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## Companies with China Challenges

There are few markets in the world as challenging to do business in as China right now. We saw this very detailed article in the most recent issue of *CBN Weekly* that addressed just this point- focusing on which companies are currently struggling in China and what mistakes were made along the way.

There are 7 reasons as to why these companies are encountering problems in China, as outlined in the table below;

Company	Leadership	Products/Core Competence	Users/ Channels	Market Response	Business Ethics	Accident	Policy Environment
Gome	★				★	★	
Tencent	★	★	★		★		
BYD			★				
AVON	★				★		
Foxconn	★				★	★	
Chery		★	★				
Google	★						★
Mengniu	★	★			★		
NBA China	★			★			★
Huiyuan	★						★
SZ Airlines	★					★	
Lining	★	★	★	★			
HP	★	★	★	★		★	
CRCC	★						★
Gemdale	★	★		★			★
Maison Mode		★		★			
New Huadu	★						
Mecoxlane		★			★		
China Mobile		★		★	★		
SDO	★	★					

### NOTES:

1. According to the chart above, for Chinese companies the main issue is ensuring quality of products and level of service
2. Accident and Policy/Environment are external reasons, whilst all other issues present the most common cause for struggling in China, as detailed below

**Hewlett Packard:**

Within only one year, HP almost lost 50% of its market share in China, and sales of PCs no longer register in the top three. The reason for this can be attributed to the recent media exposure of reports on poor product quality and lack lustre after sales service at HP. The negative effect of such reporting is said to have had a much bigger impact on the world's largest PC manufacturer than was expected.

However, recent media coverage cannot be held solely accountable for this decline in sales. In China, HP's management of both the marketing department and service channel has been divided into two completely separate divisions. This has inevitably resulted in leadership issues, and has diminished HP China's ability to take any emergency corrective action.

**Li Ning:**

Following a severe decline in orders and stock prices, China's once leading sport's brand are now paying the price for having transformed their customer base and aiming their branding at a younger generation.

It comes as a surprise that Lining has decided to go through with this brand reform. After the company decided to merge larger national distributors with local ones whose sales were less than 70 thousand RMB, there followed a 6% decline in orders for the second quarter of 2011. This led to a reduced market value of 4bRMB in just one day. But despite this, Lining reportedly wants to continue with this strategy, as it firmly believes it is linked to the future long term development of the company.

However the fundamental problem remains; Lining needs to create a unique brand image or develop more high-tech products aimed at professional athletes. Developing a specialized strategy would put the company firmly on the road to success, and so far Lining has failed to do this.

**China Mobile:**

According to recent statistics, less than only 3% of China Mobile customers have access to 3G technology (mobile phone services including Internet access, video calls and mobile TV). Needless to say, customers find this lack of service unsatisfactory.

The main reason for this is owing to China Mobile's limited TD-SCDMA technology, recently being developed in the People's Republic of China in order to avoid becoming dependent on Western technology.

But, no matter how hard China Mobile tries, it cannot compete with the success generated by the iPhone at China Unicom.

**Mengniu:**

Not long after the Melamine incident (Mengniu's trading was suspended last year when news emerged that the company was found to have produced milk contaminated with melamine, a chemical for making plastics), Mengniu has again become embroiled in yet another public scandal.

This time, China's largest dairy producer has allegedly plotted a public relations campaign to smear the name of its major competitors, Yili Group and Synutra International. Reports are now circulating that Mengniu created an online rumor which claimed Yili's infant formula contained fish oil that could lead to premature sexual development.

Sadly this reflects the distorted competitive nature of the dairy industry in China. With only local competition and a lack of competitive edge over similar products, how else can a company strive to win the lion share of the market?

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