



# China Goes Global

## World Marketing Summit

KOTLER MARKETING GROUP

### Tokyo, 2014

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# China Goes Global: Overview

1. **No long term national growth for advanced economies, and moderate to low growth for emerging national economies.**
2. **A long term global oversupply of capital, labor and manufacturing and service capacity.**
3. **The only real growth is happening by multinational company investment in selective growing city regions in emerging economies that have consumption, trade and production potential.**
4. **Two ways for companies to grow in a no-growth world:**
  - **Place**
  - **Product/price**
5. **PLACE: Companies have to pick the right growing city regions for investment; cities have to compete to their investment. See our new book WINNING GLOBAL MARKETS, Philip and Milton Kotler, 20014, Wiley.**
6. **PRODUCT/PRICE: Companies have to offer adequate quality/low price goods and services in a no-growth world under enormous price pressure. See our 2015 book, THE BATTLE FOR SHARE.**
7. **China strategically invests in emerging markets and has a product/service mix that these growing economies can afford to buy.**
8. **Advanced economies need a new competitive global strategy.**

# Nation Growth Rates (2013)

- **Advanced nations**
  - U.S. 1.9%
  - Japan 1.5%
  - Germany 0.4%
  - EU: 9 of the 17 were in recession in 2013.
- **Emerging nations in the East**
  - China 7.7%
  - Philippines 7.2%
  - Indonesia 5.2%
  - India 5.0%
- **Emerging nations in the West**
  - Columbia, Ecuador, Peru, Chile 4-6%
  - Brazil and Mexico 1-2%
- **Africa**
  - Nigeria 7.9%, Tanzania 7.0%, Zambia 6.4%, Kenya 4.9%
- **Global GDP rate: 2.9%**

# Battle for Share

- **Given little global GDP growth, companies must revise their strategies.**
- **In the battle for share, price will be under increased pressure.**
- **B2C and B2B market demand in emerging city regions is for adequate quality and a low price.**
- **A company needs to discipline its costs by:**
  - **Building adequate or acceptable quality/low price brands.**
  - **Focus on growing and dynamic emerging city regions with consumption, trade and production power.**

# 6 Strategies

1. High quality and great service @ highest price.
2. High quality and good service @ higher price.
3. High quality and poor service @ high price.
4. Adequate quality, great service @ moderate price.
5. Adequate quality, good service @ lower price.
6. Adequate quality, poor service @ lowest price.

# **Fate of High Quality Companies**

- **Germany and Japan make high quality products and high service at a high price.**
- **The size of the market for this offering is relatively small and not growing.**
- **The middle class in high growth emerging countries saves at a high rate and accepts adequate quality and service at a lower price. This is where China targets.**
- **Can companies in Germany and Japan start going after the middle class market in emerging countries by lowering their standards?**

# The Source of China's Global Strategy

- Although China policy aim to increase consumption as export value declines, it is very difficult to promote consumption in China at a 50 percent savings rate.
- Trade and investment in emerging countries offsets export decline to advanced economies.
  - China imports natural resources from emerging economies.
  - China invests in their physical infrastructure (bridges, roads, railroads, electric power, dams, schools, health clinics)
  - China invests in emerging economy production and distribution of the same goods and services they sell in China.
  - China help the people achieve a better lifestyle
- China can invest because its debt/GDP is 23%. Japan is at 240%.

# **Two Different Fates**

- The advanced countries of the West will be selling to the rich companies and consumers but these markets aren't growing fast.**
- China will be selling to the working and middle class in emerging countries. These markets are huge and growing.**

# Should the West Copy China?

- **The advanced West should start focusing on the high growth markets.**
- **The advanced West should adjust downwards to also producing acceptable quality at lower prices.**
- **The advanced West should encourage its cities to start their own growth plans and decide on micro-targets.**
- **The advanced countries should open their doors to more immigration. People are markets!**