Assessing the attractiveness for German companies to invest in the Chinese market for child safety seats

Ying Han
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Jeelong Enterprises GmbH
In-company tutor: Yirong Li
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Department: IBMS
Course No: CU 06793
Tutor: Ms de Vries.

Student: Ying Han
Student No: 00060186
Foreword

This report project has been conducted for the company of Jeelong in Berlin, Germany. Jeelong is a consulting agency that helps companies start business or expand sales in China from 1982. The report project is going to assess the attractiveness for German companies to invest in Chinese market.

I would like to thank Jeelong Enterprises to provide me an internship in their company, and for allowing me to do this research.

Second, I would like to thank all the respondents from survey, without their help I would never finish my research.

Furthermore, I would like to thank my tutor—Ms. de. Vries, she gave me many suggestions during this period. Last, but not least, I would like to thank my family for their support.

Ying Han
Abstract

The purpose of my research project is to assess the attractiveness of German companies to invest on safety seats for children in Chinese market. Five interviews and one survey are included in the research.

From the views of the companies which selling the child safety seats, the sales will raise in further years. Meanwhile, 71% participants from the survey believed that the child safety seat is crucially important during the car trip.

In recent years, the sales of child safety seats have grown in Chinese market since the legislation for mandatoriness of using child safety seats was released in July 2014. Therefore, China would be a feasible market for German companies.

Due to the project only focuses on coastal areas, the results for child safety seats in Chinese market are incomplete. Therefore, it needs to be investigated comprehensively for the market of the child safety seat to acquaint the circumstances in China deeply.
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1. Introduction

Jeelong Enterprises is a consulting agency that helps companies start or expand sales in China. The company is located in Germany, in the center of Berlin’s international business region. There are numerous well-known international companies in this area, including many Chinese companies. Huawei, famous for its technology and communications network, is a prime example. In addition, Berlin is located in the center of the Europe. Therefore, the location of Jeelong offers companies a convenient environment with many potential business opportunities. The company has German as well as Chinese employees and it was found in the year of 1982. Furthermore, Siemens AG and Gillette Corporation used to be its customers.

Accompanying the rapid economic growth in China, more and more foreign companies are targeting the Chinese market and want to take a share of profits. Moreover, China has a vast population with a large potential power of consumption. Hence, Jeelong Enterprises will provide these companies with services and solutions to help them enter the Chinese market.

Since a customer of Jeelong Enterprise wants to know the market situation of child safety seat in China, this thesis research will focus on the child safety seat market. The report begins by describing the current situation of the general business environment in China and then analyzes the safety seat market specifically. The results of a survey that were conducted to analyze the views of young people regarding child safety seats will be discussed, explained, following by recommendation on how German company to do investment in China.

1.2 Problem statement

As mentioned above, Jeelong Enterprise is a consulting agency, so it will provide suggestions or ideas for German companies if they ask for information about investment in China mainland. Therefore, Jeelong Enterprise needs to collect information about the industrial and market researches about the products in Chinese market first. Then Jeelong Enterprise could make a plan or give suggestions for the German company. As China is a socialist country, the different political and legal situation must be considered when German companies do business there. Meanwhile, China has a huge potential market for child safety seats due to the fast growth of car ownership; in 2011, 18.6% of the families owned a car compared to 0.9% in 2002 (Askci, 2009).
Products that are “Made in Germany” appeal to Chinese customers, as they are perceived to be superior in quality. Also, Germany’s advanced technologies can attract Chinese business partners. The role of China and Chinese companies in the global marketplace has been seen as that of manufacturers; there has been a belief that Chinese companies lack creativity and innovation and only make so-called copycat products. In that case, German companies are welcomed in China.

Some German companies already operate in the Chinese market, especially in the automobile industry. For example, Volkswagen, which was the first foreign car brand in China, entered the Chinese market in March 1985. In 2007, it had more than 15% of the total car market share in China (Xinhuanet, 2008). Volkswagen entered the Chinese market via a joint venture, accounting for 50% of the shares (Eastmoney, 2011). Later, other German car brands started to enter the Chinese market and successfully took certain market share there as well. For Chinese customers, a German car stands for high quality, high performance and safety features in daily life (Sidecartrip, 2011). German companies also entered other industrial areas in China. For instance, Bosch and Siemens hold parts of the Chinese household appliance market.

Overall, some German products have been established in the Chinese market; however, there is still a blank area for German products to fill. One example is the child safety seat. The domestic market of China has great potential to rise and it will provide global opportunities. Chinese population was 1,357 billion in 2013 (Baidubaike, 2014), the number of newborn baby is 16,4 millions in 2010 (Cjdby, 2014) and it provides a large market for child safety seat. And the GDP of China in 2014 was 9,240 billion of U.S dollars (Trading economics, 2014). Furthermore, the government of China introduced mandatory use of child safety seat in 2012. It brings more people to be consumers or potential consumers of child safety seats.

1.3 Objective of research
This research aims to discover how attractive it is for German companies to invest in the Chinese market of child safety seats. China’s attractiveness as an investment location is due primarily to the favorable production conditions, notably the very low labor costs, and to the enormous size of its domestic market that is in the throes of development and offers a promising future (Frey, 2005).
Firstly, it will investigate the demand for child safety seats in the Chinese market using different methods. As mentioned before, cars and household appliances are successful sectors for Western companies in the Chinese market. With the income level in China increasing, many Chinese families have purchased or are considering buying cars. At the same time, passenger safety, especially for babies has become an area of emphasis. Therefore, young Chinese parents would likely welcome a reliable child safety seat. This is a new area of the Chinese market to explore.

Secondly, the researcher investigates the current status of the child safety seat market in China. For example, the researcher looks at the prices of child safety seats in the market. It is helpful for German companies to take this sort of factors into consideration in making their decisions.

Part of this research is intended to identify the advantages that German companies have over Chinese manufacturers when doing business in China. Safety seats for children were a European invention in the 1960s. They are used to minimize injury to young passengers caused by car accidents. Therefore, the child safety seat was quickly promoted throughout the world. In the 1990s, (Baiduwenku, 2012), cars became popular with Chinese families. The main purpose for buying a car was for easier transportation rather than as a luxury product. More and more people are able to cars. Child safety in a car is therefore becoming an important issue faced by Chinese society. Germany has decades of experience with manufacturing child safety car seats, and it is famous for good automotive quality. Additionally, if German companies start to export safety seats to China or even produce them in China, the sales price will be much lower than it would be if Chinese consumers had to purchase them overseas.

The last objective of research is to identify the problems that German companies are facing when entering the Chinese market. Due to the differences in culture and society, it might be difficult for German companies at the beginning of this process. Recommendations for how German companies may deal with potential problems are provided later in this report.

1.4 Research ethics
I will abide by all professional codes of ethics. Sources of data in this research will be indicated at the end. I will maintain information and data security when necessary.
1.5 Research question

This section includes the main question and four sub-questions of the report. Sub-questions are posed to assist in helping to answer the main question.

1.5.1 Main question

How attractive is it for German companies to invest in the Chinese market for car safety seats?

1.5.2 Sub-questions

1. How can the current demand for child safety seats in China be determined?
2. What is the current business environment for child safety seats in the Chinese market? (Especially for German companies)
3. What kind of value can German companies bring to the child safety seat market in China? (Strong points)
4. What are the main challenges that German companies will face when they enter the Chinese market?
2. Literature review

In this chapter, the following points will be discussed:

- The current business environment in China
- Value from German companies will bring to the Chinese market
- Challenges for German companies

2.1 Current situation in China

In 2013, the population of China was 1.357 billion (Baidubaike, 2014), and it has the tendency to increase, growing an average of 8 millions people per year (Askci, 2009). This creates a huge potential market for vehicle child safety seats. In addition, more and more people have become aware of the danger of transporting their children in a car without a safety seat.

GDP per capita has increased in China from $1564.54 to $3583.38 in the past 10 years (from 2004 to 2014) (Trading Economics, 2014), which means that living standards have greatly improved. As a consequence, Chinese people have begun to vary demands, including products of higher quality.

Meanwhile, the educational level of young people is higher than before. People who are above 25 years old have been to school for an average of 8.6 years (in 2010). This is 4.3 years longer than in 1982 (Zgxxb, 2012). In addition, due to population pressure, the Chinese government started to control population starting in the 1970s by means of the “single child policy”. As a result, most families only have one or two babies (Baikebaidu, 2014). This generally means that parents pay extraordinary attention to their baby, especially if they have only one, and they will want to take extra measures for their baby’s safety.

2.1.1 Current situation of vehicle-child safety seats in China

According to official statistics, in the year 2001, the Public Security Traffic Department of China received 755,000 cases of traffic accidents in total; 106,000 people died. After issuing and implementing stricter laws and regulations, such as forbidding drunk driving in 2009, deaths caused by traffic accidents decreased from 106,000 in 2001 to 67,759 in 2009 (Auto.zjol, 2011). Safety for babies and toddlers is becoming increasingly important. The China Automobile Social Blue Book 2013 points out that there were no vehicle child safety seats in 75.66% of the cars in China until 2013. Additionally, 39.95% of parents with cars allow their children to sit on a passenger seat, while 43.12% of parents choose to cuddle their child in the car. 10.05% of parents believe the airbag can effectively protect their child. There
is only a 5% of penetration of child safety seats in the Chinese market, while penetration is 95% in Europe. These are the main reasons that children suffer major injuries or die in traffic accidents (Baobei360, 2013).

On 1st June 2012, China installed the first standard vehicle occupant restraint system for children. This is a good example of the Chinese child safety seat market. Furthermore, traffic laws were made to enforce the use of a safety seat for a child younger than 12 years old or under1.4 meters in Shanghai starting on 1st June in 201. Shandong has also legislated for child safety seat use, enforcing the use of child safety seats for children younger than 4 years old (Goodbaby. tmall, 2014).

The attitudes of people toward child safety seats changed from strange to familiar during these years (Daogou. qinbei, 2014). This may be because more and more families have cars, and the number of accidents increased so significantly in these years. People consider foreign brands first when they decide to purchase a car seat, since there are no mandatory certification standards for the production and quality of child safety seats in China (XZBU, 2014).

Furthermore, the price of a safety seat on the shopping website Taobao varies from $12 to $2800 (Taobao, 2014). The most expensive safety seats are imported from other countries. For example, Kiwy is from Italy and Concord is from Germany. These child safety seats are imported by individuals from other countries. They usually buy a car seat at a local shop and then mail it to China.

The cheapest ones are made in China. Compared to foreign brands, they are easier to install. The cheapest Chinese child safety seats can be installed using the fixed belt of the safety seat. The design of the cheapest child safety seats is also simple. There are also expensive seats made in China, and installation of these is often fairly difficult; this makes them similar to the foreign seat products that are popular around the world.

Goodbaby is a famous company for producing and selling baby products. It was founded in 1989 and now is the largest baby product company in China (Baikebaidu, 2014). The website of Goodbaby shows the price of safety seat ranging from $133 to $416 (Table 4), which is set based on the classifications of safety seats. Specifically, the price of safety seats for a baby who is younger than 1 year will be cheaper, as the baby can only lie in the seat. More expensive seats can be used as recliners as well as chairs, which means they can be used much
longer, even up to 5 years. An employee from Goodbaby said there is a sub brand of Goodbaby-Happydino. This brand targets the lower-class market with a cheaper price ($50—$170), which is different from Goodbaby that is solely for middle- and high-class customers.

2.2 Value from German companies

In this chapter, the value of German companies will be explained, which helps to explain the reasons why German companies likely will be welcomed in China.

Presently, a “Made in Germany” label means good quality, high performance, durability and high design characteristics (Chinairn, 2013). Germany as a technologically advanced country in the world can produce precise instruments. For example, there are many famous car brands in Germany, such as BMW and Audi. German products are famous for their high performance.

Furthermore, in a typical German company, the ratio of people working in a marketing department and people working in R&D is almost the same, which is very different from most Chinese companies, where there are many marketing people but fewer scientific researchers (Chinairn, 2013). “Made in China” is generally believed to means products with low technology and cost. According to an American prediction mechanism, “Made in China” helps American consumers save $7,000 Billion annually. However, “Made in China” affects the local economy of the United States, because the American people are buying Chinese products instead of American products. Meanwhile, it also impacts the ecological environment and natural resources of China. This is an issue for China that the Chinese people must find ways to change (Baikebaidu, 2014).

Currently, innovation is a big problem encountered by Chinese enterprises. Innovation almost comes with new technology or new ideas. However, the government structures of China’s state-owned universities still leave too many decisions to too few, too self-important people. Chinese universities and state-owned enterprises are plagued with party committees, and the university party secretary normally outranks the president. Due to above situation, it can be draw that the problem is not the innovation or intellectual capacity of the Chinese people, which is boundless, but the political world in which their schools, universities, and businesses need to operated, which is very much bounded (Regina M. Abrami, 2014).
However, German companies pay more attention on innovation, for example, Kiddy. Kiddy has been developing for child safety seats for more than 30 years. During those years, it working for three key elements: safety, comfort and design. For safety, it improve child safety seat rely on their experience and also ongoing state-of-the-art search. Kiddy applied the new technology (shock absorber) and material (such as Honey Comb V2) on child safety seat through constant innovated. For the comfort, Kiddy combines the fabric, the fitting and accessories together to make travellers feel comfortable during trips. To the design, Kiddy put the factors about princess Lillifee seat cover for girls and baby carriers capt’n sharky for little boys (Kiddy, 2014).

In addition, safety belts and airbags are protective devices for the most common vehicles; they have already saved many lives in traffic accidents. According to statistics, fastening the safety belt can reduce 46% of deaths (Sz. bendibao, 2013). However, safety belts and airbags are not suitable for children. An airbag can cause serious injury or even kill children. According to American statistics in 1999 (Sz. bendibao, 2013), the most people that died because of airbag explosions were children. Europeans invented the safety seat in the early 1960s. Chinese companies can learn from German companies how to innovate new products, and they can draw on the business experience of German companies. Therefore, German company will promote the industrial of child safety seat in China if it could enter into Chinese market.

### 2.3 Challenges for German companies

Because of the global economic recession, many German companies try to find new markets. As China has one of the largest populations in the world, China can be an attractive market for Germany, especially in the area of vehicle child safety seats. It is a new idea for Chinese, and it is the right time for German companies to introduce vehicle child safety seats to the Chinese market as more and more families have cars.

#### 2.3.1 Challenges from government

Due to WTO regulations, products imported from Germany to China will be charged high taxes (for example, cars are charged 80% tax). Therefore, it could be the most appropriated action just to produce the seats in China. For this reason, joint ventures or licensing would be the most appropriate way for German companies to enter the Chinese market. The
administrative practices that restrain foreign investment in China can be divided to four categories (LLP, 2014):

1. Rule-making:
   Foreign companies pointed out that existing gaps in legal framework of China, it might be used to restrict their operation there. For instance, the appearance of unofficial national guidance or instruction to limit foreign investment is existence.

2. Administrative approvals
   The most common type of administrative restrictions involves administrative approvals so far. Because of a wide range in industry regulators, administrative offices could have chance to refuse or delay applications from foreign companies.

3. Standards setting
   Although China is already a member of WTO, however, foreign companies frequently reported to European Commission that they still have to accept unequal treatment.

4. Judicial processes and enforcement
   When administrators abuse discretion or do not follow rules, there is no effective judicial recourse. Therefore, it also promotes more administrators to abuse the right. In addition, it is stricter to enforce the law for foreign companies. Furthermore, law was made as barriers to foreign companies access into market.

According to the OED FDI restrictiveness Index 2010, China is the most restrictive of the countries examined, with FDI restrictiveness index of 0.457 (0 being totally open, 1 being totally closed) (European commission, 2013). Barriers of market access in China persist at various levels. In China, several important sectors closed in total to foreign investment. For example, foreign companies of telecom could hardly invest in China (Trade.ec.europa.eu, 2006). Furthermore, there are non-tariff barriers for foreign companies in China (Trade.ec.europa.eu, 2006). For instance, foreign products can be put on Chinese market if they get the form of product certificate from Chinese authorities. In spite of the products were produced according to the industrial standards in Europe. This means that the European products need to follow at least two standards if they want to be sold in China. It makes a difficult business environment for European companies even stop their step to invest in China.

Those above have shows it is difficult for foreign companies to operation in Chinese market. However, with the development of friendly relations between China and EU, there was an agreement to launch negotiations for an investment agreement was reached at the EU-China Summit of February 2012. Furthermore, the first round of negotiations for an EU-China
investment agreement will take place in Beijing on 21-23 January 2014 (European commission, 2014). A comprehensive investment agreement will benefit for both EU and China, which was ensuring the markets open to both party. It also would provide a simple, secure and predictable legal environment for foreign investors in long term.

2.3.2 Challenges from competitors
Competitors of German companies in China include local producers and brands from other countries. As mentioned above, some people prefer foreign brands because there is no mandatory certification standard for the production and quality of child safety in China. This is one advantage for a German company entering the Chinese market. However, price also plays an important role in competition. Prices of German child safety seats are higher than local brands. In fact, not all people can afford German safety seats. In this case, local Chinese brands will be competitors for German companies. However, because of a different price level, foreign brands will be more competitive than Chinese brands. Furthermore, for people who want to buy a foreign child safety seat, there are also other foreign brands that can be chosen in the Chinese market.

Since 2001, child safety seats of foreign brands have gradually entered into the Chinese market. However, they did not attract attention from customers at the beginning. Most of those brands chose the business practice of joint ventures or wholly-owned factories in China. For example, Combi (Japan) established Combi (Shanghai) Co., Ltd., in 1996. Furthermore, it has factories in Jiangsu, Ningbo and Yuyao (CEIBS, 2006). The price of child safety seats from Combi ranges from $200-$600 (please see the picture in Appendix I-Figure 6) (Taobao, 2015).

In addition, the German brand Kiddy entered the Chinese market in 2008. It focuses on the middle-high market and has its own factory in Shanghai. Kiddy pays more attention to children younger than 2 years old than other brands (PCbaby, 2011). There are several series of child safety seats. The price of child safety seats ranges from $100-$600 on its online shopping website (Tmall, 2015). On its official website, as you can see in Figure 7 of Appendix I, there is a system that could help customers to choose a suitable seat according to the weight of their child.

2.3.3 Challenges from different cultures
China and Germany have different cultures: they have different ways of doing business and living (You can see difference in Appendix II). For instance, Germans often express their
ideas in a direct way. On the contrary, Chinese often present their opinions in soft words. When Germans doing business with Chinese, some important points need to be noticed (Li, 2012):

- Losing face
  Non-confrontational is part of Chinese culture. Overt conflict in public will be considered losing face for Chinese. It is hard to do business with each other once Chinese people losing face in front of you. Furthermore, When Chinese businesspeople want to show their disagreement, they will use phrases like we will see or maybe.

- Patience
  Chinese will refuse to do business with people they do not feel comfortable with. At the beginning, Chinese people would to have some informal meetings or dinners with people who they will do business with. Then they will step into the serious, detailed meetings. Additionally, it is common in China that pauses and silences in talks. However, it could make German business people feel uncomfortable.

- Miscellaneous
  It will make people feel unhappy if you send clock as gift. Because the pronunciation of clock in Chinese is same as dead. Try to avoid the number of four, it means unlucky in Chinese. Furthermore, Chinese spring festival is a holiday for whole China and it is hard to get information as soon as you want. And the data is not fixed; the data of spring festival is made according to lunar calendar\(^1\).

Those above reasons will make German businesspeople feel confused at beginning. However, they would adapt to this model of business after few times. Furthermore, more and more Chinese people doing business with western people, most Chinese businesspeople also knew the methods of communication with western people. Xavier Troussard (Head of Cultural Policy Unit at the European Commission’s DG Education & Culture) pointed out that the first edition of the EU-China Cultural Summit in October 2010 illustrated the need to establish a dialogue on concepts and values to facilitate mutual understanding between European cultures and Chinese culture (European Union National Institutes for Culture, 2011). It could help Chinese and Germans know each other better.

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1. A lunar calendar is a calendar that is based on cycles of the lunar phases. Because there are slightly more than twelve lunations (synodic months) in a solar year, the period of 12 lunar months (354.37 days) is sometimes referred to as a lunar year.
Moreover, Chinese people also care about a brand’s name. In their opinion, a good name can bring good fortune. For instance, Lufthansa is a German airline company. Its Chinese name is “Hansha.” “Han” is another way to express the name “China.” This name therefore has a good chance to achieve positive market.

2.4 SWOT analysis of Chinese market for child safety seat

According to the above, there are both positive and negative aspects that German manufacturers need to take into account. This SWOT analysis highlights strengths and opportunities, weaknesses and threats.

Figure 2.1— SWOT for German companies entering the Chinese market.

From the above, we can see that the strengths for German companies to do business in China include: German manufacturers have a long history of producing child safety seats. Due to that and their professional attitudes, the technology and quality control of their child safety seats are most advanced in the world. However, the weaknesses of the Chinese market include a low awareness of child safety seats. Further, compared to the local producers, the prices of child safety seats made by German manufacturers are higher, which may influence a lot of potential consumers when they make decisions (not all people can afford expensive safety seats).
On the other hand, China has a huge population, and it is also rich in labor resources. Meanwhile, China has a large geographic area that can provide sufficient space for German companies’ business buildings and factories. But German companies will also face challenges when they try to get involved in the Chinese market. First and foremost is the cultural difference. Different cultures can bring lots of problems: for example, ideas of how to conduct business. Furthermore, the policies of the Chinese government may also be a threat for German companies trying to do business in China.
3. Methodology

This chapter describes how our research will be conducted to answer the research question.

3.1 Research design

This section will explain how the research will be done. It is an exploratory research (Baarda, 2014). Exploratory research is research conducted for a problem that has not been clearly defined. The objective of exploratory research is to gather preliminary information that will help define problems and suggest hypotheses (Wikipedia, en.wikipedia.org, 2015). The research study uses qualitative and quantitative analysis. It combined the qualitative and quantitative study. First, information will be collected to reveal the current situation in the Chinese market regarding the child safety seat (include the price). It is wise to start qualitative exploratory research to discover what questions should be asked (Baarda, 2014). Interviews with employees will be semi-structured interviews. These are often referred to as qualitative research interviews (Saunders, 2007). The semi-structured interviews will contain five interviews with employees who are working for child safety seat companies in China. Through these interviews, general information about the Chinese market and also the policies and regulations of the Chinese government about child safety seats can be gathered.

Furthermore, the quantitative exploratory research (Baarda, 2014) will be done by a survey with Chinese young people. The survey will use questionnaires based on a predetermined and standardized or identical set of questions. The survey will be processed with young people to learn their opinions about child safety seats. Questions of survey are mainly about the attitudes of young people to safety seats. In other words, German company can forecast prices and customer demand within Chinese society according to the survey. Moreover, the questionnaire is planning to target 100 people with different background. The questions include closed and open questions.

3.2 Population and sample

As mentioned before, the population of China was 1.36 billion in 2013. However, the research cannot reach everyone due to the large population. Therefore, the survey will focus on the coastal area market in China because the economy is better there than in other places in China. Since the late 1970s, and especially since the 3rd Plenary Session of the 11th
Conference of the National People's Congress\(^2\) in 1978, the Chinese government has decided to reform the structure of the national economy. During the 1980s, the Chinese government established special economic zones and open coastal cities and areas and designated coastal economic and technological development zones (Wikipedia, 2014). Because of the above reasons, the economy in the coastal area is better than in other regions and people can afford cars. It is also meanings they will have chance to buy a child safety seat. Furthermore, because of the particularity of products, the survey will be conducted amongst couples that are going to have a baby or already have one. The survey focuses on people who are of ages 20 to 41 years old. Because most people of that age have jobs and families, they will consider baby products.

### 3.3 Target of research

Target group in the report is a convenience sample. Because of the limited time and geographical restrictions, research cannot touch people located in every corner of China. Ages of target customers of this research range from 20 years old to 41 years old, as most of them will have babies in the near future or already have babies. They will be the main purchasers of safety seats.

### 3.4 Data collection

In this section, the methods of data collection will be introduced.

#### 3.4.1 Primary data

Primary data will be collected by the interviews and survey. The interview with be done with three employees from Chinese companies and other two from are working for European companies. One of the advantages of qualitative study is that the research can collect non-standardized data (Saunders, 2007). The interviews with employees from Chinese companies of child safety seats; they are from Goodbaby and Lutule. Goodbaby is a Chinese company, it found in 1989 (Baike. baidu, 2015). Lutule was found in 2004 (Lutule, 2014). The other three European companies are Joie (Britain), Kiddy (Germany) and EXREZ (Spain). In 2008, Kiddy decided to have company in China (Kiddychina, 2015) and EXERZ entered the Chinese market in 2012 (Tmall, 2015). Those interviews will be conducted through Sina

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\(^2\) National People's Congress: The National People's Congress (usually abbreviated NPC) is the national legislature of the People's Republic of China. Under China's current Constitution, the NPC is structured as a unicameral legislature, with the power to legislate, the power to oversee the operations of the government, and the power to elect the major officers of state.
Weibo\(^3\). The interview respondents will be asked questions about the current situation and business environment of child safety seats in the Chinese market. Moreover, European companies will be asked for question about how to improve its brand awareness. And as mentioned before, there will be a survey with 100 people who are planning to have babies or already have babies. Researcher will do the survey in China and ask young people to take in part the survey. The baby shops in shopping malls will be good places to find young people.

3.4.2 Secondary data

The research will include desk research, which includes the current prices, quality and function of vehicle-use child safety seats in the market of China. The secondary data will be collected by desk research via Google and Baidu, which will be regarded as the first search engine. It will focus on the related topics to child safety seat:

- Child safety seat in China
- Culture different between Chinese and European
- European companies doing business in China
- Innovation in German companies
- Why Chinese cannot innovate

Moreover, information on shop website also will be collected. There is feedback from customers that could help to know the detail about products. The function of child safety seats will also on the shop website. In addition, the references will be in both English and Chinese.

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3. Sina Weibo (NASDAQ: WB) is a Chinese microblogging (weibo) website. Akin to a hybrid of Twitter and Facebook, it is one of the most popular sites in China, in use by well over 30% of Internet users.
4. Findings

The chapter includes three parts. One is from interviews with people who are working on child safety seats and survey about it within Chinese. Another one is the result from the desk research, including pricing, functions and quality of the child safety seat.

4.1 Interviews (Primary data)

In this chapter, results of interviews will be discussed in two parts. One part is interviews with people who work on child safety seats and the other comes from survey with Chinese young people.

4.1.1 Interviews with employees from Chinese companies

The research study was interviewed five people from Goodbaby, Lutule, Joie, Kiddy and XEREZ who are in charge of new media (Sina Weibo). The interviews provided the researcher an introduction of the situation for child safety seats in China and method of promotion. The interview with the employee from Goodbaby was taken in 17th December, and it took one hour to do the interview. The interview with the employee with Joie was taken place on 19th January, and it lasted for 15 minutes. The interview with Lutule was taken in 20th January, and it lasted for 10 minutes. The interviews with Kiddy and XEREZ were taken in 30th March and lasted for 2 hours. The interview reports can be found in Appendix II.

Goodbaby

During the interview with Goodbaby, the person pointed out that the concept of child safety seat is not popular. The market for child safety seats is not opened up. Furthermore, the sales of child safety seats grew rapidly since the policy of mandatory use (of child safety seats) was instituted by the government of China. From this interview, it was also pointed out that the annual demand for child safety seats would reach 25 million in the future.

Lutule

From the interview with Lutule, it pointed out that it was important to have a good brand name when doing business in China. Chinese people prefer names with good implications. Lutule in Chinese means, “enjoying your trip”. Moreover, children do not always want to sit by themselves at the beginning of a trip. However, it will be easier for them if the design can attract the children’s attention. There are different names for different types of child safety seats at Lutule. They make child safety seats that look like animals. The prices of child safety seat are between $83-$333 (Lutule, 2014). Lutule pays more attention to the online shop. Customers could order from its website and other webshops (Tianmao and Jingdong).
4.1.2 Interviews with employees from European companies

**Joie**

Germany is a leader in the field of the child safety seat. German companies will bring new ideas about child safety seats if German companies could enter the Chinese market of child safety seat. Furthermore, Joie is a Chinese company that wants to compare with foreign brands. It pays more attention than other brands to marketing promotions; for example, it invited a famous star to be a spokesperson to increase brand awareness. Furthermore, prices of its child safety seat are from $113 to $497 (Tmall, 2015).

**Kiddy**

Kiddy implements the same product standards in the world. From the interview, Kiddy pointed there is department of Research & Development in Chinese company. They are working for design child safety seat according to Chinese baby. They had a promote project “Baby guard plan” in the year of 2013 to improve awareness of child safety seat within young parents. In Shanghai, it provided newborn baby who has a birth certificate and their parents are Shanghai citizens a free child safety seat. Although there is no standards in China for production, but Kiddy still follow the European standards. Furthermore, the price of Kiddy is
the same in China. However, prices are difference in the market due to that different shopping channels will provide different promotions.

**XEREZ**

XEREZ entered the Chinese market in 2012. It did a survey before enters the Chinese market. They found due to the birth control in China, family will pay more attention on child than before. The potential purchase power of child safety seats is people at 30 years old. Most of them generally have a good level of education and the more affluent economic conditions than before. And they want to provide a better growth environment for their baby. The target group of XEREZ is middle class, that is the reason for them to introduce a type of child safety seat for 9 month to 12 years old. It meets the demand of them. To open the Chinese market, XEREZ send some child safety seats to tester when it started to sale online. In 2014, its sale was close to 300 during the day of shopping festival. It was a good result for new brand in Chinese market.

**4.1.3 Survey with young people**

The survey was conducted with 102 Chinese people; including 25 people did through telephone and 77 did by papers. The telephone survey was done within two days and the rest survey was done within one day (15th February) in a shopping mall--Wanda. The purpose of the interviews was to learn about the attitudes toward child safety seats from Chinese young people and show the results to German companies. Moreover, this information could help German companies to make plans. In the interviews, questions regarding general information and opinions about child safety seats were asked.

The general information about the participants is shown below.

![Age of participants](image.png)

Figure 4.3-Age of participants
102 people participated in this interview. In the interview, people between 20 and 25 years old were 34% of participants. Those between 26 and 30 years old were 30%, and there were 19% of participants between 31 and 35 years old. Participants between 36-41 years old were 17% of participants. As mentioned before, China implemented family planning in 1979 to control population. The aim was to reduce the population in China. However, the policy changed in 2013, and now more and more families will have the chance to have two children (Wikipedia, 2015). People who are between 36 and 41 years old also could be the parents of young children. Therefore, people between 20 to 41 years old could be the main consumer of child safety seats.

**Figure 4.4 - Gender of participants**

There were more female participants more than male participants in this survey.

**Q3. Do you have car by yourself or will you buy one in the future?**

**Figure 4.5 - Situation of car owners**

58% of participants have cars now and most of them are between 31 and 41 years old. 36% will buy cars in the future and only 6% said they would not buy car in the future. However,
some people do not want to buy a car because their families have a car or one of the partners in the couples has a car. From the survey, we learned that most families have at least one car.

**Q4. Do you have a child now?**

![Bar chart showing 64% Yes and 36% No for having a child.](image)

**Figure 4.6-Do you have a child**

For this question, 65 persons in the group who participated in the interview already have a child. However, there were only 12 people with a child safety seat. Furthermore, there were only 4 people who used it frequently and most of them are from 26 to 35 years old. Most people from 36 to 41 years old believe it is also safe to hold the baby when taking the car.

**People who will buy a child safety seat will be asked to answer 8 questions (Q7-Q14) and people who are already using a child safety seat need to answer 11 questions (Q7-Q17).**

**Q5. What is the level of your income?**

![Bar chart showing income distribution.](image)

**Figure 4.7-Income level of participants**
10% participants have a monthly income between $300-$500, and 28% have an income of $501-$800. Income between $801-$1100 is 37% of participants and 25% have an income higher than $1100. According to the list of countries by Gross National Income per capita in 2013, GNI per capital was 6,560 in 2013 (Wikipedia, 2015). The income of most participants is higher than the GNI. They will have the potential power to purchase a child safety seat. The research finds that the income of male participants was higher than of female participants, and the income of older participants was higher than of younger participants.

Q6. Which city do you live in?

![Pie chart showing participants from which city.](image)

Figure 4.8-City from which participants came

Figure 5.5 shows the home cities of the people who participated in this interview. In this survey, there were 2% participants from Qingdao (a city in Shandong) and another 2% from Wuxi (a city in Jiangsu). 3% came from Shenzhen (a city in Guangdong), and 3% came from Shanghai. There were 4% from Hangzhou (a city in Zhejiang). 5% come from Nanjing (a city in Jiangsu) and 81% from Shaoxing (a city in Zhejiang). This is because the researcher did most interviews in the city of Shaoxing. Those cities all belong to the coastal area. They are all within the 10 highest income-earning provinces in China (Wikipedia, List of Chinese administrative divisions by disposable income per capital, 2015). They could be a potential market for a child safety seat.

Q7. Do you know about child safety seats or have you hear about them?

100% of the participants have heard about child safety seats. Participants that already have babies received information during their pregnancy examinations. There are booklets in the
hospital that state the importance of child safety. Pregnant woman receive one after their examination. There are also many other channels to get information about child safety seats. Some participants learned from TV or magazines. For example, there are two reality TV shows in China now. One is “Where are we going, Dad” and another one is “Dad came back”. Over 30% of participants mentioned that they knew about child safety seats from those two reality shows. Because children who are invited to participate in filming these two reality shows are younger than 10 years old, they always have a child safety seat during car trips. Children all relax when they are sitting alone in a child safety seat and enjoying chatting with father. Furthermore, there are more and more shops that sell child safety seats. When people go to a shopping mall, they also will notice them. In addition, participants also see child safety seats in car shops.

Figure 4.9-Child on safety seat in reality show


4. “Where Are We Going, Dad” is a Chinese reality TV show broadcast on Hunan Television. Based on the original South Korean reality show--Dad! Where Are We Going? The reality show is an interactive program between father and his child. It shows how they did when they face challenges. It is week program and it attracted 75 million viewers per episode to Hunan Television every week. It broadcasted at Friday evening.

5. Dad is Back is a Chinese reality-variety show that airs on Zhejiang Television (ZJTV). It showed dads are left to care for their kids alone for 48 hours without the help of anyone, while their wives leaves the home. It broadcasted at Thursday evening.
Q8. To what extent do you think a child safety seat is important for the safety of a child when transported in a car?

Figure 4.10 - Importance level of a child safety seat

- 71% of participants recognized that a child safety seat is very important; they will buy a child safety seat for sure. 60% of participants are 26-35 years old. They are people who already have a child or will have a child in the future. Most of them have a relatively high monthly income (higher than $500). They have purchase power to buy a child safety seat.
- 15% of participants believe a child safety seat is important. All of them are between 20-25 years old.
- 8% of people think a child safety seat is unpleasant for a child. Those people think the child will not like to sit on a child safety seat. Furthermore, they think if they can take care of the child, the child would not be hurt by an accident.
- Only 6% of participants think a child safety seat is less important for a child. All of these are 36-41 years old, and their first child is already over 10 years old. When their child was younger, they did not have a chance to buy a child safety seat. Furthermore, as mentioned before, the economics 10 years ago were not good in China. These families did not have cars. Even if some of them have a second child, they would not consider buying a child safety seat until the policy of child safety seats is legislated. Lastly, older Chinese people believe that you do not need to take measures until things happen. Many older people in China would not think to buy child safety seats until accidents happened.
Q9. If you want to have a safety seat, how much would you be willing to spend on it?

![Price of child safety seat chart]

Figure 4.11 - How much will you pay for a child safety seat

- Only 3% of the participants will buy child safety seat that costs $100. These are people with low income, and people who think it is less important. People who think it is less important buy a child safety seat because of the legislation of Chinese government. However, for people with low income, because they believe there will be many products they need to buy, they feel they cannot spend a lot on just one product.
- There are 20% of people want to buy a child safety seat that costs between $100-$200. They believe it is enough for a child safety seat according to their income. If they buy a Chinese brand, there will be many products at that price that they can choose.
- 29% of participants choose to pay $201-$400 for a child safety seat. They think it is enough for a child safety seat. Most of them prefer Chinese brands.
- Another 20% of participants want to pay $401-$600 for a child safety seat. They prefer foreign brands, so they will pay more on a child safety seat than the others, but they still have budget for it.
- 5% of participants will buy a child safety seat that costs over $600. In their opinion, if you could spend more than ten thousand dollars for a car, why cannot you spend a few hundred for your baby? In their opinions, they will buy the best products for their children within the competence of their purchasing. They will choose foreign brands first. Most of them have backgrounds that include study abroad.

During the interviews, the researcher found that younger participants will choose to buy cheaper child safety seats. Income is a factor for them to consider. Furthermore, one of the reasons that participants will buy expensive ones is that their families are rich. To sum up, the economic situation decided their choice.
10. If the price of a Chinese child safety seat that you want to buy is the same as the price of a German child safety seat, which one will you buy?

![Figure 4.12-Number of customers who will choose Chinese vs. German products](image)

- 95% of participants will choose to buy a German product if the price level is the same as a Chinese product. They believe the quality of German brands is higher than Chinese brands. Furthermore, Germany has a long history of manufacturing child safety seats and also has a high standard of manufacture. People will consider Chinese brands because of their budget. When they do not need to consider the budget, they will consider German brands first. Some of them already decided to buy German brands at beginning, and they do not care about the prices. Because they already have used German brands, they believe German quality is very good. Some German products can be used for many decades. So they believe in German products.

- 5% of participants still will buy a Chinese product. In their opinion, the cost of a Chinese product is lower than a German product. If prices were the same, the quality of the Chinese product would not be too poor. Furthermore, more and more foreign companies have factories in China, and their products were produced in China. They do not want to buy something from a foreign brand with the label of “Made in China”.

Q11. What factors will you consider when you buy a safety seat? (You can choose more than one)

Number of people when they buy child safety seat will consider what factor

<table>
<thead>
<tr>
<th>Factor</th>
<th>Number of People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>70</td>
</tr>
<tr>
<td>Appearance</td>
<td>85</td>
</tr>
<tr>
<td>Brand</td>
<td>35</td>
</tr>
<tr>
<td>The way</td>
<td>68</td>
</tr>
<tr>
<td>Safety</td>
<td>102</td>
</tr>
</tbody>
</table>

Figure 4.13-Factors of child safety seats

- Safety performance is what all participants will consider first when they choose a child safety seat. It is also the main function of the child safety seat.
- Second is the appearance. 85 participants will take it into account when they choose a child safety seat. Those people believe that it makes it easier for parents to put a child on a child safety seat if the appearance is cute or beautiful. It also looks better to see a child in a cute or beautiful child safety seat than in an ugly one.
- The third consideration is price, because the price gap of a child safety seat in the Chinese market is huge. Participants all have a budget; 70 participants will think about the price when they plan to buy a child safety seat.
- The fourth factor is the method of installation. 68 participants mentioned during interviews that they heard about some child safety seats that take half an hour to install in the car. All the male participants chose this factor, because they think they will be the ones who install the child safety seat. Female participants consider this factor because they want to ensure the child safety seat will be fixed properly in the car. Furthermore, there are also child safety seats that can be installed by a safety belt. Most participants did not agree to this. They thought it was too simple for the child. They all believe installation using a safety belt did not provide security compared to a child safety seat with ISOFIX.
- Only 35 people will think about the brand of a child safety seat when they shop. Participants believe in the effect of brand. They believe a good brand will have high quality and good service included after purchase. In addition, most of them will choose to buy foreign brands or famous brands. However, some of them also
mentioned in interviews that Goodbaby would be good choice for them if they want to buy a Chinese brand. It has more than 3,000 shops in China. It is easier for people to ask questions about their products, and the company can provide timely service.

**Q12. Where will you get information about a safety seat?**

![The way to get information](image)

- **44%** of participants will search for information on Internet. 40% of these participants are younger than 31 years old. The Internet contains a great deal of information. People think they can get enough information online. They even get feedback from other customers when they go to shopping websites. Feedback about the products can help people make decisions. Furthermore, they can compare prices of child safety seats online first, and if they want to buy one in a store, this could help them to bargain.
- **32%** of participants will go to a shopping mall to get information about a child safety seat. Those participants believe that to touching an actual product is better. They can touch the child safety seat. The salesperson can provide information about the product and also give suggestions about child safety seats.
- **20%** of participants will go to a baby shop to ask for information. They will be going to buy baby products in the Baby shop anyway, and it is convenient for them to get information. They do not need to go to other shops.
- **Only 4%** of participants will get information from magazines. Participants believe that there will be articles about child safety seats in magazines, and these can provide professional advice for customers.
Q13. If you want to buy, in which way would you buy?

![Pie chart showing the distribution of buying methods for child safety seats.](image)

**Figure 4.15-Ways of buying a child safety seat**

- 60% of participants will buy a child safety seat through the Internet, including both Chinese and foreign websites. It is convenient to get the product online, and the price often will be lower. That is because the rent for the physical shop to pay salaries for the salesmen may increase costs at the “brick and mortar” store. Shopping online can save time, and a customer can sit at home to choose the product online. Furthermore, they can compare the quality of products and services after the sale according to feedback from other customers. If people shop from a foreign website directly, the price will be lower than buying it in China, especially for brands that are not available in China. However, there is a risk when purchasing from a foreign website. If a product is lost or is checked by border customs, then the customer needs to pay more.

40% of participants in total will go to stores to purchase a child safety seat. They think shopping in a store can ensure the quality of the product when they buy it. There is no delivery time if you shop in a store, and it is easier to solve a problem if you purchase from a store.

- 22% of participants will buy in a shopping mall, because they prefer to buy in the shops although the price will be higher. Salespeople will introduce a suitable child safety seat to them, and the customer can touch the products. For customers who already have a baby, they can put baby in it and make sure it is suitable for their baby. Sometime, shops will provide the service of installing the child safety seat.
Only 18% of participants will buy a child safety seat in a baby shop. Because they are in such a shop anyway to buy baby products. They believe in the products in the baby shops. They do not have a high requirement for the seat except for safety performance.

**14. If you want to buy foreign brands, which one will you choose?**

![Preference for international brands per country](image)

- 66% of participants will choose German brands. They believe that the quality of German brands is high according to its long history. Furthermore, the technology of child safety seat will be advanced thanks to the professional attitude of Germans.
- 15% of people will buy American brands, generally because they studied there and know American brands. So it is easier for them to choose one. Some have relatives or friends in America who give advice.
- 10% of people will choose a Japanese brand because they like to use products from Japan. The appearance of a Japanese child safety seat is welcomed by them. As can be seen from Figure 6 in Appendix I, the design of a Japanese child safety seat is different than design from western countries. It is closer to a design favored by a Chinese consumer.
- 9% of participants will buy a child safety seat from other countries like Italy. This is about their personal preferences; they simply like products from a specific country. Others will buy from South Korea. Nowadays, Chinese people like to buy products from South Korea.

For question 15, 16 and 17, there are only 4 persons who use a safety seat during car trips. They are ages 26-30 years old. Those 4 participants are buying a child safety seat by themselves. The child safety seat of one who often uses German brands is Kiddy at a price of
$500. The participant pointed out that foreign was her first choice when she considered what to buy. She made this choice because the Chinese market for child safety seats has a short history and no advanced technology. The German brand has a long history, and she believed German workers have a professional attitude about products. Another one chose a Brita at a price of $450 online. She has found no problems with it so far. For the other two participants, they said they also considered the foreign brands. But after comparing them to Chinese brands and their budgets, they chose the Chinese brand—Goodbaby. One is $230 and another one is $300. They believe the products they bought have been good for their babies. At the beginning, the children of the participants did not want to sit in them, but later the children were willing to sit in them after a few tries. Most participants are satisfied with their choices. However, some participants feel the seat take up too much room in the car.
4.2 Desk research (Secondary data)

In this section, the price, functionality and quality of the child safety seat in the Chinese market will be discussed. When did search online, the word of “child safety seat” and “situation of child safety seat in Chinese market” will be conducted.

4.2.1 Price of a child safety seat

The price range of child safety seats in China is large. As mentioned above, the price of a child safety seat on Taobao (a famous website for shopping in China) is from $12 to $2800, according to the different functions and brands. However, prices of most child safety seats are between $150-$600. Chinese brands are always cheaper compared to foreign brands because they are made locally. This saves cost and there is no exchange rate.

4.2.2 Functionality of child safety seat

There are many different kinds of child safety seats in the Chinese market. There are five types of child safety seats according to European standards. The distinguishing criteria of child safety seats have to do with the weight and age of the child. You can see the table of classification of child safety seats in Appendix I.

Such classification helps customers to choose a suitable child safety seat more easily. Some child safety seats also have double functionality. For example, there is an additional cushion inside some seats. When a baby is younger than 4 years old, he/she can use it with the cushion inside. When he/she is older than 4 years or over weight, the additional cushion can be removed. This functionality is a good way to promote sales of seat. Furthermore, it also could help parents save money. The method by which a seat is installed is also one a function to which both consumers and companies will pay attention. In the Chinese market of child safety seats, there are few ways to install a child safety seat. The easiest way is to fix it with a safety belt from the car. A popular installation is called the ISOFIX. This technology may provide better protection for children. In another survey from “Baby market,” 54% of participants believe that ISOFIX is a better installation method than the traditional safety belt (Baobei360, 2013).

4.2.3 Quality of child safety seat

The main function of child safety seat is to protect children. Children cannot protect themselves in case of danger. Therefore, the quality of a child safety seat is very important. The structure of the child safety seat is very important. High quality construction could protect the child when collisions happened. Figure 1 in Appendix I shows that the cheapest
child safety child has no internal structure. The child safety seat is made of sponge. It is hard to protect a child, especially the part of neck, with sponge. A good child safety seat is made of a high-quality skeleton and material. For instance, the material of a child safety seat from Goodbaby is ESP with a width of 10cm. This could protect a child when a collision happeneds. For most other Chinese brands, the material used is sponge filler (Tmall, 2015).

In additional, children will touch the seat when they sit. The materials of a child safety seat are very important because children may lick the seat. From the feedback of customers after using their seats, they generally believe that child safety seats that cost only a few dozen dollars emit an unpleasant smell. Most of parents chose to return these cheaper products and buy a different, more expensive child safety seats that cost a few hundred dollars. Using the example of Goodbaby, the fabric of a child safety seat is made of environmentally friendly materials. This has an advantage for the child’s skin.

As a result of there being no standards applied to the manufacture of a child safety seat in China, the level of quality is mixed. In addition, the quality cannot be ensured for a customer. All in all, foreign brands have more advantages than domestic brands, because the history of Chinese brands is short, the Chinese child safety seat industry lacks technology, and the industry is not completely standardized. On November 12, 2013, a television program called “Life Early Reference” did a test of a child safety seat at the “Shanghai Motor Vehicle Inspection Center.” This test included 7 Chinese brands and 3 foreign brands. It turned out that only 1 Chinese brand and 2 foreign brands reached the standard of being qualified. Ultimately, all Chinese child safety seats that cost less than $67 were shown to not meet qualifying safety standards (Baobei 360, 2013).
5. Discussion

This chapter summarizes the differences between the literature review and the survey findings.

First, the literature review notes the attitude of the Chinese government, which promoted the use of child safety seats by legislation because it does not believe Chinese people will be conscious of using child safety seats. However, it is hard to find any information about the attitude of Chinese people toward child safety seats. In the survey, 71% of participants believe a child safety seat is very important, and they will buy one if they have a baby. However, 6% of participants think a child safety seat is not important; most of these are older than 31 years old. In other words, this is a situation in which we find people of different ages hold different ideas.

Second, in the current situation, prices vary widely. Chinese brands and foreign brands on the shopping website-Taobao rang from $12 to $2800. From the interviews with employees from Goodbaby, the researcher learned about prices of Chinese brands are below $500 and foreign brands are higher than $500. However, the three Chinese brands focus on price points between $133-$416 (Goodbaby), $113-$496 (Joie), $83-$333 (Lutule). In the interviews, 72% of participants chose to buy a child safety seat at a price between $200 and $400. Prices of the three Chinese brands suit the demand of customers. Furthermore, a TV program did a test of child safety seats, and they found that the quality of seat that cost less than $67 is failure.

It will improve the quality of child safety seats in the Chinese market if German companies invest in China. Furthermore, German companies focus on research and development as much as they do on marketing, which will help make the market more diverse if German companies do business in China. The employee interviewed from Kiddy said that the standard of Kiddy follows European standards. As its competitors in Chinese market, it believes that most manufacturers will improve their quality. The most important point is that German products could attract more customers.

Finally, as there will be challenges for German companies investing in China, such as culture conflicts. For example, it includes different method to show their opinions. However, the Chinese market is still a big market for German brands. The cost will decrease if German
companies manufacture child safety seats in China. Not with standing the global economic recession, China is still a big market with a huge population, and it has not been fully (or even mostly) penetrated by the child safety seat.

Finally, European companies have various ways to improve its brand awareness. As Joie did is to invite a superstar to be its brand spokesperson. Kiddy and EXERZ were did promotion projects to send child safety seat to people who need.
6. Conclusion

The purpose of this survey is to assess the attractiveness for German companies to invest in the Chinese market for child safety seats. The main question of the research is “How attractive is it for German companies to invest in the Chinese market for car safety seats?” There are four sub-questions to help to get to the answer for the main question, and the research combines a literature review with surveys and interviews with a) employees from Chinese companies of child safety seats and b) young people. The results of the research give insight about the attractiveness of the Chinese market.

First of all, the results for “How can the current demand for child safety seats in China be determined?” based on the population of China as mentioned in literature review: the population of China in 2013 was 136,072 million, and it has increased in recent years. More and more families have cars as economic development continues. In families that have babies and cars, there is a high rate (75.66%) of cars without a child safety seat. Children are often hurt and sometimes killed in traffic accidents. Because of the birth control policy in China, many families only have one baby. In 2012, because of the casualty rate of children in traffic accidents, the Chinese government made traffic laws to make use of a child safety seat mandatory. Demand in China for safety seats is therefore now huge. Additionally, experts have pointed out that the annual demand for child safety seats would reach 25 million in the five years. Moreover, more and more Chinese young people have a high income as the result of their high earning power.

A further sub-research question is “What is the current business environment in the Chinese market for child safety seats? (Especially for the German companies)” Child safety is a new idea for Chinese people. Therefore, there is no standard for manufacturing of child safety seat in China. Because of this reason, there are also a lot of substandard products in the Chinese market. However, the child safety seat gets more attention, due to the high traffic accident rate. The market demand for a child safety seat will increase rapidly as the government of China makes laws to force people to use it. It is an important time to enter into the Chinese market, in which some brands of child safety seat already exist, including Chinese brands and foreign brands. In addition, the price of Chinese brands is generally lower than $500. However, foreign brands always cost higher than $500. From interviews, it is also interesting to point out that the exchange rate plays an important role in the high price of foreign brands.
According to the interviews with young people, the price of a child safety seat between $100-$400 will be the choice for most Chinese young people. In other words, the market share of $100-$400 is larger than other price ranges. Safety performance is the first factor that will be taken into account when they choose a child safety seat.

Promotion is important when a company wants to enter into a new market at the beginning. In the Chinese market, there are few methods to do this. A company could invite a famous star to be a spokesperson, as Joie did. A star helps a brand gain consumer awareness. A company also could sponsor a TV program to improve its popularity. Another way is to take a part in discount days. For example, “11.11” as black Friday was used by Lutule for its promotion as mentioned during an interview with Lutule. Furthermore, as Kiddy and XEREZ did, a company can do a promotion project to send child safety seats as gifts to people for to improving their brand awareness.

The next sub question refers to the **kind of value that German companies can bring to the Chinese market of child safety seats**. There is a long history of cooperation between China and Germany. In addition, the cooperation happened in the case of equality between China and Germany. That is one of the reasons that Germany products will be welcomed in China. As mentioned in the literature review, many Chinese consumers believe that a “Made in Germany” label means good quality, high performance, durability and high design characteristics. Furthermore, German companies are good at innovation, so they could positively stimulate the whole Chinese market on car safety seats if they join in. During the process of development in countries where the child safety seats have already been used for a long time, child safety seats have become more and more safe and beautiful. Therefore, Chinese competitors will increase the quality of their products in order to compete. For customers, this brings more choices for them in child safety seats.

The last and very important question is **“What are the main challenges that German companies are facing when they enter the Chinese market?”** There are three main challenges. First is from government—high taxes on imported products, which increase the cost of products. And also administration restricts for German companies if they invest in China. The second challenge is competition from both Chinese and other foreign brands. Chinese competitors understand the psychology of Chinese people and the way they purchase. Foreign brands have almost the same characteristics of German brands. Among people who prefer foreign products, other foreign brands will be powerful rivals for German brands.
The last challenge is culture shock. The cultures of China and Germany are very different. If German companies want to do investment in China, they need to adopt the different way of dealing with problems and show their own ideas to colleagues. For instance, Chinese businesspeople will start to discuss topic after short warm talk or informal meetings. However, German businesspeople prefer to start business as soon as possible. These three challenges await German companies if they enter the Chinese market.

These four sub-questions have analyzed the current situation, the business environment and challenges facing German companies trying to operate in China. However, it is a new era for child safety seats in China. These four sub-questions may be helpful to answering the main question and providing some useful information for German companies to make decisions about developing a market in China.

Those four sub-questions helped to answer the main question “How attractive is it for German companies to invest in the Chinese market for car safety seats?” With the change in policy and Chinese people paying more attention on child safety seats, the demand for child safety seats in China is growing. Because of there is no second hand market of child safety seat in China, so people will choose to buy a new child safety seat. Furthermore, most Chinese people recognize German products. As mention within interview with XEREZ, the sales of child safety seat was 300 within one day of “11.11” in 2014. Therefore, the researcher predicts the sales of German company could over at least 300 per year. Due to above reasons, China will be an interesting market for German manufacturers of child safety seats.
7. Recommendations

The demand for child safety seats in China is large. It is a good time to develop Chinese markets, since legislation requiring child safety seats has recently been installed by the Chinese government. Although there are many different brands in the Chinese market, German brands are popular in the Chinese market.

To invest in Chinese market, German company could pay attention on those aspects:

- The most important part is from Chinese government. According to the OED FDI restrictiveness Index 2010, China is the most restrictive of the countries examined, with FDI restrictiveness index of 0.457 (0 being totally open, 1 being totally closed) (European commission, 2013). There is a high tax for foreign products imported to China. It is no doubt that the high tax from the Chinese government will increase the cost of the seat. The way to avoid this is to have a company or factory in China. Having a company or factory in China helps solve the problem of the government’s high tax. Furthermore, non-tariff barriers also will restrict foreign investment. Such as different standards for imported products. Western products only can be sold in the Chinese market when they at least have certificate based on Chinese standard. However, there is no certificate for child safety seat due to there is no in China yet.

- There are two levels of prices in the Chinese market for child safety seats: over $600 and lower than $600. In the survey, most people choose to buy a child safety seat at price lower than $600. However, the price of most foreign brands is over $600. Therefore, it could be an opportunity for German companies. As the result from survey about the budget of child safety seat, 95% participants will choose to but child safety seat cheaper than $600. Meanwhile, 95% participants will choose to buy German child safety seat if the price of German product and Chinese product is the same. Therefore, German companies will occupy a large market share if the price of their brands is lower $600. In order to turn this into opportunity, the German companies could look into decrease the costs without losing quality (since quality is a way for the German companies to differentiate from the competitors).

- In addition, the product needs to have a good Chinese name if a new brand wants to develop in the Chinese market. In the opinions of the Chinese, a good name will bring luck.
• Promotion is essential at the beginning of the process of entering a new market. German brands can cooperate with local government, car shops and other institutions, as when Volkswagen cooperated with the China Women’s development foundation for a program to guard children by donating child safety seats. A foreign company could also use third-party platforms and channels, such as maternal and child health stations. Because young parents will go maternal and child health station frequently at the first year of newborn to take vaccine for babies. Therefore German companies could promote the use of a child safety seat and give idea of how it is useful to young parents. Moreover, they also can improve awareness of child safety seats (Baobei 360, 2013).

• Quality is the main factor that customers will care about. There is no standard for manufacturing child safety seats in China, so the German companies could produce child safety seats according to international standards of design as Kiddy did. From the survey, participants also mentioned that the material of the child safety seat needs to be light and environmental friendly. The last thing is the installation. People prefer a simple and safe way to install a child safety seat. Furthermore, German companies pay more attention on innovation. Chinese people will like to buy products with a new design or with new functions.

Competition in China for the child safety seat consumer will be more intense if German companies enter the Chinese market. However, this competition would lead the products to become better.
8. Limitations and further research

This research report has investigated situation of child safety seat amongst Chinese young people from costal area and employees from Chinese companies. The further research required to really being capable of taking conclusions that can be generalized to the entire Chinese population of young people that want a child. Due to the constraints of time and geographical constraints, the research focuses on the developed regions in China especially in the city of Shaoxing. The survey got basic information about the perception to child safety seat from young people. Actually, most of participants never consider questions of child safety seat before. Many young people only have an idea of that they will buy child safety seats in the future, but they do not have any idea of detail about child safety seat. For further research, Germany companies better to do survey with typical people—pregnant woman or man who will be father soon.

Thanks to the policy from Chinese government and large population, Chinese market will be the largest market of child safety seat in the world. German companies need to study Chinese market deeply if they want to develop market in China. In the further research, more people with different opinions and from other areas would be participant. It is helpful to collect different ideas for German companies Many German companies get a great success in Chinese market like Volkswagen. German companies can learn the experience from those companies. There are also failure cases of foreign companies. To study the reasons of failure and find the solutions can be the part of success factors for German companies.

For further research, Kiddy and XEREZ made examples for German companies. Kiddy had promote project to provide free child safety seats to newborn baby. And XEREZ invites people who have interested in child safety seat to be testers, and then ask them for feedback. Those methods could improve the awareness of brands and also modify defects of child safety seat.

As mentioned before, Chinese companies will to have good name as a promotion method like Goodbaby and Lutule. Goodbaby is expectation from parents for baby and Lutule is a meaning of “enjoying your trip”. Both of them catch the shopping psychological of Chinese customers. As you can see from figure 4 in Appendix, more and more Chinese young people like to be shopping online. It was only 1.4 hundred million in the year of 2009, but it reached 3.6 hundred million in 2014. Three Chinese companies interviewed all have shopping websites. There are special shopping days (Like Black Friday) for online shopping. During
shopping days, there is discount on products. Many Chinese companies that sales on line all participate the shopping days to attract customers. In addition, Goodbaby have program of “try product”. People fill a form with their information online, then Goodbaby will select two or three lucky people and send child safety seat to them. The selected people can keep the child safety seat for six month for free. Afterwards, if they still want to keep it they will be asked to pay a low price for child safety seat. They could return it if they do not want to keep it. Finally, all of them will be asked to give feedback about how they have experienced the of child safety seat (Goodbaby, 2014).
Reference

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Taobao. (2014, December 1). The price of safety seat. Retrieved December 1, 2014, from www.taobao.com: s.taobao.com/search?isprepay=1&sort=price-desc&initiative_id=staobaoz_20141201&tab=all&q=%B6%F9%CD%AF%B0%B2%C8%AB%D7%F9%D2%CE&stats_click=search_radio_all%253A1


Appendix I Relevant figures

Figure 1. The trade volume between China and Germany from 1979 to 2001 (Billion$)

Source: The State Department of Commerce, 2012, 12-10-2014

Figure 2: GDP of China from 1978 to 2012.

Source: trading economics, 2014, 11-11-2014
Figure 3: The ranking city of average monthly wage in 2014 (in this case, suggest 1$=6RMB)


Figure 4: Growth trend of Chinese netizens and the number of online shopping (hundred million)

Source: www.ebrun.com (Blue line is the number of netizens and red line is online shopping), 26-11-2014
Figure 5: Child safety seats from Goodbaby.

<table>
<thead>
<tr>
<th>Model</th>
<th>Price</th>
<th>Baby Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>$133</td>
<td>from 9 months to 12 years old</td>
</tr>
<tr>
<td>2nd</td>
<td>$150</td>
<td>younger than 5 years old</td>
</tr>
<tr>
<td>3rd</td>
<td>$150</td>
<td>from 1 month to 15 months</td>
</tr>
<tr>
<td>Price</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>$167</td>
<td>Baby use: younger than 5 years old</td>
<td></td>
</tr>
</tbody>
</table>
| $200  | Baby use: from 9 month to 12 years old  
Focus on: Protect from besides. |
| $267  | Baby use: from 9 months to 12 years old |
| $333  | Baby use: from 9 month to 4 years old |
$400

Baby use: from 9 months to 7 years old

Sorce: www.haohaizi.com, 07-012015

Figure 6. Picture of cheapest child safety seat in China

Source: www.item.taobao.com 10-01-2015
Figure 7. Picture of child safety seat from Combi

Figure 8. Series of child safety seats from Kiddy
### Figure 9. Classification of child safety seat

<table>
<thead>
<tr>
<th></th>
<th>Group 0</th>
<th>Group 0+</th>
<th>Group 1</th>
<th>Group 2</th>
<th>Group 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weight</td>
<td>Birth to 13 Kg</td>
<td>Birth (2-3Kg) to 13Kg</td>
<td>9 to 18Kg</td>
<td>15 to 25Kg</td>
<td>22 to 36Kg</td>
</tr>
<tr>
<td>Old</td>
<td>Birth to 15 months</td>
<td>Birth to 15 months</td>
<td>9 months to 4 years old (Although older children can fit too sometimes)</td>
<td>4 years old to 6 years old (Although older children can fit too sometimes)</td>
<td>4 to 10 years old, and above if the child is not 36 Kg yet</td>
</tr>
</tbody>
</table>

Appendix II Germany & China: The cultural Differences

1. Complaints (or suggestions)

2. Lifestyle

3. Punctuality

4. Human network
5. Attitudes toward anger

6. Standing in line

7. Ego

8. Streets on Sundays
9. Parties

10. In restaurants (decibels)

11. Standard of aesthetic beauty (tan level)

12. Problem solving
13. Three meals a day (hot or cold)

14. Transportation preferences (1970 and present)

15. Daily life for old people

16. Time of showers
17. View of superiors

18. Children in a family

Appendix III Interviews

Interviews with young people

15 people were interviewed by telephone and 87 people were interviewed by face to face. They were asked the same question to collect the information of them an also opinions for child safety seats.

General information

1. What is your age?
   - Between year of 20—25
   - Between year of 26—30
   - Between year of 30—35

2. What is your gender?
   - Female
   - Male

3. Do you have car by yourself or will you buy in the future?
   - Yes, I have
   - No, I will buy in the future
   - No, I don’t want to buy

4. Do you have child now?
   - Yes
   - No

5. Which level of your income?
   - $300—$500
   - $501—$800
   - $801—$1100
   - Higher than $1100
6. Which city are you live in?

**Child safety seats**

7. Do you know child safety seats or hear about it?
   - Yes
   - No

8. To what extent do you think a child safety seat is important for the safety of a child when transported in a car?
   - Very important
   - Important
   - General
   - Less important
   - Not important

9. If you want to have a safety seat, how much would you be willing to spend on it?
   - Less than $100
   - $100—$200
   - $201—$400
   - $401—$600
   - Over $600

10. If price of Chinese child safety seat that you want to buy is the same as German child safety seat, which one will you buy?
   - Chinese
   - Germany

11. What factors will you consider when you buy safety seat? (you can choose more than one)
   - Price
   - Outlook
12. Where will you get information about safety seat?
   - Internet
   - Counter in shopping mall
   - Advertisement on magazine
   - Baby shop
   - Others (Please explanation)

13. If you want to buy, in which way would you buy?
   - By Internet
   - Counter in shopping mall
   - Baby shop
   - Others (Please explanation)

14. If you want to buy foreign brands, which one will you choose?
   - German
   - American
   - Japan
   - Others

15. Do you currently using a child safety seat?
   - Yes (if yes, please answer Q14 & Q15)
   - No

16. If yes, please indicate which one you are using?

17. To what extent are you satisfied with your child safety seat?
   - Very satisfied
   - Satisfied
   - General
   - Less Satisfied
   - Not satisfied
Interviews with employees from Chinese company

1st interviews with Goodbaby

Q: Hello, I am a Chinese student of Dutch hogeschool. I am doing my graduation internship and it is about Chinese market of child safety seats. May I ask you some questions?

A: Yes, please.

Q: Could you describe current situation of Chinese market of child safety seat?

A: Nowadays, security awareness of Chinese is not very high. The market of child safety seats is not open totally in China. However, mandatory use of safety seats will become a trend in the future with successive legislative in Shanghai and Shandong. In Shanghai and Shandong, market of child safety seats has begun to open. At present, utilization rate of child safety seat is 5% in China. But it reached 96% in Germany.

Purchase channel of child safety seats is pretty rich in China. Main purchase channels are shopping mall, supermarket, baby shop and by Internet. Most brands that sell in China are foreign brands. For example, Concord (America), Britax (England) and Kiddy (Germany). Prices of those brands in Chinese market are higher than $500. There are also famous Chinese brands for child safety seat. For instance, Goddbaby, Happydino and Lutule. Chinese own brands are always lower than $350. Price of goodbaby is between $133 and $416. It focuses on middle to high market. Happydino is sub brand of Goodbaby. Its prices are from $50 to $170. Happydino is focusing on middle to low market.

Q: What are you view on the developing of child safety seat in future?

A: For this question, I will show you a group of numbers. Per 1st of August in the year of 2014, Shandong legislated for child safety seat: it is forced to use child safety seats for child who is younger than 4 years old. In August, the sales of child safety seat increased to 286% in Jinan (a city in Shandong) compare last month. Moreover, the sales of child safety seat have a growth of 802% compare to August. 2012 is the start year of child safety seat. From the data of Taobao, sales of child safety seat increased of 500% from the year of 2012. Until October
of 2014, the sales growth of child safety seat was 300% compared to last year. The market of child safety seat will be large with the imposition of it in China.

The number of newborns is 17 millions during the year of 2014. There are 200 million children who are younger than 12 years old. The market of child safety seat will greater with the policy of more families can have second child. At last, experts estimate that the annual demand is 25 million.
2ND Interview with Jole

Q: May I ask which one will one are more competitive within Chinese brand and foreign brands of Child safety seat?

A: Chinese brands could attract more consumers because of lower prices. However, Chinese companies are not our core competition. Our core competitors are foreign brands of same level of prices.

Q: What are the advantages do you have when you competition with foreign brands?

A: I think the most important is price. In general, there is an exchange rate when foreign products want to be sold in China. It will increase the price. We are local company, so there is no problem of exchange rate. The transpiration fee also helps to reduce the cost of child safety seat.

Q: What factors customers will consider when they choose child safety seat?

A: In general, customers are more focus on safety problem. They pay more attention on the safety performance instead of others.

Q: What did you do for promotion of Jole?

A: As you can see from our website, we invited Xidi Xu to be our spokesperson. As you know, she is a mother of three children. Meanwhile, she is a good image of mother and famous star. That could help to get extra attention by invite her to be our spokesperson.
Q: What is the future of child safety seat in Chinese market?

A: Because of Chinese government to legislated mandatory use of child safety seat, sales of child safety seat in Chinese market will be increase rapidly in recent years. It is reducing the number of children were injured in a car accident by using child safety seat. Child safety seat can make child sit on it to avoid hurts when car accelerate. With the introduction of policy for child safety seat in Shanghai and Shandong, 300RMB of traffic fine will be happened in Shenzhen if you do not have child safety seat for your child who are younger than 4 years old from 1st in January 2015.

Q: If it possible to tell the sales of child safety seats from your company?

A: Sorry, I only can tell you that we are the sales champion of Tianmao (a network operator in China) during double “11” (shopping festival).
4TH interview with Kiddy (Germany)

Q: There are many brands in market of child safety seats, may I ask what kind of advantages do you think Kiddy compare to other brands?

A: First, one of our advantage is the global quality standard. As you know, the quality standard for import products is different in the world. However, our products are “Produce by German”, the quality is the same in European market and Chinese market. Then, there are Research & Development department in both German and Chinese company. There are many full-time designers with rich experience working for Kiddy. In China, Kiddy was designed products especially for Chinese market on the basis of German technology and quality. We would design products according to weight of baby and demand of Chinese parents.

Q: Although the child safety seats received extensive attention from consumers, but most of them do not have a clearly idea about it. May I ask what you did to promote Kiddy?

A: We have a promote project “Baby guard plan” in the year of 2013. This project is cooperation with Shanghai Health planning commission, Xinhua hospital and Shanghai Municipal Health Bureau. The main content is very simple, if you are Shanghai citizens and your baby has a birth certificate, then you can receive a free newborn child safety seat. This child safety seat is for baby between 0-15 months. And it designed according to the baby's spine and development characteristics.

Q: We know there are very strict safety standards in Western countries. However, there is no standards in China now, may I ask what standards are the Kiddy following?

A: Kiddy is following European standards. For safety test, ECE is the unique official standard. The allotment of ECE label was by “United Nations Economic Commission Europe”. Product of any child safety seat manufacturers did not allow going on sale before get ECE certification. Furthermore, Kiddy also got security certification from German spine kiddy products Protection Association (AGR). And reached the safety standard by the company TÜV for child on the air in the world. That means child safety seat from Kiddy can be used on any aircraft.
Q: The first reaction of Chinese people to child safety seats is the high price. May I ask what is the price range of Kiddy? I found there is online shop in Tianmao, is it cheaper shop online compare to shopping in store?

A: The price is a sensitive topic. Nowadays domestic market of child safety seat is quite confusing. There are local products and also imported products. But the price of child safety seat is from few ten dollars to few hundred dollars. My personal view is that most Western child safety seat was tested by rigorously cash. For instance, Kiddy will spend a lot of manpower and material resources to conduct crash tests every year. Because crash tests can be truly illustrate the quality of products. There are many stringent crash tests in Western countries and most of them are the third party. Various stakeholder involvements are strictly prohibited, so it is more objective compared to domestic. I feel the product quality of Western countries is more secure than China. From the standpoint of price, price is lower than before but I suggest consumer according to their income lever to choose child safety seat. Actually, price of Kiddy products is the same no matter online or in store. However, price will be difference due to the different channels, such as the online shop, store. In addition, there was different promotion in shops. So consumer will find different prices of one product in different shops. But I believe Chinese consumers will have their own way to found the cheaper price.
5th interview with XEREZ (Spain)

Q: What is the situation of child safe travel in China?

A: The awareness of child car safety is very weak in China. It lead the child casualties frequent happened. Each year, there were more than 18,500 children under the age of 14 year old died because of traffic accidents; the death rate is 2.5 times of Europe and 2.6 times of America.

Q: What XEREZ did for prepared to enter into Chinese market?

A: We did a survey and found that because of the birth control, structure of most urban families is 4-2-1. That means one child in a family with parents and two couples of grandparents. Parents generally have a good level of education and the more affluent economic conditions than before. With they became parents; the consumption potential of China-related infant will be further stimulated.

For products, we introduced into Chinese market is the series of pioneer, which is a nine-month to 12-year-old general safety seats. Compared to other European and American brands seats, the advantage of our products is most middle class Chinese families can accept its price.

Q: How did XEREZ to open the Chinese market?

A: Overall, at beginning to enter the Chinese market, XEREZ was facing the challenge of low visibility as other foreign brands. The lower awareness of child safety seats was the most difficulty in terms of promotion. For improve the awareness of brand, we tend to provide high quality of products and good service. We recruited several testers to provide them child safety seats for free at the beginning of sell products on Tianmao. We believed that every user will be our brand ambassador, and their suggestions of products can help us to improve products. The sales of child safety seat on Tianmao was closed to 300 last “11”. It was a good result for a new brand to enter the Chinese market.