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A study on the improvement of differentiated market strategies and customized product services for small and micro PR firms in China

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Master in Applied Management

Supervisor:
Professor Doctor Sofia Lopes Portela, Assistant Professor,
ISCTE-IUL

June 2023



BUSINESS
SCHOOL

Department of Marketing, Operations and General Management

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Acknowledgements

The application and optimization of differentiation market strategies and customized product services in small and micro public relations (PR) firms in China is a relatively vertical and specialized research field. However, the research results have enlightening implications for the management of numerous small and micro enterprises in China, filling a significant gap in the understanding of small and micro enterprise management in the country.

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Best wishes

Abstract

In recent years, China's economic growth has positioned it as one of the world's largest economies. This growth has led to market changes, prompting Chinese Public Relations (PR) agencies to adapt and meet the evolving needs of their clients (Xie et al., 2018). The proliferation of small and micro PR agencies in China has intensified market competition.

This project aims to analyze: (i) the current situation and challenges faced by micro and small PR agencies in China for their survival and development, (ii) the performance of Chinese micro and small PR agencies in implementing differentiated and customized products, and (iii) strategies for improving differentiation and customization of services by Chinese micro and small PR agencies.

The methodology used includes literature review and interviews with employees and team leaders from various PR agencies experienced in individual PR program planning.

Interviews with founders of domestic small and micro public relations companies reveal that sustainable development depends on the implementation of differentiation strategies, provision of customized services, and continuous improvement to overcome barriers to differentiation. These institutions currently face intense market competition and resource limitations, but they have achieved some success through differentiated and customized product offerings. Additionally, the founders recognize the obstacles to optimizing differentiated services and actively seek solutions. Therefore, executing differentiation strategies, providing personalized services, and continuous improvement will be key factors for the success and sustainable development of these institutions in a competitive environment.

Keywords: Small and micro enterprises, differentiation management, customized services, public relations

JEL Classification: M31, L84

Resumo

Nos últimos anos, Nos últimos anos, o crescimento econômico da China a posicionou como uma das maiores economias do mundo. Esse crescimento impulsionou as agências de Relações Públicas (PR) chinesas a se adaptarem às necessidades em constante evolução dos clientes (Xie et al., 2018). A proliferação de agências de PR de pequeno e micro porte na China intensificou a competição no mercado.

Este projeto visa analisar: (i) a situação atual e os desafios enfrentados pelas agências de PR de pequeno e micro porte na China, (ii) o desempenho das agências de PR de pequeno e micro porte chinesas na implementação de produtos diferenciados e personalizados e (iii) estratégias para melhorar a diferenciação e personalização dos serviços oferecidos por essas agências.

A metodologia inclui revisão de literatura e entrevistas com funcionários e líderes de equipes de diversas agências de PR com experiência em planejamento de programas de PR.

Entrevistas com fundadores de empresas nacionais de PR de pequeno e micro porte revelaram que o desenvolvimento sustentável depende da implementação de estratégias de diferenciação, fornecimento de serviços personalizados e melhoria contínua para superar obstáculos. Essas instituições enfrentam forte competição no mercado e restrições de recursos, mas obtiveram algum sucesso por meio de produtos diferenciados e personalizados. Os fundadores reconhecem os obstáculos para otimizar serviços diferenciados e buscam ativamente soluções. Portanto, a execução de estratégias de diferenciação, fornecimento de serviços personalizados e melhoria contínua será crucial para o sucesso e desenvolvimento sustentável dessas instituições em um ambiente competitivo.

Palavras-Chave: Pequenas e micro empresas, gestão de diferenciação, serviços personalizados, relações públicas.

JEL Classification: M31, L84

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Glossary

PR – Public Relations

IP – Intellectual Property

1. Introduction

1.1 Background

In recent years, China has experienced significant economic growth, becoming one of the largest economies in the world. This growth has brought significant changes to the market, with more and more companies looking to expand their business on a global scale. As a result, Chinese Public Relations (PR) agencies have had to adapt to new market conditions in order to meet the changing needs of their clients (Xie et al., 2018). Chinese PR agencies have shifted their focus from providing clients with simple publishing tools to more personalized management assistance that provides a full range of services to clients. This includes services such as crisis management, strategic communications planning, branding and marketing, media relations and social media management (Chu et al., 2010). By providing these services, Chinese PR agencies can help their clients develop differentiated corporate management strategies that will help them stand out in a highly competitive marketplace. In addition, as the Chinese market becomes more international, PR agencies are increasingly required to provide services that meet the needs of multinational companies operating in China. This requires PR agencies to have an in-depth understanding of global markets and cultural differences, as well as the ability to communicate effectively across different cultures and languages. Overall, the fast-growing Chinese economy and international market conditions are driving the growth of China's PR industry. As companies continue to face new challenges in the global marketplace, the role of PR agencies in China is likely to become even more important in helping companies navigate the complex business environment and achieve their strategic goals.

As the Chinese market becomes more diverse and competitive, PR agencies have had to develop more specialized expertise in specific industries and areas. For example, some agencies specialize in technology, while others focus on consumer goods or finance. This trend towards specialization has also led to greater customization of PR services, with agencies tailoring their strategies and tactics to the unique needs of each client (Zhang et al., 2012). In addition, the rise of digital media has created new opportunities for PR agencies to provide targeted and personalized communication strategies to their clients. This includes the use of social media, influencer marketing, and other digital tools to reach specific audiences and achieve business objectives. All these lead to the fact that the products of Chinese PR agencies show the features of increased specialization and customization.

While the Chinese PR industry is highly competitive, multinational corporations with established global resources and strategic planning capabilities have historically dominated the market. These companies are often able to leverage their extensive networks and

expertise to provide comprehensive PR services to clients operating in China (Liu, 2006). The past few years have seen a proliferation of small and micro PR agencies in China, which has intensified competition in the market. These agencies typically offer more affordable and flexible services, making them attractive to smaller businesses and startups. Additionally, they often have a more localized focus, providing clients with deep insights into Chinese culture and market trends (Wolf & Wolf, 2015). In recent years, smaller agencies have also begun to gain a foothold in the industry, as clients increasingly seek more personalized and specialized services.

As the number of small and micro PR agencies in China continues to grow, there is increasing interest in understanding their survival and development prospects. Research has shown that these agencies face unique challenges, including a lack of resources and difficulty in competing with larger, established firms. However, they also have significant opportunities to innovate and differentiate themselves by providing more specialized and localized services to clients. The successful development of these agencies could have important implications for the future of the Chinese PR industry as a whole.

1.2 Problem statement

The Chinese Public Relations industry has evolved significantly in recent years, with changes in the market driven by the country's fast-growing economy and internationalization. This has resulted in a shift in the role of PR agencies in China, from a simple publication tool for clients to a more customized management aid, providing differentiated corporate management and a full range of services to clients (Chu et al., 2010). The increased specialization and customization of PR services has become more important as the market becomes more diverse and competitive. Multinational corporations have long dominated the Chinese PR industry, with their extensive global client resources and excellent strategic planning capabilities. However, the past few years have seen a proliferation of small and micro PR agencies in China, which has intensified competition in the market. The survival and development of these agencies has become a focus of research in the industry.

The current situation and challenges facing the survival and development of micro and small PR agencies in China need to be identified and analyzed. These agencies face unique challenges, including a lack of resources and difficulty in competing with larger, established firms. Understanding these challenges is crucial to ensuring the continued success of these agencies in the highly competitive PR industry. In addition, the performance of Chinese micro and small PR agencies in executing differentiated and customized products needs to be evaluated. These agencies must demonstrate their competitive advantage and potential for

growth in the market through their ability to provide specialized and localized services to clients.

The successful development of micro and small PR agencies could have important implications for the future of the Chinese PR industry as a whole. These agencies have significant opportunities to innovate and differentiate themselves by providing more specialized and localized services to clients. As the Chinese market continues to evolve and become more competitive, the ability of PR agencies to adapt and provide customized solutions will become increasingly important. Overall, the Chinese PR industry is poised for continued growth and evolution, as agencies work to meet the changing needs of clients in a dynamic and rapidly evolving market.

Thus, this thesis puts forwards the following research questions:

- What are the current situation and challenges facing the survival and development of micro and small PR agencies in China?
- How are Chinese micro and small PR agencies performing in executing differentiated and customized products?
- How can Chinese micro and small PR agencies improve their differentiated and customized offerings?

1.3 Research significance

In terms of relevance, firstly, this study provides insight into how small and micro PR firms can compete more effectively in the marketplace under the dominance of multinational corporations. The results of this study help small and micro PR firms better understand their competitive advantages and market growth potential and improve their offerings through differentiated marketing strategies and customized product offerings. Secondly, this study highlights the importance of specialization and customization in the PR industry as the role of PR agencies shifts from being simple publishing tools to more personalized management aids. Small and micro PR agencies that develop expertise in specific industries and sectors and use digital media and other tools to deliver targeted and personalized communications strategies can attract more clients and compete more effectively in the marketplace. The results of this study will help small and micro PR firms identifying and improving their offerings and contribute to the continued growth and development of China's PR industry. Thirdly, this study has relevance for Chinese PR firm clients, as a shift to more specialized and customized services may lead to more effective and targeted communication strategies. By partnering with small and micro PR firms that offer differentiated marketing strategies and

customized product offerings, clients can benefit from more localized and specialized expertise that meets their specific needs.

In a theoretical sense, there is little relevant literature on the study of PR firms and products, and even less research focusing on differentiated marketing strategies and customized products for small and micro PR firms in China. Therefore, this study will enrich the theoretical research on differentiated market strategies and customized products and services for Chinese micro and small PR firms and call for more academic attention and efforts to deepen the theoretical research on Chinese micro and small PR firms and fill the gaps in existing research.

1.4 Methodology

In order to analyze the research questions, a literature review will be conducted and ten founders of small and micro PR agencies in China, directors of large companies in the PR industry, and independent PR practitioners were interviewed.

1.5 Structure

In the first chapter, it is presented the introduction, the second chapter presents the literature review of the main topics related to the subject in study. Then, adopted the methodology is shown. The fourth and fifth chapter presents the findings of the interviews and its discussion, respectively. The conclusion is on last chapter.

2. Literature review

With the enrichment and development of marketing theories and the continuous maturation of the market economy, scholars and enterprises have made new contributions to the theory and practice of marketing strategies by grasping international developments and combining their own realities and the characteristics of the market. A typical example is the research on differentiated marketing and customized marketing. The following content will review them in detail. In addition, the development of the public relations industry and Chinese public relations companies and the development challenges they face will also be reviewed.

2.1 Differentiated marketing strategies

The concept of differentiation means that customers not only care about prices, but also care about logistics costs and other things. Sharp and Dawes (2011) found (Walsh et al., 2002). He believes that there are usually three important strategies in business operations: differentiation, cost leadership and target clusters. Through market research, it is found that market segmentation is now the most critical part of differentiation, precisely positioning potential target groups, and providing customers with different products and after-sales processes. Goi (2009) believed that marketing channels are very important to the marketing promotion of enterprises, and that enterprises can effectively build channels to push their products to consumers, and at the same time reflect the differentiation characteristics of their products and services in the process of pushing.

Differentiation is the process of finding and building a distinctive business solution that gives a company a unique advantage in a highly competitive market. This concept of differentiated marketing was first developed by Michael Porter (1980). Differentiated marketing means that a company selects one or two market segments as its main direction and designs a special product and business concept for each of these two segments (Walsh et al., 2002). For PR companies, according to (Lui et al. 2018), it is only by differentiating their PR services from other companies that they can bring a constant stream of publicity and good word-of-mouth, which is crucial for any PR company committed to raising awareness and expanding its market share.

Specific to research on differentiated marketing, subsequent scholars have provided many key corporate experiences. As Maria and Bahar (2011) argue, differentiated marketing helps to enhance the recognition of a company's products, while differentiated marketing includes product design services, channels and other aspects that are crucial to the establishment of a company's brand. Romaniuk et al. (2007) and Audhesh (2012)

discovered that international multinational companies have one thing in common, they all make full use of their strengths to build brand differentiation, and they all have different loyal customer groups. At the same time, they develop different types of products, with a much higher level of technology and techniques, and use different promotional methods to sell their products, and to establish a different image from others in people's perceptions. The Blankson et al. (2008) also had their own views on special differentiation management. They believe that a company that wants to gain an advantage should not only focus on the physical products that are marketed, but also pay attention to the specialization of mental services, so as to take the lead in the market competition by providing differentiated products and services to consumers. They emphasise that product and service differentiation includes not only the product itself, but also the marketing and channels of the product and service.

Some scholars emphasise that companies must first understand how to develop differentiated marketing strategies based on the characteristics of the market environment and their own characteristics in order to beat their competitors and take a leading position in the market. (Zaichkowsky,2010; Clement et al. 2015;Li & Luo, 2021). For example, Ji (2011) argues that if a company wants to offer its customers a special perception through differentiation, it has to make detailed distinctions between the current production and personnel of the company, then segment the market needs and continuously improve its products as the market evolves. Boulding et al. (2014) argue that marketing channels are very important for the marketing and promotion of a company's products. Enterprises should establish marketing channels that reflect their own strengths and characteristics to help them market their products and services, to gain the favour of consumers and achieve success in the market. Clement et al. (2015) point out that under the goal of differentiation, the culture of the company and the mode of expression of the culture create the special characteristics of the company, which are more acceptable and understandable to customers because they are integrated with the company's culture and ideas. Lemon and Verhoef (2016) argues that only when companies implement differentiation in detail they can continue to let new customers know about the company and make new customers accept the company's products quickly. In this way, the company can gain a competitive advantage in the industry. Zaichkowsky (2010) emphasises that differentiation should be done not simply for the sake of being special, but to follow the needs of customers and be special, and to provide differentiated services to customers in order to close the distance with them and gain their recognition. Li and Luo (2021) studied the service industry in China and concluded that service differentiation is very important to the competitiveness of companies and can help them cultivate customer loyalty.

In general, if PR companies are to develop in a healthy and orderly manner, they must differentiate their business so that they can remain stable in the industry and not be eliminated by the times. (Li & Luo, 2021). So, this paper suggests that companies can differentiate themselves in the following ways. (1) product differentiation, from product differentiation and research to high-quality requirements; (2) service differentiation, providing customers with optimal service through spiritual and material aspects; (3) marketing channel differentiation, promoting products and services through distinctive marketing strategies; and (4) employee differentiation.

Differentiated marketing theory can guide companies in developing specific marketing strategies to achieve their marketing objectives and gain a foothold in the highly competitive marketplace.

2.2 Customised product services

In Japanese marketing theory, consumer needs are broadly divided into three stages: the age of quantitative satisfaction, the age of qualitative satisfaction and the age of individual satisfaction (Van et al. 2012). Yet, Chandrashekar et al. (2007) argue that in the new era of economic development, consumer needs are more differentiated, product production costs, product features and even product services have lost their place in product competition strategies, and consumers are choosing for many reasons based on their own consumption specialisation and individualisation. So, the original differentiation theory cannot adequately meet the increasingly individualised changes in demand. In other words, in today's materially rich world, people's needs are not only material, but also psychological and spiritual (Alter et al., 2007). As a result, the use of marketing theory has changed from mass marketing to differentiated marketing and then to customized marketing in line with the changing needs of society. The term customised marketing has emerged as a separate strategic term. It is also known as personalised marketing and one-to-one marketing (Van et al. 2012), as it emphasises the individuality of the customer in the marketing process.

The concept of customised marketing was firstly introduced by Peppers and Rogers (1998), who argued that with the rise of consumer sovereignty, the era of demand personalisation and the support of mass customisation-based production technologies, the customer value delivery model is shifting from the traditional mass model to a personalised model, and this has given rise to the personalised marketing model. Peppers et al. (1999) compare customised marketing with mass marketing and argue that customised marketing differs from mass marketing in that the latter emphasises the differentiation of each consumer's needs and the development of personalised products and services. The aim is to

maximise the satisfaction of individual customers and to provide personalised customer value through the use of mass production techniques (Peppers and Rogers, 1998; Peppers et al., 1999). In other words, customised marketing means assuming that each consumer has individual needs, the producer obtains information about the individual consumer in various ways and uses this as a basis for adjusting the company's activities to the unique needs of each consumer.

Similarly, Rapp and Collins (2003) claim that customised marketing is the process by which companies seize and create opportunities to identify and evaluate the needs, personalities and unique expressions of individual customers, and tailor their marketing strategies to each customer based on this information. In this regard, Blankson et al. (2013) state that the key requirement is to recognise that each consumer has unique needs and personality, and to see each consumer as a single market segment, and to reorganise relevant and meaningful marketing activities based on such new understanding.

Kotler (2017) believes that the concept of customised marketing is based on the assumption that customers are willing to express themselves through the products they buy. He sees customised marketing as a unique and personalised expression of the individual consumer's philosophy in response to changing consumer needs. Thus, the concept of customised marketing leads to the concept of market segmentation, i.e. market segmentation is no longer crude, but tends to be the ultimate in target market segmentation, i.e. the "one person, one market" state.

After the emergence of customised marketing theory, the discussion on the criteria for effective market segmentation emerged. According to Alpert and Saxton (2015), traditional segmentation defines segmentation criteria as accessibility, effective identification, and profitability. The profitability criterion considers that market segmentation should not be too detailed. Jowitt and Lury (2012) claim that excessive market segmentation cannot meet the requirements of production scale and increase the cost of production and marketing. And Hamilton (2016) stated that customization marketing to segment the market to each individual may seem to violate market segmentation standards, but it is a product of new production models, changes in the production environment, the use of flexible production models, and the penetration of new management tools such as information technology, integration and network technology into various fields. That is, as Keller and Lehmann (2016) state, companies are able to effectively identify the individual needs of each customer and make a positive marketing response, making a one-to-one customized marketing model possible.

With the growing personalized consumption, customized marketing is widely used in various fields of business activities. In practice, the theory of customized marketing firstly

appeared in the field of product production. Chandrashekar et al. (2007) review the Japanese company Panasonic's use of a customized production system, based on the individual needs of each consumer's body structure and preferences. With flexible production methods and easy communication and exchange of information, the factory was able to produce 18 models of bicycles and 199 color combinations to meet almost any size of people's needs. According to Court et al. (2009), Dell's e-business system allows for one-on-one contact with customers, providing them with the freedom to choose their own computer configuration. The company ensures product delivery time through in-house refined time management, and provides timely pre-purchase and post-purchase personalized service systems such as maintenance and answering questions on usage, making Dell a late comer in the personal computer sales field. With personalized customized marketing strategies and quality after-sales service systems, these companies have built up their core competitive advantages.

In conclusion, the core element of customized marketing strategy is to tailor products and services to the individual needs of specific customers, rather than providing the same product or service to all customers. Any company that adheres to this innovative concept, then they have to firstly, integrate their marketing, adjust their marketing strategies and follow the path of increasing segmentation (Chandrashekar et al., 2007); secondly, they have to design and develop very personalized products or services according to consumer needs (Ghodeswar, 2008; Court et al., 2009); and, thirdly, companies have to continuously integrate knowledge into the marketing process to improve labor efficiency.

Next there are also scholars who have explored and compared the concept of customization and differentiated marketing. For example, Hamilton (2016) points out that "differentiation" refers to competitive differentiation and positioning differentiation, while "customization" is also a type of differentiation, which is essentially designated differentiation. Scholars Wilkie, Johnson & Chin (2018) also have described the concept of customization from each customer's individual needs and buying preferences, that is, the enterprise according to the individual needs of consumers to achieve its products, services and information and other aspects of specialization to mention. In short, in the paper, customized differentiation is a "consumer demand-driven" marketing strategy. Meanwhile, Lortie et al.,(2021;p.1295) emphasize that "customized differentiated marketing", because the firm is operating in a relationship between the firm and the customer, over time, the "differentiated relationship " will increase due to continuous accumulation, and its differentiated competitive advantage will gradually increase incrementally. So, while customized differentiation is essentially "one-to-one marketing " in the paper.

2.3 Micro and small PR firms in China

2.3.1 PR firms

As far as the definition and characteristics of public relations (PR) are concerned, according to Grunig (2006), public relations as PR consulting, i.e., public relations is the practice of analyzing trends, forecasting consequences, advising organizational leaders, and performing a series of deliberate actions to serve the interests of the organization and the public. The places public relations in the service of the organization and the public within the service industry of consulting, Public relations firms and public relations agencies are service organizations that provide professional public relations consulting services to individuals, groups or organizations or that are commissioned by clients to conduct public relations operations for them (Grunig & Repper, 2013).

PR marketing was a marketing concept that emerged in the late 1970s. In 1960, Jerome McCarthy, a professor at the University of Michigan, proposed the traditional marketing theory, which consists of 4 Ps: Product, Price, Place and Promotion (Quelch, & Jocz, 2008). He believed that in addition to providing benefits to customers and related parties, factors such as government, organizations within the industry and the rest of stakeholders that create barriers to a company's entry into the market should also be included. Political power refers to the ability of a company to raise the attention and expectations of other stakeholders and to express its views to the appropriate governmental and legislative bodies in the industry concerned by conducting careful foreign affairs activities and making claims in order to enter new markets and gain a competitive advantage (Quelch & Jocz, 2008; Kotler, 2017). According to Kotler (1986), the growth of protected markets requires marketers to incorporate the concept of power into their strategies," combined with public relations to be more effective in global markets.

So, in this study, public relations refers to the use of a variety of communication tools to influence public perceptions of a product or service, , with the ultimate goal of establishing a good public image for products, service quality, and the company (Quelch, & Jocz, 2008; Kotler, 2017).

Besides, these two points made by Professor Kotler are the theoretical basis for marketing by PR firms (Kotler,1986;Kotler, 2017). Public relations firms should include the following marketing tools: (1) Use good government and media relations environment to create a harmonious atmosphere conducive to corporate and product marketing; (2) Under the condition that consumers have potential demand, carry out promotional public relations work to turn potential customers into customers who care about the company's products and services, so that continuous promotional work can be carried out; (3) Promote corporate and

product images through public relations activities, public service sponsorships and media campaigns (Kotler, 1986; Kotler, 2017).

The corporate design of Chinese PR firms follows the above definition. However, China's public relations firms are not well suited to the needs of the existing market, and the industry lacks quality image, professionalism, and quality (Stoeber and Gaudreau, 2017).

2.3.2 The development and status quo of China's public relations market

Chen (2013) concluded that the development of China's public relations industry has gone through four stages, namely the gestation period from the late 1970s to the early 1980s (i.e. the introduction period); the dissemination period (that is, the popularization period); the professional development period in the 1990s (that is, the practice period), and the rapid growth period after 2000.

In 2000, the public relations industry was recognized by the Chinese government, market services continued to be subdivided, and the industry scale was basically formed. China's public relations industry entered a period of rapid growth (Chen, 2013). According to the 2021 industry survey report published by the China International Public Relations Association, China's public relations industry has maintained a growth rate of nearly 50% even when the global public relations industry is at a low ebb (The Holmes Report, 2021). In particular, the development of the public relations market is closely related to the development of the media market. In terms of the Chinese media market, the government has gradually adopted an open policy to the media, allowing domestic media and foreign news organizations to jointly run publications, opening up a new path for the prosperity of China's media market (Chen, 2013). At the same time, Chen and Culbertson (2006) said that China's domestic media has also made some major reforms, in each both the operating mechanism and the layout have been greatly improved, in order to attract more consumers or readers. Ledingham (2013) believed that the emergence of new media, especially the rapid development of online media and the emergence of new reporting methods provided a favorable platform for the development of the public relations market and created conditions for the prosperity of the Chinese public relations market.

The data survey by Wu (2020) shows that in 2020, the public relations market in mainland China (excluding Hong Kong and Macau) will continue to maintain a momentum of rapid growth, and the total annual turnover of the entire industry is estimated to reach 10 billion yuan. This is a 400% increase from 2.5 billion yuan in 2010; this is entirely dependent on the correct decision-making of the country's macro-control, as well as the positive impact of major events such as the Beijing Winter Olympics. At the same time, the economic

recession caused by the global Covid-19 epidemic has brought great pressure to the development of China's public relations market. According to the 2021 public relations industry survey, 60% of public relations companies believe that the performance of China's public relations market in 2021 is average. Statistics show that the growth rate of industry turnover in 2018 was 50%, while the growth rate of industry turnover in 2021 was 33%.

2.3.3 Distribution and operating status of Chinese public relations companies

Xie et al. (2018) stated that Beijing, Shanghai, and Guangzhou are the centers of gravity of China's public relations market, accounting for more than 60% of the market share. However, the public relations market in provincial capital cities and second- and third-tier cities across the country tends to be active. The Beijing market still dominates, and the Shanghai market has become a bright spot in the public relations market due to the relocation of many foreign companies' headquarters in China and the holding of important events such as OPEC meetings. At present, there are more than 1,000 public relations companies in Beijing, Shanghai, and Guangzhou, of which Beijing occupies the largest share. National professional firms may employ more than 10,000 people (Kitchen & Li, 2015; Xie et al., 2018).

In terms of scale, a relatively mature and professional public relations company generally has 20-50 employees and more than three long-term clients. There are about 100 such companies (Bayles, 2015). A phenomenon worthy of attention is that a large number of small and medium-sized local public relations companies were established rapidly and poured into this emerging market. According to industry estimates, in 2015, the total number of small and medium PR companies in Beijing, Shanghai, and Guangzhou has exceeded 500 (The Holmes Report, 2015).

From the perspective of service industry, the main clients of China's domestic public relations companies are in the IT industry, and the number of clients in the fields of communication, fast moving consumer goods and entertainment has increased, while the number of clients in the field of durable consumer goods is relatively small. According to the survey by Hou and Zhu (2021), more than 80% of companies focus on IT customers, and more than 90% of local public relations companies still use IT manufacturers as their main customer base. From the perspective of business performance, the total annual sales of the public relations industry in mainland China will reach 9.5 billion yuan (RMB, the same below) in 2020, an increase of 500 million yuan from 9 billion yuan in the previous year. On the basis of several consecutive years of growth, it continued to maintain a substantial increase of 25%; the average profit of the industry in the same period reached about 20%(CNNIC, 2021). In addition to the increase in the overall revenue of the industry, the annual operating income of

multinational public relations companies has increased by an average of 20%; local public relations companies have continued to grow rapidly, with an average annual operating income of 40%(Scot,2017).

2.3.4 The development of Chinese public relations companies and the development challenges they face

China Internet Watch (2017) survey results show that among all the countries surveyed, the situation of Chinese media accepting bribes is very serious, even inferior to Vietnam and other countries whose economic development is obviously lagging behind that of Southeast Asia. These violations have seriously hindered the development of China's public relations industry in a standardized and mature direction. Especially some small-scale public relations companies have extremely limited market life under the pressure of competition from the media, customers, and peers.

Wilcox et al. (2015) and Parsons (2016) found that the most important feature in China at this stage is decentralization. The first reason for fragmentation is excessive competition. As a professional service industry, its threshold is low. So, there are many small and micro companies in the public relations industry. Therefore, the industry is oversupplied at the supply level, the degree of competition is relatively high, and there are no large-scale companies (Parsons, 2016). The second reason for the decentralization is that public relations is a mid-stream industry. It is aimed at enterprises to connect with different companies, which forms different subdivisions within the industry, such as those that specialize in serving Internet companies and real estate companies. Financial public relations is also a subdivision. This segmentation by customer base is the second factor contributing to the fragmentation of the industry. The third reason is that under the current management level, public relations companies have a certain degree of diseconomies of scale (Parsons, 2016). Some companies in the industry have better endowments and better client resources, but their management level has not kept up. This leads to a higher cost growth rate than the revenue scale growth rate, and finally shrinks (Wilcox et al., 2015). Therefore, decentralization is not only a structural feature of China's public relations industry, but also a stage feature of the industry (Parsons, 2016).

2.3.5 Comparison between Chinese local public relations and international public relations companies

Regarding the comparison between Chinese local public relations and international public relations companies, there is no direct confrontation between Chinese public relations companies and international public relations companies in terms of main business. Different from other industries, the entry of international PR companies did not cause too much negative impact on Chinese PR companies. According to Wilcox et al. (2015), the main reason is that the two parties focus on different businesses. International public relations companies attract clients with corporate brand, professional technology, and management team, while excellent local public relations companies compete in the market with execution strength, service quality and innovation ability. Secondly, Xie et al. (2018) suggested that strategic consulting, corporate communication and daily public relations services are the main service provided by international public relations companies, while daily public relations services, product market communication and corporate communication are the main service provided by Chinese local public relations companies. Relatively speaking, international public relations companies have more mature operating mechanisms, rich service experience and professional public relations personnel. Hou and Zhu (2012) point out that the most important business of international public relations companies in China is corporate image communication, followed by product market communication and daily public relations agency. On the contrary, due to the immaturity of professionals and mechanisms, domestic public relations companies are not strong enough in the promotion and planning of corporate image, and they pay more attention to short-term effects in operation, which shows that they pay more attention to single event planning, product communication and daily public relations agency.

According to Xie et al. (2018), the strength of international public relations companies is mainly reflected in two aspects: the first, their brand management capabilities. This is attributed to years of successful brand operation experience accumulated on a global scale. An increasing number of domestic companies willing to invest money are seeking advice from international PR companies on refining their own brands. Second, international PR companies possess rich and specialized resources in various segmented fields, including financial PR, government PR, luxury brand PR, and international large-scale events. Taking financial PR as an example, international PR companies have developed specialized and concise service models in segmented fields. Furthermore, due to the brand reputation and generous remuneration offered by international PR companies, they can retain more PR professionals with specialized resources and extensive experience in financial PR. This makes the development of long-term business such as government relations evidently easier to progress step by step.

From the perspective of the development history of China's public relations industry, China's public relations industry is a new sunrise industry and a rapidly developing intellectual industry. Both local and foreign-funded public relations companies have achieved good economic benefits, and there is also fierce competition. Compared with foreign-funded and joint-venture public relations companies, Grunig and White (2013) survey found that for local public relations companies, especially small and medium-sized enterprises, it will be difficult to realize the improvement of the professional capabilities of employees and enterprises if a large number of low-tech conventional public relations are constantly copied. Similarly, Stoeber and Gaudreau (2017) also pointed out that with the continuous compression of profit levels, conventional public relations in labor-intensive industries can be transferred from foreign public relations to local large public relations today, and will soon be transferred from local large public relations to local small public relations.

2.4 Research Summary

In general, the above-mentioned literature points out that China's local micro and small PR agencies cannot compete by taking advantage of economies of scale. Therefore, their competitive advantage lies in differentiated marketing or customized marketing, which relies on accurate market and customer information (Istvdn et al. 2018). Even with limited financial resources, creative, tailored marketing practices can flourish, exploiting specific environmental variables and influences to shape micro and small PR agencies marketing in a way that maximizes agencies benefits (Chen and Nuangjamnong, 2022). Thus, the formation of micro and small PR agencies marketing activities and practices takes into account competitors, customers, the business environment, and the resource constraints of the micro and small PR agencies, and it is significantly influenced by owner/manager decisions and inherent skills and capabilities. Therefore, how to achieve self-development through effective corporate design has become a concern of many micro and small PR agencies practitioners in China.

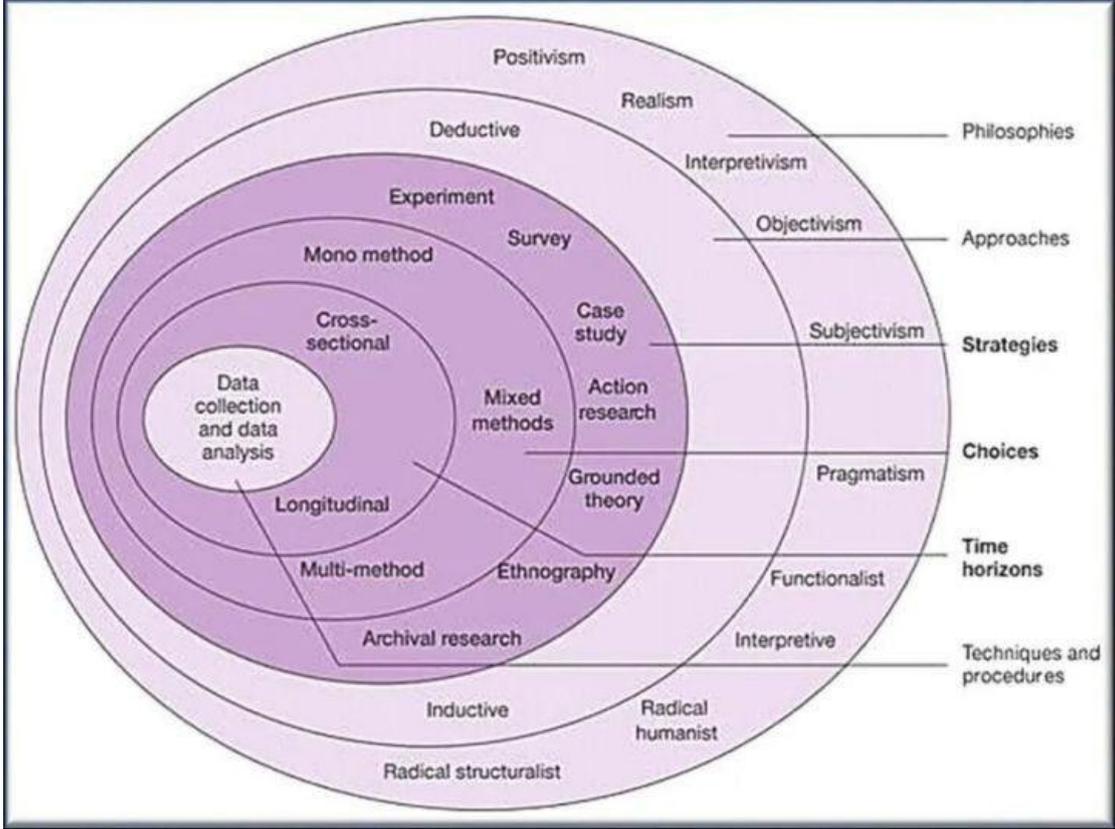
3. Methodology

This study follows the research onion put forward by Saunders to show the methodology in this study.

The methodology section primarily employs the inductive research method and qualitative research method to examine the current development status and challenges faced by small and micro PR agencies in China. By conducting interviews with a sample of 10

Chinese small and micro enterprise founders, the performance and shortcomings of these agencies in providing differentiated and customized products are assessed. Subsequently, recommendations are proposed to assist small and micro PR agencies in China in optimizing their differentiation strategies and customized product services.

Figure 1 Research Onion (Source: Saunders, 2009)



3.1 Research philosophy

Interpretivism is a research paradigm that emphasizes the importance of understanding and interpreting human behavior, experiences, and social phenomena. It originated in the social sciences, particularly in anthropology and sociology, and has gained popularity in business and management research in recent years (Alhaarahsheh & Pius, 2020). One of the key features of interpretivism is its focus on subjective experiences and meanings. Interpretivists argue that social reality is constructed by individuals through their interpretations of the world around them. As a result, researchers using this paradigm seek to understand the meanings that individuals attach to their experiences and actions, rather than simply observing and measuring objective facts (Potrac et al., 2014)). Interpretivists also emphasize the importance of context in shaping human behavior and experiences. They argue that social

phenomena cannot be understood in isolation from their cultural and historical contexts (Ryan, 2018). Therefore, interpretive researchers pay close attention to the social, cultural, and historical factors that shape the behaviors and experiences they are studying. In contrast to positivism, which emphasizes objectivity, quantification, and generalization, interpretivism emphasizes subjectivity, contextuality, and understanding. Positivists aim to discover universal laws and generalizations that explain social phenomena, while interpretivists seek to understand the specific meanings and experiences of individuals in particular contexts.

Hermeneutics is an appropriate paradigm for studying Chinese micro and small-scale PR agencies, focusing on their subjective experiences and meanings. The research aims to understand the current state of these agencies, the challenges they face, and the performance and improvement of differentiated and customized products. These questions require personal experiences, interpretations, and socio-cultural backgrounds, rather than relying solely on objective data. Hermeneutics is suitable for studying small-scale enterprises because their complex socio-cultural aspects are difficult to measure using empirical methods. Through interpretive methods such as interviews, it captures rich and nuanced experiences and meanings. Hermeneutics emphasizes the importance of understanding individual subjective experiences and shaping backgrounds. This study provides valuable insights into the challenges and product improvement of Chinese micro and small-scale PR companies through interpretive methods.

3.2 Approach of research and research strategy

In this study, both inductive research methodology and qualitative research methods are applicable.

Inductive research and deductive research are two different research methods used in social science research. Each method has its own set of characteristics and advantages, and the choice of method will depend on the research question, the nature of available data, and the overall research design. When little is known about a phenomenon, inductive research is appropriate, where researchers aim to develop theories or hypotheses based on patterns or themes observed in the data. When theories or hypotheses have already been formulated and need to be tested using data, deductive research is suitable (Woiceshyn and Daellenbach, 2018).

Inductive research methodology starts with data and aims to develop theories or hypotheses based on patterns or themes observed in the data. Inductive research is exploratory and unstructured (Woiceshyn and Daellenbach, 2018). Inductive research is often associated with qualitative research methods.

The research process of deductive research is typically structured, starting with hypotheses or theories, followed by data collection, analysis, and conclusions (Soiferman, 2010). Researchers apply the theory or hypothesis to the data and draw conclusions based on whether the data supports or refutes the theory. Deductive research is often associated with quantitative research methods.

Qualitative research and quantitative research are two different research methods used in social science research. Each method has its own set of characteristics and advantages, and the choice of method will depend on the research question, available data, and overall research design. When the research question aims to understand a complex phenomenon and researchers need to examine subjective experiences and meanings, qualitative research is appropriate. When the research question aims to test hypotheses and researchers need to collect numerical data to support or refute the hypotheses, quantitative research is suitable (Rahman, 2020). Researchers collect numerical data through surveys, experiments, or other forms of measurement, and use statistical analysis to draw conclusions about the relationships between variables.

Qualitative research is a research method that aims to understand phenomena by examining subjective experiences and meanings. Qualitative research is exploratory and unstructured, seeking to understand phenomena by examining the data and developing theories or hypotheses based on emerging patterns or themes. Qualitative research uses non-numerical data such as interviews, observations, or documents, and the analysis is typically subjective, relying on the researcher's interpretation of the data (Mehrad and Zaangeneh, 2019).

In this study, the methodology of inductive research and the qualitative research method are applicable. The research aims to understand the current situation, challenges, performance, and improvement of Chinese micro and small PR companies in differentiation and customization of products. These questions require the use of exploratory and unstructured methods to understand the phenomena. By employing the methodology of inductive research and qualitative research, researchers are able to collect rich and detailed data from Chinese micro and small PR agencies and develop theories or hypotheses based on emerging patterns or themes in the data. It allows exploration of individuals' subjective experiences, meanings, and the shaping of their social and cultural backgrounds within these organizations, without being limited by predetermined theories or assumptions.

3.3 Research strategy

Online interviews are a research strategy that uses the internet to conduct interviews with research participants. This method has become increasingly popular in recent years due to the convenience and cost-effectiveness it offers. Online interviews can take many forms, including email, video conferencing, chat rooms, and online surveys (Saarjarvi and Bratt, 2021). In this study, online interviews will be used as a research strategy to collect data from micro and small PR agencies in China.

One of the main advantages of online interviews is convenience. They are more convenient than face-to-face interviews because they eliminate the need for travel and allow participants to participate from any location with an internet connection. This means that participants can be in different parts of the country or even the world, making it easier to access a diverse range of participants (Jones et al., 2020). Another advantage of online interviews is that they can be less intimidating for participants. This makes them an attractive option for researchers working with limited budgets. Research participants may feel more comfortable sharing their experiences and opinions in an online setting than in a face-to-face interview. Participants have more control over the pace of the interview and can take time to think about their answers, which can lead to more thoughtful and detailed responses (Irani, 2019). Online interviews are also cost-effective.

In this study, online interviews are an appropriate research strategy because they provide a convenient and cost-effective way to collect data from micro and small PR agencies in China. Overall, the convenience, cost-effectiveness, and potential for in-depth data collection make online interviews a suitable research strategy for this study.

The interviewees are four employees and team leaders from various PR agencies who have experience in planning PR programs individually.

3.4 Sampling

Purposive sampling is a non-probability sampling method used to select participants who meet specific criteria. In this study, purposive sampling will be used to select participants who are qualified founders of small and micro PR agencies in China, directors of large companies in the PR industry, and independent PR practitioners. The rationale for choosing this sampling method is that the researcher wants to obtain a deep understanding of the experiences and perspectives of individuals who are knowledgeable and experienced in the PR industry in China. Purposive sampling allows the researcher to select participants who are most likely to provide the information needed to answer the research questions (Campbell et al., 2020). In this case, the researcher wants to select participants who have direct experience working in the PR industry in China. By selecting participants with this

specific experience, the researcher can obtain a more in-depth and nuanced understanding of the current situation and challenges facing micro and small PR agencies in China, how these agencies are executing differentiated and customized products, and how they can improve their offerings.

Approaching participants for the study can be done through various methods. The researcher can reach out to industry associations or networks to identify potential participants. Alternatively, the researcher can directly contact potential participants through email, social media, or phone. In either case, the researcher should clearly explain the purpose of the study, the criteria for participation, and the expectations for participation. Participants should also be given the opportunity to ask questions and clarify any concerns they may have about the study. Once participants have been identified, the researcher can use a semi-structured interview approach to collect data. This will involve using a set of open-ended questions to guide the interview, but also allowing for flexibility to explore unexpected topics that may arise during the interview. The interviews can be conducted using online communication tools, such as email, video conferencing, or chat rooms, to accommodate the convenience of participants.

In conclusion, purposive sampling is an appropriate sampling method for this study because it allows the researcher to select participants with direct experience in the PR industry in China. The researcher can approach potential participants through various methods and use a semi-structured interview approach to collect data. This approach will help the researcher obtain a deep and nuanced understanding of the current situation and challenges facing micro and small PR agencies in China, how these agencies are executing differentiated and customized products, and how they can improve their offerings.

3.5 Ethical considerations

Ethical considerations are crucial in any research study to ensure that the participants are treated with respect, dignity, and fairness. In this study, the following ethical considerations will be taken into account. Firstly, the researcher will obtain informed consent from all participants before starting the study. This will involve clearly explaining the purpose of the study, the criteria for participation, and the expectations for participation. Participants will also be given the opportunity to ask questions and clarify any concerns they may have about the study. The researcher will also ensure that participants are aware of their right to withdraw from the study at any time (Husband, 2020). As for the confidentiality and anonymity, all data collected from participants will be kept confidential and anonymous. Participants will be assigned codes instead of using their real names to maintain their anonymity. The

researcher will ensure that the data collected is only accessed by authorized personnel and that it is stored securely. Thirdly, as regard to the respect for participants, the researcher will treat all participants with respect, dignity, and fairness. The researcher will ensure that participants are not coerced or pressured into participating in the study, and that their autonomy and privacy are respected throughout the study. In addition, for the debriefing, at the end of the study, the researcher will debrief the participants to ensure that they understand the purpose of the study, the findings, and their contribution to the research. The researcher will also provide participants with a summary of the findings, if they are interested (Husband, 2020). This will ensure that the study is conducted in accordance with ethical guidelines and standards.

4. Findings

4.1 Status of development of small and micro PR agencies in China

China's PR agencies are late to the game, but full of potential for growth. The outbreak of the epidemic has brought small and medium-sized PR agencies to the forefront during a period of rapid corporate growth. But its development has accelerated significantly since the epidemic. In this section, interviews will be conducted on the current state of development of small and medium-sized PR agencies in China.

When interviewee A from a small PR agency in China was asked about the current state of development of small and micro PR agencies, he highlighted the overall growth in business turnover in the PR relations market following the impact of the epidemic. He said that he sees “a return to growth in the Chinese public relations market beginning in 2021 in the face of continued COVID-19. In my daily work and research, I found that the industry-wide business size will be about RMB 75 billion in 2021, with an annual growth rate of 8.3%. This growth rate is very significant, as the PR market has seen a large recovery compared to the 3.1% annual growth rate in 2020. The outbreak did have a significant impact on every industry, but I'm glad that my organization persevered. Now that we all see the infinite possibilities for future development, I believe that the current development of the PR industry is not enough, because it still has a lot of untapped potential.”

Combining the responses of Interviewee A reveals that the impact of the epidemic on small and micro PR agencies in China is obvious. Despite the large growth in the PR market after the epidemic, agencies still cannot afford to be complacent. Respondents also indicated that the growth of the market is mainly reflected in the growth of online business, as Respondent B added in the interview that “Due to the ongoing and recurring impact of the pandemic, many small and micro public relations agencies have focused on online operations. For example, the company I work for has 76% of its business conducted online. Furthermore, in terms of business types, digital communication, online dissemination agencies, and online dissemination execution are the main types of services I consider to dominate the public relations market in recent years, while offline event agencies and execution are relatively less common. I believe that even with improvements in the pandemic situation, this trend of online business growth will continue in the future, leading to greater adjustment and transformation pressures for companies that have traditional types of businesses. I believe that online operations are both convenient and make it easier for our clients to accomplish our work. We don't need to go to the site or set up on-site. Online operations also enable us to connect with more companies and understand the public relations challenges faced by each company.”

Respondent B belongs to the list of major clients in the public relations market, citing greater demand for public relations from automotive, communications and Internet companies. According to him, “most of the orders my company receives are from automotive, communication and internet companies. This is because public relations has a greater impact on the sales of these companies. There has also been some demand for PR in recent years for fast-moving consumer goods. But to my surprise, the demand for public relations in the manufacturing sector has increased significantly in recent years, probably because China's manufacturing sector continues to rise in global scale. I think this may be the result of consumers having higher standards for corporate ethics and social responsibility. Companies like communications and the Internet, and even FMCG, rely heavily on consumer loyalty to their companies, so PR is very important to them.”

In interviews with employees of small and micro PR agencies in China, they all said that social media has brought a huge change to PR firms and that short videos have become an important service tool for PR firms. As interviewee C said in the interview “I think many PR companies are starting to develop their own self-publishing accounts and are beginning to do business through short videos. The most significant new PR tools are now short-video marketing, key opinion leader (KOL) management, and crisis management. Although short video marketing has only started to develop in recent years, it has become an important means of combining technological advances and marketing in the age of self-media, and is becoming an increasingly important mean of marketing and brand communication. I think this is a sign that PR companies are adapting to the needs of their clients and the changing times. There is no denying that service tools like short videos can often achieve good results, so I think PR companies should all pay attention to this.”

Most of the answers were related to the business and work of the agencies, but respondent E described the current state of development of PR agencies in terms of employee salaries, arguing that “as a result of the epidemic, employment in China has not been good in recent years, and many people are even facing unemployment. But the PR industry seems to be a bit different, the salary of the average employee is in the middle to upper level compared to other industries, even the salary that a fresh college graduate can get is not low. This indicates that the PR market is currently growing rapidly and that it still has a large potential for growth. It also shows that different industries are beginning to focus on public relations management.”

From the above interviews, it is clear that the turnover of small and micro PR agencies in China has seen a significant increase after the epidemic, and many agencies have seen an elevated demand for public relations management, which has led to an increase in salaries

and wages in the PR industry. But it is undeniable that China's PR industry is currently in a developmental stage and agencies need to seize the opportunity to achieve steady growth.

4.2 Challenges for the development of small and micro PR agencies in China

With the changing market conditions and client needs, as well as the increasing competition among Chinese PR agencies, the development of both small and micro PR agencies in China is currently facing challenges that cannot be ignored. Based on this fact, different employees expressed their own views about the content of the challenges. For example, Interviewee A said that “from my own perspective, I feel that the biggest challenge facing small and micro PR agencies is the growing trend of fragmentation in the public relations industry. The top companies are showing some sustained growth, but many traditional business companies are showing a trend of stagnation or even decline. Moreover, it is likely that the market will be dominated by a few giants in the first tier. Along with the fierce market competition and cross-border integration of the industry, some companies will grow bigger and stronger, becoming comprehensive companies with a wide range of service areas, obvious cross-border integration, and a high degree of internationalization. And some companies may focus on a vertical field and become a highly targeted professional service company. The most important thing is not that those companies that cannot follow the market changes and make adjustments may be eliminated from the market.”

It is clear from respondent A's answers that the Chinese PR industry is challenged by the trend of fragmentation and that agencies that are not capable or unable to make timely changes are at risk of being eliminated from the market in a highly competitive market. In addition to this, other employees also expressed their views. For example, Interviewee B said that “in fact, since the outbreak of COVID-19, various PR agencies and even the entire PR industry have been impacted to varying degrees, and online services have become a major trend. Because of COVID-19, the demand for online services has surged, such as Internet communication, live webcasting, digital teaching and other related services. By now, the trend is to fuel PR business through online services. If PR agencies do not improve and adapt the integration of PR and technology, they will not be able to create valuable content, communicate and interact well with brands and customers, and expand their business units for the agency, not to mention improve customer satisfaction. The challenge that agencies have to meet is how to integrate PR content with the Internet and digital technology.”

It is clear from respondent's answers that in addition to the challenges of integrating the PR industry with Internet technologies and even digital technologies under the influence of COVID-19 mentioned by respondent B, respondent C offered a different insight, focusing on

the importance of PR within each organization nowadays. In the interview, he specifically elaborated that “as a project team leader working in a PR agency, the ongoing impact of COVID-19 has changed my work significantly since 2020, and in the process I have realized the importance of in-house PR. Agency cost management, layoffs and performance growth, corporate reputation and social responsibility are all critical elements for the PR industry. With the onslaught of COVID-19 and the lifting of the embargo, it was a challenge for agency heads to find a balance between these elements and to grow their business. When agencies are faced with unprecedented difficulties, how to consider employment opportunities for employees, how to manage costs and how to increase performance all require excellent internal PR skills to be reflected. In particular, internal PR will play an even more important role as China gradually lifts its embargo.”

From the interviews with respondent C and respondent B, it can be concluded that the explosion of COVID-19 has forced Chinese micro and small PR agencies to deal with different challenges from both external and internal sources. The external challenge is that trends in the PR industry are forcing micro and small PR agencies to make technological improvements. The internal challenge is that each agency needs to balance all elements within the agency using internal PR tools. In addition to the challenges posed by the epidemic, funding is also a challenge that cannot be ignored by micro and small PR agencies, a view shared by respondent D, who said “from my work experience, I believe that the issue of funding remains the biggest challenge facing PR agencies in their development process. Specifically, the fact that PR agencies mainly serve large and medium-sized enterprises has put them at a disadvantage in terms of billing as a professional service provider. Longer credit and sales cycles and capital advances make the financial situation of PR agencies less optimistic. This, coupled with rising operating costs, has limited the scope for PR agencies to grow. In addition to problems with billing, Chinese PR agencies generally face difficulties with external financing. As small and micro PR agencies, financing is difficult and expensive due to their small size and lower business capacity than large agencies.”

Combining the responses of respondent D, it is clear that funding remains one of the main challenges faced by small and micro PR agencies. On the one hand, they are affected by billing practices, which often lead to credit and advance payments. If not handled carefully, this can lead to a break in the PR agency's capital chain. On the other hand, there is the challenge of financing difficulties. This is also a challenge faced by many small and micro PR agencies in China.

In summary, most of the challenges mentioned by the interviewees are related to industry trends, funding and COVID-19. As a professional agency, it is a challenge for every micro and small PR agency to take steps to face the new domestic and international situation,

to work with the industry to address the challenges and to promote the growth and improvement of the industry. Only by responding appropriately to these challenges will micro and small PR agencies be able to survive and gain greater recognition in the industry.

4.3 Differentiated marketing strategies for micro and small PR agencies in China

The focus of this subsection is to sort, summarize and analyze the perceptions and practices of the interviewees regarding the differentiated marketing strategies of the company. Through summarization and analysis, it is clear that differentiated marketing strategies play an important role in helping small and micro PR firms to stand out in the Chinese market. And by understanding different customer needs through segmentation of the customer market, a better connection with the customer can be established.

First, when asked how the agency differentiates itself with its strategy in the PR market, Interviewee A stated "our agency is focused on providing customized PR solutions for each client. We invest a great deal of time in understanding our clients' unique needs and goals so that we can provide customized services. We also emphasize our expertise in the local Chinese market, which gives us an advantage over some of the larger international agencies."

Based on Interviewee A's interview, it is clear that market segmentation, understanding the unique needs of different clients and providing tailored PR solutions for each segment of the client base, can effectively differentiate itself from larger international firms. By developing a greater understanding of the client's objectives and local market, PR agencies are able to conduct PR campaigns more effectively.

Second, when asked what he thought differentiated his PR agency from others in the industry, Interviewee C stated that "we have a very strong network of local influencers and media contacts, which allows us to target our PR campaigns to resonate with specific audiences. This helps us deliver more impactful results to our clients and sets us apart from the pack of PR agencies."

As can be seen, a PR agency's network of local influencers and media contacts is important for a PR agency's marketing outreach. These marketing channels can help PR agencies effectively differentiate their products and services in the client-facing process, helping their own PR agencies provide brand impact while delivering their clients' messages to the right audience.

And Interviewee B addressed another aspect of his PR agency's strategy to differentiate itself from others in the industry: "our PR agency is focused on creating highly personalized and compelling stories to our clients. We recognize that each client has a unique story to tell,

so we customize our campaigns to highlight these unique elements. By crafting compelling narratives that resonate with our clients' target audiences, we help them connect emotionally with consumers and stand out from their competitors."

Interviewee B's perspective similarly underscores the importance of implementing differentiation in the details when it comes to marketing. Emotional connections can be made between a brand and its target audience through storytelling and other marketing techniques that evoke feelings and emotions that connect with consumers in a lasting way.

Third, when asked how he ensures that his PR agency stands out from the fierce Chinese micro and small PR market, Interviewee E stated that "we place a lot of emphasis on creativity and innovation in our PR campaigns. By constantly pushing boundaries and exploring new ways to engage with our audience, we can produce unique campaigns that help our clients stand out. In addition, we invest in the ongoing professional development of our team members to ensure that we remain ahead of industry trends."

From this analysis, it is clear that the learning organization concept of creativity, innovation and continuous professional development is important for differentiated marketing. By prioritizing creativity and professional development, PR agencies can stay ahead of industry trends and ensure that their PR campaigns are fresh and interesting.

On the other side of this issue, Interviewee D offered their strategy saying that "we have developed a niche specialization in serving clients in the green technology and sustainability sector. By focusing on this specific niche, we can offer in-depth industry knowledge and a tailored approach to PR campaigns, which sets us apart from generalist agencies."

By focusing on a narrow market segment, the agency can differentiate itself from generalist PR agencies that may not have the same level of industry knowledge and expertise. This focus on niche specialization allows the agency to provide clients with tailored PR campaigns that address the unique challenges and opportunities of the green technology and sustainability sectors, making their services more valuable and attractive to potential clients in these industries.

Third, when asked for actual examples to illustrate the differentiation strategies the institution has successfully implemented, Interviewee F stated that "one example that comes to mind is our work with a small technology startup. We ran a PR campaign highlighting their innovative product features and their commitment to social and environmental responsibility. By targeting key opinion leaders in the tech industry and leveraging our strong media relationships, we were able to make a significant impact around the company and help them secure additional funding."

The importance of brand positioning, or creating a unique and distinct image for a product or service in the minds of customers, is evident in this. By crafting PR campaigns

that highlight these aspects, the agency is able to create a strong brand positioning for its clients that will differentiate them from competitors and gain market recognition.

Fourth, when asked about the limitations and challenges of the differentiated strategies adopted by the PR agency, Interviewee G stated that “while differentiated marketing strategies have been beneficial for our agency, we have faced some limitations as well. One of the main challenges has been the increased cost of offering highly customized services. Tailoring our PR campaigns to the specific needs of each client requires more resources, time, and effort, which can lead to higher operational costs. Additionally, focusing on specific niches or market segments may limit the number of potential clients we can serve, potentially affecting our overall growth and revenue.”

Therefore, the differentiated marketing strategies may also cause the increasing cost and put limits on the number of latent clients.

4.4 Customised products and services for micro and small PR agencies in China

When asked about the customized services and products of Chinese micro and small PR firms, Interviewee D responded that “i think the service and product strategy of Chinese micro and small PR firms has gradually shifted from business-oriented to client-oriented. From a comparison of my early work in the industry and my current work, it appears that in the early days, the PR business of micro and small companies was primarily focused on providing only professional services for PR events, and that these companies had a single type of client. But as the market demand changes, the types of clients are gradually enriched. Many of the micro and small PR firms I have worked with have begun to improve their multi-service capabilities to provide customized services and products to different clients.”

When A, a qualified founder of a Chinese micro and small PR agency, was asked about the application of customized products and services for micro and small PR agencies in China at this stage, he said that “although our company acts as a micro and small PR agency, micro and small PR agencies in China still customize different PR products and PR services according to the needs of their clients and the different nature of their clients. Micro and small PR firms aim to cultivate a high level of quality service and provide specialized and customized product solutions and service solutions to the firm's target clients.”

Based on these responses, it is clear that there is a trend for micro and small PR agencies in China to provide customized products and services to their target clients. Based on this answer, when asked about the areas in which Chinese micro and small PR agencies are offering customized products and services, Interviewee B said that “with the gradual development of digital marketing services, many Chinese micro and small PR companies are

choosing digital marketing business. For example, the micro and small PR firm I founded is particularly focused on using digital to create customized marketing services for its target clients. My company focuses on using digital marketing to create exclusive, one-stop marketing services for clients to meet their target clients' brand and product communication needs in the information age, thus enabling a more personalized and systematic marketing service for clients."

When asked about the details of customized services, Interviewee B adds that "in order to achieve specialized and customized marketing services, our company uses new media platforms to create creative marketing campaign services covering all types of online and offline. We usually combine the needs of our clients to use the appropriate hotspots, including IP, celebrities, sports, entertainment, crafts and other factors to conform to the customization of personalized brand marketing services for our target clients to promote a rapid increase in their visibility."

From the above interviewees' responses, it is clear that Chinese micro and small PR firms have achieved some degree of success in customizing personalized products and services for their target clients, and that these micro and small PR firms are also able to take advantage of the developments and opportunities of the digital age to provide more specialized and customized PR services and products for their target clients. These customized services and products are achieved by combining them with different customized media, hot spots, etc. It is clear that at this stage, customized services and products for small and micro PR companies in China are in a time of rapid development.

When asked what could be improved in terms of customized services and products for small and micro PR firms in China at this stage, Interviewee B replied that "our PR firm at this stage will provide different PR services and products mainly for different clients, but it is this customization that makes it difficult to measure and audit the quality of the firm's services according to a uniform standard."

4.5 Recommendations for micro and small PR agencies in China

4.5.1 Suggestions for improving differentiated marketing strategies

When asked about improving differentiated marketing strategies for small and micro PR agencies in China, Interviewee A responded that "I think the most important thing based on differentiated marketing strategies for small and micro PR agencies in China right now is that we are trying to use project management software, including technologies such as automated marketing tools and data analytics to help reduce the possible time costs and resources for the company before developing a differentiated marketing strategy."

Based on the above mentioned status of differentiated marketing strategies, Interviewee B responded that "I think using social media to promote your company and showcase your company's expertise. This will help me reach a broader target audience and position myself as a thought leader in my field. "

From the above responses, it is clear that the use of technology and social media can be effective in improving the current stage of differentiation strategies for small and micro PR agencies in China.

4.5.2 Suggestions for improving customized services and products

When asked what aspects of customized service offerings could be improved at this stage for small and micro PR companies in China, Interviewee A replied that "I think that our company can standardize the process or product of the service in the future. For example, the company can create specifications and requirements for the process of new services in accordance with the changing needs of customers."

Asked about other perspectives on improving the process of customizing the services and product of Chinese micro and small PR firms, Interviewee B responded that "I believe that establishing a good mechanism for external communication with clients is key to improve and enhance Chinese micro and small PR firms. Because at this stage Chinese micro and small PR firms are trying to move towards customized services and products, it requires companies like ours to be able to establish a good communication mechanism with our clients so that we can better define their needs and thus achieve customization and specialization of PR services and products."

From the above interviewees' responses, it is clear that the improvement of customized services and products for small and micro PR firms in China can be done in terms of the process of PR business and the quality of PR business. The improvement of the process of PR services can lead to better specialization and customization of services and products. The quality of PR services can be customized and specialized through quality service results and customer satisfaction.

5. Discussion

The discussion section of this study starts from the three questions of the study and further discusses the results of the data analysis obtained above in conjunction with the literature review in the study.

5.1 Current status of development and challenges faced by micro and small PR agencies in China

Based on the results of the above findings, it is clear that the PR market in China begins to recover and grow in 2021, with an annual growth rate of 8.3% and an estimated operating size of RMB 75 billion. Compared with the 3.1% annual growth rate in 2020, this growth rate is significant, indicating that the Chinese PR market is recovering or even rebounding, and the impact of the new crown pneumonia epidemic has stopped. This is in line with Chen's (2013) findings as this author argued that the PR industry is entering in a period of rapid growth. And the Industry Survey Report 2021 also shows that the PR industry in China has maintained a growth rate even though the global PR is at a low point in the industry. This indicates that even in the midst of the epidemic, China's small and micro PR firms are still in a state of growth.

Second, the data findings show that in the post-epidemic era, many small and micro PR firms in China are focusing on their online businesses, including 76 percent of the businesses mentioned in the data findings. Of these online businesses, digital communications is the largest, and the smallest is campaign representation and execution. This shows that the transformation of their business due to the epidemic has also had an impact on their growth. The results of this data finding are similar to the findings of Ledingham (2013) that there are a lot of online businesses emerging in the PR market in China. For example, the emergence of new media, especially the rapid development of online media and the emergence of new ways of reporting under the epidemic, has provided a favorable platform for the PR market in China. Therefore, the above analysis shows that small and micro PR firms in China have more possibilities to grow at this stage due to the transformation and development of online businesses such as new media.

From the respondents' answers, it is also clear that at this stage, short-form video marketing has become a trend for small and micro PR agencies in China. Based on the results, it is clear that short-form video marketing has become an important tool for combining technological advances and marketing in the age of self-media. This is critical for PR agencies, which, according to Quelch and Jocz (2008), are required to influence public

perceptions of products or services through various communication tools. Therefore, it is generally similar to the concept of marketing. What this means for small and micro PR agencies in China is that they can leverage the technology of the self-publishing era to become an important tool for marketing and brand communication for their clients. At the same time, it shows that PR agencies are adapting to the needs of their clients and the changing times.

In addition to these trends, data findings suggest that small and micro PR agencies in China are experiencing a period of growth and development. However, this growth may not be the same for all firms. China's PR market is highly competitive, and micro and small agencies face unique challenges in this environment. As Parsons (2016) pointed out, there are many PR firms in China at this stage as a service industry, so the competitive pressure on the industry is high. So the PR industry in China is full of small and micro firms. The challenge for these firms, as the data shows, is the increased cost of providing highly customized services. Tailoring PR campaigns to the specific needs of each client requires more resources, time and effort, which can lead to higher operating costs. This challenge can be exacerbated by the pressure to adapt to the changing needs of clients and the marketplace. Furthermore, the data results show that PR agencies often encounter credit and advances. If not handled carefully this can cause a break in the PR agency's financial chain. The other side of the coin is the challenge of financing distress. This is in line with Parsons' (2016) findings that small and micro PR agencies in China are also facing challenges due to inadequate management levels resulting in higher cost grants than revenue size.

Based on the above discussion in conjunction with the literature review, it is clear that the majority of small and micro PR agencies in China are gradually moving online at this stage of their business development after experiencing the effects of the epidemic, giving small and micro PR firms in China more direction and possibilities for growth, but also facing the unique challenges of a highly competitive market. These challenges include highly customized cost increases, as small and micro PR firms are prone to financing difficulties due to broken capital chains.

5.2 Performance of Chinese micro and small PR firms in executing differentiated and customized products

5.2.1 Differentiated Marketing Strategies of Micro and Small PR Firms in China

The results of the above data show that small and micro PR agencies in China are implementing differentiated marketing strategies by understanding the unique needs of

different clients through market segmentation and providing customized PR solutions for each client group. With the implementation of such differentiated strategies, PR agencies can effectively differentiate themselves from large international firms. Considering what Reber (2015) pointed out in a related study about international PR firms compared to small and micro PR firms, the main ways that international PR firms attract clients are corporate branding, expertise and management teams. For Chinese small and micro firms, the greater advantage is the quality of service and the ability to innovate. And because the differentiation strategy of Chinese small and micro PR agencies is to provide customized PR solutions for each client group, This differentiation strategy is not only wise, but necessary. As a result, this differentiation helps small and micro PR agencies in China to create an emotional connection between the brand and the target audience. At the same time, because small and micro PR agencies in China differentiate their marketing strategies by telling compelling stories and using other marketing techniques, PR agencies can evoke a sense of lasting connection and emotion with consumers. This is especially important in today's competitive marketplace, where brands must differentiate themselves from their competitors to succeed.

In addition, the results of the data analysis show that the differentiated marketing strategy of small and micro PR agencies in China also emphasizes creativity, innovation and continuous professional development of the company. With these concepts in mind, PR agencies can stay ahead of industry trends and ensure that their PR campaigns are fresh and interesting. This is especially important for small and micro PR firms, which may not have the resources to compete with larger firms in terms of budget and staff.

At the same time, it is also clear from the data findings that small and micro PR agencies in China face a number of limitations and challenges in implementing a differentiated market strategy. The first is the increased cost of providing highly customized services that a differentiated market strategy requires of PR firms. Tailoring PR campaigns to the specific needs of each client requires more resources, time and effort, which can lead to higher operating costs. Based on the analysis of differentiated market strategies in the literature review, it is clear that PR firms' differentiated market strategies are limited for small and micro PR firms mainly because of the high demands they place on PR firms. As Ji (2011) pointed out, if a PR firm wants to offer a differentiated market strategy, it must provide a special perception of its clients and must make a detailed distinction between the firm's current production and personnel, and then segment the market demand. In the process, the PR firm must also continuously improve its products or services. All of this illustrates the high cost requirements of a differentiated marketing strategy for a PR firm.

Overall, the data results suggest that small and micro PR firms in China are performing well in executing differentiation strategies, but face certain challenges in doing so. A

differentiated marketing strategy for small and micro PR agencies in China requires more resources, time and effort to tailor PR campaigns to the specific needs of each client, which can lead to higher operating costs. In addition, a differentiated market strategy for small and micro PR firms in China that focuses on a specific niche or segment may limit the number of potential clients that can be served, potentially impacting overall growth and revenue.

5.2.2 Performance of Customized Services and Products of Micro and Small PR Firms in China

The results of the data analysis presented above show that many small and micro PR firms in China are doing well in customizing their services and products as new media marketing and platforms have entered the market for small and micro PR firms in China. Many small and micro PR firms in China are choosing digital marketing services to provide customized products and services to their clients, including as noted in the data findings. These firms are harnessing the power of digital platforms to create creative marketing campaigns that cover both online and offline channels. By combining their clients' needs with the right hotspots (such as IP (Intellectual Property) , celebrity, sports, entertainment, craft and other factors), micro and small PR firms are able to match their target clients with personalized brand marketing services customized to drive rapid growth in their visibility. This is a great performance as it allows these firms to effectively cater to the unique needs of each client and provide them with customized solutions. This customization and personalization is in line with the concept of customized marketing as pointed out by Rapp and Collins (2003) in the literature review as the process by which companies seize and create opportunities to identify the needs and personalities and unique expressions of their clients and customize their marketing strategies for each client based on this information. The use of digital marketing services by small and micro PR firms in China fits exactly this concept.

Another limitation faced by small and micro PR firms in customizing their services is the difficulty of measuring and evaluating the quality of the PR services provided to their clients. When small and micro PR firms customize their services, it becomes challenging to compare and evaluate them against a uniform standard. This lack of standardization can make it difficult for clients to assess the quality of the services they receive, which can lead to a loss of trust in the PR firm. Scot (2017), believe that the market segmentation of PR firms' customized services and products tends to be the ultimate in target market segmentation, i.e., the "one person, one market" state. Therefore, in this state, it is difficult for small and micro PR firms in China to measure and audit the quality of their customized services with uniform standards.

5.3 How China's micro and small PR agencies can improve their differentiated and customized services

5.3.1 Improving Differentiated Marketing Strategies for Micro and Small PR Agencies in China

Based on the results of the data findings above, it is clear that in response to the constraints and challenges that small and micro PR firms in China face in using differentiated marketing strategies with financing difficulties, small and micro PR agencies in China can adopt project management software, automated marketing tools and data analytics to help reduce the time and resource costs associated with developing differentiated marketing strategies. This indicates that these firms are recognizing the importance of technology in streamlining operations and improving marketing efficiency. By using software tools and analytics, PR firms can better understand their clients' needs and preferences and adjust their marketing efforts accordingly. For example, they can use data analytics to identify trends in consumer behavior, which can help them develop more effective marketing campaigns.

At the same time, in response to the constraints of higher operating costs due to customization that small and micro PR firms in China encounter when using differentiated marketing strategies, another way for small and micro PR firms in China to improve their differentiated marketing strategies is through social media and content marketing. By harnessing the power of social media and content marketing, these firms can reach a broader audience and position themselves as thought leaders in their field. This can help them build brand awareness, generate leads, and increase their customer base. Social media also provides a platform for companies to interact with their customers and respond to their feedback and inquiries. By actively engaging with customers on social media, PR firms can build trust and credibility with their target audience, which can increase customer loyalty and repeat business.

5.3.2 Customized Service and Product Improvement for Micro and Small PR Firms in China

Based on the results of the data findings, it is clear that one way to improve customized services and products is to create specifications and requirements for the process of new services based on the changing needs of clients. This helps to ensure that the services offered meet the needs and expectations of the customer. By defining processes and

requirements, companies can ensure that services are delivered consistently and with high quality. This helps to build trust and credibility with clients, which is essential in the PR industry. At the same time, the data findings pointed out a focus on the process of PR services as an approach that can improve small and micro PR firms in China. This approach is achieved by establishing external communication mechanisms with clients, such as regular meetings, progress reports and feedback sessions. These can help maintain open lines of communication with clients, and the firm can better understand their needs and expectations and adjust their services accordingly. This helps to build strong relationships with clients and ensures that they are satisfied with the services provided.

In summary of the results discussed above, it is clear that improving customized services and products is something that Chinese micro and small PR firms can achieve by standardizing their service processes or products and by establishing good external client communication mechanisms. By adopting these strategies, micro and small PR firms can improve their competitiveness with international PR firms and achieve better results for their clients.

6. Conclusions

The rapid growth of China's economy and international market is driving the development of the Chinese PR industry. As businesses face new challenges in the global market, China's small and micro PR agencies have had to adapt to new market demands. However, the Chinese PR industry has maintained a certain growth rate, which is a positive signal for these small and micro PR companies. Through an investigation of the background and current situation of the PR industry in China, small and micro PR agencies have transformed from simple publicity organizations to management agencies with differentiated strategies and personalized services. The Covid-19 pandemic has accelerated the digitalization trend, providing favorable factors for the development of the PR market in China. Leveraging the technology of the self-publishing era, small and micro PR agencies have become important partners in client marketing and brand communication. Adopting an inductive and qualitative research approach, the study aims to evaluate the performance and limitations of small and micro enterprises in providing differentiated strategies and customized products, and provide recommendations on how to optimize their differentiation strategies and customized services. Conclusions were drawn through sampling interviews with nearly ten outstanding founders of small and micro enterprises in China. The goal is to assist Chinese small and micro PR agencies in enhancing their differentiation strategies and customized product services, enabling them to thrive in a highly competitive market.

At the same time, the overall performance of China's small and micro PR agencies in executing their differentiated marketing strategies is excellent because through differentiated marketing strategies China's small and micro PR agencies are able to provide customized PR solutions for each client group by understanding the unique needs of different clients.

In addition, small and micro PR firms in China emphasize creativity, innovation and continuous professional development in their differentiated marketing strategies. This approach allows these firms to stand out in a crowded marketplace, attract and retain clients, and stay ahead of their competitors. However, there are a few limitations for small and micro PR firms in China in implementing differentiated marketing strategies. The first is that the process of implementing a differentiated marketing strategy can result in potentially high costs. This is because it requires firms to provide highly customized services to meet the unique needs of each client. This can be a challenge for small and micro PR firms as they may not have as many resources as larger firms. Another challenge that small and micro PR firms in China face when implementing differentiated marketing strategies is that they may be limited in the number of clients they can serve. Focusing on a specific niche or segment may result in fewer potential clients, which can impact overall growth and revenue. These firms

must carefully balance their specialized services with the need to maintain a diverse client base to ensure long-term sustainability.

The results of the discussion suggest that small and micro PR firms in China are leveraging the power of digital marketing services to create customized products and services for their clients. These firms are able to cater to each client's unique needs and provide them with customized solutions, which is better in terms of achieving customization. Small and micro PR agencies in China use the power of digital platforms to create creative campaigns that cover both online and offline channels, thus providing digital marketing services to their target clients. However, one of the limitations that small and micro PR firms face in achieving customization is the difficulty of measuring and evaluating the quality of PR services provided to their clients. When small and micro PR firms customize their services, it becomes challenging to compare and evaluate them against a uniform standard.

Small and micro PR firms in China can improve their differentiated marketing strategies in these areas, including through the use of project management software, automated marketing tools and data analytics. These technologies can help reduce the time and resource costs associated with developing and implementing a differentiated marketing strategy. Furthermore, small and micro PR agencies in China can also improve their differentiated marketing strategies through social media and content marketing. Social media platforms such as WeChat and Weibo are widely used in China and provide a cost-effective way for PR firms to reach large audiences. By creating engaging content and leveraging social media platforms, small and micro PR firms can build brand awareness and loyalty among their clients.

Small and micro PR firms in China can improve customized services and products in these areas, including creating specifications and requirements for processes for new services based on the changing needs of clients. This approach includes identifying specific client needs and developing processes that meet those needs. Second, small and micro PR firms in China can also create external communication mechanisms with their clients.

Limitations of this study

In terms of research methodology, the primary method used in this study was the semi-structured interview, which has both strengths and limitations. The first limitation is its potential interview bias. This is because it is inevitable that the interviewer's personal biases, opinions, and beliefs may affect the final data collection of the study during the interview process (Alshenqeeti,2014). This could lead to a lack of objectivity in the study and limit the generalizability of the findings. Another limitation of the current study is the potential for

social desirability bias. Participants may provide answers that they believe are socially desirable or that they believe the interviewer wants to hear. This could lead to inaccurate or incomplete data. Furthermore, because the sample size used for this study was small, only four individuals, the findings may not be representative of all small and micro PR firms in China, although the participants were carefully selected and provided valuable insights.

In terms of research content, because this study focused only on small and micro PR firms in China, while the findings are valuable in understanding the challenges and opportunities these firms face, they may not be generalizable to larger firms or firms in other countries. Also, this study's focus on differentiated marketing strategies and customized products may overlook other important aspects of PR firms, such as crisis management or media relations.

However, despite these limitations of this study, the findings of this study provide valuable insights into the application and improvement of differentiated marketing strategies and customized products for small and micro PR firms in China.

Suggestions for future research

Based on the current study, a suggestion for future research is to explore the impact of different types of PR services, such as crisis management or media relations, on the success of small and micro PR firms in China. In addition, research on the effectiveness of different marketing strategies and tools (e.g., social media and content marketing) could provide valuable insights for firms seeking to improve their marketing efforts. Finally, research into the challenges and opportunities faced by PR firms in other countries can help identify common themes and best practices in different contexts.

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Appendices

Appendix A – Interview guideline

The purpose of this interview is to gain in-depth understanding of the experiences of Chinese small and micro public relations companies in the areas of differentiation strategies and customized services, as well as the perspectives of their founders. We aim to research and analyze the relevant issues that arise from this exploration. Our goal is to collect detailed insights and experiences related to this topic and explore the key challenges and opportunities involved. By obtaining valuable input and insights from the sampled founders, we hope to arrive at comprehensive and accurate conclusions that will provide valuable recommendations for the development and improvement of the Chinese small and micro public relations field.

To ensure the smooth progress of the interview, we will provide you with detailed explanations of the interview's purpose, confidentiality measures, as well as your rights and responsibilities. We value your privacy and seek your understanding and agreement. We guarantee that all information shared during the interview will be strictly confidential and used solely for research purposes. Your personal identity and information will be handled with care and will not be disclosed to any third parties.

Thank you for your support and participation in our research. If you have any further questions or require more information, please feel free to contact us. We look forward to conducting a meaningful and beneficial interview with you.

Warm regards,

ISCTE Master's in Applied Management

Liyun

Relevant interview questions are as follows:

Please introduce your company and its core competencies.

What differentiation strategy does your company implement?

What advantages do you believe this differentiation strategy offers in market competition?

How do you provide customized public relations services to your clients?

What sets your company apart in terms of customized services?

What challenges have you encountered in implementing differentiation strategies and providing customized services?

What measures has your company taken to further improve and optimize differentiation strategies and customized services?

Please share some successful case studies of differentiation strategies and customized services.

Thank you for your participation.

Appendices

Appendix B – Transcriptions

Case A: In the era of the Internet of Everything, the core competitiveness of small and micro enterprises lies in being platform-based, with light assets, high value, and strong cash flow. Moreover, the founders tend to be young, daring to embrace new things and willing to seize new opportunities.

Shanghai Mihong Exhibition Service Co., Ltd

Core founders: Hao Han

Date of Birth: 1990

Founder Han Hao of Shanghai Mihong Exhibition Service Co., Ltd., whose main business focuses on new media promotion and exhibition organizing, expressed that the company's core competitiveness relies on the five founder KOLs (Key Opinion Leaders) of its parent company. These five KOLs have a combined fan base of 1.5 million in the industry. Through the trust of their fans and their professional expertise, they have become the most distinctive and profitable exhibition company in the Chinese textile and apparel industry.

The differentiation strategy is reflected in the organization of industry exhibitions, leveraging the 1.5 million fan base to connect clothing factories, clothing brands, as well as fabric, accessory, and textile machinery factories in the manufacturing industry in China. This forms the industrial economic chain of Mihong Exhibition Service, maximizing the value chain output of the platform. The most direct manifestation of differentiation is the customization of booth sales based on the size of the enterprise and the ability to tailor different levels of publicity and promotion according to the needs of the enterprise.

Facing challenges, Han Hao candidly stated that Mihong needs to expand and requires funding and strength for international upgrading and transformation. In the future, the company aims not only to connect excellent enterprises but also to manufacture better products and generate greater economic value. It also aims to promote good enterprises and brands to European and American markets. At the same time, through the platform of Mihong Exhibition, the goal is to introduce excellent products and companies from Europe and the United States to China, given China's population market of 1.4 billion.

During the sharing of successful case studies, Han Hao emphasized that Mihong is an exemplary success story. Despite being a small and micro enterprise with only eight people, the company has achieved remarkable results in its four years of entrepreneurship. Even during the pandemic, the company's net profit reached as high as 45%, while the parent company, primarily engaged in media publishing, achieved a net profit of 70%. He modestly stated that the company currently ranks among the top two or three in the industry.

Shanghai Yuefan Information Technology Co., Ltd.

Core founders: Wang Yifeng

Date of Birth: 1990

Founder Wang Yifeng, a small and micro enterprise owner from Shanghai, believes that the core competitiveness of his current small and micro enterprise lies in a light-asset, high-value-added medical aesthetics platform business model. Instead of collaborating with numerous dance, leisure, and lifestyle small-scale institutions in Shanghai, he relies on his fans and connections accumulated in the media industry to identify women with a demand for beauty. He invites these beauty-conscious women to participate in platform activities held at his collaborative venues, such as dance, fitness, yoga, various image design activities, and free medical aesthetics consultations. By gathering women with beauty demands together, it becomes easier to generate new medical aesthetics demands. This innovative client-side drainage model can be replicated from one city to another, allowing the platform's customer base to grow like a snowball. Then, customer demands are categorized and recommended to their respective suppliers.

Wang Yifeng's upstream suppliers are medical aesthetic hospitals in major cities such as Shanghai and Beijing. By professionally and authoritatively evaluating these hospitals and amplifying their respective specialties in wrinkle reduction, skincare, nose augmentation, body slimming, etc., the collaboration with these hospitals aims to reduce their advertising and promotional expenses while continuously providing them with customers.

Splitting the profits and maximizing the benefits in every aspect of the business model is the core competitiveness of this business model. By optimizing and replicating this

business model throughout the entire industry, and even the entire sector, it achieves the goal of being a low-asset, low-risk, and strong cash flow platform company. The business value of this model is tens or even hundreds of times higher than traditional business models.

In the first quarter of implementing the new mode, which happened to coincide with China's New Year, the busy preparations before the festival and the subsequent holiday prevented people from participating in activities on his platform. Despite this, the newly launched business has already achieved a revenue of 300,000 RMB, thanks to a business model that generates profits of over 85%. The second quarter is not yet over, but the revenue of this small micro-company, which consists of only two individuals, has doubled, reaching 600,000 RMB.

Case B: The Second Generation Small and Micro PR Enterprise Competing with High Cost-Effectiveness in Services.

Wen Tao, the founder of Shanghai Maidou Advertising Co., Ltd., has been in business for 12 years, and Maidou Advertising has become one of the largest advertising production companies in China. Their core business is the production of advertisements and large-scale public relations activities, accounting for between 60% and 40%. Wen Tao believes that in the advertising and public relations industry, it is necessary to formulate differentiated strategic management and customized services for customers. Only by providing meticulous and scientific differentiated services can we maintain a competitive advantage in the fiercely competitive market. Providing more detailed services and more affordable prices than multinational companies is the key to attracting customers.

Facing the market challenges of multinational companies, Wen Tao said frankly that in order to provide more professional and cost-effective services, he must first improve the professionalism of his own team. Getting their teams to be technically and strategically superior to their clients is a major challenge. Whether it is advertising production or the execution of large-scale public relations activities, the team's rich experience, abundant resources, and ability to handle crisis scenarios and control emergencies are tested. With the basis of customer satisfaction, rich experience and team management ability, their service quality can be further improved. For Maidou Advertising, their mission is to provide good service to customers, because customer satisfaction is the most important factor leading to increased business volume and profitability.

Wen Tao is an outstanding young entrepreneur among small and micro enterprises in China. Walking on the street, you can see Maidou's film and television advertisements everywhere. He embodies the typical qualities of a Chinese man: persistence, decisiveness, strategic vision, hard work, and hard work. At the same time, he is also a good brother and leader of the team. What is really admirable is that he has an excellent reputation among his client base.

Besides Mai Dou, Wen Tao is also an investor. At the peak of China's live broadcast, he successfully invested in his former subordinates and provided them with moral and financial support.

Annual revenue of Maidou Advertising: 100-150 million RMB, with a net profit of 10%.

Case C: China's First Generation PR Agency with Core Competitive Advantage

Shanghai Zhongchuan Public Relations Consulting Co.Ltd.

Founder and Chairman: Wang Li

Wang Li from Shanghai Zhongchuan Public Relations Consultancy Co., Ltd. is a media company that has been engaged in public relations planning and execution since 2000 in China. Due to her early entrepreneurial period and the minimal market competition at that time, she undertook many public relations activities planning and execution for the Shanghai Municipal Government. Wang Li believes that the core competitive advantage of Zhongchuan Public Relations lies in public relations and government relations. They conduct in-depth research on Chinese policy releases and then convey the correct policy market orientation to clients, providing them with the most reliable reference when making decisions. Zhongchuan Media, consisting of only nine people, generates an annual revenue exceeding 50 million RMB. Core Clients: Small and medium-sized enterprises serving as third-party public relations media for various activities of the Chinese government.

Shanghai Purple Legend Culture Communications Co. Ltd.

Founder and Chairman: Wen Zhong

Founder Wen Zhong, from Purple Legend Culture Communications Co. Ltd., studied abroad since childhood and returned to China to start her business after graduating from university. Unlike Wang Li's core competence in government relations, Wen Zhong's core competence lies in her personal charisma. With a calm mind, clear organization, stable emotions, warm smile, and meticulous project completion, these qualities make her clients feel at ease and have led to 20 years of trust and successful cooperation. Her core clients are Southeast Asian governments involved in public relations activities in China, as well as some Chinese fashion designers.

The annual revenue is approximately RMB 60 million, and Wen Zhong's company is a team of 9 people.

Similarly, the core competitiveness lies in oneself and one's expertise, as well as in fashion direction and Zhang Jian, a mentor for master's students at Beijing Institute of Fashion Technology.

Zhang Jian: Famous fashion choreographer.

Founder of Galaxy Productions Beijing China company.

Visiting Professor and Master Tutor of Beijing Institute of Fashion Technology.

The only director in China who led the brand to catwalks in Paris, Milan, London and New York.

Zhang Jian emphasized that the "small" of small and micro enterprises refers to the small scale, but the team execution ability is not small; in fact, it may be very powerful. However, the core competitiveness of small and micro enterprises lies mainly in the founders themselves. The irreplaceable ability of founders determines their industry status, which is reflected in comprehensive capabilities such as strategic planning, customer acquisition, and service execution.

Personalized service: Small and micro PR agencies are often able to provide clients with a more personal and tailored service. Because of their small size, they can focus more on understanding and meeting customers' specific needs and preferences, rather than adopting traditional solutions.

Cost advantage: Compared with large public relations companies, small and micro public relations companies often have lower operating costs and can provide customers with more competitive prices. This is especially attractive for projects with limited budgets.

Unique value: Small and micro enterprises have irreplaceable expertise in the industry.

Founder Zhang Jian and his concept 98 fashion promotion agency are typical examples of fashion production companies that provide personalized services. Professor Zhang Jian, a Chinese fashion director, was a Chinese student studying abroad in the 1990s and is considered the pioneer of professional Chinese fashion directors. He is the first Chinese fashion director to cooperate with the French brand Pierre Cardin, and continues to serve as Pierre Cardin's small and micro company. With his professional expertise, he is the only Chinese fashion director who leads a Chinese high-end custom brand to participate in Paris Fashion Week. He and Chinese fashion designer Xiong Ying presented new product releases at the Paris Opera House, and displayed multiple series of Parisian art with the Chinese. Guo Pei, a senior custom clothing designer of the college. Zhang Jian's unrivaled status in China's fashion industry can be seen. He has led the exhibitions of major domestic textile and garment enterprises, industry associations, and top fashion designers. He also produced many excellent students during his career, and even after forty years his clients still benefit from his personal service.

Founder of Galaxy Productions Beijing China company;Team size: 8 people;Annual income: RMB 30 million;Annual net profit: about 20%.