BRANDZ™
Most Valuable Chinese Brands TOP 50

伍拾

2011 Edition
Valuation Methodology by

MillwardBrown Optimor

Data Powered by

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WPP

CONTENTS

With China's ascent to become the world's economic powerhouse and the Chinese government's new focus on brand building, never has it been so important for Chinese companies to focus on their brands.

With this in mind, we are delighted to present the first BrandZ Top 50 Most Valuable Chinese Brands Report.

As well as the ranking of the Top 50 Most Valuable Chinese Brands, this report contains invaluable insights and analysis from WPP experts in China on the progress already made by Chinese brands, the lessons to be learned and the challenges that lie ahead.

Expenditure on brand and marketing should be considered as an investment, rather than an overhead. Strong brands help to protect businesses from risk and position them for future growth – the ultimate return on investment.

This report shows that the importance of branding stretches far beyond consumer packaged goods. The China Top 50 includes brands from many industry categories, including technology, banking, pharmaceuticals and home appliances. Any business can create competitive advantage through a strong brand.

But brand valuation is more than just a number. The real objective is to understand the levers through which brand value is created in order to identify opportunities to grow the value of the brand and the business. WPP, through its operating companies, provides you access to all the necessary marketing and communications services to help you build a strong and valuable brand.

The study was commissioned by WPP and undertaken by WPP's Millward Brown Optimor and draws upon on BrandZ, the world's most comprehensive and reliable collection of customer–focused brand equity information. Created 12 years ago, BrandZ contains data from more than one million consumers in 30 countries.

Like its companion study, the annual "Top 100 Most Valuable Global Brands," "The China Top 50" draws on the worldwide research and analysis capabilities of WPP to provide the original and useful insights needed to inform investment and other important business decisions. The study includes these components:

- An overview of how Chinese manufacturers are competing with Western suppliers at home and exploring export opportunities.
- The listing of China's Top 50 brands ranked according to their financial value.
- Snapshots of each of the Top 50 brands.
- Perspectives on the brand-building challenges in China by WPP operating company experts.

For the past 20 or 30 years, Chinese companies fabricated products for Western consumers. The infrastructure and knowledge gained from this experience brings China to a tipping point, as during the next decade the country moves from production to creation, from low-cost manufacturing to "Brand China."

"BrandZ Top 50 Most Valuable Chinese Brands" considers the enormous challenges and opportunities of this development.

Please accept this report with our compliments and with confidence that the insights it contains will broaden your understanding of brand and benefit your own brand.

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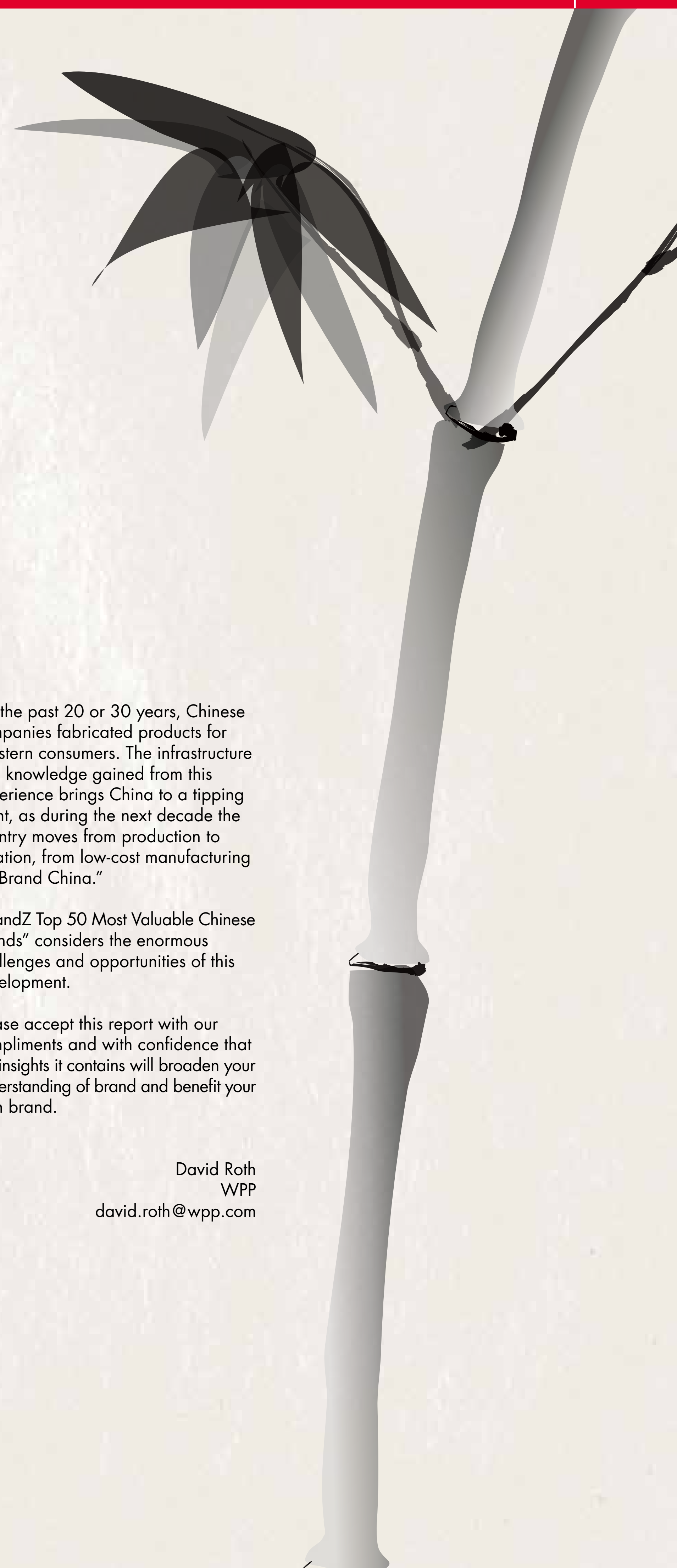


报告
概述
OVERVIEW

From Maker to Marketer
The Creation of "Brand China"

"Brand China."

Until recently, the term seemed ironic in a country known for low-cost manufacturing and efficient distribution, a place where marketers from all over the world went to manufacture the products that established their brands.

The competencies learned while developing brands for others have given Chinese manufacturers the tools to develop their own brands and potentially become formidable competitors in the domestic and global markets – the ultimate irony.

The evolution of "Brand China" should not come as a surprise from such a diverse, dispersed and complicated nation. The 5,000 years of Chinese history includes both ancient trade along the Silk Road connecting East and West and modern rejection of the market economy, separating East and West.

This study provides a snapshot of "Brand China" today. It calculates the brand value of the "China Top 50" brands at $280 billion. Together with its companion study, the annual "Top 100 Most Valuable Global Brands," the "China Top 50" helps predict growth categories, export patterns and changes in consumer purchase behavior.

Commissioned by WPP and undertaken by WPP's Millward Brown Optimor, the study draws upon on BrandZ, the world's most comprehensive, customer-focused, brand equity database. It includes commentary and analysis by WPP experts. Among the salient findings are:

- **Chinese consumers are becoming brand conscious.** In 2010, 53 percent of Chinese consumers shopped with a short list of brands compared with only 41 percent in 2006, according to BrandZ data. In addition, only 39 percent reported that their purchase decisions were price driven in 2010 compared with 47 percent in 2006.

- **Chinese brands are growing in value.** Between 2006 and 2010, the number of Chinese brands ranked among the "BrandZ Top 100 Most Valuable Global Brands" increased from one –China Mobile– to six, including China Mobile; Baidu, the search engine; three banks and an oil and gas company.

- **China's economy favors certain industries.** The major brands, which lead the "China Top 50," generally remain state-owned or state-controlled enterprises and compete within a highly-regulated environment.

- **Entrepreneurial brands are emerging.** Chinese brands compete effectively with Chinese and Western entries in several categories, including technology, retail and cars.

Value still defines "Brand China" the way Germany connotes engineering or France, fashion. But "Brand China" is both an old and young, multi-faceted and rapidly-evolving idea. As Chinese consumers adjust from a period of no choice to abundant choice, Chinese brands are finding acceptance at home and abroad.

Building Chinese brands at home

Multi-national consumer product companies initially impressed consumers with their prestige, product innovations and packaging, but Chinese brands now capture consumer attention as they improve in quality and emulate the shelf presence of the imports.

Chinese suppliers are relying on consumer insights to build brands in categories including apparel, technology, retail and cars. In categories such as medicine, beer, spirits and wine, they are emphasizing the Chinese essence of their brands.

Bawang, for example, a producer of Chinese herbal products has emerged as a desired shampoo brand because of its Chinese herbal formulation, with a brand promise to slow hair loss and its association with Jackie Chan, the martial arts celebrity who acts as brand spokesman. Bawang ranks 33 in the China Top 50 ranking.

Similarly, sportswear manufacturer Li-Ning, Number 24 in the China Top 50 ranking, competes with Nike and Adidas in China. Li-Ning began by creating stylish sneakers that resembled the footwear of the category leaders. The company improved design and quality and developed an image based on the renown of its founder, Li Ning, the Olympic gymnast who won six medals in the 1984 summer games.

Li Ning drew worldwide attention to the brand and himself at the opening ceremony of the 2008 Olympics where he lit the torch after being hoisted by cables and circling high above the crowd at the Beijing stadium. Other Chinese sportswear companies transitioning from first-class imitators to aspiring world-class brands include Anta and 361°, Numbers 43 and 44 in the China Top 50.

Competing with Western brands

Retail is another category where Chinese brands have emerged. Suning, Number 18 in the China Top 50, and Number 34 Gome, are leading consumer electronics merchants that compete aggressively against local and new Western competitors like Best Buy from the US, which entered China in January 2007, and Germany's Media Markt, which arrived in December 2010.

The prestige of Western spirits brands draws Chinese consumers. But consumers also retain a preference for products that are distinctively Chinese in formulation and taste such as Moutai, Number 12 in the China Top 50, a high-end liquor considered the national drink. Also, Chang Yu, the country's leading wine, is Number 22 in the ranking.

When searching online, Chinese Internet users more often click on Baidu, Number 9 in the China Top 50, rather than Google, because the domestic brand has more completely captured the nuances of the Chinese languages and complied with regulatory requirements.

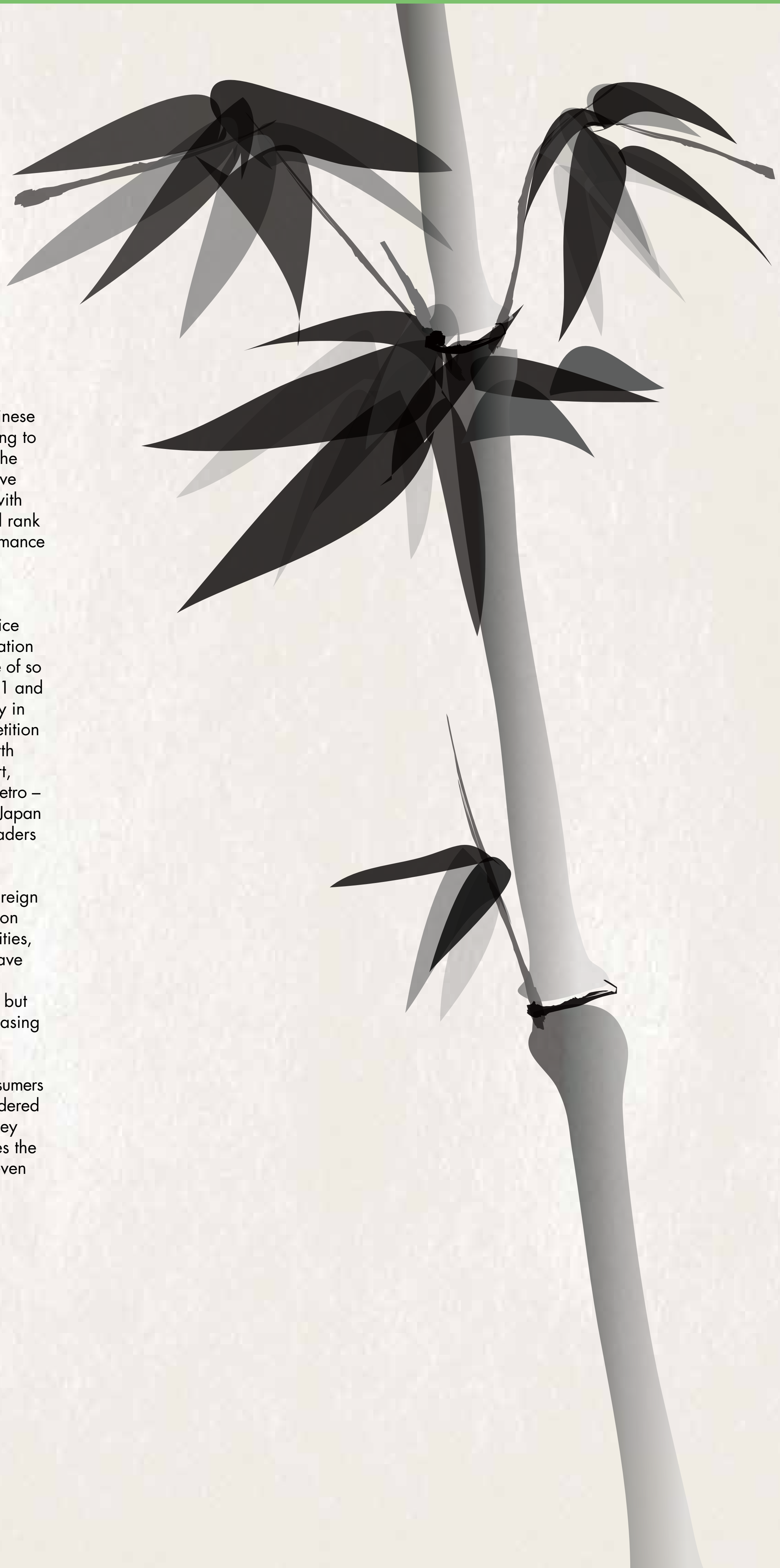
In categories that demand consistent quality and innovation – technology and mobile phones, for example – the preference for foreign brands prevails, at least for now. The preference extends to categories where safety is paramount, such as baby formula. The milk contamination crisis of a few years ago eroded the trust in big brands to always act responsibly.

But even in these categories, Chinese brands are catching up, according to Millward Brown research using the BrandZ Pyramid that measures five levels of a brand's relationship with consumers. While consumers still rank Western brands higher on performance (quality, safety, consistency), the difference is narrowing.

The rapid increase in brand choice and Chinese consumer sophistication resulted in part from the presence of so much modern retailing in the tier 1 and 2 cities. China is the only country in the world where the retail competition includes global brands from North American and Europe – Walmart, Tesco, Carrefour, Auchan and Metro – along with powerful entries from Japan and Korea and local Chinese leaders like Beijing Hualian.

The preference for Chinese or foreign brands continues to vary by region as well as category. In smaller cities, where multinational marketers have focused relatively less attention, Chinese brand strength prevails, but international marketers are increasing their presence.

In general, however, Chinese consumers now are more rational and considered about their brand preference. They recognize that in some categories the local product is as good as, or even better than, the foreign brand.



Selling Chinese brands abroad

Firmly established at home, many Chinese brands are exploring export, expecting that the future of China will be found in the history of Japan or Korea. Those nations began as low-cost producers and created respected global brand leaders like Sony and Samsung. The size of China, with 1.3 billion inhabitants – and the imminent release of the government's twelfth five-year plan focused on stimulating the domestic economy – makes export more of a long-term opportunity, however, rather than an immediate imperative.

Currently, many Chinese brands go first to Southeast Asia, the Middle East or, increasingly, Africa, the so-called developing markets that consider price the most important criterion. Categories with Chinese essence, like traditional Chinese medicines, are well established in countries with large populations of Chinese, such as Indonesia or the Philippines. Three of the best known brands in this category rank among the China Top 50: Yunnan Baiyao, Number 27; 999, Number 37; and Tong Ren Tang, Number 41, established in 1669, long before most Western brands.

Some brands, like Haier, have experienced success even in the developed economies of North America and Western Europe. The appliance manufacturer, Number 29 in the China Top 50, is based in Tsingtao, headquarters of the brewery of the same name and historically home of a substantial Germany colony that helped advance local commercial interests.

Other Chinese brands face challenges in their attempts to expand globally. For example, computer manufacturer Lenovo, which ranks Number 16 in the China Top 50, acquired the personal computer business including the ThinkPad laptop brand from IBM in 2005, a year after the China home electronics manufacturer TLC entered into a joint venture with Thompson, a French electronics company that markets the RCA brand in the US.

The Chinese battery maker and now also car manufacturer BYD, Number 19 in the China Top 50, began exporting its cars to the developing markets in Africa, South America and the Middle East. But fortified by a stake of more than $200 million from investor Warren Buffet, the company established a headquarters in Los Angeles in anticipation of marketing its electric cars in North America.

Anta, the sportswear brand, acquired the Italian-founded, Korean-owned Fila brand. Li-Ning, its competitor, distributes its sneakers in the US through a national sportswear retail chain and has established an office in Portland, Oregon, hometown of Nike.

Categories such as medicine, which are particularly Chinese or Asian or reflect an Eastern view of life and harmony between people and nature may eventually enjoy global success because of their inherent distinctiveness. But global success is possible in almost any category. Metersbonwe, a fashion brand popular with Chinese young people, recently entered into a promotion arrangement with DreamWorks, the film studio.

BRANDZ™

Most Valuable Chinese Brands TOP 50

伍拾最强 TOP 50

Top 50 Most Valuable Chinese Brands

Ranking	Brand	Brand Value (USD millions)	Brand Contribution
1	中国移动通信 CHINA MOBILE – Telecommunications Operator	56,074	3
2	中国工商银行 Industrial and Commercial Bank of China – Financial Institution	38,090	2
3	中国银行 BANK OF CHINA – Financial institution	22,344	2
4	中国建设银行 China Construction Bank – Financial institution	21,676	2
5	中国人寿 CHINA LIFE – Insurance Provider	18,320	3
6	中国农业银行 Agricultural Bank of China – Financial Institution	16,494	2
7	中国石油 Petrochina – Oil and Gas Producer and Distributor	14,223	1
8	Tencent 腾讯 – Internet Service Portal	12,199	4
9	Baidu 百度 – Search Engine	9,715	5
10	中国平安 PING AN – Insurance Provider	8,443	3
11	招商银行 China Merchants Bank – Financial Institution	6,924	2
12	Liquor Producer	5,790	3
13	AIR CHINA 中国国际航空公司 – Airline	5,542	3
14	太平洋保险 CPIC – Insurance Provider	3,545	2
15	五粮液 Wuliangye – Liquor Producer	2,449	3
16	lenovo – Computer Hardware Manufacturer	2,317	3
17	China unicom 中国联通 – Telecommunications Operator	2,307	2
18	SUNING 苏宁电器 – Consumer Electronics Retailer	2,203	2
19	BYD – Car Manufacturer	2,114	1
20	蒙牛 – Dairy Manufacturer and Distributor	2,070	4
21	中国南方航空 CHINA SOUTHERN – Airline	1,917	3
22	CHANGYU – Wine Producer and Retailer	1,823	4
23	伊利 Yili – Dairy Manufacturer and Distributor	1,773	4
24	LI-NING – Sportswear Manufacturer	1,445	3
25	Midea – Household Appliance Manufacturer	1,408	3
26	双汇集团 Shineway Group – Processed Meats	1,405	3
27	云南白药 Yunnan Baiyao – Herbal Remedy Producer	1,277	3
28	中国电信 CHINA TELECOM – Telecommunications Operator	1,264	2
29	Haier – Household Appliance Manufacturer	1,246	3
30	yurun 雨润 – Processed Meats	1,176	3
31	Meters/bonwe – Casual Wear Producer And Retailer	1,109	3
32	GREE 格力 – Air Conditioning Manufacturer And Retailer	1,033	2
33	霸王 Bawang – Herbal Hair Care Products Manufacturer	1015	1
34	GOME 国美电器 – Consumer Electronics Retailer	890	2
35	青岛啤酒 Tsingtao – Beer Producer	864	4
36	燕京啤酒 Yanjing – Beer Producer	770	4
37	999 三九企业集团 – Pharmaceutical Manufacturer	676	4
38	华夏银行 HUA XIA BANK – Hua Xia Bank – Financial Institution	657	1
39	SNOW 雪花啤酒 – Beer Producer	621	3
40	sina 新浪 – Web Portal	554	3
41	Tong Ren Tang – Herbal Remedy Producer	542	3
42	光明乳业 Bright Dairy – Bright – Dairy Manufacturer and Distributor	522	4
43	ANTA – Sportswear	464	2
44	361° – Sportswear	322	2
45	Sinopec – Oil and Gas Producer and Distributor	321	1
46	Hisense – Household Appliance Manufacturer	247	2
47	方正集团 Founder – Computer Hardware Manufacturer	185	2
48	汇源 Huiyuan – Soft Drinks Producer	177	3
49	福临门 Fulinmen – Cooking Oil Producer	160	3
50	GREATWALL 长城葡萄酒 – Wine Producer and Retailer	147	4

Source: Millward Brown Optimor (including data from BrandZ, Datamonitor and Bloomberg)

伍拾最强 TOP 50

1 China Mobile

Company: China Mobile
Brand Value: US $56.1 Billion
Headquarter City: Beijing
Industry: Telecom
Year Formed: 2000

China Mobile is the largest mobile service provider in the world. By the end of 2009, the number of China Mobile subscribers exceeded 500 million. The company operates three sub-brands – Gotone, Shenzhouxing, and M-Zone – positioned for different consumer segments. These brand variations help China Mobile maintain market leadership.

2 ICBC

Company: Industrial and Commercial Bank of China.
Brand Value: US $38.1 Billion
Headquarter City: Beijing
Industry: Banking
Year Formed: 1984

ICBC is the largest bank in the world measured both by its market capitalization and profit. Positioned as an accessible bank, ICBC operates more than 16,200 branches across China. The bank first expanded outside of China in 1992 and by the end of 2009 operated 23 subsidiaries in 20 countries. The bank's reputation was enhanced during the global recession as it cultivated trust among consumers by demonstrating relative stability.

3 Bank of China

Company: Bank of China
Brand Value: US $22.3 Billion
Headquarter City: Beijing
Industry: Banking
Year Formed: 1912

As the most international and diversified bank in China, Bank of China provides a comprehensive range of financial services to customers across the Chinese mainland, Hong Kong, Macau and 29 overseas countries. The bank's core business is commercial banking, including corporate banking, personal banking and financial markets services.

4 China Construction Bank

Company: China Construction Bank
Brand Value: US $21.7 Billion
Headquarter City: Beijing
Industry: Banking
Year Formed: 1954

China Construction Bank helped implement the government's first five-year National Economic Plan, 1953-57, managing the investment funds for 156 key construction projects. Today, the bank offers a wide range of consumer, retail and commercial banking products and services. The consumer offering includes insurance, credit cards and electronic banking.

5 China Life Insurance

Company: China Life Insurance Co.
Brand Value: US $18.3 Billion
Headquarter City: Beijing
Industry: Insurance
Year Formed: 1999

China Life Insurance is China's largest life insurance company and the world's most valuable insurer. China Life is carrying out a brand transformation strategy that concentrates on three changes: transitioning from a government entity into a consumer brand, from a domestic brand into a global brand, and from a well-known brand into a great brand. China Life has launched new products to differentiate the brand within the Chinese insurance market.

6 Agricultural Bank of China

Company: Agricultural Bank of China
Brand Value: US $16.5 Billion
Headquarter City: Beijing
Industry: Banking
Year Formed: 1951

As the name suggests, Agricultural Bank of China has its roots among China's farmers. As these customers gained wealth, the bank prospered and today has 320 million retail customers, 2.7 million corporate clients and nearly 24,000 branches and US $1 trillion in deposits. Government plans to stimulate consumption in rural areas should benefit the bank, which also is well positioned in industrial districts.

7 PetroChina

Company: PetroChina Co.
Brand Value: US $14.2 Billion
Headquarter City: Beijing
Industry: Oil and Gas
Year Formed: 1999

China National Petroleum Corporation (CNPC), parent of PetroChina, is China's largest oil and gas producer and supplier. With operations in almost 29 countries, it also is one of the world's major oilfield service providers and engineering and construction contractors.

8 Tencent/QQ

Company: Tencent Holdings
Brand Value: US $12.2 Billion
Headquarter City: Shenzhen
Industry: Telecom
Year Formed: 1998

Best known as an instant messaging software leader, Tencent/QQ has evolved into a complete mobile platform that holds a massive 77 percent share in the Chinese instant messaging market. Better known as simply QQ, the brand differentiates itself by meeting the communication and entertainment needs of young Chinese Internet users with products like Qzone, a social networking website.

9 Baidu

Company: Baidu, Inc.
Brand Value: US $9.7 Billion
Headquarter City: Beijing
Industry: Technology
Year Formed: 2000

Baidu is China's largest search engine. Its share of the Chinese market surpassed 80 percent in 2009. The company offers a variety of information and entertainment services. The company was listed on the NASDAQ Exchange in 2005, and became the first Chinese company to be included in the NASDAQ 100 Index in 2007. Baidu expanded to Japan in 2008. Among brands in China, it has the strongest consumer bond.

10 Ping An

Company: China Ping An Insurance
Brand Value: US $8.4 Billion
Headquarter City: Shenzhen
Industry: Insurance
Year Formed: 1998

A leading integrated financial services provider, Ping An serves the insurance, banking and investment needs of about 56 million retail customers and over two million corporate clients. The core products include life, property and casualty insurance. Ping An strives for clarity as it offers customers a broad range of financial products and services under a single brand.

11 China Merchants Bank

Company: China Merchants Bank
Brand Value: US $6.9 Billion
Headquarter City: Shenzhen
Industry: Banking
Year Formed: 1987

China Merchants Bank is China's sixth largest commercial bank in assets. China Merchants Bank has grown from a small bank with just one office and capital totaling US $14.5 million, to a national bank with net capital of US $12.3 billion and more than 600 offices in 40 major cities across China. Its high-end customer service is extremely popular among the wealthy customers, a group that is growing rapidly in China.

12 Moutai

Company: Kweichow Moutai Co.
Brand Value: US $5.8 Billion
Headquarter City: Renhual City, Guizhou Province
Industry: Liquor
Year Formed: Before 1915

Moutai is China's national liquor. Distilled from sorghum grain, the brand has a distinctive history because it is produced where the country's liquor culture began more than 2,000 years ago. Today, Moutai's greatest challenge is maintaining its distinctiveness while satisfying the needs of the different segments of Chinese liquor consumers. This challenge is especially acute in the high-end market, which is under pressure from imports.

13 Air China

Company: Air China
Brand Value: US $5.5 Billion
Headquarter City: Beijing
Industry: Airline
Year Formed: 1998

The national carrier of China, Air China promotes itself as the most valuable, profitable and internationally competitive of China's airlines. Air China merged with the China National Aviation Company and China Southwest Airlines in 2002, to become the China Aviation Group Company. It became a member of the Star Alliance airline-marketing network in December 2007. Air China carries about 4 .2 million passengers per month.

14 China Pacific Insurance

Company: China Pacific Insurance Group
Brand Value: US $3.5 Billion
Headquarter City: Shanghai
Industry: Insurance
Year Formed: 1991

China Pacific Insurance belongs to the CPIC Group, China's second largest property insurance company and third largest life insurance company. Through subsidiaries it provides integrated insurance services, including life insurance, property insurance and reinsurance.

15 Wuliangye

Company: Wuliangye Yibin Co.
Brand Value: US $2.4 Billion
Headquarter City: Yibin, Sichuan Province
Industry: Liquor
Year Formed: 960 to 1279 CE

Wuliangye Liquor, one of China's leading baijiu (rice wine) brands, is part of Wuliangye Group, which was jointly founded in the early 1950s by several breweries from early in China's history. Wuliangye has emphasized this heritage and quality ingredients to claim a premium position in the Chinese market. Wuliangye is distilled out of five grains: red sorghum, rice, sticky rice, wheat and corn.

16 Lenovo

Company: Lenovo Group
Brand Value: US $2.3 Billion
Headquarter City: Beijing
Industry: Technology
Year Formed: 1984

Lenovo produces personal computers and other technology products for consumers and small- and medium-size businesses. The world's fourth largest PC manufacturer, Lenovo acquired IBM's personal computing division, maker of the ThinkPad, in 2005. The largest seller of PCs in China, with a market share estimated at over 28 percent, the company is attempting to reach the consumers in the country's rural markets with its promise of improved productivity.

17 China Unicom

Company: China United Network Communications Group
Brand Value: US $2.3 Billion
Headquarter City: Beijing
Industry: Telecom
Year Formed: 1994

China Unicom is China's second largest mobile operator and the third largest in the world. The company was established in 2009 by combining the former China Unicom with China Netcom. While leading the expansion of 3G services, the company faced slow consumer acceptance and reduced prices to stimulate the market.

18 Suning

Company: Suning Corp.
Brand Value: US $2.2 Billion
Headquarter City: Nanjing
Industry: Retail
Year Formed: 1990

China's largest consumer electronics retailer by sales and number of stores, Suning operates more than 1,000 outlets in over 300 cities throughout China. National expansion is especially important to maintain market dominance as foreign electronics retail chains enter major cities. The company recently acquired Japanese retailer LAOX to generate an international presence and increase supply chain capacity.

19 BYD

Company: BYD Co.
Brand Value: US $2.1 Billion
Headquarter City: Shenzhen
Industry: Cars
Year Formed: 2002

China's leading car brand, BYD began as a battery manufacturer and remains the leading supplier of batteries to Nokia, Samsung and Motorola. The company sold 448,400 cars in China in 2009. It began selling the world's first mass-produced, plug-in hybrid in December 2008. Betting on the global appeal of electric cars, investor Warren Buffet paid over US $200 million to purchase a 10 percent stake in the company.

20 Mengniu

Company: Inner Mongolia Mengniu Dairy Co.
Brand Value: US $2.1 Billion
Headquarter City: Huhhot
Industry: Food
Year Formed: 1999

Started in 1999, Mengniu has grown meteorically to become China's second largest dairy company in sales and the largest by market value. Mengniu is an example of how a new breed of private, entrepreneurial companies is overtaking long-established state run organizations. A small but experienced management team launched Mengniu with US $12,600 of its own capital.

伍拾最强 TOP 50

21 China Southern Airlines

中国南方航空 CHINA SOUTHERN

Company: China Southern Airlines Co.
Brand Value: US $1.9 Billion
Headquarter City: Guangzhou
Industry: Airline
Year Formed: 1989

Of the major three Chinese airlines, China Southern operates the largest Southeast Asia network of flights. However, it operates the fewest international flights overall compared with Air China and China Eastern. In 2007, China Southern joined the SkyTeam Alliance, a global airline-marketing network. In 2009, the company became the first China mainland airline to open a branch office in Taiwan.

22 Chang Yu

CHANGYU

Company: Chang Yu Pioneer Wine Co.
Brand Value: US $1.8 Billion
Headquarter City: Yantai, Shandong Province
Industry: Wine
Year Formed: 1892

Over 100 years old, the Chang Yu brand leads the Chinese wine category and was the first winery in China to be listed on the stock exchange. Chang Yu employs winemaking experts from around the world and has vineyards in France, Italy and New Zealand. These international connections help support the Chang Yu brand's premium, high-quality image.

23 Yili

伊利

Company: Inner Mongolia Yili Industrial Group
Brand Value: US $1.8 Billion
Headquarter City: Hohhot
Industry: Food
Year Formed: 1993

Yili, a leading Chinese dairy brand, produces a wide variety of products including milk, milk powder, ice cream and yogurt. Although Yili became the first Chinese dairy company to gain international food safety certification (HACCP), in 2005, the milk contamination crisis of 2008 impacted the entire dairy industry.

24 Li-Ning

LI-NING

Company: Li-Ning Sports Goods Co.
Brand Value: US $1.4 Billion
Headquarter City: Beijing
Industry: Apparel
Year Formed: 1990

Company founder, Li Ning, personifies the new entrepreneurial China. As young man from Guangxi, one of China's less affluent provinces, and a member of the Zhuang, one of China's ethnic minorities, Li joined the country's first-ever Olympic team and came back from the 1984 Games with six medals. In 1990, as China was struggling with economic downturn and international boycotts, he started a retail business. Last year, Li-Ning captured 11 percent market share, trailing Nike and Adidas. Li-Ning is determined to compete globally.

25 Midea

Midea

Company: Midea Group
Brand Value: US $1.4 Billion
Headquarter City: Shun De, Guangdong Province
Industry: Household Appliances
Year Formed: 1981

Midea is one of China's largest manufacturers of household appliances. Its core products include air conditioners, refrigerators and microwave ovens. Midea connotes "beautiful things" in Chinese, which communicates the company's brand promise to consumers. Midea has expanded its sales network, especially in smaller cities so far ignored by international brands.

26 Shuanghui

双汇集团 SHINEWAY GROUP

Company: Henan Shuanghui Investment and Development Co.
Brand Value: US $1.4 Billion
Headquarter City: Luohe, Henan Province
Industry: Food
Year Formed: 1958

The Shuanghui Group, a large-scale meat-processor, is the world's most valuable meat company stock, with a market value of more than RMB 100 billion (US $15 billion). The company, known for introducing processing innovations, controls more than half of the country's high-temperature meat processing market. The company is investing significantly to improve safety standards and make all of its products traceable.

27 Yunnan Baiyao

云南白药

Company: Yunnan Baiyao Group
Brand Value: US $1.3 Billion
Headquarter City: Kunming, Yunnan Province
Industry: Herbal Health
Year Formed: 1902

The herb BaiYao, which is used for healing wounds and relieving pain, was discovered in Yunnan Province. Doctor Qu Huanzhang developed a medication from the herb and named it as Yunnan Baiyao, in 1902. The brand gained fame when Dr. Qu donated 30,000 bottles of Yunnan Baiyao to the Chinese fighting forces during the Sino-Japanese War in 1938. The brand has grown in value by respecting its historical roots while expanding its offering to meet the needs of today's consumers with product extensions like toothpaste.

28 China Telecom

中国电信 CHINA TELECOM

Company: China Telecommunications Corp.
Brand Value: US $1.3 Billion
Headquarter City: Beijing
Industry: Telecom
Year Formed: 2002

China Telecom is a state-owned telecommunications company with China's largest fixed-line service and third largest mobile service. Since 2004, China Telecom has transformed from a traditional telecom operator into an integrated information services provider offering voice, data, multimedia and information services. Like its competitors, China Telecom struggles to win consumer loyalty.

29 Haier

Haier

Company: Qingdao Haier Co.
Brand Value: US $1.2 Billion
Headquarter City: Qingdao
Industry: Household Appliances
Year Formed: 1892

Haier is the world's Number 1 major appliances brand with 6.1 percent retail volume share in 2010. It is among the first Chinese manufacturers to evolve into a more recognized global brand sold in the developed markets of North American and Europe. Guided by the famous CEO Zhang Ruimin, Haier has adopted several strategies aimed at providing consumers worldwide with solutions that ease their everyday lives.

30 Yurun

yurun 雨润

Company: China Yurun Food Group
Brand Value: US $1.2 Billion
Headquarter City: Nanjing
Industry: Food
Year Formed: 1993

Yurun is one of China's leading meat product suppliers. Its products are marketed under a family of brands, including Yurun, Popular Meat Packing, Furun and Wangrun. Known for its offering of premium pork products, Yurun Food consistently has achieved robust growth.

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31 Metersbonwe

Company: Shanghai Metersbonwe Fashion & Accessories Co.
Brand Value: US $1.1 Billion
Headquarter City: Wenzhou
Industry: Apparel
Year Formed: 1995

Metersbonwe is China's leading manufacturer and retailer of casual wear targeted to 18-to-25-year-olds. Metersbonwe successfully appeals to lower-income customers in smaller cities with the Metersbonwe brand and competes with Zara and H&M in first-tier cities with its ME&CITY brand. While focusing on design and marketing, with about 4,000 stores located throughout China, the company outsources much manufacturing and logistics.

32 Gree

Company: Gree Electronic Appliances
Brand Value: US $1.0 Billion
Headquarter City: Zhuhai, Guangdong Province
Industry: Household Appliances
Year Formed: 1991

Gree is one of the world's largest air conditioning companies. Vertically integrated, it sells the products it makes in company-owned stores and through distributors across China. Gree has been the Number 1 air conditioning company in China for the past 15 years. The company currently enjoys a 27 percent market share. Gree aspires to become as well known globally as it is today in China and hopes to capture 35 percent of the overseas market in the next decade.

33 Bawang

Company: Bawang International Holding
Brand Value: US $1.0 Billion
Headquarter City: Guangzhou
Industry: Herbal Health
Year Formed: 1989

Bawang is known for its brand of herbal shampoos, which claims the Chinese herbal formulation slows male baldness. The company is expanding its product portfolio, targeting consumers seeking a natural approach to health using Chinese herbal medicine. Driven by increased domestic demand for health-conscious products, the company also is diversifying into herbal drinks and herbal household cleaning products. In April 2010, the company launched its first herbal drink product, Bawang Herbal Tea.

34 Gome

Company: GOME Electrical Appliances
Brand Value: US $890 Million
Headquarter City: Beijing
Industry: Retail
Year Formed: 1987

Gome is China's largest consumer electronics retailer and holds approximately 12 percent of the market. The company operates more than 1,200 stores in roughly 300 Chinese cities. Gome competes using wide product selection, competitive prices, and convenient locations. The company recently entered the China's fast-growing e-commerce market by acquiring Coo8.com, an appliances online store that soon will carry the combined 200,000-item range.

35 Tsingtao

Company: Tsingtao Brewery Co.
Brand Value: US $864 Million
Headquarter City: Qingdao, Shandong Province
Industry: Beer
Year Formed: 1903

Tsingtao Beer is one of the oldest established brands in China. Founded by German brewers, the brand continues to emphasize its international roots. The Tsingtao beer product line includes seven distinct products that are targeted by price and taste at different market segments. While the brand's long heritage reinforces its premium image, it also makes the brand seem less trendy than imports that appeal to younger drinkers. To reach this audience, Tsingtao invests in sports sponsorships that include the NBA and the Olympics.

36 Yanjing

Company: Beijing Yan Jing Beer Co.
Brand Value: US $770 Million
Headquarter City: Beijing
Industry: Beer
Year Formed: 1980

Yanjing Beer is positioned as a natural, healthy, refreshing and a fast-growing domestic brand. It uses natural mineral water that comes from the Beijing YanShan Mountains. The brand enjoys nationwide market share of about 12 percent, which increases dramatically in certain geographic areas, such as its home market of Beijing, where market share reaches 80 percent. Yanjing operates the biggest brewery in Asia.

37 999

Company: China Resources Sanjiu Medical and Pharmaceutical Co.
Brand Value: US $676 Million
Headquarter City: Shenzhen
Industry: Pharmaceuticals
Year Formed: 1991

As the most famous pharmaceutical brand in China, 999 is seen as a trusted manufacturer of both Western and traditional Chinese medicines. The company offers both generic drugs and over-the-counter products. It was among the first Chinese brands to employ a celebrity spokesperson.

38 Hua Xia Bank

Company: Hua Xia Bank
Brand Value: US $657 Million
Headquarter City: Beijing
Industry: Banking
Year Formed: 1992

Hua Xia bank started operations in Beijing, in 1992, and has grown rapidly. Hua Xia Bank considers itself a modern medium-sized bank with sound capital capacity, strict internal management, safe operations and strong international competitiveness. It operates an extensive network of branches across China. Hua Xia bank was awarded the "Bank with the Best Annual Growth" by Institute of Finance and Banking, Chinese Academy of Social Sciences, in 2008.

39 Snow

Company: China Resources Breweries Co.
Brand Value: US $621 Million
Headquarter City: Beijing
Industry: Beer
Year Formed: 1964

With a national market share of approximately 20 percent, Snow, the company's flagship brand, was developed from its local presence in Shenyang and is now China's Number 1 beer brand. To increase regional sales, Snow recently purchased stakes in two provincial brand leaders: Yueguan in Henan Province and Xihu in Zhejiang Province.

40 Sina.com

Company: SINA Corp.
Brand Value: US $554 Million
Headquarter City: Beijing
Industry: Technology
Year Formed: 1992

Sina is China's largest online portal. Its site includes news, specialty columns, a search engine, forums, e-commerce, blogs and other content. Sina seeks to be the destination for search and social networking. The brand was listed on the NASDAQ Exchange in 2000. Sina.com hosts the world's most popular blogger, actress and film director Xu Jinglei, and China's most popular dating site, Sina Match.

伍拾最强 TOP 50

41 Tong Ren Tang

Company: Beijing Tong Ren Tang
Brand Value: US $542 Million
Headquarter City: Beijing
Industry: Herbal Health
Year Formed: 1669

Established in 1669, by a court physician in the early years of the Qing Dynasty, Tong Ren Tang has benefited from this heritage and today is the largest producer of traditional Chinese medicine. The company focuses as well on modern pharmacy, retail and medical services. It operates over 800 drug stores, predominantly in northeast China. The brand also is gaining a reputation worldwide.

42 Bright

Company: Bright Dairy & Food Co.
Brand Value: US $522 Million
Headquarter City: Shanghai
Industry: Food
Year Formed: 1952

Bright is the third largest dairy brand in China with a product assortment that includes fresh milk, yoghurt, cheese, milk powder and juice. Freshness requirements generally restrict suppliers to regional markets. Bright is strong in Shanghai and eastern China where it faces increasing competition from Mengniu and Yili.

43 Anta

Company: Anta Sports Products
Brand Value: US $464 Million
Headquarter City: JinJiang, FuJian Province
Industry: Apparel
Year Formed: 1991

Anta manufactures and markets sportswear for basketball, tennis and running. As Chinese consumers buy more casual shoes and clothing, the company continues to expand and now operates over 7,800 retail stores throughout China. It sponsors many high-profile athletes including international women's tennis player Jelena Janković and plans to add more player brand representatives to help raise its overseas profile.

44 361°

Company: 361° Co.
Brand Value: US $322 Million
Headquarter City: Quanzhou, Fujian Province
Industry: Apparel
Year Formed: 2003

The 361° Company is a vertically integrated designer, manufacturer and distributor of shoes and sportswear. It operates through 30 exclusive distributors that supervise 3,500 authorized dealers with 7,000 retail outlets throughout China. As a result of this network, 361° enjoys prominence in China's medium-size and small cities. The company developed from the Bieke Shoe Co., founded in 1994.

45 Sinopec

Company: Sinopec Group
Brand Value: US $321 Million
Headquarter City: Beijing
Industry: Oil and Gas
Year Formed: 2000

Sinopec is China's largest producer and supplier of refined oil products, including gasoline, diesel and jet fuel. It is a major producer of petrochemical products, such as synthetic resin, synthetic fiber, synthetic rubber and chemical fertilizer. The company is listed on both domestic and international stock exchanges.

46 Hisense

Company: Hisense Electric Co.
Brand Value: US $247 Million
Headquarter City: Qingdao
Industry: Household Appliances
Year Formed: 1969

Hisense is China's market share leader in TV sales. Based on that success, the company has expanded into multimedia, home appliances, telecommunications, real estate and services. The company hopes to become the world's leading supplier of flat-screen televisions, but must balance the price-driven priorities of the domestic market with the quality demands of the export business. Hisense sells products under five brand names including its own and also produces for other brand marketers as an OEM (Original Equipment Manufacturer).

47 Founder

Company: Founder Technology Group
Brand Value: US $185 Million
Headquarter City: Beijing
Industry: Technology
Year Formed: 1986

Founder is one of the largest conglomerates in China. It has started or acquired more than 30 businesses in various industries since its formation more than 20 years ago. Founder Group now includes China's second largest personal computer company, one of China's largest software companies, leading businesses in IT solutions and consumer electronics manufacturing, several pharmaceutical companies and two Chinese securities brokerage and investment banking firms. Founder also has developed significant franchises in other industries such as healthcare, financial services and real estate.

48 Huiyuan

Company: Beijing Huiyuan Food and Drink Co.
Brand Value: US $177 Million
Headquarter City: Beijing
Industry: Food
Year Formed: 1992

The leading Chinese juice brand, Huiyuan has a 45 percent share of the domestic fruit juice market and a 42 percent share of the nectar beverage market. The company exports to 30 countries. Huiyan operates more than 30 factories across China and maintains four million square meters of orchards. Huiyuan produces 500 food and drink lines. It is especially strong in the 100-percent juice category. Huiyuan launched a new product,"Guozhiguole," in 2010, a carbonated juice targeted at young consumers ages 15-to-25.

49 Fulinmen

Company: COFCO
Brand Value: US $160 Million
Headquarter City: Beijing
Industry: Food
Year Formed: 1993

Marketed by the agribusiness giant COFCO, Fulinmen is the second-largest cooking oil brand in China. Fulinmen has educated consumers about the importance of safety and health in cooking oil, successfully establishing a brand position as "Fulinmen, healthy for the whole family."

50 Great Wall

Company: COFCO
Brand Value: US $147 Million
Headquarter City: Beijing
Industry: Wine
Year Formed: 1983

Great Wall produces wine. Its wide distribution and variety of price points have made grape wine increasingly more accessible to Chinese consumers. Great Wall reinforced awareness of the brand and its premium image through sponsorships of major events, such as the 2008 Beijing Olympic Games and the 2010 Shanghai Expo. Great Wall is a brand of COFCO, the agribusiness conglomerate.

名人访谈
PERSPECTIVES

Becoming Global Competitors How and How Quickly?

Chinese brands are becoming global competitors. The open questions are how and how quickly? In the following commentaries, experts from several WPP operating companies offer some answers and personal perspectives based on their extensive experience in China.

They assert that as China's living standard increases and the country loses its overarching reputation as the world's lowest-cost producer, Chinese manufacturers need to look beyond price to emphasize unique aspects of their products and brands.

Peking Tan and Sirius Wang, of Millward Brown, address the core question—what is a Chinese brand? Based on Millward Brown research, they conclude that the most salient defining characteristics are that the brand originates in China and that it resonates with elements of Chinese culture.

There are certain niches—medicines, Asian art and style—where just the fact of being Chinese results in desirability. Some observers point out that certain Chinese brands already are developing reputations for value and innovation, transforming the perception from "made in China" to "created in China."

That progression takes time, however. Today, the more premium brands are smaller and lack scale and resources for international expansion, which more typically are available to the Chinese companies known for commodities, notes Tom Doctoroff, JWT North Asia Area Director and Greater China CEO.

The recent global recession added incentive for international expansion when a consequent decline in developed markets asset values left some companies more available for partnership or affordable for acquisition. Despite this development, cultural issues could delay the international expansion of Chinese brands.

A Chinese business management approach that is more hierarchical potentially complicates forming compatible partnerships with Western companies. Meanwhile, emerging markets in Asia and elsewhere seem especially receptive to Chinese brands because of the low prices still associated with Chinese products.

The more immediate and easily-accessed opportunities of China's enormous and robust home market dissuades some Chinese companies from looking abroad. This attitude limits growth potential and the corollary benefit of international business—knowledge.

That said, Chinese brands increasingly seek international stature as evidenced by high-profile sponsorships, according to Marcus Dunke, of Oracle AddedValue. He observes that, although China did not compete in the World Cup, it "produced the soccer balls, the vuvuzelas, the shirts and even the World Cup condoms."

Growing Strong Chinese Brands

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Last year, the unthinkable happened on China's streets. Homegrown brand BYD surged ahead of well-established international brands Volkswagen and General Motors, to become the largest selling auto brand in China. Backed by a US$232 million investment from Berkshire Hathaway, the company poured money into R&D. In May 2010, Daimler-Benz announced that it was setting up a research and development center with BYD in Shenzhen, with both partners investing 300 million renminbi apiece. Quite a long distance for a battery maker to travel.

Going back a couple of years, former Olympic gymnast Li Ning managed to pull off one of the most stunning ambush marketing coups in recent history. As the wires pulled him skywards and around Beijing's Olympic stadium to light the torch, official sponsors Adidas – who had forked out US$200 million, could only wring their hands. Li Ning's eponymous sportswear brand was catapulted on to the global stage, in front of an audience of four billion. On the Monday after, the company's Hong Kong listed shares leapt by 3.4 percent. Last year, the company opened its showroom in Portland, Oregon – Nike's backyard, another flagship store in New York City, signed on Shaquille O'Neal to endorse the brand; even though overseas sales contribute a mere 1 percent to its revenue. Chief Executive Zhang Zhiyong emphasizes that everything they're doing is to signal they're going global. That global presence is vital for its customers back home.

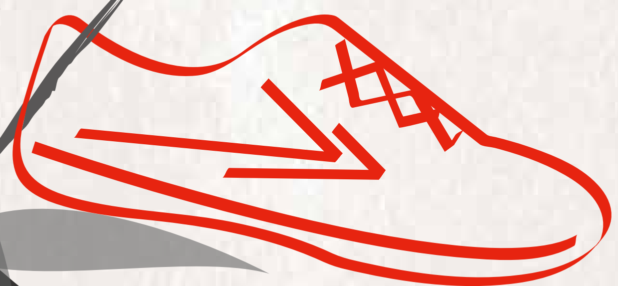
In 1903, two businessmen, one British, one German, invested around US$65,000 to open a brewery in the seaside town of Tsingtao. The Nordic Brewery Co. Ltd (Tsingtao branch) was the first brewery set up with European technology in mainland China, producing 2,000 tonnes of beer every year, and sold in Shanghai, Tianjin, Yantai and Dalian. Over the decades, the company changed hands, from the Japanese, to the Kuomintang, to becoming a state-owned enterprise, until 1992, when in the wake of the Opening Up and Reform era, it became the first fast moving consumer goods company to be listed on the Hong Kong stock exchange. Anheuser-Busch took a 27 percent stake in the company. Today, the brand is sold in more than 50 countries, and accounts for half of China's beer exports. The perfect accompaniment to Chinese takeaway?

It is easy to suggest that the strength of Chinese brands comes from a very large domestic market, one that has only recently begun embracing the idea of brands. For an economy that has grown so large on the strength of low-cost, low-margin, high-volume manufacturing, making the shift to paying a premium for brand value is asking something new from Chinese consumers. This is a market that is yet to be completely conquered: the Chinese drink only 30 liters of beer a year, compared with the Aussies who drink 104 liters, the English who drink 99, and the Americans who drink 81. Only 12 percent of Chinese families own a car. Sports shoe ownership is admittedly much higher, aided by the availability of cheap, unbranded footwear at a little over a dollar.

But it is precisely for these reasons that Chinese brands may find opportunity in overseas markets, if they choose them well. These would be markets in the developing world – such as the BRIC nations, where affordability is a key factor when consumers buy brands. In a study done by Ogilvy and Millward Brown in 2007, Chinese brands were seen as being innovative AND offering value for money, an unbeatable proposition. In recession-hit markets, notably Western Europe, the value-for-money angle worked very well, as it did among groups of consumers in the U.S. (such as college students) for whom balancing the budget was extremely important. For them, Haier's tabletop refrigerator, which optimized space, was a big hit. Haier already spends 4 percent of its revenues on research and has created local product development teams in Tokyo and the United States. Even as multinational companies are shifting their design centers to China, they remain reticent about announcing it to their consumers in the belief that this would somehow result in a negative perception. While the MNCs wait for perceptions to change, Chinese brands have the opportunity to highlight their own stories of innovation.

Just as foreign brands realize that they must join hands with China in the area of manufacturing, Chinese brands must also rope in foreign talent or forge international partnerships in areas such as design, to gain an edge. And they are. Feiyue shoes, that simple, white sneaker born in the 1920s, has suddenly become such an icon that fashionistas are ditching their Ferragamos for Feiyues.

In 2006, a small band of French sneaker and urban culture enthusiasts chanced upon the cheap Feiyue. They decided that its simplicity was the perfect antidote to the high-tech footwear that the big multinationals were churning out. Working with new materials, revising the form without jettisoning the original vintage charm, they created a range that is now all the rage in Paris, where one style retails for €89, to Sydney, where Bondi beach lifeguards recently wore the shoes at Australia Fashion Week.



Nanjing Auto, which acquired Britain's iconic auto brands MG and Rover, is now developing its own marques such as Roewe with the help of the engineers who helped create the Japanese car industry in the 1970s and are now retiring. Lenovo's Pocket Yoga series of concept notebooks was designed by a New Zealand based yoga enthusiast.

Other strong Chinese brands are waiting in the wings.

Even as Bawang shampoo was buffeted by reports that it contained traces of a carcinogenic substance, the brand could well find opportunity on the streets of London, New York, Vancouver and San Francisco, where traditional Chinese medicine shops are a dime a dozen. I have seen showrooms of Chery (the Chinese automobile manufacturer) in Istanbul, and there's a large reconditioned car market in Africa, Latin America and Southeast and Central Asia which they and other Chinese automakers could jump into. By next year, JAC Auto expects to sell 35,000 units in Brazil, and Ogilvy is helping launch the brand.

That said, I believe that the expectation of China's corporations to build strong, 'international brands' is somewhat misplaced. Countries like Germany and Italy, where domestic demand is small, have no option but to export and find customers elsewhere. But for Chinese companies, which have such a large domestic market, one that they understand well, with government policy stacked in their favor, why would they seek customers elsewhere, especially when the entry barriers keep getting stacked higher?

"To be global contenders Chinese brands will have to evolve and learn the value of being different and the role of creativity in creating valuable differences.

The economics of creativity and the role it plays in creating real brand value still remains largely misunderstood in China.

Many Chinese companies have excelled at producing low-cost products that are often then sold onto foreign companies who repackage them and take the added value of branding. Others produce near generic products which sell below par.

For many, this approach has been profitable to date. But the fact is, if done well, their business would be more profitable if they created branded products rather than commodities that are sold on and 'me-too' products that are sold at below-average prices.

Chinese manufacturers need to break free of the low margin and often poor quality cost-cutting trap, and instead think upstream to create distinctive brands of higher value.

The big opportunity for Chinese companies is to resist the usual and create brands that sell at a premium. This is a national challenge too. Creating valuable brands is an essential step in China's progress as other markets move in on low-cost manufacturing."

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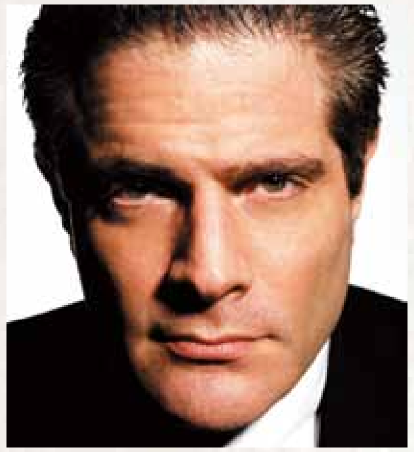
The Long Road: Chinese Brands Abroad

Tom Doctoroff



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Can Chinese companies capitalize on the global recession to better establish and develop their brands overseas?

Definitions first

First, it's very important to define terms. Many Chinese companies will likely invest in American companies (or brands) given the massive decline in asset values in the United States and Europe. For example, Geely, one of China's leading car manufacturers has acquired Volvo from Ford, although most observers believe the purchase was more a vanity project than strategic imperative. But what do we mean when we say "better establish and develop" brands? We are asking whether Chinese corporations have intentions to promote their own brands in foreign markets. And, more specifically, we are asking whether any are in a position to compete at a price premium directly against established brands in those countries, sustained by robust brand equity, price premiums and consumer loyalty, in Europe, America and Japan.

The answer to that question is "no."

It is true, local Chinese brands – not long ago derided for non-existent value-added, propagandistic messaging and inconsistent positioning – have become a powerful force within the Middle Kingdom. In 2005, five out of the top 10 media spenders were, in fact, local players. However, most of these advertisers were fly-by-night pharmaceutical companies, brands that blanket the airwaves with unfocused primal screams of ambitions, only to retreat into obscurity months later. Today, local brands such as Yili, Mengniu (both dairy companies), China Mobile, China Unicom and Wahaha beverages, are top 10 perennials. They are here to stay. Furthermore, many companies have gradually increased their prices relative to the cost of goods, bolstered by product innovation and more robust brand equity. Local brands now constitute more than 40 percent of JWT China Group's revenue. Local new business momentum has greatly accelerated, particularly in Beijing but also in Shanghai and Guangzhou.

Chinese multinationals

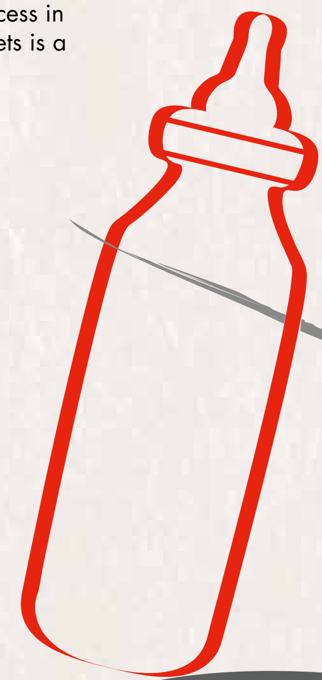
The current state still, no Chinese consumer brand is ready go head-to-head against Western counterparts on the latter's home turf, despite Li-Ning, the sports and apparel manufacturer, having opened a new store in Singapore and sponsoring various international Olympic teams. This is true in every category, from autos to alcohol and pharmaceuticals to hotels, although some non-consumer brands (e.g., Huawei electrical components) have made significant in-roads and will continue to do so.

That said, many Chinese brands are making progress in emerging markets such as India, Africa and South America. The logo of the Chinese electronics company TCL, for example, is ubiquitous in countries around the globe. China Mobile can be huge in developing nations. Haier appliances have penetrated college dorms in the U.S. and, across Europe, often sold under its own brand. However, penetration is largely driven by sales push, underpinned by a very adequate price-value equation, rather than active consumer preference.

Chinese companies, to their credit, are ruthless incrementalists. They know they're not ready to unfurl their flags in the West. But, in China, in category after category, they have crawled their way up the value chain. Their cars are getting better. Athletic shoes are becoming more technologically advanced. Milk processing standards, despite the melamine debacle, are improving. To boot, many local brands have started to forge real consumer equity in China and now have (more or less) stable relationships with international advertising agencies. COFCO, one of China's largest food manufacturers, has implemented systems and processes to ensure truly integrated communications. Its position as China's "safest" food manufacturer is increasingly well established. Anta's China Olympic Committee sponsorship has a three-year roll-out plan centered around a core proposition. Even Jasonwood blue jeans has significantly upgraded its marketing staff (plucking the best and brightest from China's L'Oreal operation) to provide positioning consistency, both over time and with product development. But success in developed international markets is a long way off.

Key expansion handicaps

Competition in developed international markets requires price premium, rooted in both value-added - not parity - products or services and strong brand equity, the latter acquired only gradually over time. And, in these respects, Chinese brands are still disadvantaged, in many cases grievously so, and not just by a generic fear of anything "Made in China." Beyond international competition, however, the greatest inhibiting factors to the global growth of Chinese brands may come from the Chinese companies themselves: their scale-driven strategies and hierarchical management structures.



Scale-driven strategies

First, focus on scale without a commitment to innovation implies commodization, not necessarily an unreasonable domestic strategy in a market as large, geographically dispersed and untamed as China. Distribution clout and competitive prices linked to economies of scale are huge advantages. (What's more, Chinese consumers trust big, local brands.) This is particularly true in large state-owned, or state-sponsored, sectors such as appliances, banks, autos and telecommunications. For example, China has recently restructured the telecoms sector to have "managed competition" as a way of growing 3G services and achieving higher ARPU (average revenue per user). But the decision-making apparatuses of China Unicom, China Telecom and China Mobile are very rigid. They are dominated by the command-and-control centers of landline operations (except in China Mobile's case) which are traditional in outlook and management structures. They also frown upon entrepreneurial thinking and the risk-taking required for innovation.

On the other hand, smaller companies, usually private enterprises, in food and beverage, fashion, shoes, etc. tend to be more innovative. (Compared to Western entities, they are still hobbled by top-down decision making.) But they do not have the scale required for international expansion. So there is a Catch-22 going on. Companies big enough to go global are the most encumbered by commoditized products and services. Companies that grasp advantages inherent in value-added products and services – i.e., the ability to charge a premium – lack the critical mass required of global power brands.

I am not saying this model is fundamentally flawed in China, though it does have its limits. China is a market that, first and foremost, requires scale and top-down command of production and distribution. So centralization works to: a) dominate channels, b) harness efficiencies of the production base, c) force low-cost concessions from suppliers and d) offer a low price to penny-pinched consumers, even middle class ones who have much less disposable income than in the West. However, this is not a model that generates innovation and long-term equity, strengths demanded by American and European consumers. It is also not a model compatible with a global marketing function. Individual country leaders need to be empowered to make investment and advertising decisions that address local circumstances and consumer needs.

Hierarchial management

Second, Chinese companies' management structures are not built to encourage global brand expansion. They are sales-driven and managed by emperor-kings who rule in a defensive, even self-protective, manner. Quite often, the instructions are promulgated ambiguously, resulting in an undercurrent of anxiety on lower levels, not an all-for-one future focus. Furthermore, many managers create rival power centers underneath them so competition is "horizontal" rather than "vertical." Ultimately, this is a question of corporate governance. There is no local management team that reports to an independent board of directors charged with ensuring long-term shareholder growth. As a result, organizational structure is too centralized, hierarchical (prohibiting the bottom-up flow of information and new ideas from younger, marketing-driven types) and short-term in planning.

The Japanese and Korean difference

Like Chinese brands, Korean and Japanese brands – Samsung, Toyota, Sony etc. – are built on scale and have benefited from decades of consistent national economic policy rooted in vertical and horizontal integration. But Japanese and Korean products are also highly innovative, obsessed with details that delight. Unfortunately, Chinese companies, even the largest ones, have not yet planted the seeds of genuine, consumer-driven innovation. R&D investment is neither sufficient nor channeled productively. Market research, necessary for uncovering unmet needs, is conducted sparingly. Corporate culture is extremely hierarchical, thereby minimizing bottom-up innovation. And senior management is much too centralized. These are structural issues rooted in Chinese cultural. It will be many years before Chinese business "opens up" enough to drive innovation rather than merely pay lip service to it.

Into the future

So, what does the future look like? It will be another decade or more before companies reform their strategies and structure in a manner consistent with global brand management. We'll have to wait half a generation until a new breed of Chinese corporate leaders emerges from today's middle ranks before "willingness to delegate" is perceived as a strength, not a weakness.

Therefore, Chinese companies will expand foreign presence in one of three ways: a) further exploiting "narrow" markets in which "Chineseness" is an advantage rather than a perceptual weakness (e.g., alternative medicine, niche fashion brands in which "Oriental style" carries cachet), b) forging production alliances with multinational corporations to provide either components or products that compete at lower price tiers but under non-Chinese brand names, c) acquiring international brands and allowing Western management to continue managing them.

The latter is a highly risky strategy. Lenovo, for example, bought IBM's PC division, hoping to kill two birds with one stone by leveraging the PRCs low-cost manufacturing base while increasing penetration of value-added personal PCs (ThinkPad) in the West. Unfortunately, this "bifurcated" strategy led to schizophrenic management structures, one for China and the other for international markets, the latter "outsourced" from IBM. When they tried to consolidate the two operations, including an effort to globalize communications, things deteriorated. There were culture clashes. And, more fundamentally, the company was divided between addressing the needs of China versus international markets. As a result, Lenovo's performance during the economic crisis has suffered more than its competitors, with market share of high-end PCs plunging in foreign markets. This has just produced another management upheaval with the original Chinese leaders reasserting control over all operations. To its credit, Lenovo now realizes that success must start in China. There is no short-cut.

Medium-sized stars

The brands that stand a chance in the medium term will be the ones known as more than simply big Chinese trademarks. Again, this requires innovation, a process that has barely begun. China Merchants Bank, not one of the "big four" financial institutions, has developed a range of innovative products and services for the new middle class. And its brand image is "young" and "dynamic." Anta sports shoes has begun to sign globally-recognized sports assets such as tennis star Jalena Yanković. Some Chinese auto manufacturers (e.g., BYD) are developing new forms of fuel efficiency and long-lasting lithium battery technology.

"Chineseness," even supported with ultra-low price, simply won't cut it. Any brand capable of sustaining long-term loyalty with a long-term price premium must provide a consistent "unique brand offer" rooted in either a "brand truth," an "equity" (e.g., Volvo equals safety) associated with the brand and built-up over time or a "product truth," something really special that is "inside" and delivers a meaningful benefit. No large Chinese brand offers either. So it will be the medium-sized brands that make the first splash in overseas developed markets, but not until they generate the scale required to manage an international marketing and sales operation. And not until they have a global position, one robust enough to be flexibly adapted in different markets with different cultural orientations.

In conclusion, the time is not ripe for Chinese brands to become true multinationals. There are fundamental cultural, structural and strategic barriers that will preclude sustaining a price-premium versus competitors in developed markets. But, on the home front, progress is being made so, hopefully, a decade from now, China will represent itself proudly on the global stage.

Becoming a World Leader Through Chinese Creativity: Winning in China and Going Global

Bessie Lee

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Chinese companies have a resource coveted by companies the world over. They have the largest and most prosperous market on earth. Chinese companies also have something else that companies throughout the rest of the world do not possess, even in their wildest dreams, a thorough understanding of the vast market that is China. However, we've observed multinational companies entering China and getting brilliant results year after year.

This has led us to ask a single question: How do these multinational companies overcome cultural differences and continue to perform this miracle of creativity and marketing? Contrary to admitting defeat, the people asking such questions are the Chinese executives who are dreaming of expanding to the rest of the world themselves.

How Chinese companies confront international challenges

Global consumers do not have an entirely positive understanding of "Made in China," as companies have developed into relatively mature entities, and the whirlwind of globalization is increasingly intense. When facing these three powerful, interrelated challenges, every Chinese company must reconsider what makes up a sustainable and correct growth model. The concept of building a brand is already widely accepted by Chinese companies and is an important step for Chinese companies to take in achieving their global goals. Brand management and innovation and the promotion of brand value are winning moves for future Chinese companies in meeting the challenge of globalization.

How do you establish a brand that surpasses the value of the product itself and one which is full of good intentions and promises? What important role will the brand play in the future development of the company?

The importance of brand value

Brand value represents the consumers' trust in a brand. Only by having this trust can we expect consumers to be loyal to a brand.

In previous times of material shortage, the meaning of a brand was nearly equal to fame. Fame almost meant owning a share of the market. At that time, brands were a way in which to open consumers' pockets, create taste, or generate sales success. Today, brands more have an important role in helping to maintain a customer base, creating repeat purchases and even publicity. Companies should return to brand basics, and recover consumer trust in a brand. Aside from trust, the building and maintenance of relationships cannot be ignored in the creation of brand loyalty and public approval. If we want to establish close bonds with our customers, then we must communicate like we're talking real people, not "target consumers." Having this understanding is the first step in building a brand.

Media resource management

With the need to establish a relationship, a company's brand marketing department faces more complex challenges than before. Chinese companies are traditionally oriented towards the media. This orientation creates efficiencies that make it easier to launch new products and sustain the profile of existing products.

Currently, the methods by which consumers may access information are increasingly fragmented; the costs of traditional mainstream media are increasing, and the use of new media does not yet have the maturity of traditional media. These factors all cause consistent increases in brand marketing budgets without a noticeable increase in results. Therefore, the issues companies need to face must be resolved in a focused way and this is more important today than ever.

From a media-management perspective, Chinese companies used to create special work groups with specialists managing different kinds of media resources in the past. In a time with a rather narrow media environment, this method was relatively effective. But today, this method ignores the true form in which consumers receive information. For example, do TV and online media affect each other? Can these effects be managed? Who manages them? The "relationship" differs between consumers and various media platforms. Therefore, we think that differentiation in contact methods and the management of different media resources and marketing content will be highly effective now and in the future.

How do you find and establish a relationship between a brand and a consumer?
As described above, in today's extremely complicated and competitive environment, a brand or a company must permanently establish itself in an unassailable position. It is extremely important to establish a long-term, stable relationship built on trust with a consumer, but establishing this kind of relationship is also extremely difficult.

Simply put, the establishment of a successful relationship is based on three things. Find the "right" person at the "right" time and say the "right" things. In marketing or media jargon, that is finding the "right" target audience and communicating the "right" message at the "right" opportunity.

Opportune consumer communication allows brands and companies to get twice the reward with half the effort. However, the establishment of a good relationship cannot be achieved overnight. The brand and its communication content and methods should be different for consumers at different stages in the relationship in order to communicate effectively and allow the relationship between a consumer and a brand to advance and last.

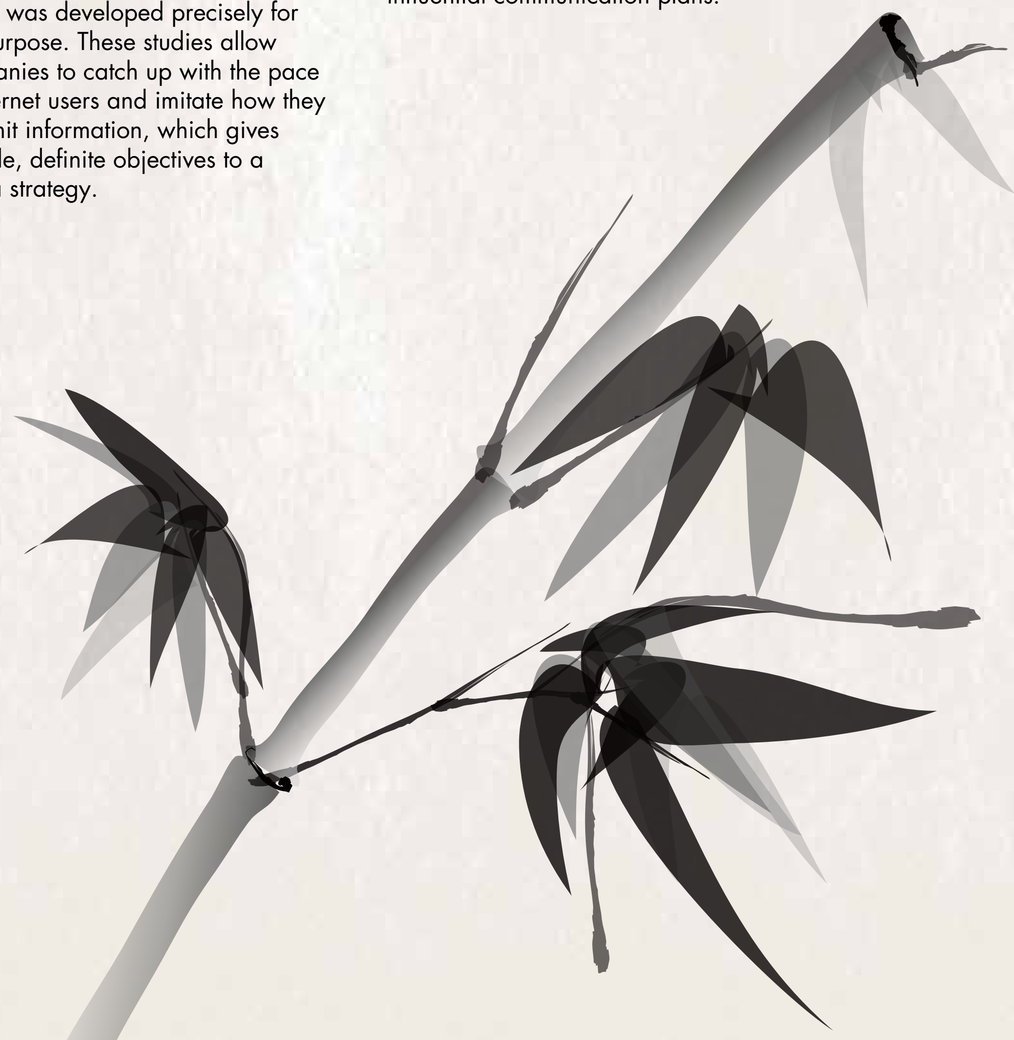
In the process of judging what is "right," an understanding of the brand, market and consumers is especially necessary. This understanding is based on consumer insights from research institutes. This can help Chinese brands better understand consumers, build deeper, longer relationships with them, and create more effective communication plans. Every year, GroupM invests heavily in surveys and research. Simple descriptions of several representative studies are below.

As more advertisement-based brand strategies start to reach small and intermediate markets, communicating and establishing brand relationships with China's vast market of consumers becomes a topic of interest for many company executives striving to expand their Chinese market. Their understanding of China's market is far from complete.

In addition, the people with whom companies must communicate are increasingly dispersed. For example, the increasing number of Internet users requires that we have sensitivity and insight into the "digital tribe." GroupM's special study named Digital Tribes was developed precisely for this purpose. These studies allow companies to catch up with the pace of Internet users and imitate how they transmit information, which gives reliable, definite objectives to a media strategy.

We are also gradually stepping into an interactive age. The development of technology and media gives consumers more choices and greater autonomy. In an age of digital media, we face the challenge of how to communicate brands to consumers. For example, the development and influence of microblogs quietly rose and appeared quickly, so we should know how to use them. Here, companies under the WPP umbrella, including GroupM, have already begun studies to show the lively prospects in China's microblog usage behavior and find hidden marketing opportunities that brands can use.

Surveys and research are not the goal, they are a tool. We are still working hard to draw from more far-sighted research to provide assistance for brand communication strategies. We use more lively and diverse consumer insights to stimulate more influential communication plans.



How Chinese brands go global
Following the increasingly rapid development of the Chinese economy and continuous globalization, going global has become an aspiration for many Chinese brands; it is a goal that many brands have worked hard to pursue. But we must sadly say that we have not seen many Chinese brands receive acceptance and approval on a global scale and become true global brands thus far. Disregarding products, costs, human resources, and other factors and speaking only about brand and marketing, Chinese brands still have a long way to go.

Of course, for many Chinese companies, foreign markets are completely unfamiliar. Starting a marketing campaign in any market requires great insight into local consumers. For these companies, learning this lesson in a short period of time is easier said than done. Right now, they need to draw support from outside. Through cooperation with experienced and professional agents, the companies and their partners can open new markets together. When many multinational companies entered the Chinese market, they made the same choice, and the results were extraordinary.

Thus, for many Chinese brands that want to enter the global market, how to select and manage a professional marketing partner and how to work with this partner in the context of global communication becomes the primary challenge.

"The Chinese market is diverse, multi-faceted and rapid-changing. With the success in economic development driving the growth of the middle class, Chinese consumers are understandably becoming increasingly demanding on quality, more savvy on products and brands spurred by the ease of access to the Internet. Chinese brands need to recognize the diversity of consumers, both overseas and within China itself, and develop a better understanding of the consumer needs in different segments. We talk about specialized insights, not generic insights. Chinese brands must improve their consumer understanding, adopt new marketing techniques, strike the right balance between price and quality trade off, innovate, innovate, innovate and aggressively exploit the new opportunities available through the rapid development of the Internet and social media"

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PERSPECTIVES

The Branding Mindset of Chinese Consumers

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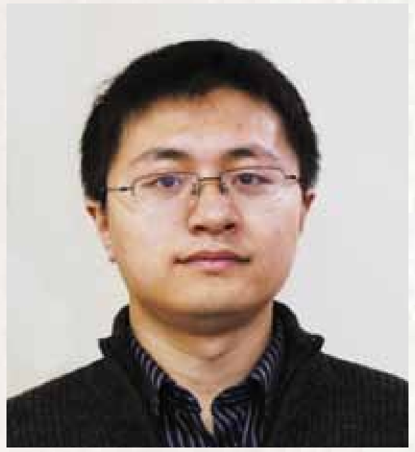

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For Chinese consumers and companies, branding has never been so important.

In the morning, we brush our teeth with Zhonghua Toothpaste, then have a glass of Mengniu milk at breakfast and ride a BYD bus to work, where we work on Lenovo computers and use China Mobile to communicate with our customers. At noon, we eat lunch at Real Kung Fu. In the afternoon, we exchange messages with our clients over QQ to confirm our projects. After returning home after work, we take fresh vegetables out of our Haier refrigerator and use Fortune cooking oil to prepare a delicious dinner for the whole family, and then top it off with some Changyu red wine to celebrate. This is a day in the life of a Chinese consumer. Our lives have long been intertwined with all kinds of brand names.

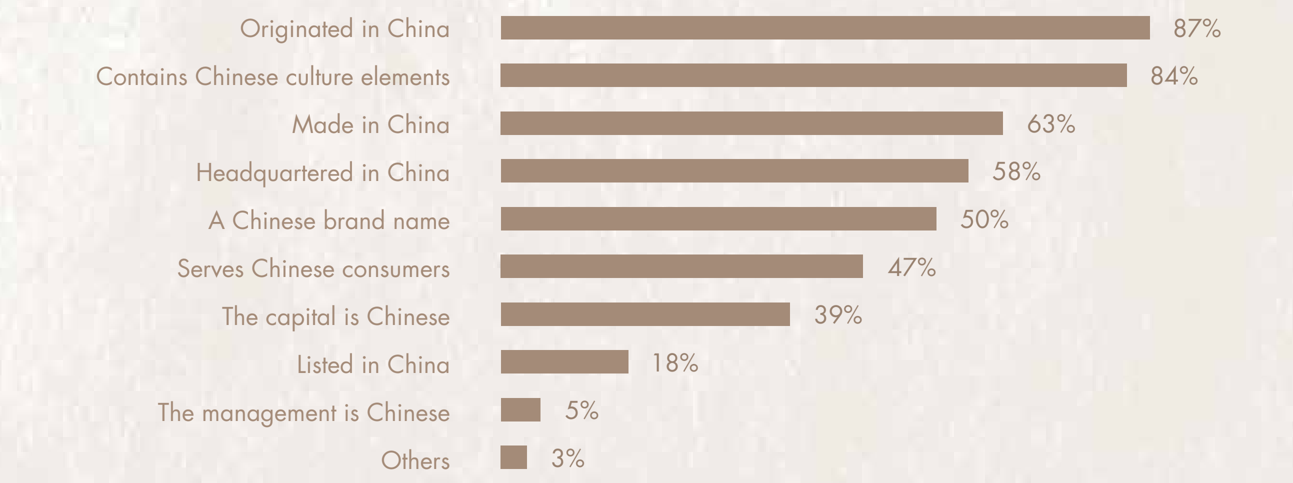
Branding is becoming increasingly important to Chinese businesses. With the rapid growth and transformation of China's economy from a processing power to a service-oriented system, the transformation of "Made in China" to "Created in China" is a matter of extreme importance, not only to Chinese companies but also to the government. A number of leading Chinese companies understood the importance of branding early on, and through their persistent efforts in this area, established unbreakable relationships with consumers, and achieved great successes over their competitors in domestic and international markets.

But what exactly is a Chinese brand in the minds of Chinese consumers? Although we often talk about Chinese brands, it is actually quite difficult to precisely define a Chinese brand. Chinese state enterprises such as China Mobile and Industrial & Commercial Bank of China are certainly Chinese brands. Companies founded and managed by Chinese citizens, such as Tencent, Baidu, Haier, Tsingtao, and so forth certainly also qualify. But what about companies that were created by the Chinese but are now mostly under the management of foreign businesses? What about foreign companies created and operating solely within the Chinese market?

In 2010, Millward Brown organized a study of Chinese brands that examined two important issues: which Chinese brands are representative and what characteristics define a brand as Chinese. The results of the study showed that, according to Chinese consumers, the most important factors for determining a Chinese brand were whether the brand was created in China and whether it incorporated Chinese cultural elements. Customers named brands such as Tong Ren Tang, Yunnan Baiyao, and Wanglaoji, which incorporate prominent Chinese cultural elements, as archetypical Chinese brands. At the same time, brands created by Chinese entrepreneurs, such as Haier and Lenovo, were also considered by consumers to be archetypical Chinese brands. Brands which originated in Taiwan but which possess a Chinese lineage, such as Master Kong, and those that originated in Chinese companies but are operated by multinational corporations, such as Zhonghua Toothpaste and Dabao, were all approved by consumers as Chinese brands. Factors that were shown to be less important included whether the brand was manufactured in China, headquartered in China, possessed a Chinese-style name, served Chinese consumers and capital, was sold in China, was managed by Chinese people, and so forth.

In the eyes of the consumer, therefore, a "Chinese brand" is not a regional concept, or a concept based on ownership, but a cultural concept that takes the brand's history into consideration. In the minds of consumers, a "Chinese brand" is one born in the Greater China area, founded by Chinese managers, and containing Chinese cultural genes.

What defines a Chinese brand?



Does claiming and stressing that a brand is Chinese encourage consumers to buy its products? The answer is: not really. Unlike their East Asian cousins in South Korea and Japan, Chinese consumers are only relatively nationalistic, and are unlikely to blindly purchase a certain brand just because it is Chinese. The same study discovered that for the majority of industries, less than one third of Chinese consumers prioritized the selection of Chinese brands over foreign ones. Even for extremely well-localized beer, food, clothing, or financial services brands, only half of all consumers made "buying Chinese" a priority. Therefore, the Chinese brand concept itself does not ensure the success of a Chinese brand. The success of the brand depends more on its ability to communicate with the consumer and meet their demands.

The rise of Chinese culture is an opportunity for Chinese brands. Compared to foreign brands, Chinese brands generally possess a price advantage. They also incorporate cultural characteristics which they share with Chinese consumers. As China's international status continues to rise, traditional Chinese customs and concepts are once again revealing their power. Wanglaoji Beverages is one example: Wanglaoji is a type of herbal Chinese tea with a unique sales stance: "Worried about excessive internal heat? Drink Wanglaoji!" Herbal Liang tea is a unique herbal medicine drink from the Guangdong region, and the "excessive internal heat" idea is a concept from traditional Chinese medicine. This market tactic of using the 'health drink' concept to combat unhealthy soft drinks has proven to be a success. In 2009, the latest AC Nielsen data showed that in the canned beverage market, "red can" Wanglaoji had already overtaken Coca-Cola and Pepsi to become number one in the Chinese market. The impact of the rise of Chinese culture is also not limited to the Chinese region. In other countries, China enjoys a richly colorful image. Outsiders see China as a mysterious country with a wealth of Oriental charm and a long historical tradition. China has numerous unique cultural resources, such as martial arts, the Great Wall, the Terracotta warriors, Chinese characters, the Shanghai Bund, and more. Chinese brands should consider the best way to position themselves within the target market and to establish a colorful brand whose name is more valuable than the product.

In 2010, WPP and Millward Brown launched the BrandZ™ Top 50 Most Valuable Chinese Brands ranking, the first such attempt to assess the value of Chinese brands. These brands owe their success not merely to China's enormous market, but also to the importance that they place on quality, service and innovation, as well as their close relationship with consumers.

BrandZ used the "BrandDynamics Pyramid" to describe the stages of the relationship between consumers and the brand. Since its launch in 1998, BrandZ has tracked and researched more than 2,000 brands in 40 industries across China and interviewed more than 200,000 Chinese consumers. The model is divided into five main levels, based on changes in the emotional relationship: Presence, Relevance, Performance, Advantage, and Bonding. People generally purchase a brand that they feel they have a bond with. They purchase 10 times more of those brands than of brands whose existence they are merely aware of. A good brand is capable of forging the closest possible relationship between itself and the consumer and elevating itself from the "Presence" level to that of "Bonding".

In the Chinese market, Chinese brands also face direct competition from foreign brands. In a recent 2009 survey comparing Chinese and foreign brands, Chinese brands did well in "Presence" and the same in "Relevance." However, in "Performance", "Advantage", and "Bonding", there was a significant discrepancy with foreign brands.

From "Relevance" to "Performance", people believe that the brands delivered satisfactory basic functionality. For Chinese brands in the "Performance" level, the deficiencies were mostly in the form of quality, safety, and consistency. China has been plagued with repeated quality issues during the rapid expansion of Chinese brands over the last two years, and this has hindered the advance of Chinese brands up the "brand pyramid". Chinese brands, while studying ways to become more like foreign brands, must pay attention to fundamental consumer requirements. They must pay attention to the "Good Enough" market and not merely focus on the "Premium" market. As China's economy develops, its middle class is emerging, and with this, a mid-range market is growing. The mid-range market focuses not on high-end products, but on being "Good Enough" – providing high-quality and competitive products at affordable prices. Chinese brands have the opportunity to reach the higher levels - "Advantage" and "Bonding". A brand must offer a reasonable or sensible benefit over its competitors so as to be able to provide that single most important advantage: the belief that their brand is the best.

Chinese brands versus foreign brands in China (2009)

	Chinese Brands	Foreign Brands	Diff
Bonding	5	7	-2
Advantage	28	32	-4
performance	33	37	-4
Relevance	42	42	0
Presence	56	57	0

Three Key Words:

- Quality
- Safety
- Consistency

"Now I have more income, I would like to improve my living standard." Ring a bell?
With Chinese consumers becoming more sophisticated, there is increasing pressure for Chinese brands to mobilize their brand positioning to cater for the latest needs and aspirations of their domestic consumers. While company heritage, long history of local bonding or the very unique source of local ingredients may still be relevant, Chinese brands have to better understand which tangible brand expressions are essential, and how these iconic assets could be translated into motivating brand promises which are often emotional and intangible. Chinese brands are often strong in channel relationship and are widely available, especially in the smaller and less-developed cities and regions. Changing the mindset from distribution driven to marketing driven is not a piece of consulting work but also requires a shift in corporate culture. Last but not least, with the increasing cost of fuel, raw materials and labor, the largest challenge is discovering the secret codes that will elevate a brand from ordinary to premium."

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Building Brands in China – From "Street to Store"

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A vibrant market for brands until 20 years ago, China was a protected and "closed" market with few international brands widely available or even affordable to the average Chinese consumer. The Communist government's "protectionist" policies largely controlled consumer spending through smaller disposable incomes and high import duties on internationally advertised brands and consumer categories. Today China is the second largest economy after the U.S. and the fastest growing in the world.

In the 70-80s, many consumer categories were underdeveloped compared to what we see today. Today, in modern China, especially in the urban centers of Beijing, Shanghai etc. shoppers can buy anything they want in sophisticated Westernized hypermarkets and shopping malls. What is available to them is a wide range of international or local Chinese brands – offering choice and value.

Large and complicated challenge

Intense competition to capture the Chinese consumer wallet in the fastest growing economy in the world means aggressive investments in building brands and categories. No prizes for being second. The key to success is not only via advertising to achieve mass awareness, but also by understanding what drives Chinese consumers to buy and what influences their buying behavior. Often this has meant creating demand for whole categories (not just building brands) like chocolate or confectionery and even tea!

However, China's 1.3 billion population does not live in the large urban centers alone; the geographic spread of this vast country brings challenges to reach Chinese consumers in Tier 2, 3 and 4 cities as the market continuously develops and the Chinese get richer outside of urban centers.

China – a nation that loves shopping

The rapid development of the retail landscape in China has further created the case for Chinese consumerism. China boasts 2,500 hypermarkets across the country, with the number expected to reach 4,000 by 2014. A massive influx of well-known Western retailers and formats mingle with strong Chinese supermarket players. Successful international retailers are careful to study Chinese shopping habits in developing their "offer." They employ a variety of engagement methods to attract shoppers to their stores. Ranging from free transport on shuttle buses to large displays, extensive point of sale material and aggressive promotional activities in store. Seasonal promotions lead to crowds rushing to local supermarkets a few times in the year and promotional marketing events for major retail chains.

Understanding Chinese shoppers

Successful shopper marketing means programmes based on more insight and understanding of the Chinese shopper. A few things that are different about the Chinese, which successful brands have learnt and are employing in marketing programmes in China:

• Chinese people like to spend more time shopping than their Western counterparts. Shopping is often a leisure activity, a "day out" with the family and friends, time spent browsing and exploring the many hypermarkets and malls. Brands are invited to engage, amuse and entertain shoppers before they part with their money. Promoters are widely used to carry out sampling activities both on the street and in stores. It's not uncommon to see large outdoor events with celebrities promoting brands ranging from mobile phones to yoghurts.

• Shopping is more frequent in China with smaller basket sizes – 4-5 times per week though this is changing with more pressure on time available. It's not uncommon for Chinese shoppers to satisfy their desire for "freshness" by a daily visit to the "Wet Market" while shopping for dry groceries at Walmart or LinHua supermarkets.

• More men shop in China than in Western countries, on their way home from work etc. Shopping in groups is common, particularly among migrant workers in urban areas.

• Chinese shoppers love to interact with the product: touch, feel and smell. They also enjoy demonstrations, cartoon characters on product/packaging and promotions. The Chinese/Japanese trend and fascination with characters like "Hello Kitty" frequently find their way into promotional mechanics successfully employed by leading international brands. The Omo cartoon man activation in store was highly effective at driving shopper engagement – for housewives, younger shoppers and children.

• Social status has a high premium in China and is often used successfully to engage with consumers and shoppers by leading brands. It may surprise and amuse Western culture observers to see a young couple welcome wedding guests at the door by offering and lighting cigarettes!

• The many Chinese festivals are occasions for gifting and therefore create major seasonal selling peaks. Chinese New Year presents a major shopper marketing opportunity used by brands ranging from luxury goods to everyday use products. Anything can be gifted ranging from chocolate to tea to monogrammed cartons of tobacco.

Unique opportunities
China's one-child policy has created opportunities to target evermore affluent families who want to give the best to their one and only offspring This has created unique marketing opportunities starting from infancy right through to adulthood. A successful brand shopper marketing program seen in China has created baby centers providing a one-stop-shop with the best products for baby needs. This center not only offers baby products, but also vital education and information about nutrition, development and care of young children.

Selling tea to China!
Would you believe this was possible, when tea is synonymous with China? Tea in China means many things: tea made from tea leaves or flowers; it can be red, green or black tea. Using shopper marketing strategies, one international branded tea manufacturer has successfully marketed its tea bags to the Chinese – thereby creating growth for the category and their brand, while satisfying Chinese tea shoppers with innovative new products.

China online and mobile
By the end of 2010 it is predicted China will have more than 470 million internet users and over 830 million mobile handsets – making it the world's largest market overall.

Research firm CTR surveyed 1,000 people aged 15-65 years old based in 10 cities across the country to assess how many used handsets, alongside gadgets like the iPad and iTouch, to surf the net. It found handheld devices had become "an indispensable communications tool" for 83 percent of interviewees owning such items.

Some 73 percent of the sample that had a device that could connect to the wireless internet had gone online through this route, with 57 percent doing so regularly and 41 percent logging on every day.

This presents digital shopper marketing opportunities through shopping applications, e-promotions to name but a few. A comprehensive home to street to store campaign with digital interactivity was used by North Face to build engagement with new users and grow its brand and sales in China.

Similar, but different
Staying in tune with changing Chinese attitudes and behaviors and putting that at the heart of brand strategy remains the key to success in the future. Consumer studies show that Chinese consumers have been fast tracking on a development curve, becoming more like their Western counterparts but remaining uniquely Chinese in other ways. To succeed in this soon to be largest economy in the world – stay consumer and shoppercentric.

"The **A** To **Z** of key challenges faced by Chinese brands

Awareness, **B**ig, **C**ulture, **D**ifferentiation, **E**ffective, **F**amous, **G**lobalization, **H**olistic, **I**nnovation, **J**e Ne Sais Quoi, **K**nowledge, **L**ocalization, **M**asses, **N**iche, **O**ptimization, **P**ositioning, **Q**uality, **R**OI, **S**egmentation, **T**rust, **U**rbanization, **V**alue, **W**allet Share, **X**in Mei Ti, **Y**early Growth.

These are just a few of the challenges that we at Grey Group believe Chinese brands are facing.

However, there is one overriding factor that is integral to being in China that would define success both for the brand companies and agencies in handling these challenges:

How FAST can they do it?

A challenge we experience everyday and feel is important enough to be a part of the agency philosophy and a basis for our proprietary strategic process is Brand Acceleration. Grey Group's offering combines the wealth and power of information that is available from BrandZ. It helps us develop fast-paced ideas which are in step with the market and consumer dynamics, provides holistic communication solutions and puts the brands and businesses on a future trajectory that satisfies the need for pace in China."

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PERSPECTIVES

Sponsorship in China

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During the past couple of years, China has been hosting multiple international mega-events. The Beijing Olympics and the EXPO 2010 on the Shanghai forefront, now followed by the 2010 Asian Games in Guangzhou. Mega-events bring mega sponsorship, and China is no exception. A unique blend of international and local brands have been committing to these events; international brands such as Coke, McDonald's, Adidas and Volkswagen and Chinese brands such as China Mobile, Sinopec and Bank of China.

Chinese brands' sponsorship is not limited to the Chinese mainland. With the 2010 World Cup, China joked: Though we did not participate, the World Cup would have not been possible without us. China produced the soccer balls, the Vuvuzelas, the shirts and even the World Cup condoms. With rising interest in international events, Chinese brands started to grab the opportunity of international sponsorship. Yingli Solar is a good example of successful Chinese sponsorship abroad. Yingli Solar managed to raise its awareness from almost zero up to 14 percent during the run-up to the World Cup and plus 30 percent by the end of the tournament. This investment with one of the biggest global events pursued two goals. On the one hand it created awareness for the Chinese market, and on the other hand, to demonstrate commitment to take its place in the global market.

While sponsorship is on its way to becoming big business in China, there are some who are already playing in the big league. China's NBA superstar Yao Ming has been a brand ambassador to Reebok, McDonald's, Visa, Apple and Coca-Cola.

As a result of these activities, total sponsorship spending within China in 2010 reached over US $724 million. The main forces behind sponsorship are currently Telecommunications, Utilities and Financial Services. When looking at where sponsorship is being placed, sports, not unexpectedly, play the biggest role (particularly motorsports, basketball, football and athletics). Two other key areas of placement are conferences and exhibitions.

At the other end of the scale, sponsorship can also be less profit motivated, particularly when moving deeper into China. Often local sports clubs are sponsored by companies who someone in the club has a strong relationship with, i.e. Guanxi (关系).

There are two important learnings when talking about sponsorship in China. As so often in China, the principles are the same, but the rules are different. In China, sponsorship is also an efficient mass-communication tool, but the targets, the vehicles and the execution, must be carefully managed. Assuming soccer would have the same "blockbuster" audience on television as in European markets, for example, would be incorrect and would also underestimate the popularity of rhythmic gymnastics and snooker as the real "blockbusters" on television. Bank of Beijing has taken advantage of this and a proven track record of exclusively sponsoring snooker events.

The second key learning for dealing with sponsorship in China is adaptability. China is a complex and manifold market, what is true in the south might not work in the north, and the west is different of course as well. Truly understanding one's target audience and then picking the right vehicle for sponsorship, whether partnering with a local celebrity, creating a new brand ambassador or product placement in the recent TV blockbuster series, is crucial to success. A good example of adaptability and particular bold product placement is the Chinese version of the TV show Ugly Betty Chou Nu Wu Di (丑女无敌). In this particular case, while the core of the show has been kept, the setting has been changed, from 'fashion magazine' to 'ad agency'; partly to be able to cater to a larger and more relevant range of products. It is said to be the biggest branded content sponsorship deal yet, with Unilever being the force behind it, promoting its brands Dove, Clear and Lipton.

Thinking outside of set boundaries and utilizing the opportunities in this unique and sizzling market is what creates the world's most competitive economy and decides its champions.

"In a global market that is inevitably political, Chinese brands need to work harder at being 'culturally odorless' to ensure momentum with foreign consumers. Chinese brands tend to use national pride as a core brand vehicle, something that does not travel particularly well in world that fears the growing influence of China"

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品牌总结
FINAL THOUGHTS

Final Thoughts
Brand China: a Work in Progress

The precise meaning of "Brand China" is a work in progress and won't be clear until it happens. But this book – especially the China BrandZ Top 50 ranking – reveals rapid change. Here in summary is evidence of that change along with some of the factors that can speed or slow its progress.

Evidence of change

Chinese brands are gaining global presence. Six Chinese brands ranked among the BrandZ Top 100 Most Valuable Global Brands in 2010, compared with only one in 2006.

Chinese brands are gaining credibility. Western brands continue to impress Chinese consumers, but as Chinese products improve in quality, Chinese consumers increasingly select them.

Digital Chinese brands are ascending. In an increasingly digital world, Chinese consumers choose Chinese digital services providers for search engines and instant messaging because these organizations understand the nuances of how Chinese people communicate.

The emergence of brands is near a tipping point. During the coming decade, China's economy will shift from being export-driven to consumption-driven. Chinese companies that have generated robust revenue will grow in intangible assets.

Brand trust is growing among Chinese consumers. Chinese consumers increasingly rely on brands to decide whether to pay a premium.

Factors that speed progress

Chinese brands already enjoy popularity. Brands in essentially Chinese categories, such as herbal medicines, are ubiquitous in countries with large Chinese populations, such as Indonesia, and in Chinese neighborhoods throughout the world.

Years of OEM work prepared Chinese manufacturers. Chinese suppliers improved the quality of products and the efficiency of production. Until now, however, their customers have enjoyed the brand value benefit. That may change as Chinese suppliers both manufacture products and market brands.

Chinese brands have experience in multiple markets. Even without exporting. Depending on the product category, Chinese brands operate in an economic environment that's government-controlled (banking) or relatively free-market (manufacturing).

Acquisitions can be a short cut to brand leadership. Large cash reserves will enable some Chinese companies to rapidly increase their international marketing expertise through acquisitions of strong global brands.

Brands gain export experience in emerging markets. China already exports to BRIC, African and other emerging economies where price and value remain a high priority for consumers. As Chinese brands develop, suppliers also will focus on the markets of North America and Europe, where brand plays an important role.

Focus on green primes China brands for leadership. The Chinese government's increased focus on green legislation, and the country's manufacturing expertise position brands for global leadership in developing and marketing carbon-reducing technologies, like electric cars, and in shifting from "dirty" to "clean" GDP.

Chinese suppliers will become innovators. Although the terms Chinese supplier and innovator rarely appear in the same sentence today, Chinese manufacturers will devote more resources to research and development as they transition from fast-followers to brand leaders.

Brand building is not a Chinese core competence. But fast learning is. Brand development will accelerate rapidly once Chinese companies adjust hierarchical management structures and make brand building a concern throughout their organizations.

Size matters. With 637 million users, the Chinese mobile platform Tencent/QQ has more users in China than Facebook does globally.

Factors that slow progress

Cultural differences may hamper growth. Many Chinese suppliers seek international partners to reach Western markets, but relations may be complicated by the contrast between the hierarchical structure of most Chinese companies and their relatively flat Western counterparts.

Safety concerns hurt brand acceptance. Following the milk contamination crisis of 2008, China's government assigned product safety a high priority. But the issue has tarnished the reputation of Chinese manufacturing and potentially will slow the acceptance of Chinese brands in developed markets.

Korea and Japan are role models for China. But they're not exactly analogous. As China moves from low-cost provider to brand marketer, the commercial potential of the nation's large domestic market makes export less of an immediate imperative.

Western luxury brands retain appeal. The Western luxury brands desired by Chinese consumers should retain appeal. While Chinese manufacturers can replicate the merchandise, they can't match the badge status.

品牌收获
LESSONS

Learning From the Top 100 Most Valuable Global Brands

Millward Brown Optimor produced the latest global brands ranking in April 2010 (using the same method as this new China Top 50 ranking). Seven brands from China were among the most valuable in the world, up from only one brand five years ago, and we expect this trend to continue as Chinese citizens become more wealthy and eventually 'Brand China' exports its success. And it should not be forgotten that many of the Top 100 Global Brands are also having increasing success in China.

Brand continues to become even more important

An analysis across the last five years of BrandZ data showed that the role of brand as an important consideration in the purchase decision had increased by 20 points, from 61 percent up to 81 percent today. As choice proliferates, so the brand becomes an essential shortcut to decision making and purchase justification.

Trust in brands creates value

Some key lessons from these most successful brands underline the importance of a strong brand, none more so than the resilience that this produces even in difficult times.
The financial crisis that recently swept across the world shook trust in many major institutions leaving brands potentially vulnerable to a generalized sense of betrayal.
Trust is the customer's belief, cultivated over time, in the efficacy and reliability of the brand. The BrandZ Study shows that trust works in tandem with recommendation. Recommendation is the customer's belief, grounded in recent experience, that the brand continues to fulfil its promise. This combination of trust and recommendation – we call it TrustR – has a strong correlation with brand value. The Top 100 brands have greater TrustR scores and increased in value even during the most turbulent of times.

Strong brands justify their price premium

A positive reputation is essentially the continuing gateway to success because this generates trust, which in turn ensures sales at more profitable margins. Within the Top 100 there are some very successful price-led brands (such as Aldi, Walmart and Dell) that offer good products at great prices but the Top 100 brands are, on average, slightly more expensive than their competitors. However, they are significantly more desirable. This means that rather than being regarded as expensive, they justify their premium.

Have a point of view with your brand

One of the common factors of success is the values espoused by the brand, driven from the top of the company by charismatic leaders, and supported throughout the company, endorsed by suppliers, communicated externally and ultimately experienced by brand users. Colgate with its 'World of Care', Pampers with its mission to help babies develop and IBM helping to create a 'Smarter Planet' are all examples where an ideal is held not primarily to drive sales, but from which the brand and the company have a relevant purpose to rally around and which ultimately does drive profitability.

Technology is a fast track to success

The largest group of brands in the Top 100 are technology based (a third are either pure technology companies such as Baidu, Apple or Intel, or mobile telecommunications brands including China Mobile, the most valuable global Chinese brand and the top of the global Mobile Operators list).
But almost all of the Top 100 brands use technology to their advantage in a big way. The efficiencies of the many financial brands would not be possible without embracing the latest technological revolution, let alone the systems for just-in-time manufacturing and distribution for many of the global brands across regions and continents. And the smarter and very successful brands are in the vanguard of using technology to get an edge on their competitors: Ford with its 'sync' in-car system from Microsoft to create a better experience for its motorists, Zara building its brand offering on quicker, affordable fashion via a 'connected' experience for shoppers, and ICICI bank, the first in India to offer democratic banking for the masses via the expediency of automated teller machines (ATMs).

品牌收获
LESSONS

Communication is multi-channel

With the fragmentation of media, the development of the digital world and the increasing mobility of consumers, there is an increasing need for the brand to be present in many more places and be there when the consumer is there. At home, on the move, in store. The successful brands are multi-channel in their communications.

Social Media, the time has arrived

In the last two years 50 percent more people are using social media and they are using it more than twice as long. Of course, people go on these sites to interact and communicate with friends, not primarily to research potential purchases or to shop. As a result, successful brands know they are entering a conversation and their first task is to listen in order to engage. Understanding the community, fitting in and offering something of value is the way forward. Many of the Top 100 have begun to build their brands using social networking: Coca-Cola, Pampers, Starbucks, all of which now have millions of 'fans'.

The ten key lessons

1. Make sure you have a clear point of view for your brand. Stand for something.
2. Ensure this is driven from the top, because value comes from leaders who drive brand thinking throughout the organization.
3. Build and maintain trust by emphasizing the brand point of view throughout the organization.
4. Don't forget your business customers. Brand is not just the preserve of the consumer.
5. Make it personal. The most valuable brands go beyond product features to focus on the user experience.
6. Deliver on the experience. Failure to live up to the brand promise is the fastest way to destroy brand trust and value.
7. Concentrate on offering value. The most successful brands balance quality and value, whether at a high or low price.
8. Go multi-channel. Consumers have many more ways to access information and you need to be well represented wherever they search and shop.
9. Move from philanthropy to responsibility. Consumers are increasingly demanding about the provenance of their purchases and whether they were made without harming the earth or its people. Leading brands must be ready to answer.
10. Invest in a strong brand. Strong brands have greater growth potential, maintain their value better and bounce back from adversity more quickly.

What is BrandZ?

BrandZ is the global branding study carried out annually by Millward Brown on behalf of WPP since 1998 that quantifies how brands perform, including those that make the China Top 50 ranking. To date we have asked over 1.5 million consumers and professionals to explicitly compare brands in more than 30 countries, including China, in a way that allows us to understand what drives behavior and what proportion of sales are solely due to the brand. The valuation is uniquely strengthened by using the BrandZ study data to calculate exactly how much branding contributes to financial value.

Exclusive to WPP

BrandZ research is available exclusively to WPP companies and their clients. For more information on how BrandZ can help guide your marketing decisions, help you increase the return on your brand investments and stretch your brands into other sectors and countries please contact **Peter Walshe** – peter.walshe@millwardbrown.com.

方法
体系
METHODOLOGY

Methodology

How brand value is calculated

Millward Brown Optimor applies an economic use approach to brand valuation, using a methodology similar to that employed by analysts and accountants.

The brand value published is based on the intrinsic value of the brand – derived from its ability to generate demand. The dollar value of each brand in the ranking is the sum of all future earnings that brand is forecast to generate, discounted to a present-day value. Given the high volatility of financial markets over the past two years, the brand value is in some cases high relative to current market capitalization, reflecting true value rather than current market swings.

The data sources

Brand Equity

Insights into customer behavior and brand perceptions come from WPP's BrandZ, an annual quantitative brand equity study in which consumers and business customers familiar with a category evaluate brands. Since the inception of BrandZ 13 years ago, over one million consumers and business-to-business customers across more than 30 countries have shared their opinions about thousands of brands. It is the most comprehensive, global, and consistent study of brand equity.

Financial Performance

Financial data is sourced from Bloomberg, analyst reports, Datamonitor™ industry reports, and company filings with regulatory bodies. A team of Millward Brown Optimor analysts then prepares financial models for each brand that link brand perceptions to company revenues, earnings, and ultimately shareholder and brand value.

The valuation process

The brand value is calculated in three steps:

Branded Earnings

What proportion of a company's earnings is generated "under the banner of the brand"?

First, we identify the portion of total company earnings generated by each business that carries the brand. For example, in the case of Coca-Cola, some earnings are not branded Coca-Cola, but come from Fanta, Sprite, or Minute Maid. From these branded earnings, we subtract capital charges. This ensures that we only capture value above and beyond what investors would require any investment in the brand to earn – the value the brand adds to the business. This provides a bottom-up view of the earnings of the branded business.

"The next evolution of all successful brands in China will be characterized by "Innovation rather than Imitation". The fundamental task of both marketing professionals and Young & Rubicam is to create this innovation to ensure that we capture significant growth for our clients in an increasingly competitive and expensive marketplace. China leads the world in many areas, but marketing is all too often dedicated to a follower strategy. The opportunity is to now strategically and creatively drive marketing innovation to build brands with world-leading strength and value. Resist The Usual."

Matthew Godfrey - President, Y&R - Asia
matthew.godfrey@yr.com

Brand Contribution
How much of these branded earnings are generated due to the brand's close bond with its customers?

Only a portion of these earnings can be considered as driven by brand equity. This is the "Brand Contribution," the measure that describes the degree to which brand plays a role in generating earnings. This is established through analysis of country, market, and brand-specific customer research from the BrandZ database.

This guarantees that the Brand Contribution is rooted in real-life customer perceptions and behavior, not spurious "expert opinion." The Brand Contribution allows us to capture differences in the importance of brands by category and by country, the role of brand versus other factors such as price and location, and changing customer priorities. In some categories, such as luxury goods, cars, or beer, brand is particularly important. Over the past five years, the importance of brand has risen. Brand Contribution is calculated as a percentage, but displayed as an index from 1 to 5 (5 being the highest).

Brand Multiple
What is the growth potential of the brand-driven earnings?

In the final step, the growth potential of these branded earnings is taken into account. Both financial projections and consumer data are used. This provides an earnings multiple aligned with the methods used by the analyst community. It also takes into account brand-specific growth opportunities and barriers.

The Brand Momentum™ metric that indicates each brand's growth is based on this evaluation. It is presented as an indexed figure that ranges from 1 to 10 (10 being the highest).

For further information on brand valuations contact:

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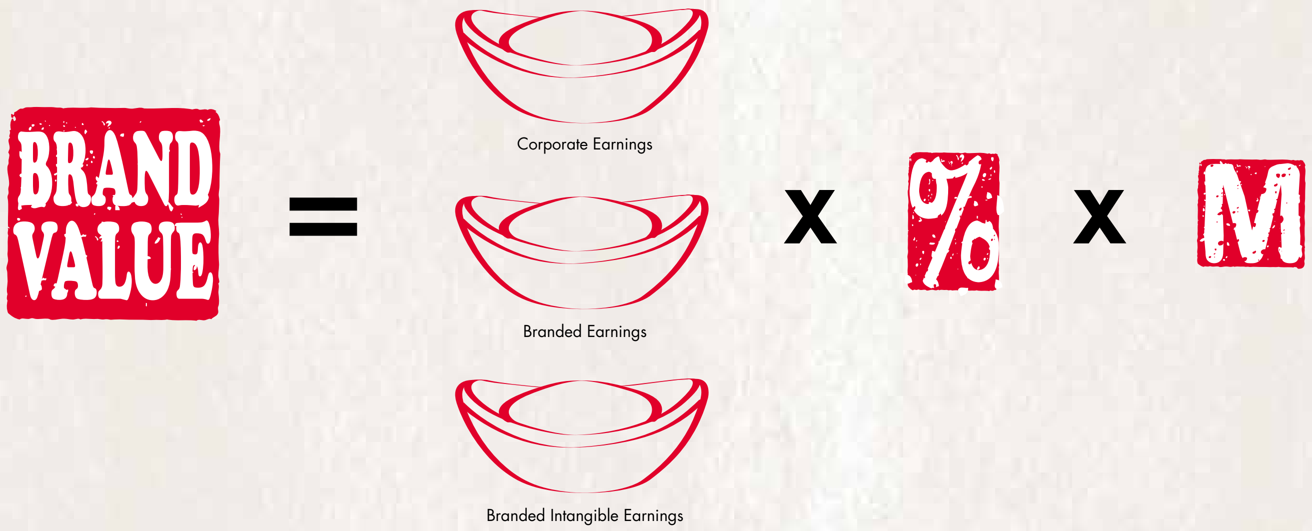

Step 1.
Intangible Earnings
Intangible corporate earnings allocated to each brand by country, based on company and analyst reports, industry studies, revenue estimates, etc

Data Sources

Bloomberg

DATAMONITOR

Step 2.
Brand Contribution
Portion of intangible earnings attributable to brand.

Directly driven by BrandDynamics™ Loyalty Pyramid and Category Segmentation collected within the BrandZ study

Data Sources

BRANDZ

Step 3.
Brand Multiple
Brand earnings multiple.

Calculated based on market valuations, brand growth potential and Voltage™ as measured by BrandDynamics™

Data Sources

Bloomberg

BRANDZ

This first annual "BrandZ Most Valuable Chinese Brands Top 50" was published in January 2011, based on the latest available data. To be considered in the valuation each brand had to meet the following three criteria:

- The brand must originate from an enterprise in mainland China.
- The brand must be owned by a publicly-traded. enterprise listed on at least one stock exchange.
- The parent company must have reported positive earnings in its latest financial report.

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Direct, Digital, Promotion & Relationship Marketing

Specialist Communications

Collectively, WPP employs over 138,000 people (including associates) out of almost 2,400 offices in 107 countries. Clients include 354 of the Fortune Global 500, 60 of the NASDAQ 100 and 33 of the Fortune e - 50.

WPP in China

WPP and WPP companies have offices in Beijing, Shanghai, Guangzhou and many other major cities and provinces of Greater China. WPP employs about 9,000 professionals in China. The Group´s Chinese operations are well established in the areas of Advertising; Media Investment Management; Information, Insight & Consultancy; Public Relations; Branding & Identity; Direct, Internet and Interactive; retail and shopper marketing.

WPP companies work with many of the country's top brands, as well as multinational clients wishing to develop their presence in China.

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With Thanks

The BrandZ Top 50 Most Valuable Chinese Brands is created using data from Bloomberg, Datamonitor and Bloomberg.

Bloomberg

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The Datamonitor Group is a world-leading provider of premium global business information, delivering independent data, analysis and opinion across the Automotive, Consumer Markets, Energy & Utilities, Financial Services, Logistics & Express, Pharmaceutical & Healthcare, Retail, Technology and Telecoms industries Combining our industry knowledge and experience, we assist over 6000 of the world's leading companies in making better strategic and operational decisions.

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www.datamonitor.com

BRANDZ™

The BrandZ study, commissioned by WPP and conducted annually by Millward Brown, measures the brand equity of thousands of "consumer facing" and business-to-business brands in over 30 countries including China. To date we have interviewed over 1.5 million consumers and professionals globally. Consumer perception of a brand is a key input in determining brand value because brands are a combination of business performance, product delivery, clarity of positioning, and leadership.
www.brandz.com

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www.ostergren.dk

For further information about the BrandZ Top 50 Most Valuable Chinese Brands, please contact:

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