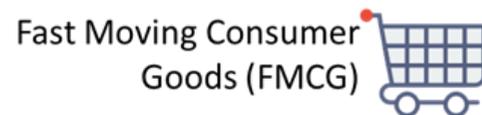


Child Fast Moving Consumer Good (FMCG) in China.

Organization.

Global multi-billion euro company

Assignment Category.



Initial Assignment.

Understanding China (!?!).

Collecting and Definition of the Definitive Assignment.

The goal obviously was less vast but deeper. Understanding China is so complex that cannot be the assignment. The real objective was diagnosing what went wrong in their business model for one specific BU in China. The BU was found to be sizeable and representative of the rest of the corporate affairs in China (therefore with a high replication potential). The arrangement was to have two working sessions, each with 30 representatives of the business, to highlight what went wrong. There was not time to collecting input directly. There was a need to define sources of information about how China has evolved since they started operations there, how their business has evolved and how would they be judged according to the Chinese Government optics. Historical financial statements and market analyst evaluation of the company were also collected.

Sources of Conflict.

- a) The stock market is punishing the company for well below expectations results in China. Current CEO stated at the beginning of the year the “corporate performance in China were just unacceptable” .
- b) Western managers vs. Chinese managers views
- c) Resource allocation scheme: A fix ratio of R&D + product development to be maintained in the USA which means that if more developments are taking place in China, somewhere else there must be reductions (Germany). The current product and associated technology are developed in Germany. Two centers of product development and R&D with conflicting cultures and views.

Organizational Elements of the Assignment.

- a) Due to the short duration of the assignment (2 days) the organizational issues will be taken into account indirectly (via the business model canvas and the ECCR matrix)
- b) Mixed groups from Europe/US/Asia were put together in the two product development facilities in Germany.

Managerial Aspects of the Assignment.

- a) Standard western business model applied without any tuning.
- b) Facing a market heavily digitalized and sophisticate/opportunistic. Very slow and little visibility in China.
- c) No portfolio leverage with other product lines (silos)
- d) Market share in China compared to western competitors lower compared to the rest of the world. General market share (even if leading) lower than the rest of the world and constantly decreasing.

Technical Aspects of the Assignment.

- a) Other brands and imports enjoy price premium and market growth in China.
- b) Lack of digital communication platform to address buy decision makers.
- c) Lack of experimentation and integration of innovation from either corporate portfolio or from China traditional strong points in ancient medicine.
- d) No real partners in China.

Action Planning, Alignment and Integration.

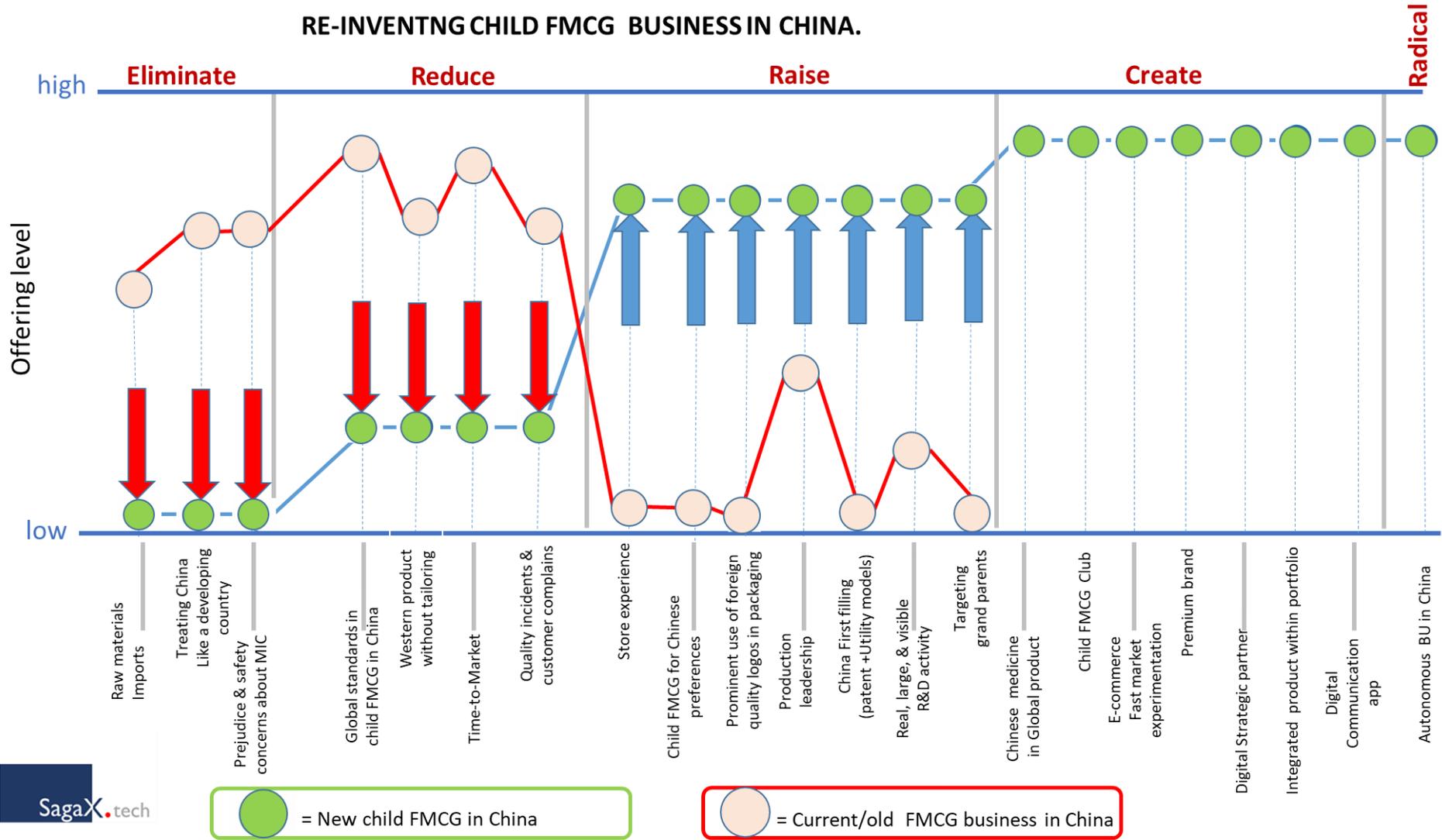
Even if initially the company was doing very well (“was the top of the game”), the market evolved faster than they did. The new urban China is social network addicted in a wider range of ages than in the west. Traditional parent targeting for marketing was ignoring the family structure in China where the child is at the center of a network (not a binome) including the grandparents. The latter are young grandparents (women go to pension at 50 years to take care of grandchildren) and they are fully digitized, network and active in social media. Shop experience was average to poor. General global standards were applied to the Chinese market even though marketing and product development know that it is not the preferred solution for the Chinese public. No real Chinese operation: there is a massive made in China (with massive buildings and factories) but very little made by (or created by) China. China is treated as a developing country where products are downgraded or (at best) sold as they are, so that the Chinese must adapt to them (and not the opposite). Massive potential for premium brands and prestige portfolio integration that would effectively fit the needs of the market.

Learning Points.

Applying western products and business models without any tuning would work initially in China when there was no sufficient supply to cover the needs of the Chinese market. The very China has evolved into a much more dynamic market with a digital guanxi that has been completely missed by the big corporation. The notion of creating a global product from China is still difficult because of prejudices about MIC and organization/budget allocation constrains. Difficult to balance the need of the Chinese government to see more made by China and the Chinese public looking to high-end products for their child (mostly in the middle of quality paranoia related to child products)

Following schemes show both the methodology and the outcomes of the assignment

RE-INVENTING CHILD FMCG BUSINESS IN CHINA.



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