Editoriale

Twenty years after.
China landscape

Talking about marketing in China is no longer fashionable. It has become a major player in both markets and international politics, and is no longer a land to be discovered, but rather a country whose economic policies and decisions are commented on, much like the United States. Who would talk about marketing in the United States without sounding obvious or banal, except to reveal some marginal oddity or possible change in consumer behaviour?

So, with apologies to Alexandre Dumas for plagiarising the title, what I am about to do is present a reading that does not seem to have the characteristics of discovery, revelation, anticipation or hypothesis about the future. In short, it is not particularly interesting.

Having started working in marketing in China in 2007 and having lived through years of tumultuous growth, the myth of the West and entrepreneurial exploration, almost 20 years later, after the tsunami that was the years of the pandemic in that country, I wanted to embark on a journey through inland China, from the imperial capital of Xi'an to the bazaar city of Kashi, or Kashgar, along the ancient Silk Road, also known as the Jade Road. My aim was to resume my analysis of purchasing behaviour, product supply, and the Chinese approach to the market, even in areas outside the lens of absolute modernity and international megacities such as Shanghai, or first- and second-tier cities according to the Chinese classification. These had been the subject of my previous analyses. I wanted to try to construct an overall picture of China today. Until then, by analysing only eastern China, I had formed a partial and one-sided impression, as if a Chinese scholar wanted to develop an understanding of Italy by visiting only Milan.

I apologise for this tedious but necessary introduction. Here is what I can tell you.

To make the report more orderly, I will proceed by topic rather than geographical location, unlike the literary form that narrates a centuries-old journey. Readers can imagine the stages of the journey proceeding from east to west: the route taken by Chinese merchants to meet their Persian, Arab and European counterparts in Kashgar, the border bazaar between East and West. These stages are named as follows: *control*, *payments*, *infrastructure*, *tourism*, *energy*, *agriculture*, *brands*, *markets and bazaars.*

Control. What is only intuited on the east coast becomes increasingly pressing and continuous the further west one goes. Stage after stage, the number of cameras, facial checks and document checks becomes so frequent that they become a habit and are perceived as a normal part of the daily routine. Even buying a ticket for a museum or theatre performance requires identity verification in the form of a passport check or facial recognition. Cameras with flashes photograph passing cars at every traffic light, and car park barriers only open when the car's number plate is registered. In western border towns, access to the historic centre is gained by passing through a metal detector arch for people and belongings, the same at the entrance to hotels or restaurants. For China government, the West represents the border and the demands for autonomy of Central Asian and Tibetan ethnic groups, which puts it in a state of apprehension. This apprehension manifests itself in the form of widespread police checks. Residents' and tourists' behaviour does not seem to be affected; these checks have become part of everyday life and are sometimes carried out carelessly by the officers. Paradoxically, the more widespread the controls become, the more superficial and imprecise they become to manage the complexity they create. Similarly, the choice of Beijing time for the whole country, despite the territory spanning three time zones, is reflected in everyday behaviour: in the west, work and school start at 10am and finish at 8pm, with dinner at 9pm.

Payments. Control is spreading into everyday life sweetened by efficiency in transactions. A notable example is customer payments at any point of sale, ranging from large hypermarkets to farmers' stalls selling only tomatoes. Digital currency has completely replaced cash and credit cards, operating through social media such as WeChat or Alipay. Everything is resolved by scanning a QR code, green for WeChat and blue for Alipay, which everyone has and which can also be used for individual money exchanges. When I tried using cash to test the system, I had trouble finding change for a 100 yuan note (€12), even for 10 or 15 yuan (€1.20-1.80). This led to a crisis due to a lack of cash. The shopkeeper left the shop and repeatedly asked acquaintances or colleagues in other shops for cash to make change, often without success. Some more sophisticated shops used facial recognition for payment. This was the case all along the Silk Road, from large cities to small villages. It is a financial transaction control system that improves simplicity. When asked for their opinion on this, local customers frequently responded that they found the system very convenient and therefore entirely acceptable. Practicality replaces privacy.

Infrastructure. The country is vast, and its infrastructure development is impressive in some ways. Investments in inland areas focus on two main areas: railways and motorways.

Although motorways are rarely used in the western and mountainous regions of the country, they are constantly under construction. They are mainly used by industrial vehicles involved in increasing logistics solutions, with very few private cars using them. Newly built stations and airports are sized for a predicted increase in passenger traffic in the future. There are stations in the middle of uninhabited areas, giving the impression that new urban agglomerations are planned. This capacity for long-term planning is evident and very different from what we are used to in Italy. Urban housing development is generally high-density, consisting of compounds of 20-30-40-storey skyscrapers built according to a single design. There are many such compounds, and the apartments range in size from 150 to 70 square metres. However, there are also areas where buildings have been left unfinished and abandoned, suggesting a possible construction bubble that the government is attempting to control at an unknown financial cost.

Energy. China's energy needs have always been a concern for the government, given the country's growing size and the need to support industrialisation efforts and improve living standards for citizens. Although there is autonomous energy capacity from fossil resources, especially in the deserts of the western part of the country, the results are marginal. Oil wells are in operation mainly for exploration purposes. The government is spreading the message that it is now more convenient to purchase resources on the international market and «conserve» domestic sources, partly to avoid highlighting their scarcity. Investment in renewable energy sources remains a strategic priority. China is a very large country with abundant water and space. In particular, the development of renewable energy is combined with the economic use of the Gobi and Taklamakan deserts in two ways: energy production and agricultural development. Hundreds of kilometres of wind turbines and photovoltaic panels cross the two deserts. Photovoltaic towers based on mirrors instead of panels are currently being tested, allowing for a much longer lifespan of the plants and reducing the amount of land required. China's strong belief in renewable energy as an investment in the future places it at the forefront of technology and innovation. The number of electric cars, encouraged in part by differential taxation, is impressive in cities of all sizes. Combined with other choices regarding consumption and production, this has reduced urban pollution and placed the country at the forefront of the transformation of the automotive sector.

Agriculture. The western regions of China are dominated by deserts and mountains, making them unsuitable for agriculture. However, there are increasingly large areas of land that have been reclaimed from the desert and equipped with extensive irrigation systems around growing urban agglomerations. These cities also have industry, but it is dominated by state ownership and linked to outdated logic, such as huge steelworks or power stations. There is also an industry based on downstream agricultural produce, mainly fruit. Thanks to the hot, dry climate, this produce is of a particularly high quality. Fresh fruit is transported to large cities in the east, or alternatively it is dried and used as snacks throughout the year, packaged in the east and exported. Essentially, the situation is still in the early stages of reorganisation according to specific local climatic conditions. A lot of grapes are produced, most of which are made into raisins rather than wine of a high standard. Dried fruit stalls dominate the markets. Given the desert-like terrain, livestock farming is marginal and is based on sheep and goats, as well as yaks in the mountainous regions.

Tourism. Infrastructure investments are not only concerned with logistics; there is also a growing focus on the tourism sector. The emphasis is mainly on domestic tourism, in line with the government's decision to reduce foreign travel and encourage domestic consumption. Although new high-end and mid-range hotels, resorts, events, theatres and shows are widespread, they are not yet integrated with each other to create a rich and varied offering. When travelling from one city to another, one notices a certain standardisation of tourist offerings in terms of events, shopping and leisure, with few links between them. For instance, numerous mountain tourist villages consisting of bungalows in meadows have been developed in Tibet, but there are no restaurants, shops or outdoor activities nearby. Despite the understandable delay, given the recent decision in developing internal tourism, there are numerous Chinese visitors in cities and tourist resorts, either travelling alone or with friends or in groups, especially elderly people. Domestic tourism is not only driven by leisure time, but also by a desire to connect with one's roots and the diverse cultures of China. There is a strong emphasis on rediscovering millennial culture, both at archaeological sites where it has been preserved and in social customs and lifestyles. A huge restoration effort is underway, which is still patchy but nevertheless visible. There is also a wholly Chinese social phenomenon concerning tourist clothing. In every city, from Tibet to the Gobi desert to the vast province of Xinjiang, young people and families with young children can be seen strolling through the streets in traditional historical costumes, looking like extras in a costume drama. Sometimes they are followed by a photographer who takes pictures for social media. Tibetan, Persian, Arab, Kazakh and traditional Chinese costumes, among others, appear in cities bearing their history, and there is a consistency between places and costumes that suggests a sort of aesthetic study of history. This creates an extraordinary encounter between the past, the present and the future, which could be identified as the dominant feature of China. Compared to European standards, the behaviour of Chinese tourists is therefore completely original, even if superficial, as they immerse themselves in a virtual and social reality that reflects their history in order to rediscover their roots.

Brands. The immediate impression is that the era of European and American brands is over. They have not disappeared, but now occupy a more modest space compared to the frenzy of the early 2020s. Chinese brands have expanded considerably as they have entered a stage of maturity, shifting their focus from price to product quality. However, they have not yet reached the heights of luxury. Conversely, the luxury sector is experiencing an almost universal crisis and is rethinking and rebuilding its value after years of excessive and ostentatious behaviour. Chinese brands, which have long held leading positions in the technology sector, are now entering shopping centres and sectors usually dominated by European companies, such as fashion and accessories. The ostentatious displays of wealth seen in the past have disappeared, making way for brands that are largely unknown to Western consumers. For example, the widespread presence of 7-Eleven mini-markets has been transformed into identical structures bearing the brand name «8», the lucky number in Chinese culture. The graphics are relatively similar, but the colours are different. In this context, the number of imitations and counterfeit brands has also greatly reduced.

Markets and bazaars. Given the spread of online shopping and the presence of different distribution channels, from huge shopping centres to small local shops and 24/7 mini-market chains, distribution is absolutely multi-channel. Entire bazaar districts in cities are promoted as tourist attractions, where prices are haggled over. Commercial activity is lively and widespread, offering a variety of goods ranging from souvenirs and street food to jewellery, clothing, accessories, household goods and local crafts. This follows a very Chinese logic, with shops selling the same type of goods grouped together in the same areas, in a state of mutual competition and collaboration. Traditional vocal calls are now made using small megaphones that repeat recorded messages at high volume, creating a deafening street cacophony. The waiting shopkeepers are busy with their smartphone, with the megaphone replacing their voice. This combination of tradition and technology is a recurring theme.

This brief and undoubtedly incomplete description of the landscape outside the main urban areas nevertheless offers seven insights into the Chinese market and its consumers.

1) The tourism sector, which was a major source of luxury and high-end product purchases in European cities, has suffered a severe decline (consider the closure of the large Fondaco dei Tedeschi luxury shopping centre in Venice, for example), and Chinese tourists are turning to domestic destinations in a phase dominated by large investments and pressing political choices. 2) The growth of Chinese brands, in terms of both number and product quality, signals a change in consumer attitudes and a shift away from the Western ideal that was prevalent in the first two decades of the century. European luxury brands remain, but they are also affected by the general crisis in the sector. 3) Western products are gradually losing their position of excellence and becoming competitors with local brands, in a context of comparability and greater competition. 4) After years of relative passivity, government control has become more stringent and interventionist in line with political development guidelines. 5) Despite considerable government efforts in terms of investment and restrictions on consumer access to foreign markets, the development of the domestic market is not growing at the desired rate. 6) Nevertheless, China is moving towards constructing an economic system geared towards sustainability and digital innovation. 7) Infrastructure investment is impressive but incomplete, in terms of both logistics and industry, and consumer facilities.

China therefore represents an unexportable model of society and economy with impressive potential that must be reckoned with in international markets. It is no longer just a low-cost producer or purchaser of Western goods and brands; it is developing competitive and collaborative relationships that require the definition of new and original models of internationalisation for European companies.

Tiziano Vescovi
Venice School of Management
Università Ca' Foscari Venezia