



This article is an excerpt of the book “**Financial, Administrative and Trade Management in China: A crash course for executives for a successful and compliant business operation**”, available e.g. on [Amazon Kindle](#), [Google Play](#) and [Apple Books](#).

8.1. General Market Environment and Positioning

The Chinese market is a big one in general—and still, it might not be the right market for every kind of product since either customer requirements, competitive landscape or legal requirements might lead to challenges that are hard to overcome.

At the same time, China is currently undergoing a shift where customers are increasingly considering local brands.

Market size

One of the first steps to determine if an undertaking has the potential for success is to determine the market size: What is the total quantity sold in the market? And how will it develop?

Specialized consultancy companies can help you with determining these numbers but be aware that the numbers can give you orientation, they are not necessarily exact.

Another great information source are industry associations relevant for your industry or the National Bureau of Statistics which has a great amount of information available for free, e.g. in their yearbook or in the census data.

Market Fragmentation and Segmentation

Due to the sheer size of the Chinese market, the following deductions can be made depending on the supply and demand type of the market:

Monopoly/very few competitors

If there is only one or very few competitors in a market, that usually means that there are strict regulations in place or the market entry barriers are very high. Mostly there is a reason why no other competitors entered that market yet and you are highly likely to fail with a possible market entry except you just discovered a new, undeveloped market segment. This is highly unlikely though.

Oligopoly

If there are several providers in the market, they either have regulatory or technological advantages that others do not have or the market size is pretty small which keeps competitors out. If you want to enter a market like this, you should analyze the factors of their success to gain important knowledge on how a successful operation in the market might work.

Polypoly

When markets are highly fragmented this mostly means that you have the opportunity for entering a niche in which you can establish yourself. A niche market often separates itself by:

- Functionality offered
- Quality
- Price level
- Origin of products.

Positioning as an international brand

Chinese customers are starting to become more careful about international brands: They often start checking out if your brand is a really well-known brand in your own home country if they intend to buy a real international brand. Especially if you are targeting customers which are looking for a real international brand, be sure that your brand is already well-established in your own home market or other international markets. Still, there are fake brands active which just pretend to be part of an international enterprise.

Serving a niche

For most international company, serving in a clearly defined niche can be the most successful strategy to establish yourself in the local market. Local competitors often serve the mass market on price levels that you will not be willing to reach. The low-price market is mostly dominated by Chinese competitors who are willing to accept much lower profits than most of the international competitors due to using cost-plus approach instead of a market-minus product pricing approach.

A niche could be, for example, serving:

- High-Tech products that your competitors are not able to produce
- An upscale market that attributes your brand with a lifestyle or that requires extraordinary services or quality

Exceptions of course can exist which mostly happens with world-dominant brands that can serve multiple customer segments at once, e.g. Coca Cola or also car brands that can segment customers within their product range.