Chapter 5
Market Receptiveness and Product Positioning Model of Chinese Firms in Emerging Markets

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ABSTRACT

This study looks into the common strategic moves of Chinese firms to create appeal for their products in emerging markets. The focus is on the common competitive factors that make them to have high rate of success and prosperity compared to first movers firms from advanced markets in developing countries marketplace. Past studies showed that a firm without established brands, technology knowhow and management capabilities are likely to face with survival and performance problems, and may also reduce the firm’s strategic options and growth opportunities in developing economies. Chinese firms are known to lack established brands and important core capabilities but have been able to demonstrate a unique trend in emerging countries market place. They have a common structure and trend in the ways Chinese firms create appeal to users and potential buyers in emerging market environment. This present research explored the situation with case research interview of seven Chinese firms in Nigeria.

INTRODUCTION

The internationalization of Chinese firms has been attracting attention recently and it has led to emergence of study into the business strategies of Chinese firms in their cross border activities. Peng, (2012) identifies the supporting roles of Chinese government to Chinese firms that engage in international business operations. He also identifies Chinese firms’ disadvantages of, lack of technology and managerial resources as reasons why they always adopt different strategic choices. Showing preferences for DOI: 10.4018/978-1-5225-0282-1.ch005
different strategic product positioning option is driven by the need to avoid direct confrontation with established firms from developed countries which are endowed with superior products due to their unique ownership advantages (Dunning 2002, 2003). This occurs because Chinese firms are noted to possess limited established brands and disadvantages in technology and managerial resources. Coupled with disadvantages in firm specific factors, firms entering emerging markets face markets which are characterized with location disadvantages such as high country risk and cultural distance (Peng 2009; Xu, et. al., 2011; Dunning 2013).

The combined effects of these disadvantages on multinational firms operating in emerging countries and location disadvantages of developing markets tend to be resolved by firms through using what is termed the “relationship pattern” between countries (Wattanapruttipaisan, 2001). In the last two to three decades, governments from emerging economies have been involved in cementing political and economic relationships as well as bilateral and regional agreements with each other (Jang, 2011). In the case of Nigeria and China, they have signed a number of bilateral trade and investment agreements. It is therefore important to know how the Nigeria-China relationship patterns merge trade and investment to resolve issues of positioning of Chinese firms’ products. This is specifically in relation to the effects of ownership disadvantages of Chinese firms and the location disadvantages of Nigeria business environment.

Specifically, this chapter will explore how the relationship between Nigeria and China influence the market/consumer receptiveness and positioning strategies of Chinese firms operating in Nigeria. Chinese products are presumed to be low cost and less expensive – affordable; and they are physically present in the country - availability. On the other hand, low cost and available spare parts and accessories make it very easy for consumer to service and use for a long time – maintainable. The three variables of affordability, availability and maintainability make Chinese products unavoidable for numerous consumers in the country. In a simple term, how do Nigeria-China relationships influence affordability, availability, maintainability and unavoidability of Chinese products to determine the level of market/consumer receptiveness in Nigeria?

OVERVIEW OF NIGERIA BUSINESS ENVIRONMENT

This general prologue is to give an overview of some of the significant changes in Nigeria business environment and their effects on trade and inflow of foreign direct investments from emerging multinationals from emerging markets to Nigeria. After the independence of Nigeria, and the discovery of large amounts of crude oil in its Delta region in the 1960s, the Nigerian economy boomed through to the 1980s (Odularo, 2008). It became the strongest economy in Africa, and attracted investors from all over the world. Indeed, at the time, African Leaders nicknamed Nigeria as the Giant of African.2 The favourable business environment during this period attracted a good number of multinational energy giants to Nigeria (Zongwei, 2006). The majority of these firms were from the United States, United Kingdom and Europe. Examples of these firms include such giants as Royal Dutch/Shell PLC, the first and the largest operator of a joint venture with Nigerian National Petroleum Corporation (Odularo, 2008). Others include Exxon Mobil Corporation, Chevron, Total Elf and Texaco. Apart from multinational corporations that invested in the energy sector, companies such as United African Corporation (UAC), Leventis, Nestle, and Cadbury invested heavily in the country as well as the Peugeot Automobile Company from France, and Volkswagen from Germany that both have assembly plants in country.