Seven lessons for building a winning brand in China

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What do China’s consumers want today? What qualities do China’s growing body of discriminating shoppers seek in the brands they choose? To better understand the challenges facing companies that want to establish a brand in China, Accenture surveyed more than a thousand Chinese consumers to learn how they decide what to buy. They were asked about six product categories – consumer packaged goods, automotive, high tech, home appliances, apparel, and financial services. Central to their concerns were a brand’s trustworthiness, reliability, and quality. But they also cited these factors: the extent to which a brand is consistent with their personal values, the degree to which it is familiar or well-known to them, how well it measures up in terms of exclusivity and style, and the extent to which it is also used by friends.

The data about Chinese consumers’ expectations translate into seven core lessons for marketers. Three of the lessons offer ways to shape brand image and four suggest how to best communicate the brand message.

Shaping the message

Lesson 1. Seek to build trust. Chinese consumers rated trustworthiness the single most important factor in choosing a brand. Trustworthiness can be injected into marketing messages in myriad ways, including references to the long life of the company or product, where appropriate, and through the testimonials of trusted sources.

Chinese consumers are generally willing to try any brand, regardless of origin, if it is believed to be of high quality. Domestic companies are now seen as leaders in certain industries for producing dependable products, but foreign companies still have an edge on style points, especially with some segments.

It also makes sense to incorporate style and fashion into a brand’s message – provided quality and trust are part of the mix. Proctor & Gamble’s Olay brand projects both quality and a sense of style – facial cream as fashion necessity. Olay is one of the most advertised brands in China, as P&G spent almost $700 million on advertising for the line in 2004. Its TV ads depict Chinese celebrities and models wearing fashionable clothing in glamorous settings. They simultaneously emphasize their products’ quality by showing before and after photographs. Projecting quality, glamour and Chinese feminine values has helped Olay capture almost 16 percent of the Chinese skin-care market. [1]

Lesson 2. Connect to what Chinese consumers value in a brand. Brand messaging needs to convince Chinese consumers that the brand matches their personal needs. Chinese consumers are very sensitive to the messages conveyed by brands, whether for expensive items like cars or common items like cigarettes. [2] Some consumers use brands to convey social status, equality with others, and upwardly mobile aspirations, while others prefer to...
avoid the public appearance of ostentation even as they buy upscale brands for their homes.

What do the Chinese personally value in a brand? Analysis of the survey data identified six consumer segments, which – though they share much in common – each have particular differences in their set of brand values. (See Box “Chinese consumer segments.”) Three segments are especially interested in foreign brands: the wealthy elite eager to try new products (“Trendsetters”); young, primarily female, college graduates who aspire to chic, sophisticated brands despite their low incomes (“Trend Followers”); and well-off consumers who prefer established, hard-to-find foreign brands (“Sophisticates”). These groups amount to about a third of the primarily urban, web-savvy population who took our survey. Three other segments tend to favor domestic brands: price-conscious consumers with lower incomes (“Value Shoppers”); individuals who want to support Chinese companies (“Patriots”); and young men who are indifferent to brands (“Apathetics”). Still, most of these consumers also reported a willingness to buy foreign brands that offer clearly superior products and good value.

All six segments placed great store in a brand’s trustworthiness, reliability and quality, but assigned differing degrees of importance to other factors. Take the Trendsetters. This high-income segment is an ideal target for pricy new brands arriving to China. But they aren’t a good target for long-established brands in China; remarkably, only the low-income Apathetic segment is less influenced by whether a brand has been around a long time or not. An established brand would do better with other segments — the Sophisticates for high-end foreign brands, or the Patriots for Chinese brands. Likewise, price discounts may appeal to Value Shoppers and Trend Followers, but frequent sales may make a brand look cheap to more status-conscious consumers.[3]

Lesson 3. Show you care about the Chinese, not just their money. Marketing should convey the message that the company behind the brand cares about the Chinese people, not just their money. Social-outreach programs help make it clear that foreign companies do not look down on the Chinese people. Consumers can feel good about themselves by buying the product, because in doing so they help contribute to Chinese society.[4] In addition, foreign companies that run these programs are more likely to receive assistance from the government and their business partners if they run into problems in China.[5]

Some thirty percent of respondents in China rated “contributes to local community” as very or extremely important in a brand, similar to the response given in the United States and just below that of Korea. In a culture that values social harmony and mutual responsibility, social marketing programs — well-publicized programs of donating money, time or support to civic and charitable causes — go far toward creating good will and trust. According to our survey data, many Chinese consumers give greater consideration to brands that make some kind of contribution to society. Social marketing is especially appealing for the desirable Trendsetter and the large Patriot segments.

Prominent foreign companies have taken note. Johnson & Johnson, for example, earned the good will of the Chinese government by finding a way to remove fungi that threatened to harm China’s 2200-year-old terracotta warriors. In return, the government lent the figures to Johnson & Johnson to display at its Olympic pavilion.[6] KFC has spent 5 million RMB on various social causes in Beijing alone, such as restoring historic neighborhoods, and is
Chinese consumer segments

Accenture analysis identified six segments that varied by income level, education, gender and other parameters. The segments reveal that some consumers are far more open to trying new brands, especially foreign brands. Note that the average income for survey respondents was ¥114,848 per household; the average income for urban individual residents reported by the Chinese government in 2006 was ¥11,759. The exchange rate at the time of the survey was approximately eight RMB to one US dollar.

**Trend Setters**
- High average household income: ¥221,268.
- 8 percent of sample.
- College educated.
- 61 percent women.
- Extremely interested in fashion and new technology.
- Want exclusive, high-end products.
- Keenly interested in foreign brands.
- Willing to pay more to get latest brands.
- Most influenced by social marketing.

**Trend Followers**
- Low average household income: ¥94,667.
- 18 percent of sample.
- Primarily female college graduates.
- Highly brand conscious.
- Aspire to “latest and greatest” products.
- Favor affordably priced brands and good value.
- Feel country of origin is unimportant.
- Prefer well-known brands used by friends.

**Sophisticates**
- Above average household income: ¥134,343.
- 6 percent of sample.
- 60 percent not college educated; rest are students or advanced degree holders.
- About two-thirds women.
- Strong preference for established brands.
- Enjoy trying foreign brands.
- Want the latest in technology and exclusive products.
- Least likely to prefer brands made in China.
- Least interested in trying new brands [kind of an odd finding for “sophisticates”].

**Value Shoppers**
- Below average household income: ¥96,582.
- 30 percent of sample.
- 71 percent college graduates or higher.
- Split between male and female.
- Prefer domestic brands because of price.
- Not interested in learning about new brands.
- Concerned about reliability and service.
- Want up-to-date technology.

**Patriots**
- Better than average household income: ¥124,713.
- 27 percent of sample.
- Primarily college-educated males.
- Strongest preference for domestic brands.
- Prefer long-established brands.
- Less concerned than most about price and value.
- Least interested in high-end products.
- Least likely to discuss brands with friends.

**Apathetics**
- Lowest average household income: ¥84,530.
- 11 percent of sample.
- Primarily unmarried males; 35 percent students.
- Least interested in new brands.
- Unlikely to discuss brands, like the Patriots.
- Least concerned about familiarity or reliability.
- No strong preference for domestic products.
giving scholarships and part-time jobs to university students. Chinese media such as the People’s Daily notice, and so do consumers: one roundtable participant said she had a better image of KFC because of its aid to students.[7] Chinese companies are also leaders on social issues. For example, appliance company Haier is building 51 “Haier Hope Schools” to match the 51 gold medals taken home by Chinese athletes at the 2008 summer Olympics. The primary schools will reach 30,000 children in impoverished areas of 25 provinces.[8]

The research suggests several ways to make the case, without alienating consumers who would bristle over an attack on the quality of Chinese products. For example, marketers should take advantage of their nation’s reputation. Our study revealed that Korean brands are known for style, and American brands for providing the latest technology. German products have an outstanding reputation in China for quality and innovation. Building on this perception, Volkswagen launched an ad campaign targeting Hong Kong and south China car buyers with the tagline “Engineered by Germans. Loved by everyone”. [9]

Delivering the message

Accenture’s study asked consumers about the 12 different sources they use to first learn about new brands, including nine kinds of media as well as word of mouth, in-store displays, and salespeople. Marketers, we conclude, need a broader media mix in China than they need elsewhere. Recommendations, word-of-mouth, and hands-on experience also have exceptional importance in China. Generating product reviews and online discussion, and enabling consumers to try out brands should play a big part of any branding effort.

Lesson 4. Broaden your advertising mix. The Chinese show an extraordinary curiosity about the new world of consumer choice that’s enveloped them. China ranks first in the use of five of nine kinds of media: TV ads, Internet ads, video boards, still boards and kiosks. They are also near the top in using websites. That means marketing and advertising executives have their pick of ways to boost brand familiarity.

Television advertising makes sense for companies that can afford the rapidly increasing rates – up 19 percent overall in 2008.[10] TV ads are the most common way to learn about brands out of all traditional mass media; 63 percent cite them. And perhaps just as important in the Chinese context, ads on television have the power to depict trust. Several researchers have noted that the Chinese are especially responsive to ads that show family members assisting others: a Nice detergent ad showing a girl help her mother wash clothing for the first time, and an ad for Yang Sheng Tan pills (a traditional Chinese medicine) depicting family members caring for the elderly, are among the standouts. [11] General Motors wisely chose a similar approach in the ad campaign that successfully introduced Chevrolet to China: it showed a couple bungee-jumping together, a visit with a hospital patient, a parent teaching a child to ride a bike. The ad then showed workers carefully putting the finishing touches on new Chevrolets. [12]

But brand managers shouldn’t neglect less costly forms of advertising. By 15 to 20 percentage points, Chinese consumers are more likely in our survey to acquaint themselves with brands through multimedia, video and conventional billboards than consumers elsewhere.

“The data about Chinese consumers’ expectations translate into seven core lessons for marketers. Three of the lessons offer ways to shape brand image and four suggest how to best communicate the brand message.”
Lesson 5. Turn product reviews into PR opportunities. One of the most effective ways to build a reputation for dependability and quality doesn’t have to cost a single yuan: a positive product review. The Chinese turn to product reviews far more than consumers elsewhere. Sixty-three percent of Chinese consumers learn about new brands from product reviews in newspapers and magazines – the same as the percentage that learn from television ads. Only 34 to 42 percent of consumers in the other countries learn from published product reviews. And print is just one venue: numerous Chinese web sites – portal sites like Sina.com and qq.com, web sites that focus on technology, cars or fashion like PCWorld.com.cn, and even official publications like the online version of the People’s Daily – feature articles about all kinds of consumer products.

China’s publications and web sites provide excellent public relations opportunities for brands. And for brands that don’t want to depend on getting a lucky break, China’s public relations industry is eager to help them get out their messages. The major global agencies now have offices in China’s top tier cities, and the industry is growing by 33 percent to over $1.1 billion in annual revenues, according to the China International Public Relations Association.[13] With or without outside marketing help, brand managers in China should find out which media outlets cover products in their category, cultivate relationships with their editors, and pitch news leads (including favorable product reviews), suggestions for features, and prepared stories to gain coverage for their products. The payoff from PR can be even bigger in China than in other nations.

Lesson 6. Provide Chinese consumers with something good to say about your brand. The study found 67 percent of Chinese consumers learn about brands through friends and coworkers, more than any other source. And as with product reviews and display advertising, that’s far more than the other countries we surveyed; only 34 to 52 percent find out about products from their acquaintances.

Today, the discussion about brands in China is quickly moving to the Internet. According to the official China Internet Network Information Center, the number of Internet users grew by an astounding 56 percent in the first half of 2008 to reach 253 million people. These Internet users are actively participating in online forums, communities, blogs and social networks. As of January 2008, 65.7 percent of China’s “netizens” posted or uploaded comments online and 23.5 percent blog or update a personal online space such as a Facebook page.[14]

The Chinese Web is both a central source for product reviews and information, and a freewheeling extension of the circle of friends and co-workers with whom they hobnob about brands. Chinese language search engine Baidu.com.cn and web portal Sina.com both provide question-and-answer communities where Internet users can discuss all kinds of consumer products. Bulletin board systems, often overlooked in the West, are a major part of the Internet scene. About 35 percent of Chinese Internet users frequent online bulletin board systems, including many communities devoted to product categories.[15] In May 2008 alone, according to one analyst who tracks Internet marketing in China, 200,000 Chinese women posted one million messages on cosmetics, and 300,000 posted 5.5 million messages about cars.[16]

At this rate of activity, any brand that doesn’t wade into the Chinese net to provide product information, call attention to their brand, and influence the online discussion risks falling behind its competitors. Leading foreign brands have launched massive Internet marketing campaigns. Samsung has launched a multi-lingual social networking site for Asians called Uberme, where users of Samsung products can share blogs, videos and other content.[17] KFC’s China web site has product information, a section on health and fitness, and online contests; it also runs promotions through the QQ.com, a Chinese web portal.[18] And at
PCAuto.com.cn, car company representatives take questions from online community participants.[19]

So-called viral marketing tactics are also raising brand familiarity and engagement. Motorola introduced its Moto Q smart phone in China by using a popular web cartoon character named Tuzki. The campaign included ads in magazines, bus shelters and web sites, together with online marketing such as free downloads on MSN and Chinese web sites.

**Lesson 7. Make the brand tangible.** It's vital to place products in front of Chinese consumers so they can see, try and buy them. Once Chinese consumers purchase a foreign brand, for example, they are just as likely to recommend them to friends as if it were a domestic brand: between 82 and 89 percent, depending on the product category. The store setting helps: Chinese consumers more frequently rely on in-store displays and salespeople than do consumers elsewhere. In a market where word of mouth is so important, inducing trial is not just a way to make a sale, but a way to turn a consumer into a salesperson. However, many Chinese can’t find foreign brands in their stores. Chinese brands are 17 to 26 points more likely to be perceived as readily available as foreign brands.

In China, brands must provide the kind of entry-level purchase opportunities and promotions that induce trial. Affordability and value remain important considerations in a country where the purchasing power of consumers remains low – $4,660 on average, according to the World Bank’s purchasing power parity index.[20] Sales, special deals, samples, test drives and other inducements to initial purchase are especially important in China. And while consumers throughout the world enjoy receiving something for nothing, free trials may be especially effective in China since there's no risk of embarrassment about spending money on a disappointing product.[21]

**No time like now**

The Chinese may have believed foreign brands were consistently better a decade ago, but not any longer. Domestic companies like Chery Automobile, Li Ning sportswear and home appliance and electronics manufacturer Haier Group are becoming stronger competitors as they gain operational experience and financial resources, expand their product lines and increase exports. Our survey found that Chinese consumers generally considered domestic brands – especially appliances and consumer packaged goods – to be more trustworthy and reliable than foreign brands. A pair of studies by the Chinese Academy of Social Sciences confirms that the popularity of Chinese brand is now even or ahead of foreign brands.[22] That's a daunting thought for managers of foreign brands, since the study found Chinese brands also possess a superior reputation for affordability, value, customer service and consistency with personal values.

Most Chinese consumers are willing to try foreign brands, even though they have come to prefer domestic ones in many product sectors. In all six product sectors we studied, between 50 and 68 percent of respondents said the country a brand comes from is unimportant as long as it is designed with their needs in mind. And except for home appliances and financial services, more than half – between 53 and 63 percent – also said they enjoy trying foreign brands. It’s not too late for new or even struggling foreign brands to succeed in China – provided they build their brand around quality, dependability and trustworthiness.

Building a brand’s standing for trustworthiness, reliability and quality takes time and the opportunity cost of delay is enormous. So foreign firms need to get started practicing these seven lessons about shaping and communicating brand image.

“**The Chinese show an extraordinary curiosity about the new world of consumer choice that’s enveloped them.**”
About the research

Accenture conducted an international study on consumer attitudes about branding, including 1,022 interviews from China that surveyed consumers of six categories of products and services: automobiles, appliances, consumer packaged goods, financial services, high-tech products and apparel. The 20 to 25 minute surveys were conducted online in native languages with the primary household decision maker, who had recently purchased or was planning to purchase a consumer product. Consumers chosen for the China part of the study were generally younger and wealthier than the typical Chinese consumer – a reflection of the Internet population, but also a reasonable proxy for the initial target audiences for brands attempting to succeed in China. While the sample reflected younger, higher-income, Internet-savvy consumers in urban areas – 71 percent had undergraduate or graduate degrees and more than half had high-speed Internet connections at home – consumers with families were also well represented. Almost half were married, and 37 percent had children under 18 living at home.

Notes

15. S. Flemming, “Is new media’s future already happening in China?” April 1, 2008, imediaconnection.com
18. KFC QQ web site, kfc.qq.com


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