

**CBC**

# CHINA NEWS

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Market  
Research's  
Upside  
Potential



China No.1  
by 2016?



Business  
News

## Is Market Research in China taking off?

### How the Middle Kingdom is becoming a trendsetter for the world

Market research is, as many other industries in China, a fast growing business. 20 years ago, China was a country that did almost no commercial research. This has changed dramatically. With the exception of 2009, the market research industry is growing with double digits for many years. China's market research size is around USD 1 billion, while the global market accounts for USD 30 billion. Currently ranked 6th worldwide, China is said to overtake Japan this year.

The reasons for the increase in market research spending are many: Looking at how market research follows advertising trends, what is the potential market size in China? If we look at the top five mature MR markets ahead of China, the United States, the UK, Germany, France and Japan, MR makes up 9.5% on average of the total advertising market size in these markets. And in China today, MR is a mere 1.6% of the advertising market size. Even if China achieves only half of these markets, the potential upside is 300%.

With more foreign direct investment pouring into the country, foreign multinationals and small- and middle-sized companies realize the need for analyzing their markets and products in China. Many Chinese companies changed their attitude towards marketing research and marketing in general. While spending money for market studies and promotion was considered a "waste of time and money" not too long ago, many Chinese companies now realize that it is wise to spend a good part of their marketing budget for surveys

and other MR services. The markets have changed, too. Some years ago, all what counted were the first tier cities of Beijing, Shanghai, Guangzhou and Shenzhen. Today, second, third and even fourth tier cities are of great importance to companies in the automobile, FMCG, retail and pharmaceutical industries.

#### China as a trendsetter

With China's economy developing so quickly, Fortune 500 companies, small and middle-sized companies and market researchers have all become very interested in the Chinese consumer. With 1.3 billion

consumers, the Chinese market has the potential to influence and change trends on a worldwide basis. We could even say that what happens in China will influence markets in other countries similarly as the American way of life did in the last 60 years.

The last point is a very challenging one. How can China become a trendsetter? After all, it is a developing country with an annual average income of RMB 48,500 (USD 7,400) and with 20% of the working population earning RMB 24,000 (USD 3,660) or less per year.

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# Company News

## Infosys invests USD 130 million in Shanghai

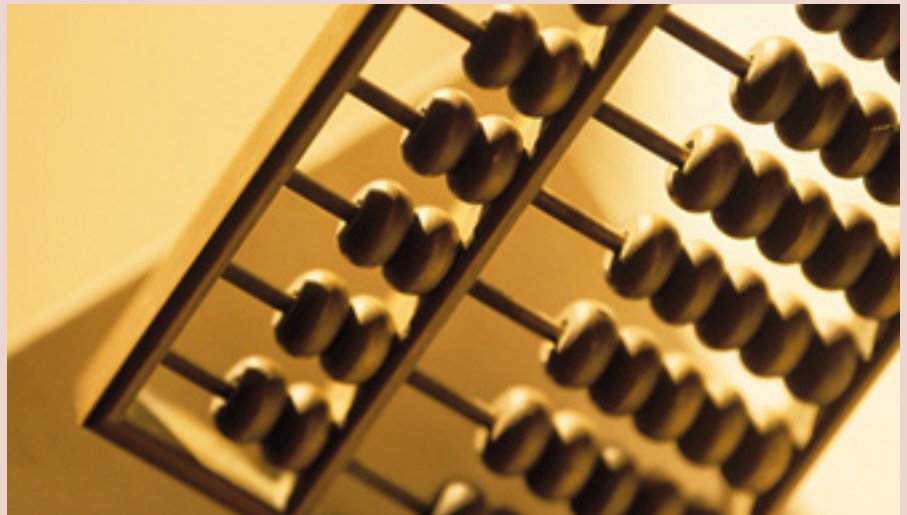
Infosys Technologies Ltd., India's second-largest software exporter, plans to add as many as 4,000 employees in Shanghai over the next 18 months, Chief Operating Officer S.D. Shibulal said in an interview. The company will spend USD 130 million to build a new office in the city. Infosys will have as many as 7,000 workers in China in the next 18 months.

## Mc Donald's opens 700 stores

Mc Donald's is planning its biggest expansion to date in China, aiming to open 700 new stores by 2013 as the fast-food giant faces increasing challenges from competitors. The U.S.-based company plans to expand its Chinese operations to 2,000 stores by 2013, up from its current 1,300, according to a McDonald's spokeswoman. It will also hire 50,000 new employees, including 1,000 university graduates for management training positions.

## German automakers increase sales in China

BMW sold 21,687 cars in China during the month of March, a whopping 70% increase. In the first three months of 2011, BMW sold 58,506 cars, up 71% compared with the same period last year. Audi's record first quarter was fueled by a 25% increase to 64,122 vehicles in China. Mercedes-Benz sold 42,990 cars in the first quarter, up 78% year-on-year.



## Wal-Mart buys into E-commerce firm

US retail Wal-Mart Stores Inc is planning to buy a minority share in Chinese online retail business Yihaodian, the company said in a statement. In a bid to gain a stronger foothold online and in the fast-growing China retail market, the largest retailer in the world is ready to invest an undisclosed amount into Yihaodian. The Chinese online retailer was launched in 2008 and sells 75,000 items. Wal-Mart opened 333 stores in China so far.

## HNA buys into Spanish hotel group

HNA Group, the parent company of Hainan Airlines, has paid Euro 431.6 million (USD 620 million) for a 20% stake in Spain's NH Hotels. The deal signed in Spain makes HNA the second largest shareholder in the Spanish company, according to a statement emailed by NH Hoteles. The

two companies also plan to create a hotel group in China that will give NH Hoteles access to one of the world's fastest-growing tourism markets.

## HSBC to hire thousands in Asia

HSBC Holdings Plc, the U.K. bank that gets more than half of its profit from Asia, aims to add 2,000 employees in China and Singapore, news wires report. The London-based bank plans to add at least 200 staff in China annually through 2016, and expand its Singapore workforce by about 1,000 people as wealth migrates there from Malaysia, Indonesia, the Philippines and China, said Peter Wong, chief executive officer for the Asia-Pacific region. According to Wong, the bank plans to offer more wealth management products in China, including insurance and equity services to customers with minimum deposits and investments of RMB 500,000 (USD 77,000).

Here's the answer: The trends will be set by the 1 million Dollar-millionaires and the 400 million strong middle class. These numbers grew exponentially in the last 10 years and no country in the world can match these numbers. Already today, China is the largest auto market in the world and

the second largest market for luxury goods (behind Japan). And this a mere 30 years after Deng Xiaoping started to open the country with special economic zones. The fact that more and more multinational companies set up their R&D centers within its borders proofs that China is a key market for so many products and

services. We will see cars, trains, subways, white goods, modern furniture, and other products being tailored to the Chinese market and these preferences will influence other markets in Asia and elsewhere. Market research will play a major role in these exciting developments by detecting trends that are... made in China.

# China Economic & Business News

## China to overtake U.S. economy in 2016

According to the latest IMF official forecasts, China's economy will surpass that of America in real terms in 2016. This is 10 years earlier than the forecast under current exchange rates. Under Purchasing Power Parity (PPP), the Chinese economy will expand from USD 11.2 trillion this year to USD 19 trillion in 2016. Meanwhile the size of the U.S. economy will rise from USD 15.2 trillion to USD 18.8 trillion. That would take America's share of the world output down to 17.7%, the lowest in modern times, while China's would reach 18% and still increasing at a steady rate.

According to the latest data from the National Bureau of Statistics of China, China's GDP has increased by 9.7 percent in the first quarter of 2011 from a year earlier. In comparison, in the first quarter and fourth quarter of 2010, China's GDP grew by 11.9 percent and 9.8 percent, respectively.

China's GDP is supported by robust demand for luxury products. China's luxury market expanded to USD 10.7 billion in 2010, up from USD 9.4 billion in 2009. China now represents 30% of the world's luxury sales and is only second to Japan.

## Finance sector not open enough

China's government should open its financial sector to more competition in order to reduce risks to the nation's banks and improve the allocation of resources, the American Chamber of Commerce in China said in a new report. Foreign banks held a mere 1.85% of China's banking assets by the end of 2010, compared with 2.38% in 2007. Overseas lenders had opened 360 outlets in China as of December, compared with the 16,000 owned by Industrial & Commercial Bank of China Ltd. U.S. and European banks such as Citigroup, HSBC and Standard Chartered want to tap household and corporate savings that reached USD 10 trillion in January.

## China's trade surplus widens

China posts a hefty trade surplus in April as exports hit a record while imports eased more than expected, weighed down by sustained monetary tightening and high commodity prices. The surplus of USD 11.4 billion, nearly four times greater than expected, followed a small, rare trade deficit in the first quarter. Exports were slightly stronger than anticipated, growing

29.9% in April from a year earlier to USD 155.7 billion. Imports climbed 21.8%, well short of estimates.

## China-Africa trade to hit USD 400 billion

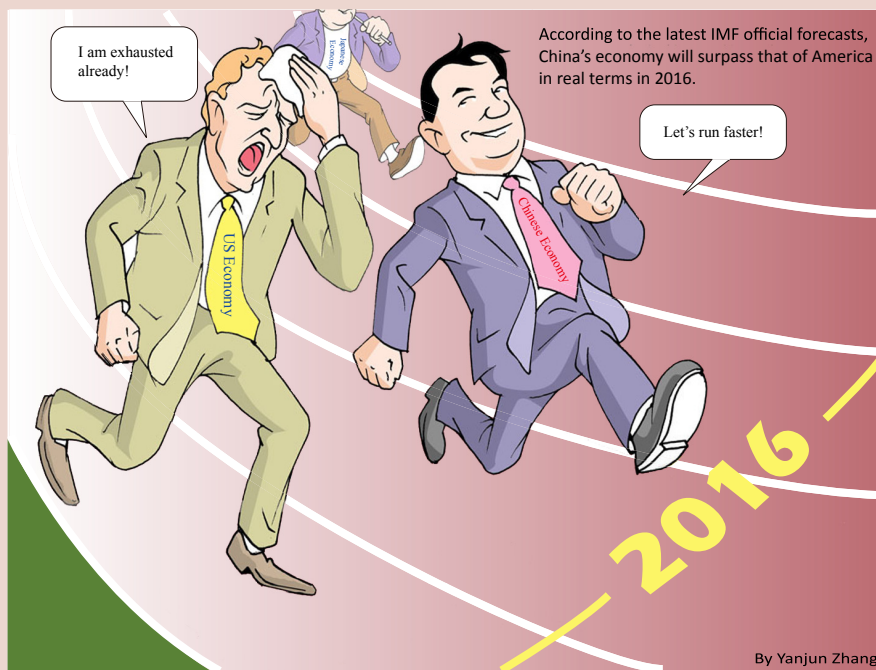
China's trade with African nations will grow to USD 400 billion by 2015, the Chinese Ministry of Commerce said in a statement. Trade between China and the continent has already grown dramatically in the last 10 years, from USD 11 billion in 2000 to USD 129 billion in 2010. China's largest trade partners in Africa are South Africa (25%), Nigeria (11%), Zambia (9%), Algeria (8%) and Sudan (6%). According to statistics, more than 1,600 Chinese companies are doing business in Africa.

## Beijing – Shanghai rail links opens in summer

The new rail link between Beijing and Shanghai is currently tested and will open for the public by the end of June or early July. The 1,318-kilometer long high-speed railway is designed to have a speed of 350 kilometers per hour. The railway will be able to transport 80 million passengers a year. The travel time between the two cities will be cut from 10 to less than five hours. Ticket prices are still under discussion, the government said.

## Chinese mobile users overcharged

Monthly payments from mobile phone services in Shanghai are six times higher than in Hong Kong, local news agencies reported. Equal telecommunication service costs about HKD 52.50 a month in Shanghai, while only HKD 7.72 in Hong Kong, according to research released by the Office of the Telecommunications Authority of the Government of the Hong Kong Special Administrative Region. The monthly rental charges for mobile phone users in Hong Kong are also lower than five other metropolises including Tokyo, New York, and London, the research found. In Hong Kong, the monthly mobile service cost is 10 to 48 % of the other six cities, the report said.



## CBC Services & Contacts

### Market Research

**CBC** Marketing Research uses a variety of quantitative and qualitative methodologies ranging from traditional focus groups and in-depth interviews to CATI surveys and internet-based research.

**Quantitative Research:**

- Telephone interviews (CATI)
- Personal interviews (CAPI)
- Street intercept interviews
- Central location testing
- Online research
- Mystery shopping
- Car clinic

**Qualitative Research:**

- Focus groups
- Mini focus groups
- In-depth interviews
- Other:
- Desk research
- Retail research

**CBC offers movable web streaming technology in Japan and South Korea and FocusVision technology in Bern, Switzerland.**

### Business Consulting

**CBC** Business Consulting helps you to successfully setup your company and find the right partners for your expansion in China. We also provide feasibility and industry studies and offer sourcing and office-in-office services.

- Market entry strategies
- Company registrations
- Industry studies
- Feasibility studies
- Location evaluation
- Office-in-office
- Partner evaluation
- Sourcing

### Executive Search

**CBC** Executive Search works with a large number of companies to meet their talent and executive needs in China. We directly approach all our highly educated and experienced candidates working in different business sectors including the following.

- Automobile
- Chemicals
- Finance
- Healthcare
- Retail
- Textile

### Marketing & Communications

**CBC** MarCom provides marketing and communication services for foreign companies in China. Services include:

- Direct marketing
- Publication production
- Project management
- Print
- Promotion
- EDM
- Design
- Translations
- Delivery
- Media Relations

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