

6 November 2018

**FROM 'MADE IN CHINA' TO 'MADE FOR CHINA': GLOBAL BUSINESSES
PRIORITISE QUALITY PRODUCTS, PARTNERSHIPS AND MILLENNIALS
AS KEY TO DRIVING CHINA SALES**

Navigator: Made for China survey charts international businesses' ambitions to sell to China's fast growing consumer market

Australian businesses are confident that their specialist expertise will appeal to Chinese consumers, understand that distribution partnerships and e-commerce platforms are key to success in this market and are targeting the growing spending power of consumers aged under 40. These were among the key findings from HSBC's first *Navigator: Made for China* survey, which was launched today at the China International Import Expo in Shanghai.

"Chinese consumers are shaping the strategies of more Australian companies as they become not just richer but also more health-conscious and concerned about the environment. Our clients are witnessing particular demand for high-quality agricultural exports but also for travel, furniture and technology," said Steve Hughes, HSBC Australia's Head of Commercial Banking.

HSBC's *Navigator: Made for China* survey explores the intersection of international businesses' growth ambitions with China's increasingly affluent and discerning consumers. In September, the survey canvassed the views of 1,205 small and large companies in 11 key global economies that already export to China or are considering doing so.ⁱ

No substitute for quality

Among Australian companies currently selling in China, 33% identified their ability to provide specialist expertise as the top factor that would drive their sales growth there. Another 31% highlighted the rising affluence and increasing disposable income of Chinese consumers as the key catalyst for their companies' sales growth.

What Chinese consumers want

According to government estimates, China is going to import USD8 trillion worth of goods in the five years from 2018 to 2022. That is equivalent to an average of USD1.6 trillion a year, which is about the same as the gross domestic product of Canada or South Korea in 2017.

China's increasingly powerful consumers are equally focused on price and quality, our Australian respondents believe, indicating that Chinese customers look for competitive pricing (38%), quality and safety (38%), and access to specialist products or services (33%) when they make their purchases.

Millennials, platforms and partnerships

Most Australian businesses we surveyed said Chinese consumers aged under 40 today will drive Chinese consumer demand for years to come: 37% believe that those born in the 1990s will provide the strongest sales growth, while 30% believe that growth will come from those born in the 1980s and another 23% believe it will be driven by those born in the 2000s.

Australian businesses already selling to China identify the importance of having both a physical and an online presence to reach their target consumers. The strategies most commonly used to access the Chinese market are selling directly via e-commerce and m-commerce (51%), developing local distributor networks (50%) and entering into joint ventures (50%).

“China has roughly as many internet users as the US and India combined, most of whom use their mobile phones to access the internet, which is why digital channels are so powerful. For companies with an on-the-ground presence, the knowledge and relationships of a Chinese partner can help navigate the local market and business customs,” said Mr Hughes.

The importance of e-commerce to the under-40 demographic is clear. These consumers have grown up alongside the phenomenal expansion of online shopping platforms, which recorded sales of over USD1 trillion in 2017.

Challenges and solutions: how businesses can be ‘Made for China’

Understanding the local business culture was identified as the top challenge faced by Australian companies (43%) already selling to China. The need to customise products and services to meet Chinese needs (37%) and the need to adapt to Chinese e-commerce platforms (33%) were further challenges.

The top three challenges for future growth are considered to be regulatory requirements (33%), adapting to Chinese tastes (32%) and local competitors (31%). Businesses are looking to overcome these challenges by establishing a local office (38%), setting up partnerships with local companies in China (35%) and investing in staff training or up-skilling (34%).

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