

# Overseas Chinese Marketing Strategies: A Brunei Study.

**By:**

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## **Introduction.**

Victor Limlingan's study (1986) of Overseas Chinese trading companies in South East Asia (SE Asia) demonstrated that the business success of these companies was based on a marketing strategy of low margin sales and high turnover. (Limlingan 1986:74-75) Through low margin sales and the use of credit extension, Overseas Chinese businesses were able to move surplus stock and increase market share. While the strategy reflected the traditional Chinese golden rule of retail: "Bo li duo xiao" – 'thin profit, vast sales', it was also part of a broader strategy to develop business and social networks by building personal relationships (*guanxi*) of mutual trust and obligation.

The Overseas Chinese family business combines social and commercial life and is managed within a web of interpersonal and interdependent family and commercial ties. A central feature of the social-commercial environment is the *guanxi* system of providing favours (*renqing*) for family members and business associates by way of preferential treatment through credit extension and price discounting. (Limlingan 1986; Luo 1995, 1997a & 1997b; Wong 1997; Whitley 1994) Accordingly, preferential treatment by the Overseas Chinese business has been explained as a means of relationship marketing. (Luo 1995 & 1997b; Walters 1995; Ambler 1995; Anderson and Narus 1990) Yet, marketing for the Overseas Chinese is not segmented from other business functions but seen as an integrated part of extending the family business network.

The business community of the Overseas Chinese generally seeks to maintain high cash-flows and use cash discounting as a means of providing favours to family and friends but also as a means of extend business to non-Chinese and unknown but potential clients. Credit extension, on the other hand, is reserved for customers or associates that can be trusted. Limlingan argues that: "From the basis of a substantial market share the Overseas Chinese have sought to create and sustain their competitive advantage by pursuing economies of scope rather than economies of scale." (Limlingan 1986:92)

While the influence of *guanxi* upon Overseas Chinese business management has been widely reported, (Whitley 1994; Redding 1997; Department of Foreign Affairs and Trade 1995; Min 1995; Dwyer, et al. 1987; Foo 1995) Limlingan's study has made an important contribution to understanding Overseas Chinese business in revealing something of the actual marketing practices of Overseas Chinese business. Since Limlingan conducted his study in 1986, however, the SE Asian business environment and its commercial opportunities have changed. Trade and capital flow liberalization, computerization, bank and foreign credit availability, and even the increased access to Western education systems have all expanded the opportunities available to Overseas Chinese communities. (Reynolds 2001; Fung 1997) Accordingly, it is proposed here that such economic change and commercial development in SE Asia warrants a re-evaluation of Overseas Chinese marketing behaviour.

In selecting Brunei to sample the business activities of Overseas Chinese businesses in SE Asia, the purpose of this study is to access the marketing objectives and strategies of the Overseas Chinese business community. While the *guanxi* system of extending business through networking and relationship building has characterized their traditional marketing and management approach, this study examines the uniformity and continued acceptance of this tradition. Specifically, the endeavour is to identify the marketing objectives and strategies used by successful 'high-growth or high-profit' companies, as to 'low-growth or low-profit' companies. The study seeks to discover whether 'high-growth, high-profit' Overseas Chinese businesses still predominantly use the traditional low margin - high turnover business growth strategy, or if there are other features that now characterize their success. One of the benefits of this study is to consider the changing nature of Overseas Chinese business in the context of improving commercial opportunities.

## **Theoretical Background**

One of the most important influences on SE Asian development has been the immigration of the Overseas Chinese across the region. For centuries, Chinese merchants travelled the region mostly without hindrance and established communities in many locations. As a general rule, Chinese who left China in the last two century did so in search of economic opportunities. Heavy migration usually occurred during periods of poor economic conditions – during the major famines of 1846, 1849 and 1877 – or war. With the signing of the Treaty of Nanking in 1842, under which the Qing-Manchu Court ceded control of Hong Kong to Britain, 5 ports were opened up to Western trade and consequently a stream of people left China. The last great wave of Chinese emigrants came with the Communist takeover in 1949. Since then, the flow of emigrants has been slow. (see Hodder 1996; Reid 1997; Department of Foreign Affairs and Trade 1995)

These 'southern sojourners' (the Nanyang hua-qiao) were mostly from coastal regions of South Eastern China, principally Guangdong, Fujian and Hainann. Within these groups the main dialects can be identified as Cantonese, Hokkien, Hainanese, Fuzhou and Hakka. Immigration into SE Asia was not, however, random, but occurred in 'chains' whereby relatives and neighbours from towns and villages in China tended to follow one another to particular locations. Consequently, particular areas across SE Asia have come to be home to specific Overseas Chinese groups.

As the Overseas Chinese have become established they have been known for their family networks. The origins of these 'networks' are simple enough to understand having developed often under economic necessity as well the need for social and economic welfare. Overseas Chinese communities have commonly formed temple committees, school committees, welfare associations and chambers of commerce. From the business perspective, however, probably the most significant advance to Chinese business came from the formation of Chinese business associations. Formed along the lines of kinship, locality of origin, crafts or dialect, it has been the dialect based associations with their relatively broad membership that have been the most active and prominent associations across SE Asia.

This framework for social and commercial organisation has allowed the Chinese to bring order to their communities as well as support for commercial growth. While obviously having an element of exclusivity based on race, dialect or craft, the Overseas Chinese have been successful at adapting societies to survive within their foreign environments.

Traditionally, the Chinese have managed to keep a low profile and regulate their own systems of law, or at least, of correction, based mostly on community opinion and condemnation. The Chinese informal associations and support groups thus came to exist in parallel to state organisations and institutions. Thus, the main strength of the Chinese communities has been their ability to adapt and transport their 'culture', by way of social structure and cohesion, into environments where such 'culture' was poor. Social cohesion and the general dispersion of Chinese communities across the region have given them an added commercial advantage as they indulge in cross border trade and arbitrage to advance their economic opportunities. This propensity for cross boarder commerce has come to be a characteristic of their business success in the region.

The Overseas Chinese, that is, Chinese living outside of China, by 1995, comprised more than 60 million people with assets of more than \$2tril. The Australian Department of Foreign Affairs and Trade has suggested that they are the driving force behind the "commerce throughout much of South-East Asia, controlling for example, up to two thirds of the region's retail trade with less than ten per cent of the population." (Department of Foreign Affairs & Trade 1995:153)

Central to Overseas Chinese social and commercial life, is the concept, or social ideology, of *guanxi* (or *kuan-chie*) - the network or 'connectedness' of the relationships with the Chinese community. Of primary importance to the Chinese way of life is the enhancement of the family unit and the bonds of trust and interrelationship which extend beyond the nuclear unit to relatives and friends. Accordingly, trust and loyalty among family members and friends are taken for granted and networks develop by way of "a complex web of mutually-binding obligations and dependencies". (Lasserre 1999:127) *Guanxi* involves both the building of relationships as well as the process of using and building the relationship networks (*guanxiwang*) to broker influence and preferential pricing.

In principle, *guanxi* is strongest with immediate family and friends, and weakest with strangers. *Guanxi* is a broad understanding of interrelationships within the Chinese community and does not distinguish business relationships from other social relationships of family and friends. *Guanxi*, then, is expressed in the form of doing favours, providing opportunities, and giving discounts to those with whom relationships are strong. Loyalty to the family – which can extend to people who are not biologically related – is counter-balanced by distrust of strangers.

In China, *guanxi* has a broad application to family and social networks, but the need to survive in 'unfriendly' and even discriminatory environments in SE Asia has led *guanxi* to take on a particularly strong commercial quality for the Overseas Chinese. Consequently, where *guanxi* is strong in family relations, it is also evident in Chinese business negotiation and management. While, *guanxi* may have changed over time and have different features by geographical and social context, *guanxi* is understood to remain fundamental to the Overseas Chinese business system in SE Asia. (Limlingan 1986; Wong 1997; Foo 1995)

For the Overseas Chinese business, building relationships, accordingly, is the primary objective. Amber suggests that "the Chinese believe that one should build the relationship and, if successful, transactions will follow. Westerners build transactions and, if they are successful, a relationship will follow." (Amber 1994:69) *Guanxi* has become so fundamental to business management and marketing that Luo reports that a new term has been derived, *guanxihu*, to describe 'specially connected firms'. (Luo 1997; Amber 1994)

Unlike the networks of companies and people of the West, however, where there is mutual give-and-take, in the *guanxi* business system obligation and respect are based upon social and corporate positioning. Within a network there are 'stronger' and 'weaker' members. As the stronger members have an obligation to give, and continue to give, to the weaker members, so the weaker members demonstrate their respect and give honour to the stronger members of the network. (Pye 1986).

Trust, obligation, and preferential treatment are all features of this dynamic relational system. In business, *guanxi* is not just about closing a deal or building a relationship. It is about building life-long relationships and business associations across an integrated web of social roles and responsibilities. "If necessary, *guanxi* may involve the constant giving without obtaining a favour in return or visa versa, provided there is enough trust in the relationship to know that when a reasonable favour is asked it is given". (Buttery and Leung 1998:383) Again, business arises out of the nature and strength of the relationship and *guanxi* is as much an expression of cultural values as it is of a business marketing strategy.

Networks, admittedly, are not exclusive to Chinese business management - the Japanese *wa* and the Koreans their notion of *inhwa* are illustrations of other inter-market and concentric networks. (Ewing, et al 1998; Kotler, et al 1996) Yet, *guanxi* personal and business networks remain unique to Overseas Chinese cooperative business strategies and practice. Michael Ewing suggests, "*Guanxi* is a major dynamic in Chinese society, and a key differentiator between Chinese companies and those of Japan and the West." (Ewing 1998:3) While there has been research into network building and relational marketing for Western markets, (Gumersson 1994) and some examination of Chinese markets (Buttery 1999; King 1991; Luo 1997b) there is a genuine need to extend the examination of network marketing in SE Asia (Hakansson 1982) and particularly to consider Overseas Chinese marketing strategies.

The growing appreciation of relationship marketing has arisen out of the perceived value of the customer as found in the marketing (Drucker 1952; Webster 1988:32) and market-orientated approaches to marketing theory. (Shapiro 1988, Slater & Narver 1994, Lambin 1996) Relationship building has become an important topic for marketing theory especially in relation to the cultural context in which it occurs. (Buttery & Wong 1999; Gronroos 1994; Grumerson 1994) It has also been foundational to the understanding of networks and network marketing. (Dwyer 1987; Anderson and Narus 1990; Buttery & Wong 1999; King 1991) The overriding importance of the relationship between the business and the customer means that Overseas Chinese commerce is flexible and adaptable to changing opportunities and circumstances. It is to be noted, however, that the provision of favours and giving discounts on products and services is not an exchange-focused strategy simply to bring more sales. There is a 'different' and more complex agenda in giving preferential treatment than seen commonly in Western business transactions. Accordingly, the study of relationship marketing and network marketing is enhanced with a review of Overseas Chinese marketing practice.

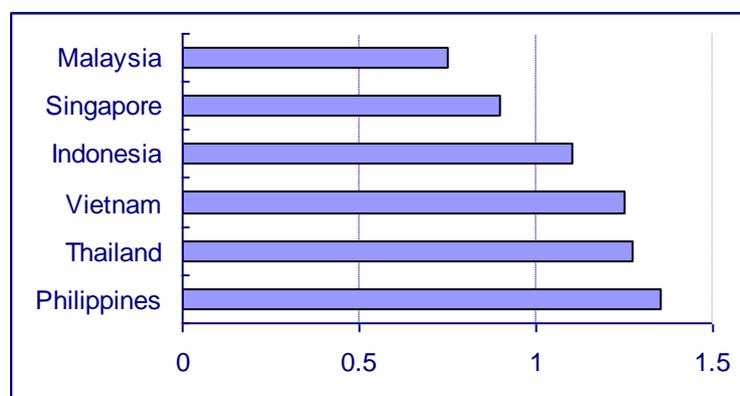
Chinese business practice is characterized by negotiation and bargaining but the central tenet of this process is the price of a product or service. Giving discounts or granting credit are aspects of this process of price negotiation. In the same vein, it has been the low-margin pricing strategy that, as Limlingan suggests, has made the Overseas Chinese so successful. Preferential pricing by way of discounting and credit has been used to strengthen relational connections and can be aptly described as a relational-marketing

strategy. The strength of the *guanxi* relationship is, accordingly, seen in the pricing of a sale (although the rule is hard to follow as relatives can be charged more for a product simply because it is their duty to purchase from a seller or because the seller decides the relative-buyer can afford to pay a higher price.)

Pricing, of course, is a common marketing tool in most economies. From the point of view of Western analysis, Nagle (1994) suggests that in the past 20 years there has been great interest in the theoretical development of pricing strategies. There is, however, no one dominant pricing strategy or model in place in the West. Marn and Rosiello (1992) in examining the price management of business transactions in the US, suggest that discounting is a common feature of business. Discounts are given to buyers for paying their bills within 30 days, for volume purchases, freight and advertising costs. Marn and Rosiello suggest that transaction discounts are commonly between 20 and 30%. (Marn & Rosiello 1992:87) These discounts, however, are representative of business-to-business transactions, and, unlike the Overseas Chinese, focus on securing and closing the transaction. Discounting of products for sale to the end user, for the West, tend to be much more seasonal and dependent upon the marketing strategy employed by the business concerned.

In the SE Asian context, price is used, particularly by the consumer, as a direct indicator of a product's value: The higher the price, the higher the perceived value. Yet, 'value' is also to be understood as having a culturally ascribed dimension. In principle, regardless of whether it is clothing, shoes, household goods or cars, people in SE Asia will pay a high price for goods they perceive to have cultural significance and status within their social group. Price, as an indicator of status, is also an indicator of quality. Schutte says "the price-quality equation serves as a risk-reduction mechanism for the uninformed." (Schutte 1998:165) Across SE Asia, the price-quality indicator is common and helps people stay in line with their culture's expectations. But, herein lies the dilemma for the SE Asian consumer: The average income in many market segments is quite low and, while demand is quite high, there is a large degree of price sensitivity as consumers want high-cost/high value items at low prices

### Price-Quality Indicator



Source: Probert & Lasserre

While the Overseas Chinese business is likely to use a low margin sales as a marketing strategy to compete against high priced competition, marketing products in price-sensitive environments requires more than lower prices, it requires increasing the 'perceived' value

of products. This is achieved through giving discounts to customers: Thus, the continued success of the discounting strategy.

The use of price discounting and the extension of credit for the Overseas Chinese reflect not only their cultural imperatives arising from their *guanxi* relations and their retail traditions, but also the need to respond to customer expectations. Because the Overseas Chinese business approach is relational based, it is able to adapt to the changing market conditions in line with their overall marketing strategies.

Again, the enquiry of this study is to explore whether preferential pricing and relationship building strategies are still as successful as they once were. The changing social and commercial environments would suggest that business practices may have indeed adapted to meet new opportunities. Accordingly, other business growth strategies may be evident within the Overseas Chinese business community.

## **Methodology**

With the cooperation of the Brunei Chinese Chamber of Commerce, the Chamber's membership list was made available for this survey. From a list of 354 businesses, a sample of 150 was systematically selected by using a random sample number of 2. This involved drawing every  $n^{\text{th}}$  element in the population starting with a random chosen element between 1 and  $n^1$ . All these businesses were located in either Bandar Seri Begawan or Kuala Belait; Brunei's two main business-residential centres.

Over a 4 week period, the managers of the 150 firms were contacted by phone to arrange a time for a personal interview to answer a questionnaire. Of the 150 firms contacted, 123 completed usable questionnaires: A response rate of 82%. Some 78% of respondents were either the manager, or owner-manager of the business, and 76% described their business as in either retail or service industry.

## **Instrument Used for Data Collection.**

The construction of this survey commenced with a series of personal interviews with business managers to determine the nature of their preferential treatment of relatives and business associates. This initial investigation was used to determine whether *guanxiwang* was something widely practiced among Chinese business in Brunei. The information collected from this first step was then combined with secondary data obtained from a literature review to provide the basis for the development of a structured questionnaire used for this study.

The questionnaire contained seventeen questions. Thirteen questions used a non-comparative scale and four used an itemised rating scale ranging from "not pursued", a scale of (1), to "pursued to a great extent", a scale of (5), for measuring respondent's reactions to each matter.

To test the pricing strategies of successful, or high growth – high profit firms and the influence of *guanxi*, as a relationship marketing – or *gunaxiawang*, upon marketing practice, three matters were surveyed: Pricing Objectives; Pricing Strategies, and

Preferential Price Discount. Philip Kotler's list of pricing objectives and marketing strategies were used in the design of these questions. (Kotler 1997: 392 & 496)

In order to pre-test the questionnaire, ten business managers were approached to complete a trial survey. The feedback from these interviews was then used to refine some language problems and clarify the structure of the questionnaire. Once the final structured questionnaire was prepared, appointments for interview were arranged. The interviewers provided the respondents with a copy of the questionnaire during the interview for them to complete. The interviewers provided clarification of the questions when necessary to ensure a minimum of confusion. The questionnaire was written in English with interviewers speaking both English and Mandarin (with local dialect).

The objective was to determine the marketing objectives and strategies of successful Overseas Chinese businesses and particularly the use of preferential pricing discounting for relationship-marketing. Accordingly, the results of the survey were divided into the two cohorts: High Growth and Low Growth. Comparisons are made between the two cohorts in order to determine their marketing behaviour patterns and thereby identify common characteristics of successful companies.

The cohorts are shown to have differences in each of these aspects of marketing. Respondent answers were divided between low scores as an accumulation of answer preferences 1 and 2, (not pursued) and high scores as an accumulation of answer preferences 3, 4, and 5 (pursued to a great extent). Results were then processed using the Chi-Square test to identify significant difference between the High Growth or Profit, and Low Growth or Profit cohorts.

## **Research Findings**

Of the 123 firms used in the survey, 45% of the business managers were Hokien, 20% were Hakka, 14% Haihan, and 11% were Foochow. The majority of the respondents (55%) were under 40 years of age. Seventy five percent of all respondents had completed high school and 29% had completed a university diploma or degree. While 59% of respondents had worked with their business for less than 10 years, 14% claimed to have professional management experience.

<b>Race</b>	Score	%
Hokkien	55	44.7
Hainan	17	13.8
Hakka	24	19.5
Foochow	13	10.6
Other	14	11.4
Total	123	

With regard to the nature of their business, 39% were in retail, while 37% were in services, 12% in wholesale, 6% in manufacturing, and 6% in construction. The majority of businesses (75%) had been established for less than 15 years, and some 73% of all

businesses employed less than 20 people. Of all businesses, some 76% indicated that they had at least one other family member working in the business with as many as 25% of businesses employing between 6 and 15 family members. (Hokkien comprise 44% of the population but make up 56% of the High Growth cohort)

The rationale in asking a question about ethnic background was to establish the breadth and origin of the immigration pattern to Brunei. It has been suggested that the ‘southern sojourners’ moving across SE Asia had come from various parts of Southern China and this is found to be true for Brunei. While originating mostly from poor urban and rural settings in China, within two or three generations, the Overseas Chinese are shown here to have attained relatively high educational standards. Similarly, the question concerning the number of family members employed in the business was to establish that family involvement in the business remains an important feature of Overseas Chinese businesses – as suggested in the literature. Clearly, it is.

### **Demographics**

<b>BUSINESS GROWTH AND PROFIT</b>									
<b>LOW GROWTH OR PROFIT</b>					<b>REASONABLE TO HIGH GROWTH OR PROFIT</b>				
	<b>Score</b>	<b>%</b>	<b>Score</b>	<b>%</b>		<b>Score</b>	<b>%</b>	<b>Score</b>	<b>%</b>
<b>Age</b>									
	Below 40		Above 40			Below 40		Above 40	
	29	44%	37	56%		38	67%	19	33%
<b>Length of Business Operation</b>									
	Less than 10 years		More than 10 years			Less than 10 years		More than 10 years	
	<b>33</b>	50%	<b>33</b>	50%		40	70%	17	30%
<b>Level of Education</b>									
	Up to Completion of High School		College or University			Up to Completion of High School		College or University	
	53	80%	13	20%		30	53%	27	47%
<b>Professional Management Experience</b>									
	5 years or less		More than 5 years			5 years or less		More than 5 years	
	22	33%	44	67%		28	49%	29	51%

An overview of the two cohorts suggests that the High Growth cohort is generally younger than the Low Growth cohort, and tends to be more educated with over double the number of High-Growth respondents having completed college of university. Where 20% of the Low Growth cohort completed education beyond high school, 47% of the High Growth cohort had completed a form of higher education. At the same time, this younger High Growth cohort had spent less time managing their business. To generalize, the majority of younger more educated managers tend to have less experience but be more successful in their operations.



## Pricing Objectives

In order to determine the pricing objectives used by companies in developing their marketing programs, respondents were asked to indicate the importance given to seven pricing criteria. The two common features of the High Growth and Low Growth cohorts were their objective to maximize sales revenue and maximize sales growth. This is taken to indicate a common desire to maximize current cash flow and gain short-term financial results. Both cohorts also saw 'market level pricing' as a major concern. At the same time, there were three areas of discrepancy in the objectives followed by the two cohorts in the areas of: the maximization of profits; market skimming; and the desire to increase market share.

With the objective of maximizing profits (p value = 0.001), the High Growth cohort also sought to skim the market where possible and to increase market share: Features not common to the *guanxi* business growth model as described by Limlingan.

BUSINESS GROWTH AND PROFIT									
	LOW GROWTH OR PROFIT				REASONABLE TO HIGH GROWTH OR PROFIT				Sig. Level
	Score	%	Score	%	Score	%	Score	%	
Survival	<b>14</b>	20.6	<b>52</b>	78.8	<b>12</b>	21.1	<b>45</b>	78.9	0.983
Maximise profits	<b>32</b>	48.5	<b>34</b>	51.5	<b>11</b>	19.3	<b>46</b>	80.7	0.001
Maximise sales revenue	<b>7</b>	10.6	<b>59</b>	89.4	<b>4</b>	7.0	<b>53</b>	93.0	0.487
Maximise sales growth	<b>0</b>	0.0	<b>66</b>	100.0	<b>3</b>	5.3	<b>54</b>	94.7	0.059
Market skimming	<b>35</b>	53.0	<b>31</b>	47.0	<b>15</b>	26.3	<b>42</b>	73.7	0.003
Product-Quality Leader	<b>22</b>	33.3	<b>44</b>	66.7	<b>11</b>	19.3	<b>46</b>	80.7	0.080
Increase market share	<b>23</b>	34.8	<b>43</b>	65.2	<b>5</b>	8.8	<b>52</b>	91.2	0.001
Undercut competitors	<b>26</b>	39.4	<b>40</b>	60.6	<b>16</b>	28.1	<b>41</b>	71.9	0.187
Market level pricing	<b>8</b>	12.1	<b>58</b>	87.8	<b>5</b>	8.8	<b>52</b>	91	0.547

## Pricing Strategy

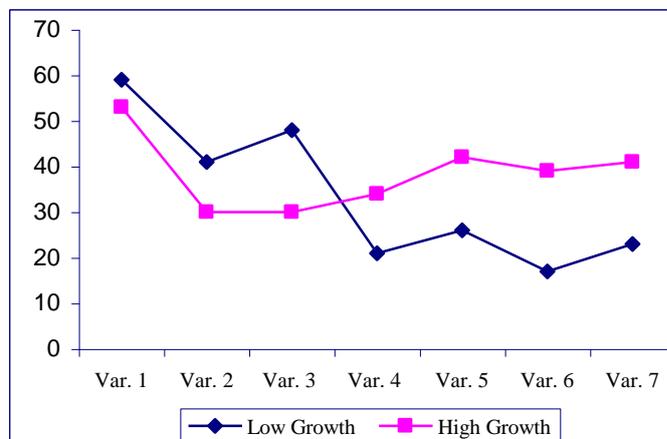
The use of pricing strategies show some clear distinctions in the approach by the two cohorts. Most notably, the High Growth cohort showed a clear preference for seeking high margins on sales (P value = 0.000). In contrast, the Low Growth cohort preferred low margins on sales (P value = 0.001) and a distinctive higher preference for extending credit to customers (P value = 0.015). When it comes to more 'sophisticated' strategies for business growth, the High Growth cohort had a clearly different approach. In the use of 'distribution channels' (P value = 0.000), selling 'prestige goods' (P value = 0.014), providing 'good service' (P value = 0.001), and seeking 'market penetration' (P value = 0.018), the High Growth cohort showed a clear preference.

BUSINESS GROWTH AND PROFIT									
	LOW GROWTH OR PROFIT				REASONABLE TO HIGH GROWTH OR PROFIT				
	Score	%	Score	%	Score	%	Score	%	Sig. Level
High margins on sales	32	48.5	34	51.5	10	17.5	47	82.5	0.000
Low margins on sales	18	27.3	48	72.7	32	56.1	25	43.9	0.001
Price discounting	19	28.8	47	71.2	23	40.4	34	59.6	0.177
Sell on credit	26	39.4	40	60.6	35	61.4	22	38.6	0.015
Promotional pricing	29	43.9	37	56.1	19	33.3	38	66.7	0.229
Cheap goods	16	24.2	50	75.8	19	33.3	38	66.7	0.265
Prestige goods	29	43.9	37	56.1	13	22.8	44	77.2	0.014
Product proliferation	13	19.7	53	80.3	5	8.8	52	91.2	0.101
Good service	14	21.2	52	78.8	1	1.8	56	98.2	0.001
Distribution channels	38	57.6	28	42.4	8	14.0	49	86.0	0.000
Market penetration	31	47.0	35	53.0	15	26.3	42	73.7	0.018

### Preferential Price Discounting

As a whole sample, 83% of businesses survey were prepared to give immediate family members up to 10% discount as a general condition of sale and 56% were willing to give immediate family over 20% discount. When viewed as separate High Growth/Low Growth cohorts, both cohorts gave considerable less discount to distant relatives, but there was quite a disparity in their discounting for each of the other categories. First, the Low Growth cohort was obviously more generous to Immediate Family, Distant Relatives and Good Friends. In contrast, the High Growth cohort, was noticeable more generous to Business Associates, People in Need, Potential Business Associates (P value = 0.006) and at Certain Times of the Year. The results indicate a clear difference of approach between the two cohorts with the Low Growth cohort focused on maintaining relationships, and the High Growth cohort seeking to use discounting as a business growth strategy.

**Discounting – High Score Comparison**



BUSINESS GROWTH AND PROFIT									
	LOW GROWTH OR PROFIT				REASONABLE TO HIGH GROWTH OR PROFIT				
	Score	%	Score	%	Score	%	Score	%	Sig. Level
Immediate Family	27	40.9	39	59.1	27	47.4	30	52.6	0.472
Distant relatives	39	59.1	27	40.9	40	70.2	17	29.8	0.201
Good friends	34	51.5	32	48.5	40	70.2	17	29.8	0.035
Business associates	52	78.8	14	21.2	38	66.7	19	33.3	0.013
People in need	49	74.2	17	25.8	33	57.9	24	42.1	0.055
Potential business assoc.	55	83.3	11	16.7	35	61.4	22	38.6	0.006
Certain times of year	51	77.3	15	22.7	34	59.6	23	40.4	0.035

## Discussion of Results

The survey revealed that both cohorts saw the ‘maximising of sales growth’ and ‘maximisation of sales revenues’ as their primary objectives. The High Growth cohort was distinguished with the further objectives of ‘maximizing profits’ and ‘increasing market share’. This objective, however, does not comply with a *guanxi* marketing model of building networks by providing favours and focusing on relationship sales. Accordingly, it seems reasonable to propose that the High Growth cohort is more focused on building their business and their profit margins than on building relationships.

In reviewing the High Growth cohort’s approach to marketing strategy, ‘high margins on sales’ is seen to be a major strategy in parallel to ‘market skimming’ being a major objective. In contrast, the Low Growth cohort had a higher inclination toward ‘low margins on sales’, in line with a more traditional marketing approach (Bo li duo xiao).

The distinction in the marketing strategies of the two cohorts was also evident in their interest in the use of distribution channels. In generalizing and identifying the Low Growth cohort as mainly the older traditionalists, and the High Growth cohort as the younger professionals (67% under 40) then it appears that the traditionalists were not interested so much in utilising marketing methods such as ‘distribution channels’ because they have traditionally relied upon their *guanxi* networks to sustain their business. In contrast, the High Growth, new generation, looked to develop marketing ‘channels’, sought higher sales margins, and provide good customer service.<sup>1</sup>

In consideration of the use of preferential price discounting, while the statistical difference was not extreme, a High Score comparison between the two cohorts reveals a difference in approach. The High Growth (younger managers) cohort appears more calculating, more growth focused and willing to take risks – providing higher discounts to potential businesses. This different approach by the successful businesses suggests a change in strategy in the use of preferential price discounting toward a wider application of discounting.

Traditionally, discounting is a common *guanxi* practice, especially for immediate family, but there is also the feature of family obligation to keep business within the family

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<sup>1</sup> As an aside, it is interesting result of the survey is that nearly 80% of both cohorts saw ‘survival’ as a primary objective. In the after math of the SE Asian financial crisis, Brunei had suffered an extreme loss of expatriate workers. This had a flow-on effect for business activity and the development of a economic recession. In another era, ‘survival’ may very well not feature as a primary consideration.

network. That is, it is considered not necessary to give big discounts to family relatives because the family has a relational 'awareness' or obligation to buy from the family business. The Chinese traditionally believe that: "Fei shui bu liu wei ren tiao" (roughly translated: Fatty-rich water no drain outside people field) That is to say, everything should be kept within the family, including even the water of the farm and house (sewer water) from running into the neighbours farm. Accordingly, discounts to family are not automatic and may only be given if requested.

But a 'new' generation business growth model appears not so much built on loyalty and obligation, but the extension of the networks beyond the family and trusted associates to new and potential business associates through providing favours (discounts) and procuring mutual gain: The networks are more 'business' than 'relational' based and the focus is more on immediate gain than on building long-term trusted relationships.

Another important finding from the survey is the declining use of credit. While 60% of the Low Growth cohort were willing to give sales by credit, only 40% of the High Growth cohort were willing to do so. This result contrasts with studies by Luo (1997) and Limlingan (1986) which pointed out the importance of credit extension as a form of preferential terms of payment and a means of moving stock. Limlingan points out that providing credit has benefits for both buyer and seller, and Luo's research found that 95% of his survey respondents believed that credit extension was an intricate part of *guanxi* business relations. (Luo 1997a: 54) Yet, these findings are not supported by this present study which suggests that the use of credit is not a universally accepted strategy and indeed not a popular strategy among the successful businesses.

### **Summary and Conclusion.**

This study examined the marketing objectives and strategies of successful 'high growth and profit' Overseas Chinese businesses and compared them to the traditional marketing approach of low-margin-high-turnover sales, as proposed by Victor Limlingan in 1986.

The Brunei Chinese Chamber of Commerce provided a unique opportunity to test the marketing practices of the Overseas Chinese business community and to identify the marketing features of successful companies. In sum, there is a marked distinction between the objectives, strategies and preferential pricing activity of the High Growth cohort and the Low Growth cohort in this study. The Low Growth cohort conforms with traditional business and marketing practice – low margin-high turnover sales in the pursuit, presumable, of high cash flows – as described in the Limlingan study. However, the High Growth cohort were willing to pursue more sophisticated marketing practices, such as increasing market share and developing distribution channels, to grow their business – strategies that have obviously been more successful.

Given that the High Growth cohort were seen to comprise predominantly younger and more educated management, it is reasonable to conclude that this move away from traditional marketing practices toward a broader use of marketing practices has been brought about by changing opportunities but also a more educated understanding of business and marketing. This is not to say, however, that the business philosophy of relation-based marketing (Buttery 1999) is being rejected. To take preferential pricing in discounting as an indicator, the evidence suggests that the preference in giving discounts is

changing rather than the practice itself being rejected or declining. The High Growth cohort appears to have different preferences and strategies in their use of discounts.

The High Growth – younger generation manager – it is concluded, are more willing to take risks and are more calculating in their use of marketing techniques than the traditional business manager. They look to develop new or potential customers rather than pander to old ones. The ‘new’ High Growth group are moving beyond the networks of their clan and family to explore wider distribution channels associations. In the past, a highly sensitive instinct for survival of the family, and the family business, has meant a heightened sense of competition with others. Competitive advantage has meant developing ‘good *guanxi*’ and a strong network of business-family associates. The High Growth cohort, however, seek to define their success not by good family networks, but by more ‘modern’ or ‘western’ marketing techniques (marketing skimming, distribution channels, customer service).

Limlingan has suggested that there is a direct relationship between management practice and corporate culture. (Limlingan 1986:142) In accepting his proposal, it follows that as management practices, and accordingly, marketing strategy, change so corporate culture with its family business decision-making and *guanxi* family relationships, will change. Certainly, this study indicates both a change in marketing strategies for the High Growth cohort and a corresponding change in *guanxi* price preference discounting behaviour is occurring.

During the SE Asian financial crisis of 1997-98 and with the awareness perhaps of the magnitude and inevitability of global social and economic changing, Lee Kuan Yew, the Senior Minister of Singapore, suggested that the Chinese *guanxi* system was not compatible with the competitive free market and that old ways of thinking and working would have to change. Singapore needed a “mental revolution”, he later said, (Sundanda 1998:4; Fernandez 1999:1) commenting on the inability of Chinese business strategies to meet the demands of the emerging global economy. The results of this study suggests that the move to become ‘compatible’ with modern, or global, business practice is already underway. Professional business practice is overtaking traditional family and clan centred marketing practices.

Indeed, this study points to the evolution of *guanxi* business and marketing practice as changes occur in response to new opportunities. Accordingly, I suggest that this study could be extended to examine firms involved in new and broad forms of business endeavour, such as e-commerce, to explore further the features of success and how contact with wider markets opportunities are affecting traditional network marketing .

Limlingan also suggested that the Overseas Chinese business strategies were based on creating and sustaining superior performance and that relationship development follows this objective. (Limlingan 1986:159) Again, in accepting this proposal it follows that in pursuit of different performance objectives, the ‘modern’ (as to traditional) Overseas Chinese business will develop different kinds of relationships based on different performance-relationship criteria: Another issue for consideration.

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