

4 fundamentals to optimize engagement in China

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China is unlike any other country in the world. Perhaps the most sophisticated users of digital technology globally, Chinese citizens are immersed in a distinctive digital ecosystem for commerce, business and social connections, all of which are strictly regulated. Beyond the digital landscape, business dealings are guided by long-standing cultural practices and norms.

Simply put – **"business as usual" doesn't work in China.** Localization is essential. Here are **four fundamentals** to optimize engagement with your employees and channel partners in China.

1 Business strategies must be connected to China's digital ecosystem.

Most of the Chinese population lives on their mobile devices. They have the highest smartphone penetration in the world. According to **Deloitte**, 90% of the Chinese population uses their smartphone every day.¹ **EY** shows similar findings, adding that the majority of online retail purchases in China are made via a mobile device compared to less than 50% in the United States.²

To effectively do business and reach your target audience, you need to be mobile-first as well as integrated with **WeChat**, **Tencent's** super app. WeChat is a social and commerce app and pervasive in everyday life in China, allowing users to interact socially with family and friends, conduct business, make appointments, check the news, engage with their favorite brands and conduct e-commerce transactions. It's ingrained into almost every aspect of life.

WeChat is one of the most prominent social media platforms in the world, favored by 90% of users in China for workplace communication.³ **Why? Because users rarely leave the app.**

2 The Great Firewall of China compounds digital engagement challenges.

The "Great Firewall of China" is considered a splinternet which divides the global public internet into a subset of information for a specific region. It operates more like an intranet within China. While hosting a website outside of China is possible, it's impractical because of latency and performance issues. As you can imagine, this is a turnoff to Chinese users and unfavorable to engagement.

This is where WeChat comes in again. Because it's a native Chinese application, it bypasses the latency obstacles that plague apps hosted outside the firewall. Despite concerns related to Chinese government data collection and monitoring, WeChat is still the gold standard for Chinese consumer reach. Multinational corporations who want to access Chinese users should engage with them through WeChat or localize websites inside the firewall with an Internet Content Provider (ICP) license.

3 Data privacy compliance is required and complex.

China's data protection regime has progressed quickly over the past few years. It's robust and complex and companies need to have local knowledge of how regulations apply to provinces, cities, municipalities and autonomous regions. Several pieces of legislation govern the way data is collected, transferred, processed, used and secured – the biggest being the **2021 Personal Information Protection Law (PIPL)**, the first national Chinese law regulating data.

Remaining compliant with PIPL is pivotal and can be challenging. Non-compliance can be costly due to the significant penalties that will apply.

4 Guanxi (关系) is a cultural gatekeeper when it comes to market access and business success.

The concept of **guanxi (关系)** is loosely defined as the necessity and value placed on in-person relationships and trust-building. The Chinese culture is based on face-to-face interactions and on **guanxi**. It's essential to business success, supply chain management and deal-making.

The principles of **guanxi** play a far more important role in China than they do in the West or other parts of the world. Being directly in the playing field locally in China creates a distinct advantage.

For multinational corporations, thriving in China requires more than speaking the language. It requires a local presence, integrating with their technology and a true respect and understanding of their culture.

SOURCES

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2. Why a New Strategy for China Today is Essential for Success Tomorrow, Edvard Rinck, Richard Watson, Stephen Koss, Dong-Hyun (Alex) Lee, EY, 2022.
3. 2023 WeChat Statistics: Unveiling Crucial Insights and Trends, Susan Laborde, TechReport, 2023.

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