

# A Study on China's Economic Transformation and the Innovation of Marketing Strategy

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**Abstract** On the transition period, the marketing environment of enterprises in China have experienced series of important changes. This paper expounds the basic characteristics of Chinese economic transformation. Then, using PRG analysis, it analyzes structural adjustment of national strategies on enterprises' ability to meet the emergency accidents, the influence of economic growth mode transformation on the power of enterprise operation. Finally, the paper puts forward enterprise marketing strategy conversion to meeting the transition economy environment changes and draws the conclusion that during the period of economic transition enterprise must regard the environment study as a regular work and always keep the dynamic balance with environment.

**Key words** Economic transformation; Marketing strategy; Mode conversion; PRG analysis

## 1 Introduction

Economy of China has entered intense transformation period and 2010 is the key year of economic transformation. The enterprises will be affected by economic transformation inevitably. From the general sense, economic transformation of China mainly refers to the transformation from planned economy to the mode of socialist market economy. Different from Russia and eastern European countries' radical economic reforms, economic transformation in China is taking the progressive reform mode. But a worldwide rise of new economy and accession to WTO endow new research content of transformation period in the new century. In the background of implementing the scientific development, the Chinese government is adjusting the international image and the national strategy, pursuing quality of economic development, controlling overheating and avoiding the sluggish economy era to pursue advanced world civilization. Starting from actual combat of the enterprise marketing, various links of the enterprise marketing are inevitably affected by the environment of economic transition. Transition marketing is the theory and practice of researching marketing strategy from the angle of economic transition marketing, and it is different from transformation of marketing or other business transformation. Transition marketing is marketing methods or general marketing strategy which pays attention to uniqueness on transformation and business transformation or marketing transformation is to show adjustment of enterprise's specific marketing tactics (Xiao Shiming, 2004). Therefore, research on transformation of marketing pattern under the environment of China's economic change is realistic and urgency.

## 2 Characteristics of China's Economic Transformation

Economic transformation of China is intricate. Chinese economy transformation is the compulsory vicissitude mode subject to national system and at the same time, is a marginal and progressive institutional change model. Mandatory and progressive is the main characteristics of China's economic transformation (Wang Shuguang, 2002). Enter a new historical period, China's economy needs to transform and upgrade at the same time. There are three meanings to promote economic transformation and upgrading: first, to adjust the industrial structure, stick to two wheels of advanced manufacturing and modern service industry, and especially to develop modern services; second, to enhance the quality of economic development, to establish the guiding of high-end and characteristic industry, to cultivate characteristic industry; third, to change the mode of economic growth, to accelerate growth from denotative and extensive to intensive and ecological development and from investment pulling and resource consumption to innovation and talents supported. Therefore, the transformation of the mode of economic development and the economic structure adjustment and optimization is leading task of China's economic transformation at this stage.

## 3 Challenge of Marketing Environment in the Economic Transformation

According to PRG analysis, enterprise marketing environment analysis framework of economic transformation is:  $E = f(P, R, G)$ . E: marketing environment, P: economic policy and economic structure

adjustment, R: transformation of economic growth mode, G: resources and the allocation of resources (Xiao Shiming, 2004). Using PRG analysis, we can differentiate enterprise environmental challenges of transformation.

### **3.1 Economic structural adjustment under national strategic layout tests enterprise's power of meeting an emergency**

After 30 years of reform and opening-up, China's GDP reach the third place in the world. In 2010, China's economy keeps continued rapid growth. China becomes the world's biggest exporter and is expected to go into the second largest economic entity. But behind the economic bounce back, problems of the extensive pattern of economic growth stood out. The party's seventeenth conference puts forward that GDP per capita will quadruple than 2000 by 2020, which means that China's economic volume will remain continued rapid expansion in the following ten years. With the expansion of economic output, in the development process, if we can't get rid of traditional industrial structure mode, China's economic and social development are restricted to resources and environment more and more severe, and may even be suffocated by the bearing of resources and environment. For example, China's economic growth relied on the second industry especially industry in the past. In the international financial crisis, industry's crisis is the deepest, which has become the main reason of the drop of economic growth rate. Therefore, the country will depend on the market to support resource allocation, support industrialization projects of significant competitive advantage and develop regional leading industries. The Country will gradually compress enterprises of low technology, labor intensity, small size and high operating cost and support the enterprises that have independent intellectual property and innovation ability to promote industrial upgrade, the nation will adjust the energy prices, advocate saving energy consumption of resources, and weed out enterprises of serious environmental pollution. Whether the enterprises can turn these pressures brought by policy structure adjustment into motive force, is in relation to the dead and survival of the enterprises.

### **3.2 Economic growth mode transformation under the guidance of national strategy test the power of enterprise operation factor optimization**

China's resources and environment problems is closely related to the excessive reliance of economic growth to production factors input. In recent years, along with the integration of the world economy, production factors is optimized rapidly in the global market and China's economy takes on the international dumping image of low labor costs, high resource consumption and low additional value. China is playing the role of international manufacturing plants. The economic growth pattern of low-cost production and low price sales isn't adapt to the sustainable development of China's economy. Therefore, seventeenth National Congress of the CPC clearly put forward that the economic growth should shift from the pattern of low energy, low price and the labor immature capital markets to the optimizing pattern of improving the ability of independent innovation, strengthen resource conservation and environmental protection, improve value-added content of product. Therefore, the traditional advantages of low cost and low price are disappearing quickly. The enterprises can adapt to the new pattern of competition only by accessing to technology, brand operation and management.

### **3.3 The global economy structure adjustment and in the process of ascension test upgrading of enterprise strategy**

The financial crisis accelerates the global economy structure adjustment and the new pattern is formed. In order to get rid of the crisis and tap new sources of economic growth as soon as possible, the United States and other developed countries put forward the new concepts and new strategy of reindustrialization and low carbon economy. They increase the investment in science and technology and try to keep competitive advantage in the fields of new energy and new materials, aerospace and electronic information, ecological environmental protection, life science and other emerging industries. For example, in 2009 the American law of revival and reinvestment proposed the approach to electric automobiles, new energy and biotechnology industry and intelligent network plan etc. January 2009, South Korea also determined industry software, medical service and renewable energy and other 17 industry as the new industrial growth industries. At the same time, the green economy and low carbon development gradually becomes every countries' economic model. However, China's economic growth is overly dependent on resource consumption, and become one of the world's largest factories. In 2009, China yields 560 million tons of crude steel, and 6.9 million tons steel. The cement production reached 16 million tons and is 50% of the world. Overall, the Chinese manufacturing industry is still in the middle and low-end of the global value chain. Therefore, China needs to realize industrial upgrading. But on the other hand, due to the lagging development of manufacturing industry, the support of optimization and upgrading the manufacturing industry is not enough. At present, China's proportion of

producer service industry in service is 39.3% which is 24 and 22 percent low to U.S. and South Korean. Therefore, put advanced science and technology into use should base on practice, accelerate the transformation and upgrade of the traditional industries, and to focus on the future, pay more attention to the cultivation of strategic emerging industry and development. To accelerate the economic transformation and upgrade, the government's leading and the enterprise is subject. The enterprises must look far ahead and aim high and complete internationalized transformation and ascend in the strategic thinking.

#### **4 The Conversion of Marketing Strategy Model in Economic Transformation**

Economic environment is the basis of enterprise strategy and the degree of environment uncertainty is positive correlated with strategic changes (Wiersema, 1993). In the process of economic transformation, the consistency of the relationship between environmental - strategy will produce direct and far-reaching influence on enterprise management mode of operation and bring significant change in the business operation. In order to adapt to changes in economic environment of transition, the enterprise must carry out the following Innovation of marketing strategies.

##### **4.1 Intensive marketing strategy**

The key features of the enterprise intensive marketing strategy include the following aspects: First is the quality of marketing, which puts the quality management in important position and turn the past marketing thinking of extension to the track of strengthening connotation to practice. Promote grade in the fields of assets, liabilities, quality management, service quality, etc. Second is the group scale marketing, which requires production elements relatively concentrated and realizes integrated marketing by the change from the situation of dispersion and division according to the district to the situation of collectivization and scale. Third is high-tech and electronic marketing, which requires the continuous increase in the content of science, technology and develops computer network engineering, and realizes the change from handmade to e-government. Forth is efficiency marketing, which puts an end to high cost and low efficiency, and spares no effort to the marketing objective of low investment and high production.

##### **4.2 Low carbon marketing strategy**

Low carbon economy is a kind of economic form which strives to achieve a win-win development of economic development and ecological environment protection. At the same time it will bring a revolution of unprecedented values and way of life. Driven by low carbon economy, low carbon marketing planning is essential for the survival of enterprises. Chinese enterprises must promote low carbon brand image in low carbon economy by marketing practice. Enterprises should strengthen research on low carbon consumption market and develop low carbon technologies actively, at the same time, enterprises should formulate appropriate prices for low carbon products, develop green sales channels and promotion and provide green services. Many domestic enterprises begin to conduct low carbon marketing. For example, in 2009, the Mengniu realized the economic transformation of the green economy by advocating green consumption and low carbon life in the whole society.

##### **4.3 Social responsibility marketing strategy**

Economic transformation requires the transformation of enterprises and the development of transformed enterprises is closely related to the whole society. As social organizations, the enterprises should always concern social responsibility. Michael porter thinks that corporate social responsibility is an integral part of the business. The first consideration of many enterprises is the organizational transformation and transformation of mode of business operation. However, they often neglect their social responsibility. Social responsibility marketing is to create good marketing environment of fairness, justice, honesty, friendly and no unfair competition. American carmakers Ford once said that a good enterprise is different from a great enterprise. A good enterprise can provide products and services for society while a great enterprise can not only provide products and services but also make the society more harmonious. No doubt, corporate social responsibility has become a worldwide trend and no enterprise can avoid. Therefore, Chinese enterprise should formulate and implement social responsibility marketing strategy in the period of transformation. Firstly, the enterprise must strengthen the sense of social responsibility and deepen education of social responsibility. Secondly, the enterprise should take the strengthening of social responsibility as the important way to enhance enterprise cohesive force. Third, the enterprise should take the strengthening of social responsibility as a necessary condition of sustainable development and the main contents of the brand.

##### **4.4 Brand marketing strategy**

Economic transition means transition to innovation and brand economy. The purpose of economic transition is to make the international competitive advantage, and improve the international market image (He Jiaxun, 2006). Business week published a list of 100 global most valuable brands. Coca-Cola won the first prize with the brand value of 689.5 billion dollars, which fully explained that implementation of brand strategy can bring direct economic benefits. At present, China's export products are mainly products with low value-added and low technical content, the ratio of independent brand products is small and the world famous brand is lacking. Among the world 500 famous brand of 2009, there were only 18 Chinese brands, which is far less than the U.S. (241), French (46) and Japan (40). Market competition depends on brand competition in the situation of economic globalization. From the general sense, market competition goes through the competition of yield, quality, price, service to brand. Therefore, brand competition is the competition of high level. Chinese enterprises should strengthen the construction of independent brands and turn from made in China to create in China.

#### **4.5 Technology marketing strategy**

The enterprises in economic transition need innovative spirit and get business success through the continuous reform of production technology and product innovation. In some basic industry enterprises, lag in production technology is the main causing of high production costs, low labor productivity, and lack of enterprise competitiveness. In the system of market economy, the enterprise has the decision-making power of science and technology development. Therefore the enterprise should increase the technical innovation, which is the most important core competitiveness in the period of economic transition. For example, Mengniu relies on high-tech on the one hand, and on the one hand is close to consumers, which not only meets the different needs of the consumer, also leads China Dairy to a road of sustainable development. Technological innovation is an integrated process from generating new ideas of technology or product to the application of the market. Technology innovation can be completed by the enterprise, also can be completed by the cooperation of the universities, research institutes and the enterprise, however, the sign of accomplishment of technology innovation is the complete success in product market. At first, the enterprise should strengthen the market survey, establish strong R&D team, and develop new products to win the broad market space for development. Secondly, the enterprise should straighten out the key process of development, capture the market entrance of information, and get down with the project approval, planning, project evaluation and new product development to convert rapid market information to real productivity. Thirdly, the enterprise should establish the incentive policy of rewards for R&D projects to mobilize the staff, and take technological innovation as its first concept of productivity.

## **5 Conclusion**

Under the conditions of market economy, the economic environment is the basic force in enterprise strategic decision (Philip Kotler, 2001). Economic transition means economic environment will be changed significantly, and can also cause the changes of social and political environment, which can bring the adjustment of enterprise production and operating mode. One of the core problems is the change of marketing strategy. The importance of economic transformation is not only that the environmental change can cause changes in the enterprise strategy, but also is the economic transformation can bring essential change of relationship between living environment and enterprise strategy. The collectivization of China's enterprises, market internationalization and introduction of the technology are all embodiment of enterprise strategy change (Liu Haichao, 2006). In market environment, the change is the only constant. In the intricacies period of the economic transition, the timely adjustment of the enterprise marketing strategy is of decisive significance for effectively to adapt to change, change enterprise crisis and improve the performance. Therefore, the enterprise should regard environment research as a regular continuous work, and always keep the dynamic balance with environment. Only in this way can the enterprise turn the mandatory impact by the marketing environment into adaptability to the environment, and turn the pressure of environmental change to the power of the enterprises development.

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