

Category: *International Retail*

Methods: *International Research, Strategic Research, Depth Interviews, Ethnographic Research, Focus Groups, Quantitative Research, Qualitative Research*

Summary

A U.S.-based retailer wanted to evaluate an emerging market as part of their long-term expansion strategy. This research was undertaken to provide strategic direction for markets in China.

Strategic Issues

With a GDP of over \$7 trillion estimated in 2007, China ranks second in global economies, behind only the United States. With a growth rate of about 12% annually, China's GDP will most likely overtake the United States' GDP in the next several years. China's ever-growing middle class has more and more disposable income, making China a growing market that our client wanted to explore.

Research Objectives

Our client had previously conducted a few quantitative research projects in China, mainly on market size. In addition to an update on the previous research data on their market size, the client wanted to gain a deeper understanding about consumers, their perceptions of the market, how they shop for and purchase relevant products, and how they interact with professionals in a real environment. Thus, a qualitative study was required. The objectives of the research were to:

- Define the overall market-size potential based on consumer data.
- Better understand the market, as well as the competitive landscape.
- Provide baseline learning of the market, and cultural and historical differences in their industry, to help prepare the organization for conducting business in China.

Research Design and Methods

The research plan included quantitative research to determine the size of the market (today, as well as in the near future). It also included qualitative research to better understand the motivations, as well as the purchase behaviors, of consumers in the market.

- The qualitative research included focus groups among homogeneous consumers (those of same social class, product ownership categories, etc.) in several key markets in China.
- The qualitative research also included ethnographic research observing consumers in their homes interacting with the product categories in which the client was most interested, as well as conducting depth interviews among these consumers about these product categories of interest.

Reporting

Quantitative research was reported in statistical tables, data files, and a summary report of key findings. Similar quantitative research had been conducted several years earlier and was able to be used as a point of comparison to determine how much the market had changed during this time frame.

Qualitative research was reported via summary reports for each of the different consumer groups, as well as one overall report with strategic issues outlined with recommended approaches. In addition, the video files and photographic images were provided to the client. The photographic images were incorporated into the report to provide better understanding of the consumers, the product categories in use within consumer homes, and the various levels of sophistication and economic status achieved by consumers using these key product categories.

Results

With the information, our client was able to:

- Prepare recommendations and the best strategies to enter the Chinese market. Information was shared with the management team, as well as the board of directors.
- Prepare business plans and scenarios for expanding into China on various timelines and at various levels of commitment.
- Provide detailed information about how the retail organization would need to be modified, compared to its base operations in the U.S. Discoveries and recommendations were made regarding current unmet consumer needs; consumers most likely to be attracted to the retailer; location needs; format of the locations; merchandising, brand, and product selection; and pricing, staffing, training of staff, marketing, and advertising, etc.

Of course, additional research is required to fully understand the market and to begin developing tactics for implementation. However, based on this research, initial strategic plans were designed.