

## Quality and service will drive price in China markets

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That you can only sell in China based on price may sound like received wisdom but it is not.

Chemical marketers make the point that life in China is changing fast as are expectations. This has an effect even in the business to business (B2B) world.

Phil Allen of consultants MarketAbility suggests, for instance, that as China markets develop there will be a growing demand for and appreciation of sustainable approaches to marketing. Marketers working in that environment should take note. There will be a greater willingness from buyers to pay a premium for "sustainability and quality" in consumer and B2B markets, Allen says.

Numerous trends back the assertion. The significant and growing segment of the Chinese population that will demand and is willing to pay for the higher quality branded goods, is one. There are more than just a few Mercedes vehicles on China's roads, for instance.

In the B2B environment also, there is evidence of a stronger tendency towards quality, reputation and reliability and a willingness to pay for this in the price. China has managed to evolve into a market economy in a mature and sensible way, Allen believes, and has avoided many of the problems encountered in Eastern Europe and the former Soviet Union. There are claims that it is beating many of these countries in terms of the quality of the goods it produces.

China's more discerning consumers are becoming more willing to pay a premium for sustainability and quality. And as the government seeks to control or hold back growth, shortness of supply of some products should also help push prices up.

Understanding what is going on in China markets is paramount but it sounds as though western marketers need to learn more. 'Quality, reputation and reliability' are not words you would normally associate with some of the fastest growing and relatively basic product lines. Times, however, are changing fast.

Such change might be expected given China's rapid recent development. However, it would be wrong to assume that significant market growth can necessarily continue unabated.

The Chinese government has sent out a clear message that what Allen calls the "consume-all, throw away society of the western free market" is not sustainable in a market of China's size. The development of automobile ownership in China, for example, is likely to be very different from take up elsewhere, given the vast number of potential drivers and the current low level of vehicle ownership.

At the moment, high demand persists for cheaper brands but more, higher priced items are also being sold. The move towards greater exclusivity is apparent in communications and the uptake of mobile telephone handsets. And China is starting to produce higher quality goods itself.

"Another angle to China's development is the higher quality of produce emanating from Chinese production units, now proclaimed to be producing 'higher quality goods' than eastern European countries," Allen says. China also wants to start exporting automobiles. So look out Ford, GM, Daimler-Chrysler, he says.

"Don't expect it to stop there," Allen declares. "We predict that China will become an active and successful exporter of quality goods in the next three to five years."

By [Nigel Davis](#)

+44 20 8652 3230

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