

19 November 2018

**FROM 'MADE IN CHINA' TO 'MADE FOR CHINA': MALAYSIAN  
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*

International businesses are confident that the quality of their products 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 recently at the China International Import Expo in Shanghai.

"To succeed in the future, international businesses must be 'Made for China.' China is no longer just the world's factory; its fast-growing consumer market is prompting international businesses to re-evaluate how and what they sell to China," said Stuart Milne, Chief Executive Officer, HSBC Malaysia.

"While made-in-China goods are found in-store and online around the world, the rapid development of China's economy means that Chinese consumers are shaping the strategies of international businesses. These companies need a new playbook: 'Made in China' is no longer enough; they and their products need to be 'Made for China,'" said Stuart.

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.<sup>1</sup> In Malaysia, 100 companies were surveyed.

**Partnerships and e-commerce platforms the way to go**

Among respondents from Malaysian companies currently selling in China, 42% identified partnerships and distribution agreements with local companies as the top factor that would drive their sales growth there.

---

<sup>1</sup> Europe: France, Germany, UK,  
Asia-Pacific: Australia, Hong Kong SAR, Malaysia, Singapore,  
MENA: UAE  
North America: Canada, Mexico, USA

Another 38% of current exporters to China highlighted being able to provide distinctive and superior products and services (38%) and the widespread usage of sales and e-commerce platforms in China (36%) as key catalysts for their companies' sales growth. Both partnerships and the usage of e-commerce platforms are significantly more important for Malaysian businesses than they are globally.

### **What Chinese consumers want**

According to government estimates, China is going to import US\$8 trillion worth of goods in the five years from 2018 to 2022. That is equivalent to an average of US\$1.6 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 focused on quality, innovation and convenience, our Malaysian respondents believe, indicating that Chinese customers look for quality and safety (44%), technologically advanced and innovative products (33%) and convenient access to products and services via digital or e-commerce platforms (31%) when they make their purchases.

International businesses also believe that technology-related products and services will achieve the fastest growth in China, reflecting the sophistication of Chinese consumers and their demand for products that can enhance their lifestyle.

In Malaysia, 42% of respondents said that exports in the technology services sector (such as information technology, biomedical technology, big data and artificial intelligence) would grow the fastest. Consumer electronics (35%) and food and agriculture products (27%) were also identified as expected leaders in export growth to China.

"Chinese consumers haven't just become richer," said Helen Wong, Chief Executive, Greater China, at HSBC. "They've become more health-conscious, more concerned about the environment and more discerning about brands and the quality of what they buy. This is about a growing middle class buying avocados and wearable digital devices – just like middle class consumers in Europe or North America."

"Another example of this would be the record-breaking Singles' Day that illustrates the extraordinary power of China's consumers and e-commerce platforms. With China set to import USD40 trillion of goods and services over the next 15 years, Singles' Day highlights why more than 3,600 international companies attended last week's China International Import Expo," added Helen.

### **Millennials, platforms and partnerships**

Most businesses we surveyed said Chinese consumers aged under 40 today will drive Chinese consumer demand for years to come: 38% 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.

Malaysian 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 developing local distributor networks (62%), entering into joint ventures (60%) and selling directly via e-commerce and m-commerce (58%).

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 US\$1 trillion in 2017. Businesses in Asia-Pacific and North America in particular see e-commerce platforms as key to connecting with consumers.

### **Challenges and solutions: how businesses can be 'Made for China'**

The need to customise products and services to meet Chinese market needs (40%) was identified as the top challenge faced by Malaysian companies already selling to China. Allowing more time for compliance with local regulations and understanding the local business culture (both 36%) were seen as further challenges.

The top three challenges for Malaysia companies considering selling in China are competition from international companies (39%), adapting to Chinese tastes and lack of market knowledge (both 35%). Businesses are looking to overcome these challenges by improving their own distribution network or distributor relationships (42%), setting up local partnerships (40%), and increasing the usage of e-commerce platforms (38%).

*ends/more*

### **Media enquiries to:**

Marlene Kaur	+603 2075 3351	<a href="mailto:marlenekaur@hsbc.com.my">marlenekaur@hsbc.com.my</a>
Joanne Wong	+603 2075 6169	<a href="mailto:joanne.p.m.wong@hsbc.com.my">joanne.p.m.wong@hsbc.com.my</a>

### **Note to editors:**

#### **About Navigator: Made for China**

HSBC's inaugural Navigator: Made for China report surveyed 1,205 businesses with turnover of \$5m-\$50m USD turnover from 11 key markets globally, including: US, UK, Singapore, Malaysia, Australia, Hong Kong SAR, UAE, Germany, France, Canada and Mexico.

Survey respondents were key decision makers from businesses already or considering selling and exporting to China. The survey gauges future growth drivers of trade to China, strategies and sales channels as well as fast growing sectors and consumer generations.

To download the report, please click [here](#)

## **About HSBC Malaysia**

HSBC's presence in Malaysia dates back to 1884 when the Hongkong and Shanghai Banking Corporation Limited (a company under the HSBC Group) established its first office in the country, on the island of Penang, with permission to issue currency notes. HSBC Bank Malaysia Berhad was locally incorporated in 1984 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited. In 2007, HSBC Bank Malaysia was the first locally incorporated foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, HSBC Amanah Malaysia Berhad. Today, HSBC in Malaysia has a network of 68 branches nationwide, of which 26 are HSBC Amanah Malaysia Berhad branches. HSBC Bank Malaysia offers a comprehensive range of banking and financial services including Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Islamic financial solutions. HSBC Bank Malaysia has also led innovation in Malaysia by introducing Malaysia's first ATM and Electronic Touch Banking in the early 1980s. Today, HSBC Bank Malaysia has launched innovative solutions such as HSBCnet for secure banking for businesses, Trade Transaction Tracker and Facial Recognition.

## **HSBC Holdings plc**

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 3,800 offices in 66 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,603bn at 30 September 2018, HSBC is one of the world's largest banking and financial services organisations.