

Welcome to IF Consulting's weekly e-mail newsletter

August 29, 2003

Our regular email tackles the topical issues that surround all marketing channels and their underlying strategies.

This newsletter is also available as a PDF on our Website (<http://www.i-f.com/E-comLinks02.htm>) if you want to download a version for your hard copy file.

The Challenges of the Internet Channel in China

Working as a Wall Street consultant in the 90s, Peggy Yu observed the spectacular rise of Amazon.com and began work on her dream to set up a similar venture in her homeland of China. Despite the burst of the Internet bubble, Yu's business Dangdang.com is still operating. Dangdang is meeting the needs of Ms Yu's fellow citizens, who have a healthy appetite for self-improvement and are demanding Chinese editions of western books.

Despite an 86% literacy rate (America's is 99%) and five times the population of the US, China has only around 77,000 bookstores, with sales in 2002 sales of 43 billion yuan (US\$5.2 billion), compared with approximately \$40 billion a year in America.

This modern generation of Chinese entrepreneurs is setting up businesses by copying successful ideas and business models. Ms Yu monitors Amazon for new ideas and encourages her 140 employees to order from the American firm's website to gather information for her own. It seems that the biggest barrier to online book purchasing in China is not price, as in America, but a lack of availability and trust. Only 6m of China's 50m or so Internet users go online to shop, most use the web just for email and news services. China also had no established mail-order industry so customers were not used to paying for delivery, especially before receiving their goods. Distribution and payment remain as challenges in China's underdeveloped credit-card market, with only 10-15% of Dangdang's customers using them.

The Economist print edition, August 21 2003

IF Comment

China has been seen as a marketer's dream for many years. Unfortunately the dream has become more like a nightmare for some foreign companies, due to their lack of understanding of what China's people want to buy and how they want to buy it. Dangdang's founders recognize the vast desire for self improvement in China and the need to sell translated editions of western books. Technology has allowed Dangdang to expand quickly through modern marketing channels, such as the Internet, to market its books.

However, while technology lets people know about Dangdang's products, it also has a negative impact on sales because, along with buying books on the Internet, people are being asked to buy by mail order and pay by credit card. Consequently, while there are many positives attached to emulating Amazon in China, there are also negatives. The message is simple – if you want new marketing channels to work, you need to understand your target market's dynamics and have contingency plans to deal with cultural differences.



Marketing Channel
Strategy Consultants
Maximizing shareholder value
through creating the best route
to market

IF Asia Pacific Pty Ltd
An International IF Company
ABN 38 970 704 536

390 St Kilda Road Melbourne
Victoria 3004 Australia
Telephone +61 3 9867 8822
Facsimile +61 3 9866 3969

email channels@if.com
www.i-f.com

USA
Europe
Australia
Latin America

Snippets

Communications company AT&T has recently adjusted its marketing channel strategy. Partners attribute the carrier's change in strategy to a channel practices guideline developed through collaboration between AT&T's sales team, channel executives and AT&T's partner advisory council, as well as a change in attitude from top sales and corporate executives.

http://www.crn.com/sections/News/top_news.asp?ArticleID=44087

US delivery company UPS has formed a joint venture with the Vietnam Post and Telecommunications Corporation (VNPT) to expand its business in Vietnam. UPS is facing fierce competition in many countries and is keen to establish a strong foothold in the emerging market of Vietnam before its competitors do.

<http://www.datamonitor.com/~80258f8e3cde4d4b830c653c847aac7f~/all/news/product.asp?pid=B755DFD6-15C4-4425-8564-FBC245F10123> (Because of the length of this URL, you may need to cut and paste it into the address bar of your browser)

According to US Census Department figures, annual e-commerce sales have surpassed the \$45 billion mark. However companies engaged in an older form of selling, using TVs and telephones to communicate with potential customers, continue to flourish. The question remains - has the recent e-commerce surge harmed television-based selling, also known as t-commerce?

<http://www.ecommercetimes.com/perl/story/31435.html>

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