Boundary conditions to business relationships in China: the case of selling wine in China

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Abstract

Purpose – This paper aims to examine the role and limitations of relationships between buyers and sellers of grape wine in China. Although networks are believed to be critical for market entry in Confucian societies, they may also dampen the entrepreneurialism necessary to build a sustainable niche, suggesting that under certain market conditions relationships may have limitations.

Design/methodology/approach – In-depth interviews with 26 marketing managers of Australian and New Zealand wineries exporting to China were completed. This information was supplemented with published comments from importers and agents in China.

Findings – The nature and limits of relationship-specific investments in China were examined. Four boundary conditions to business relationships were found that suggest that, with certain product categories and early stage market conditions, close business relationships may undermine brand equity and growth strategies.

Research limitations/implications – The four boundary conditions identified can be examined across other product categories and markets. Also, they can inform further longitudinal work on the interaction between relationship effectiveness and market structure.

Practical implications – Managers should be careful about operating on stereotypical views of Chinese business buyers. Also, they should assess the viability of buyer-seller relationships under market conditions of high uncertainty, and instead consider whether competitor relationships that assist with market creation would be more useful as an entry strategy.

Originality/value – The findings identify the limitations of the relationship metaphor under certain market conditions.

Keywords Business-to-business marketing, Exports, Cross-cultural management, China, Qualitative methods

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

Introduction

The importance of personal contacts, relationships and business networks to business success in China is well established (Arias, 1998; Lasserre and Probert, 1998; Schuster and Copeland, 1999; Schütte and Ciarlante, 1998; Thirkell and Ramadhami, 1998). Central to business practice in China are concepts such as *Guanxi* ("a special type of relationship that bonds the exchange partners through reciprocal obligations to obtain resources through a continual cooperation and exchange of favors"; Wang, 2007, p. 81) stress the importance of forming long-term network relationships (based on mutual obligation and understanding). However, relationships and networks may not always be useful under certain market conditions (Achrol and Etzel, 2003; Beverland and Lindgreen, 2004; Joshi and Campbell, 2003; Jap, 1999; Heide and John, 1990; Stump and Heide, 1996), and may also hinder firms in dynamic markets where the "rules of the game" constantly shift (Baum *et al.*, 2000; Beverland, 2005a, b). For example, firms locked into networks might gain advantages from the network, but over time may become less focused on global market changes and trends that could result in the destruction of the network (Beverland, 2005a, b). This suggests that there are boundary conditions to the usefulness of business relationships – an area that requires further exploration (Fournier *et al.*, 1998; Parvatiyar and Sheth 2000; Price and Arnould 1999; Varadarajan and Jayachandran 1999). We explore this issue with reference to the actions of Australian and New Zealand wine exporters in China.

Arias (1998) proposed that relationship marketing would enable firms to successfully enter the Chinese market and a number of researchers have stated that relationship marketing is an effective way of achieving competitive advantage in international markets (for review see Sheth, 2001). Therefore, do firms entering markets where the culture may necessitate the use of relationships and networks face the paradoxical situation where the very strategies needed to negotiate access lace limits on future viability in highly dynamic markets (Beverland, 2005a, b). Webster (2000) stated that firms could not rely solely on push strategies at a business-to-business level to create value in the marketplace – they must also develop pull strategies at a consumer level to make people aware of their offering and assist their business-to-business partners in selling the product. For Webster, firms must work closely with distributors and agents, but also create brand awareness at a consumer level to ensure market growth. However, within the context of *Guanxi* relationships this

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would need to be managed carefully, as creating awareness at a mass level, would not only assist the network, but also competitors, which is hardly in keeping with the requirements of a trust based relationship.

We examine the roles and limitations of relationship formation in the emerging Chinese wine market. A recent report on the global wine trade highlighted the importance of developing new markets, particularly in China, and of fostering relationships with distributors and other channel members (Geene *et al.*, 1999), making this industry a relevant one in which to study the boundary conditions of business relationships. China is considered a "non-traditional" wine consuming nation and foreign firms have met with only mixed success is developing sustainable market positions in this product category. Firms entering emerging markets or launching "new" product categories into these markets face many uncertainties, necessitating the use of a range of transactional and relational activities (Beverland, 2005a, b; Beverland and Lindgreen, 2004). These include managing the competing pressures arising from intercultural interaction, the needs of the seller, the highly uncertain state of the market, the needs of the consumer, and the conflicts between forming long-term relationships and achieving immediate sales growth (see Ford *et al.*, 2003). This suggest that relationship dynamics in these contexts will be complex, and potentially involve a range of short term opportunistic behaviors and long term mutually beneficial behaviors, resulting in the potential for relationship conflict.

This article has the following structure. First, we provide details on the interpretive methods employed. Second, we present our findings around two key themes: forming and managing relationships, and boundary conditions of relationships. Finally, we discuss the theoretical, future research and managerial implications of our findings.

Method

The complex nature of these relationships, and the need to understand the development and evolution of relationships called for the use of an exploratory research design. Weitz and Jap (1995) supported calls for greater interpretive studies in the area of relationship marketing and channels. Data were collected from interviews with 26 marketing and export managers of large and small to medium sized wineries in Australia ($n = 15$) and New Zealand ($n = 11$). Despite differences in the size of firms and the products sold, there were no differences between the Australian and New Zealand firms in the strategic and tactical approaches used in China. The informants were all CEO's, export or marketing managers who had primary responsibility for market development (73 percent were male, 27 percent female, average age of 38.4 years, averaged 5.6 years commercial experience in the wine industry, and had on average 3.7 years experience in dealing with China). All of these firms currently exported wine to China (the average duration of export to China was three years). While time and resource constraints limited the ability to collect dyadic or network data, seven Chinese based sellers were interviewed via telephone (these represented major wine distributors in China).

Questions focused on getting sellers to describe the relationship formation process, their goals in the relationship and any critical incidents in the relationship formation process. Following this, sellers were asked to describe how the relationship had evolved, and whether their own strategic view of the relationship had changed. Again, critical incidents were identified. The distributors and agents were asked similar questions (interviews lasted on average one hour).

Following transcription, analysis of the verbatim transcripts occurred soon after the first few interviews, allowing interpretations to inform and direct subsequent interviews. Our analyses were iterative and tacked back and forth between these interpretations and standard grounded theory coding (i.e. open, selective, and axial). Throughout the study, a number of methods for improving the quality of the research were adopted. Based on recommendations from a number of interpretive researchers (Lincoln and Guba, 1985) we applied the criteria of credibility, transferability, dependability, confirmability, integrity, fit, understanding, generality and control. In all situations, case studies and interpretive reports were returned to participants for comment. Secondary data further triangulated the cases, with the authors reviewing over 50 trade documents on marketing wine in China. This process, and the use of multiple sources of evidence, helped improve the quality of the research (Yin, 1994).

Findings

Two key themes emerged from the findings: forming and managing relationships, and boundary conditions of relationships. The findings will be presented around these two themes. The first theme supports contentions that relationships are important for market access and development in China. The second theme identifies boundary conditions to this relationship, suggesting that niche density (number of firms), market structure (the role of large and small firms), and timing limit the effectiveness of relationships versus more transactional marketing activities.

Forming and managing relationships

Based on their experience in China, the informants overwhelmingly thought that a long-term focus and relationships were critical to doing business in China. The failure of a number of large Australian wineries to approach the Chinese market with a long-term strategic view has effected the perception held by a number of Chinese (and expatriate) businesses. One Chinese retailer stated:

> It's just not good business to establish a market and then to forsake it [referring to Australian wineries who diverted wines from China to Europe due to poor crop levels in one vintage]. My experience is that I just can't get wines from traditional suppliers. I'm missing whole vintages because Australian producers are diverting stock to other markets. It's not a good long-term strategy. The French are acting differently and giving priority to China. They're consolidating and strengthening their market share by filling demand, not with top end wines but with generic wines from newer regions.

The passage above identifies that the short-term outlook of Australian wineries was effecting their competitive positioning in the long-term because although business buyers could not be sure of ongoing product availability or support, and thus could not build a strong relationship with their clientele (particularly restaurant buyers who require certainty when developing wine lists). The lack of investment in the market is compared with that of French producers who are more valued as a result. Secondary evidence identified that while Australian wineries had gained market share (at the expense of the French) quickly in China (due to low cost), the strategy of diverting wines to other markets resulted in France regaining the lost 10 percent of market share. This failure to

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build certainty resulted in diminished relationships between Australian producers and local Chinese buyers. Such a desire for certainty often meant older family firms were preferred over newcomers. For example:

> They wanted to know who they were dealing with, the stability of the company, the reputation of the company, who owned it. The company is 65 years old and a family company, which was a big advantage. They ran an independent credit check on us, all the time trying to work out if they could trust us (CEO, male, 56 years, 4 years experience in China).

Trust was also reinforced by relationship adaptation. For example:

> In China it's all about people. Trading in China is all about getting the right middleman, getting the right connection, the right people. You can't get into the stores [without a middleman], and you need a person with connections to get to the markets. The Buddhist principle of reciprocity is very important. "If you help me, I'll help you". If you become part of the network, then you also have connections so you become valuable. [The first critical issue is to] create a rapport with the right people. Only then can you discuss the issues of price, the wine, and the company. Personal rapport is key - much more so than in Europe. In Europe a great wine will sell even if they don't like you that much, in China if they don't like you, they won't order (Export Manager, Female, 37, seven years experience in China).

In China the manager quoted above used a middleman from Hong Kong who had good connections into China. The middleman in Hong Kong was once again engaged in selling a bit of everything; so selling wine was just another avenue of trade. The informant flew over and met the Governor of the State and the Chief of Police because the Police controlled all the liquor stores. Thus, strong relationships were central to gaining listings and to gaining access to a wider web of network partners that would impact on the success or failure of an exporter's strategy. As noted in the informant's passage above, multiple relationships with a range of stakeholders need to be formed in China in order to ensure orders from multiple channels and ensure the product gets in front of the consumer. The need to form relationships with multiple stakeholders and the need for buyers to deal with these stakeholders affected negotiations and pricing decisions. For example, the following quote comes from one of the first New Zealand wineries to enter the Chinese market. The manager here identifies the need to allow for flexibility in pricing in order to take account of "kick backs" necessary to ensure the product flows through to the end consumer:

> They also love to negotiate prices - you have to negotiate and be prepared to give away $NZ5-10 a case. It's all part of the philosophy, particularly if they're on selling to other buyers, where they may need to take into account bribes. You must allow for kickbacks, a little bit for everybody throughout the chain. They aren't greedy about it and they don't always know what everyone else gets, but part of your pricing must take into account that they always want a little (Marketing manager, male, 29 years, three years experience in China).

The above passage also reinforces the view that relationship use, and sensitivity to local culture and network position (the mutual obligations faced by each network partner; Ford *et al.*, 2003) is crucial to ensuring success in the drinks category in China. The strategy identified by this informant – of being prepared to at least appear to give something away and acquiesce to the partner – is central to managing effective relationships over time (Morgan and Hunt, 1994). Also, by understanding (although not openly acknowledging) the partner's predicament (i.e. the need to pay bribes further up the chain to make things happen) the producer believes they build trust.

Another way trust was built was through relationship specific investments that often involved adaptation of the product, or the marketing program. Being prepared to work with the customer is also important, and this helped the companies understand the market and build up trust. For example, one company was going to export their standard brand so they kept the same basic label design but translated it into Mandarin except for the "Made in New Zealand" part (which they were told to keep in English). However, the company also developed the label proofs and sent them up to the buyer for approval, which the buyers appreciated ("They just loved it" Sales manager, male, 47, five years experience in China).

Further investments involved personal visits. As part of the negotiation process, firms found they had to visit China. In China initial wine orders were relatively small and this put many wineries off investing in visits, as they preferred to wait for the market to grow. This was an unsuccessful strategy, with the following quote representing the view of many marketing managers interviewed:

> You simply have to visit their markets and understand their customs. We need to remember that we're selling in their market, on their back door step, so we have to be mindful of their customs. It is like when you visit friends, you visit them rather than impose on them (Sales manager, male, 33 years, six years experience in China).

The passage above reinforces the importance of relationship specific investments because it acknowledges the implied power arrangements within the relationship. Such a strategy often contrasts with the experience of managers in Westernized markets who view personal visits as a "reward" for attaining a level of business. In china, the informants noted that personal visits reinforced the value the firm placed on the future relationship and acknowledged that the buyer was superior. Personal visits were believed necessary to create trust between the relevant business parties. For example:

> In China you are perceived as a guest, but really they're watching you, sizing you up. You won't get it right, but you must be prepared to learn, if they see that openness to learn, then you'll do fine. For example I had never used chopsticks, they had put out a knife and fork for me. I requested chopsticks and just kept at it, kept learning, they appreciated that and commented on it. After dinner the Governor said, "when you used your chopsticks you start with your head not your hand, you are very intelligent" (Export manager, male, 55 years, nine years experience in China).

The informant above reinforces the importance of visits to relationship quality. The actions of informant – in this case of adapting to local customs despite his lack of skill or knowledge (and the provision of a Western alternative) – showed he was open to local customs and therefore could be a trustworthy business partner. This was particularly the case because his actions demonstrated he was prepared to not only learn something new, but take the time to ensure he got the use of the chopsticks correct.

In summary, the informants identified the importance of building trust-based relationship with Chinese business partners in order to ensure access to local markets and networks. Building this trust required long-term investments, an acknowledgement of the buyer's power position, and adaptation. However, the informants from the wineries also stated:

- that relationships were necessary as a form of brand protection; and
- relationships with Chinese partners only went so far in terms of their effectiveness in the wider marketplace.

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Boundary conditions of business relationships

The informants identified the importance of relationships and network knowledge to ensuring product quality and brand positioning. This was often based on prior negative experience of local conditions. In particular, the focus was on ensuring that the product (wine, a perishable commodity) was stored correctly before it got to the consumer. For example:

> If you think that your focus on the relationship and market ends with the order, you're dead. You need to follow through to find out where it will be stored, what will happen to your wine, where will it go, how it will be marketed. You must plan and you must retain ownership right through to the end consumer regardless of what country you export to, but especially in China (CEO, Male, 54, 11 years dealing in China).

The quotation above identifies that relationships are a crucial means of ensuring quality control for wine producers exporting to China. The informant identified the dangers of a traditional sales approach in China ("A traditional sales focus in Chinese wine markets, may cause trouble"), and also noted that the uncertain state of the market place made relationships throughout the entire channel critical, as failure to think in this way could lead to the brand being damaged through poor retail presentation or storage conditions. Because the Chinese wine market is underdeveloped it lacks specialist infrastructure such as cool storage for wine, and channel buyers may destroy brand value by not storing a perishable product in the right conditions (hot humid conditions can ruin wine within hours). This drove the informant to develop a "winery to customer" approach, whereby they asked for information concerning each part of the demand chain in order to control perceptions of brand equity.

This approach was contrasted with that of a large Australian firm sampled, with a range of strong brands, who treated China as a secondary market, selling wine into the market when supply was up (essentially diverting wine away from the UK), and withdrawing sales when supply fell (due to poor seasonal conditions). This company sent several container loads of wine to China without paying attention to the structure of the channels. In effect their approach was to sell the product, and transfer responsibility for the brand to the buyer. The buyer did not understand the need for, or have the desired storage system for wine, and placed the wine in a warehouse with their other products. The warehouse lacked any form of temperature control. As the market for wine was oversupplied at the time, the buyer waited until the market picked up. The wine sat in the warehouse during all of the Chinese summer. The wine was subsequently released onto the market in a spoiled condition, and was quickly rejected by consumers. The volumes of the Australian branded wine were such that this episode did serious damage to the credibility of Australia as a wine producer (Sam Tolley, General Manager, Australian Wine and Brandy Corporation[1]) as many wine producing nations promote around country-of-origin (therefore, potentially, one large-scale failure can taint all brands for a time).

The newness of the category to the market also affected buyers' strategic outlook towards the product. Many of the informants identified that Chinese buyers, although desiring long-term relationships, often took a decidedly short-term view of the product category. For example:

> Chinese buyers think different. In Europe you need to find a wine distributor and that's it. Each distributor has a clear strategy and focus, their return comes from focusing, so they'll sell only wine or alcohol. Their focus is on margins, and the price of the wine is negotiated by reference to a desired margin. In China they are "traders." They are brought up as traders and as a result they dabble in everything (as this spreads the risk). Moving products is what is important to them. They make smaller margins, in fact they don't think in margins, they think in volumes – "If I can make a little on a lot, I'll still make a lot of money" (Marketing manager, male, 36, four years experience in China).

The passage above is representative of the buyer's strategic outlook on the wine category. Because of the immaturity of the product category as a whole, there were few specialist wine distributors. Thus the informants often dealt with trading companies who had little specialist knowledge of wine, and little long-term interest in the category. Although relationship adaptation is important to the buyer described above, the seller also recognizes the limitations this places on his strategic position. For example, the seller will be tempted to discount the product in order to move it, and more importantly, this outlook leads buyers to stock up on wine when it is cheap and then wait for market conditions to improve. Such a strategy can lead to real quality problems because the product is often not stored correctly, thereby resulting in poor quality product being launched to an uneducated consumer (who will not understand that the wine is simply "off"). As well, the informants noted that this outlook led to what they dubbed a "pipeline effect." For example:

> You may get a large first order that sells quickly. You then another order that takes time to get into the normal trading channels and therefore your next order is a third of the original order. The reason is that you're filling up the market. You need to plan for it. The middlemen have sold the products to the distributor but the product hasn't sold to the consumer (Sales manager, female, 40, five years experience in China).

The passage above reinforces the view that the wine market in China is immature and uncertain, and that relationships can only take sellers so far under these market conditions. For example, the informant above identifies that sole reliance on adaptation and relationship investments with one key buyer (identified in the first section of the findings above) is not enough as little is being done to develop the wine market in general, and further investment in "pull" marketing is necessary to leverage the relationship investments made with buyers, and enhance brand value (see Webster, 2000). The problems associated with channel based push marketing in an emerging and "unsophisticated wine market" (see above quote), was noted by Australian wine industry representatives (Scott, 2000) who argued that many Chinese buyers continued to place orders for wine, even though they could not sell it, in order to save "face" with the seller. In the end, they often gave the product away, or cancelled orders due to lack of demand.

For many firms, this experience led them to consider whether investing directly in relationships with Chinese buyers was a wasted effort for all but the largest sellers. For example:

> What we're finding in China is that they have what I'd call more of an industrial palate. Therefore when the Chileans can export a dozen bottles of red wine into China all taxes paid at $36- $40 the Australian can't compete in that market. It's only a developing market and it will eventually build. They are going to go through exactly what the UK went through. The UK was a beer-drinking nation and in the 1980s you had 10 percent of them become wine drinkers and another 15 percent became wine drinkers in the early 90s and another 15 percent are changing over now. Now those original 10 percent have gone from being £3.99 drinkers to £7-10 a bottle drinker and exactly the same will happen in the Chinese market. As the palates mature, the price brackets go up. That's when we should try to invest further

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in China (Marketing manager, male, 29 years, two years experience in China).

> I'm still a little bit skeptical about China. I think there is potential in China for the big players that can produce low cost wine. I see for wineries like myself that there is probably limited opportunity in China as they are just starting to drink wine. I believe that the market is there for the big players who can produce sell at $30-40 dollars a dozen. This is going to educate people to start drinking red wine in particular. It's then ten years away for us once those people desire better quality wine. In the short term I think the development of existing markets is our aim (CEO, male, 50 years, two years experience in China).

The first passage above a relationship between stage of market evolution and competitive positioning. The informant identifies that until the consumer market develops, the price differential between his and competitor products make investments in China unattractive (he subsequently withdrew from China). Furthermore, the second informant identifies the relationship between consumer product involvement and competitive positioning, suggesting that relationship investments might be best made when larger firms with more resources had built a viable category for wine in China. These two passages reinforce the view that relationships in underdeveloped product markets may be of limited use for sellers, or may provide little basis for competitive advantage in short-to-medium term for all but the most cost efficient firms. This suggests some boundary conditions for the role of relationships in exporting, even in conditions where cultural norms require trust-based relationships. That is, even though firms may invest in relationships, they may be unable to leverage their benefits in certain market conditions – in fact the lack of development in the product category may require overinvestment in relationships in order to protect the brand and product for firms that do not have an absolute cost advantage.

Discussion

This article addresses whether relationship strategies are sufficient in highly dynamic markets, and particularly in new to market product categories. As well, we examine whether sellers may undermine their competitive position with a relationship strategy in dynamic or uncertain markets/niches. This second point is based on a commonly held view that relationship success may paradoxically lead to less flexibility and market success over time (Beverland, 2005a, b; Ford *et al.*, 2003). To these ends, we identify that relationships with buyers are necessary for market entry and ongoing business within the wine category in China, but that they may not sufficient to ensuring ongoing commercial success. Therefore, we address our research question that focuses on boundary conditions of relationships in China, addressing calls for greater understanding of the limits of the relationship metaphor in business (see Fournier *et al.*, 1998).

In particular we propose the following boundary conditions that may moderate relationship success for business-marketers in China (future research can examine whether these apply more generally). First, low product category specific knowledge and specialist infrastructure among business buyers and network partners (that drive derived demand) may limit relationship effectiveness for buyers because the brand could be damaged due to simple buyer ignorance. Therefore, for sellers concerned about brand equity, sole reliance on relationships under these conditions may be dangerous. Second, a trading or commodity view of purchasing (by buyers), or generalist buyers (those similar to the ones identified by the informants above as buying many product categories as part of a low margin business) may limit the effectiveness of business relationships because of the short-term nature of such an outlook. Again, although under these market conditions (see below) sellers may have little choice to deal with these buyers, expectations about relationship success should be lowered.

The first two boundary conditions address issues of brand equity protection. The next two conditions address issues of market growth. The third boundary condition relates to the effect on relationship effectiveness when the product category is literally new to the market. In these situations, lack of end-consumer knowledge or familiarity and the resulting lack of continual orders may limit the ability of firms to leverage relationship specific investments. Fourth, where firms have limited resources to invest in pull strategies, relationships with sellers may be less effective. Although there is nothing new about this boundary condition, we do note that the informants studied were in a position whereby uncertainty about payback periods meant they reluctant to invest too heavily in relationships. As well, the job of developing a viable wine category among a large non-wine drinking population was something beyond the firms sampled here (wine is a very fragmented market and even the largest firms would struggle to achieve this task alone). This suggests that firms under these conditions may be better off investing in cooperative relationships with competitor firms in order to create a viable category (see Beverland and Lindgreen, 2004). This issue will be addressed in more detail in the managerial implications.

Limitations and future research

This research has a number of limitations. Firstly, it was not possible to gain dyadic interviews for the whole sample. Also, the development of relationships would best be examined using longitudinal research methods, rather than relying on respondent recall of the phenomena. Therefore, future research should be undertaken longitudinally to investigate the relationship between changing market attractiveness and structure, and the value of business relationships. This work would essentially verify the four boundary conditions identified here. Second, this research was based on a single industry – wine. Importantly, the findings are based on the experiences of firms with highly perishable products and may not transfer to industries selling more durable items. Future research could therefore verify whether such boundary conditions exist in perishable categories under the same market conditions, and whether the findings hold for more durable products. Finally, future research should also examine further boundary conditions of business-market relationships.

Managerial implications

The findings have a number of managerial implications. First, the experiences of the informants suggest care is needed when targeting the Chinese market. Much populist literature stereotypes Chinese buyers as long-term focused, relationally oriented, and generally different from their Western counterparts. Yet, the experience of the sampled informants challenges this view under certain market conditions and in this product category. Although the buyers discussed did exhibit the stereotypical behavior attributed to Chinese businesspeople, they also exhibited many behaviors consistent with the simplistic view of Westerners – short-term orientation, transactional focus, and a sales focus. Thus, exporters to China should be open to a far more complex market than the one presented in populist literature (e.g. Schütte and Ciarlante, 1998).

Second, the findings suggest that under the market conditions identified herein, sellers would be wise to consider whether entry is desirable, and the nature of that entry. In regards to market entry, for smaller firms the market conditions may simply make entry unviable and relationship investments dangerous (given that relationship exit may be likely when demands for decreased margins cannot be met). As to the nature of entry, cooperative relationships between competitors (in this case other wineries, even wineries of other competitor nations) may be a better investment. These loose "alliances" of competitors could then pool resources to raise general awareness about the product among business buyers and consumers, thus creating a more viable product category. At this point, specific relationships between sellers and buyers could then be invested in and leveraged for greater success (without dangers to brand equity).

Note

1 This information came from a question and answer session on selling wine in China, at the 1999 Office International de la Vigne et du Vin (O'IV) 25th Conference, Paris, France, June 19-23.

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About the author

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Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto *to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefits of the material present.*

These days it seems to be stating the obvious to remind organizations that doing business with China is likely to involve personal contacts, "you scratch my back, I'll scratch yours" relationships, and a commitment to be patient as the necessary trust is built up over time.

There is an acceptance that China is "different" and anyone wanting to make a success of doing business there must observe the cultural peculiarities, not least the avoidance of putting a business partner in a position where they might "lose face".

Considering the enormous amount of business western countries are doing with China, someone must be doing something right. However, just as different cultures have their own idiosyncrasies and unique requirements, so can different industries. Take wine, for instance. Perhaps not the first commodity that springs to mind when considering exports to China, but nevertheless an important and developing business.

In examining the role and limitations of relationships between buyers and sellers of grape wine in China, Michael Beverland says relationships and networks, so central to business practice in China, may not always be useful under certain market conditions and may also hinder firms in dynamic markets where the "rules of the game" constantly shift. For example, firms locked into networks might gain advantage from the network, but over time may become less focused on global market changes and trends that could result in the destruction of the network – a state of affairs which suggests that there are boundary conditions to the usefulness of business relationships.

How paradoxical if firms entering markets where the culture may necessitate the use of relationships and networks face a situation where those very strategies place limits on future viability.

Firms entering emerging markets or launching "new" product categories into these markets face many uncertainties, necessitating the use of a range of transactional and relational activities. These include managing the competing pressures arising from intercultural interaction, the needs of the seller, the highly uncertain state of the market, the needs of the consumer, and the conflicts between forming long-term relationships and achieving immediate sales growth. Relationship dynamics in these contexts will be complex, and potentially involve a range of short-term opportunistic behaviors and long-term mutually beneficial behaviors, resulting in the potential for relationship conflict.

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Based on the views of marketing and export managers of large and small-to-medium wineries in Australia and New Zealand, and Chinese-based sellers, the overwhelming conclusion was that a long-term focus and relationships were critical to doing business in China, with one retailer highlighting how to get it wrong: "It is just not good business to establish a market and then forsake it" – referring to Australian wineries who diverted wines from China to Europe due to poor crop levels in one vintage.

His comments emphasize that the wineries' short-term outlook was affecting their competitive positioning in the long-term because business buyers could not be sure of ongoing product availability or support, and therefore could not build a strong relationship with their clientele.

But that is not the only danger. Another is not recognizing that the entire relationship channel is critical. As one winery CEO said: "If you think that your focus on the relationship and market ends with the order, you're dead. You need to follow through to find out where it will be stored, what will happen to your wine, where will it go, how it will be marketed. You must plan and you must retain ownership right through to the end consumer."

A company that did not heed that advice sent several container loads of wine to China, transferring responsibility for the brand to the buyer who did not understand the need for, or have an appropriate storage system. As the market was oversupplied at the time, the buyer left it a warehouse, without proper temperature control, all summer. Subsequent rejection of the wine by consumers did serious damage to the brand.

In recommending care when targeting the Chinese market, Professor Beverland notes the stereotype Chinese buyer as long-term focused, relationally oriented, and generally different from Western counterparts, yet the study challenges this view under certain market conditions and in this product category. Although the buyers exhibited stereotypical behavior, they also exhibited many behaviors consistent with the simplistic view of Westerners – short-term orientation, transactional focus, and a sales focus. Thus, exporters to China should be open to a far more complex market than the one presented in populist literature.

For smaller firms the market conditions may make entry unviable and relationship investments dangerous. As to the nature of entry, cooperative relationships between competitors (in this case other wineries, even wineries of other competitor nations) may be a better investment. These loose "alliances" of competitors could pool resources to raise general awareness about the product among business buyers and consumers, thus creating a more viable product category.

(A précis of the article "Boundary conditions to business relationships in China: the case of selling wine in China". Supplied by Marketing Consultants for Emerald.)