

Chinese Brands at the Crossroad? Demand State in Kerala Markets

Vanaja Menon Vadakepat

New York Institute of Technology, Cert Campus, Abu Dhabi, UAE

Globalization and liberalization offer competitive openings for several world brands to the Indian markets. Bestowed with growing disposable incomes, Kerala consumers exhibit wide diversity in their buying habits. Apparently, the emerging fascination for imported brands impels distributors to leave enough space to shelf more “made in China” brands in their showrooms. The substantial increase in consumers’ demand for imported goods with considerable attraction for “made in China” products inspired this study to explore the demand state for various types of Chinese products in the Indian regional markets. Divided into two stages, at first, with a primary survey, the study explores the consumers’ perception towards selected five vastly available consumer durables such as electrical appliances, handicrafts, stationeries, toys and builds wares. Later, the demand matrix developed from the primary data defines the types of demand prevailing for each category of “made in China” products based on their popularity and consumption in Kerala markets.

Keywords: marketing, China brands, consumer perception, demand state matrix and Kerala

Introduction

The traditional consumer markets in India were based on production concept of marketing till the end of 1980s. In the early days, in order to bring down marketing costs, manufacturers sold standardized products and replicated the same into different segments to achieve economies of scale. However, today, in contrast, the new world marketers talk about globalization, customization and personalized marketing with hyper-competition that challenges indigenous traditional companies by offering more customer friendly products.

While the Indian consumption index rushes to reach newer heights, with the same pace the densely populated Indian regional pockets fascinate global marketers promising them competitive advantage at low market risk. Eventually, a bigger section of Indian retail shelves has become showcases for foreign brands, amicably sharing a considerable space with imported products from the neighbourhood Chinese markets.

Indo-China Trade Relation

The trade association of Chinese products and Indian markets is a long story. As Indian history has witnessed the material imports of Chinese silk, porcelains and herbal medicines, “made in China” brands are not being new to Indian consumers. Hence, with a long tradition-bound trade relationship, both the countries believe that in an increasingly flat world, if the trade between two nations emerges to be the multiplicative function of

Vanaja Menon Vadakepat, Ph.D., assistant professor, Marketing, New York Institute of Technology, Cert Campus, email: drmenonvadakepat@gmail.com.

their GDPs, obviously by 2050, they could come out as the two largest economies in the global market (Bhagwati, 2004; Meredith & Robyn, 2007).

Consequently, the magnitude of India-China trade highlights that the trade between the two countries has grown very robustly with a growth of 54 percent rate during 2002-2007 (World Bank, 2003; Anil, 2008). In addition, after adjusting for partner GDP, India's trade with China has turned to be greater than that with Japan or any other Asian countries by accepting China as its number one trading partner (Ralph, 2008). In this context, the think-tanks of the country assure a tremendous potential with regard to the trade between these two countries and, indubitably, this fast growing market demand is expected to supplant the US as India's single largest trading partner within few years (Srinivasan, 2002; Engardio, 2007).

Several studies acknowledge that the value added products from China, especially consumer durables and non-durables, are more supplementing Indian markets (Gopalan, 2001; Luce & Kynge, 2003). Evidently, observation of the current trends in regional markets also exposes that in order to withstand the rising inflation in India, regional markets prefer more "made in China" products than any other foreign products.

Against this backdrop, when almost all Indian retailers, especially from regional markets, report a significant rise in the sale of Chinese products, the overwhelming demand for low-priced imported products indicates the slow penetration of China brands into Indian markets. Apparently, this shift builds up slight market tensions among the indigenous producers, and therefore, it is the time to evaluate the demand state of "made in China" products in the Indian regional markets. This signifies this study.

Profile of Kerala Consumers

Kerala, the southern state of India, comprises a total land area of 39,000 sq km, with a population of more than 30 million. This state has attracted widespread and well-deserved international attention for its remarkable achievements in social spheres, particularly in the fields of land reforms, health, and universal school education (Ramachandran, 1996). Kerala is significantly ahead of the rest of India in its socio-demographic development with low infant mortality rate and high life expectancy. It is also ahead of China with respect to most of the aforementioned indicators. The nature of Kerala's employment market is also notably different than any other states. Past study on labour migration from Kerala discovered that the number of Keralaites who are working outside India is larger than the number of persons employed in the organized sector of the state (Zachariah, Mathew, & Irudhaya, 2001), hence, obviously, the constant remittance by the emigrants contributes a major share to uphold the economy and life style of the state.

Notwithstanding these achievements, even stamped as a social state, following the footsteps of China, industrialization in Kerala is certainly far from being commensurate with the socio-economic achievements with a low per-capita manufacturing value added at constant compared to the rest of India or China (Thomas, 2003). As a result, more than 80 percent of the Kerala markets are currently dependent on products imported from its neighbouring markets. Bestowed with high disposable incomes, however, in contrast to the above mentioned scenario, people of Kerala are in a position to unhesitatingly afford most of the customary household goods imported from nearby markets (Zachariah et al., 2001). Perhaps, this habit of constant dependence on imported goods to meet daily needs might have developed the cultural politics of globalization in this state (Ritty, 2005). Consequently, in contrast to Kerala's demographic statistics, the profound impact of this trend depicts a gradual transformation in the consumption behavior of Keralaites from desirable to undesirable consumerism (Sooryamoorthy, 1997), portraying a Kerala-style buying of whatever that come across in order to display their

ostentatious life-style. The aforesaid behaviour of Kerala consumers with an inclination for versatile products at low prices has facilitated easy entry for foreign brands into regional markets.

In brief, the aforementioned reviews reveal that India's liberalized market policies have placed a whole new set of buying capabilities in the hands of Kerala consumers irrespective of income, education, age and gender. Conceptualizing the fact that the substantial increase in the buying power of Keralaites with greater availability of Chinese products at an affordable price had shifted the demand from "made in India" to Chinese brands, this study attempts to learn consumers' perception to seek out the reasons for the aforementioned shift. The results of the first stage of analysis are utilized in the second stage of the study to explore the demand states for "made in China" products in the state.

Research Method

The research was carried out in two parts by selecting five categories of fast moving Chinese consumer durables in Kerala market such as electrical appliances, handicrafts including Feng Shui products, stationeries, toys and build wares such as tiles, taps, pipes, wall glues etc..

The first part of the analysis evaluated consumers' perception on selected Chinese products by carrying a primary survey. Questionnaire was administered in three districts of Kerala focusing on 100 consumers for each product group (total 500), purposively selected from the list provided by the distributors and retailers. A close-ended questionnaire with 15 questions was used to collect the data. Each question was furnished with three answers and the respondents were asked to register their opinion selecting any of the three options. The answers were marked as "0" for not the reason to buy, "1" somewhat the reason and "2" the main reason to buy Chinese products. The appropriate answers for each question would be checked and the scores were added. The total would be somewhere in between 0 and 200. To measure the influence of the factors for the popularity of Chinese products the total was grouped under four slabs with 0-50 = poor popularity; 51-100 = low popularity; 101-150 = good popularity and 151-200 = high popularity. The survey was conducted during the period July-August, 2010.

In the second part, the research instrument to analyze the demand states of "made in China" brands, Kotler's (2003, p. 6) classification of demand was adopted. Accordingly, the study developed a matrix to analyze the state of demand for each group of products. The data from part one of the research is utilized to analyze the demand state matrix to identify those products that enjoy "full demand, regular demand, latent demand, irregular demand and declining demand" (Kotler, 2003). The degree of popularity as well as the percentage share of sample products to total annual consumption of sample population is the two scales used to analyze the demand state matrix. This is the limitation of the study.

Results and Discussions

Consumers' Perception

The aim of any marketing is to meet and satisfy customers' needs and wants. Customers may not always be touched with deep emotions or sense of patriotism at the time of purchase. Often, consumers' response may be influenced by market externalities that cause shifts in their choice of brand at the last minute. Therefore, unexpected buying behaviors may give sudden surprise to the marketers (see Table 1).

Demand States for "Made in China" Products

Marketing is typically seen as the task of stimulating demand. Marketers are skilled to derive demand for their products, but they are limited to the level of perception consumers hold on the products. In the given matrix

(see Figure 1). Handicrafts, especially Feng Shui enjoys popularity with high share in consumption (full demand); Toys are categorized under products with popularity and good share in consumption (regular demand); Stationeries are listed under low popularity but good consumption products (latent demand) due to lack of immediate availability of substitute brands. The low popularity of electrical appliances had placed them in low consumption (irregular demand), especially due to the concern of the respondents on quality and safety of the brands. Finally, the study observed that “made in China” build wares were not moving well in the markets (declining demand) indicating lack of consumers’ faith on the durability and quality of the products.

Table 1

Consumers’ Perception on the Selected Chinese Product Lines (Standard Deviation in Brackets)

Influential factors*	Electrical appliances	Handicrafts Feng Shui	Stationery	Toys	Build wares
Diversified design	99 (0.54)	192 (0.27)	49 (0.50)	198 (0.14)	98 (0.53)
Admiration for Chinese products	17 (0.37)	198 (0.14)	41 (0.49)	199 (0.10)	3 (0.17)
Choice of variety	170 (0.62)	195 (0.19)	48 (0.50)	192 (0.14)	114 (0.78)
Low price	198 (0.10)	51 (0.50)	191 (0.35)	115 (0.64)	112 (0.14)
Quality	97 (0.17)	48 (0.52)	83 (0.75)	53 (0.81)	2 (0.14)
Mainly to gift	43 (0.51)	163 (0.48)	114 (0.71)	198 (0.14)	0 (0.00)
Dislike for home made goods	5 (0.21)	29 (0.60)	62 (0.61)	122 (0.16)	0 (0.00)
Readily available	88 (0.90)	53 (0.80)	107 (0.25)	63 (0.71)	53 (0.81)
Good for use and throw policy	99 (0.93)	4 (0.24)	102 (0.10)	112 (0.10)	115 (0.67)
Customary belief that Chinese products bring prosperity	2 (0.14)	195 (0.23)	2 (0.14)	3 (0.11)	0 (0.00)
Suitable to style of consumption	148 (0.75)	166 (0.46)	139 (0.56)	48 (0.50)	117 (0.46)
Value for price paid	88 (0.92)	181 (0.39)	116 (0.50)	91 (0.12)	0 (0.00)
High level of awareness on benefit	57 (0.51)	197 (0.13)	45 (0.32)	49 (0.52)	0 (0.00)
Highly influenced promotion	3 (0.17)	198 (0.14)	5 (0.22)	107 (0.25)	0 (0.00)
Popularity based on the average**	Low (79.57)	Good (133.57)	Low (78.85)	Good (110.71)	Poor (43.85)
Percentage share of Chinese products in annual consumption (average)***					
Average of percentage of total purchase	31.90	83.01	63.31	58.10	18.76

Notes. * Scale: “0” for not the reason to buy, “1” somewhat the reason and “2” the main reason to buy; ** 0-50 = poor popularity; 51-100 = low popularity; 101-150 = good popularity and 151-200 = high popularity; *** > 20% = poor share in consumption; 20%-33.33 % = low share in consumption; 33.33%-66.66 % = good share in consumption; 66.66% and above = high share in consumption.

		Popularity			
		← High			
Annual consumption ↑		High	Good	Low	Poor
	High		Handicrafts		
	Good		Toys	Stationary	
	Low			Electrical appliances	
	Poor				Build wares

Figure 1. Demand state matrix for made in China products.

Conclusion

It is apparently proven that certain fundamental concepts and customary practices often influence the buying behavior of consumers in a market (John, 2009; Mary & Mary, 2010). Learning the strong perceptions of consumers on a brand which is crucially associated with its quality, price and availability, often provide foundation to assess consumers' loyalty. Hence, perhaps very few brands could promise full satisfaction to consumers.

When the global markets move with the notion of single economy, markets of both China and India are striving to develop interdependent networks as never before by establishing marketing hubs in both countries (Reich & Robert, 1991). In brief, the results from this study indicate that due to the expanding consumer markets, intense competition and more openings to the global arena, Indian consumers expect committed responsiveness from the products they consume, irrespective of its country of origin. Therefore, even though China and India are finding more and more common space in which to occupy and work together, in order to capture the minds of hard core loyal Indian consumers, no doubt that the "made in China" brands have to traverse a long way with diversified market strategies to reach Kerala homes.

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