for Chinese since each province speaks a different version with numerous local dialects. Furthermore, only a small proportion of the Chinese understands and speaks enough English to attend an interview. These are mainly students, young adults with high education and business people. Also for analysing original data sources in China linguistic obstacles exist. As a lot of information is in Chinese, it is difficult to conduct secondary data without Chinese language ability. Although the situation is improving and more and more data are provided in other European languages, translations from Chinese to e. g. English have to be considered carefully.

- Without Chinese language ability, firms should use the help of native speakers in China. Companies should carefully choose the right interviewer due to language barriers and mentality. Ideally, the interviewer is of the same origin as the respondents. He needs to have an appropriate status and education and may be on the same "eye-level" as the respondent.

**Size and diversity of the Chinese market:** China is huge and diverse and should not be seen as a single, homogenous market. There are wide gaps regarding population, infrastructure, income, literacy etc. between rural and urban areas. Especially in rural areas, the collection of data poses a challenge.

- Firms should focus their activities. Market research in the whole country at once is nearly impossible as the differences between regions are vast. If research concerns rural as well as urban areas, a separation of approaches may be necessary.

### 3 Conclusions

The results have important implications for conducting market research in China. Perhaps the most important recommendation is not to be blinded by the long-term potential of the Chinese market. Many companies make the mistake of making high investments without knowing their markets in China. Notwithstanding, the tremendous progress on modernisation and economic reforms, China is still facing complex economic and political challenges. Out of these challenges, careful analysis should precede market entry and market development in China.

The question arise, how the Chinese market for market research might further develop. In recent years, China's economy has undergone significant changes, growing at an average rate of 9.5 % per annum, which is higher than in almost any other country of the world [20]. Despite these growth rates and three decades of widespread liberalisation, the economy is still highly regulated. However, the often obscure regulations are not based on a coherent legislature. These regulations base on a strong Chinese tradition of state bureaucracy and political authorities. Nevertheless, China modernises, opens up to the outside world, and becomes less closed in its economic and social structure and organisation but without losing its own identity and culture. The ongoing modernisation of China, often perceived as a progressive Westernisation, has paradoxically been made possible partly by very traditional

Chinese socio-cultural phenomena like guanxi. This Chinese cultural tradition is an indispensable part of the new face of an apparently ‘modernised’ China and often emerged as an unofficial response to the demands for meeting the flexibility that an increasingly free society requires [21]. The Chinese openness also becomes apparent among business. While in state-owned enterprises company-specific data often are regarded as confidential and a business secret, in private enterprises a new generation of managers arises, which are more open towards foreign businesses and cultures. Since the Chinese society is increasingly open and modernised, good prospects for the further development of market research in China exist but the establishment of a thoroughly modern legal system with the flexibility to allow companies unrestricted market research activities could still take decades. The logical conclusion for foreign companies wishing to undertake research in China successfully is to examine the challenges of doing so. This requires especially the familiarisation with the Chinese culture and the cultivation of personal business relations, in order to access appropriate networks.

Despite all difficulties in obtaining information and conducting market research in China as a basis for the strategic decision, it is worthwhile to examine the country as part of an internationalisation strategy and - in case of a positive decision - to enter or expand the market. Due to declining domestic demand, high labour costs in the home country and an increasingly competitive pressure especially from Chinese business operations, an examination of business opportunities in China is an entrepreneurial imperative.

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