

Focus on BRANDZ™ China

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Successful brands in China 2007

The tip of the iceberg

China has one of the biggest economies in the World, the 4th largest, with a GDP of about \$2.6 trillion (million million). This is about 5% of Global GDP but is scheduled to become number one within the next decade.

And in the 2007 BRANDZ™ Global Top 100 Most Powerful Brands, China has four brands in the list accounting for 5.1% of the total value. Surely this is only the tip of a vast future iceberg.

Value of brands

The Chinese brands were collectively valued at \$82.1bn (thousand million):

| | \$bn |
|-------------------------|------|
| China Mobile | 41.2 |
| ICBC | 16.5 |
| Bank of China | 13.7 |
| China Construction Bank | 10.8 |

China Mobile is the 5th most powerful brand in the World and the banks seem to be a force to reckon with.

Intangible assets are rapidly overtaking tangibles as the major source of shareholder value, with brands accounting for approximately **one-third** of the value of the Fortune 500 companies.

Consumer Bonding

One of the key components in valuing the brands is the extent to which they 'Bond' with their consumers. How much of the intangible earnings are attributable to the brand alone? The BRANDZ™ customer loyalty database is an essential part of calculating the

'brand contribution' because it identifies the proportion who buy because of the brand promise rather than because of specific product features such as location and price. By increasing Bonding, the finances of corporations can grow enormously.

A visit to the BRANDZ™ clinic

A healthcheck is available from BRANDZ™ where the brand relationship can be investigated.

- Who knows about me?
- What is my promise?
- Does my product live up to it?
- What advantages do I have?
- What is unique about me?
- What is my 'character'?

And crucially what is my **Bonding**?

Top 20 Bonded brands

Out of the 306 brands measured in China in 2007 on BRANDZ™, the following achieve the greatest levels of Bonding with their target audience (ten are Chinese):

| | % | | % |
|--------------|----|----------------|----|
| Pampers | 53 | Oil of Olay | 32 |
| SINOPEC | 45 | Coca Cola | 30 |
| Colgate | 45 | LENOVO | 29 |
| Omo | 41 | KFC | 29 |
| PETROCHINA | 38 | REJOICE | 28 |
| PING AN | 37 | NONGFUSHANQUAN | 27 |
| Nokia | 34 | ICBC | 26 |
| Microsoft | 33 | MUDAN | 26 |
| CHINA MOBILE | 32 | CHINA LIFE | 26 |
| Crest | 32 | McDonald's | 22 |

Users of the Chinese Top 20 Bonded brands are much more likely to recommend them to others (75% compared to 40% for all brands measured in China).

When we investigate what it is that drives Bonding we see six factors:

Emotional Appeal (such as having a higher opinion of the brand or the brand appeals more)

Rational Appeal (i.e. better product or service)

Difference

Challenge (i.e. setting the trends)

Fame

and *Price*.

Strong brands tend to Bond via factors other than price.

Looking at the Top 20 Bonded Chinese brands (indexed on the average where 100 = average) we clearly see the importance of fame, as well as challenging the status quo with both emotional and rational performance:

Top 20 Bonded - China

| | |
|-------------------------|------------|
| Fame | 228 |
| Challenge | 139 |
| Rational Appeal | 134 |
| Emotional Appeal | 127 |
| Difference | 112 |
| Price | 20 |

But there is a big difference between Chinese and Foreign brands.

Chinese brands in the Top 20 are driven much more by price whilst foreign brands have much greater differentiation and challenge:

| | Chinese | Foreign |
|------------------------|----------------|----------------|
| Price | 148 | -85 |
| Different | 70 | 155 |
| Challenge | 102 | 190 |
| Rational Appeal | 106 | 163 |

The challenge for Chinese brands is to innovate on their own behalf and to start driving better relationships with consumers based on factors other than price.

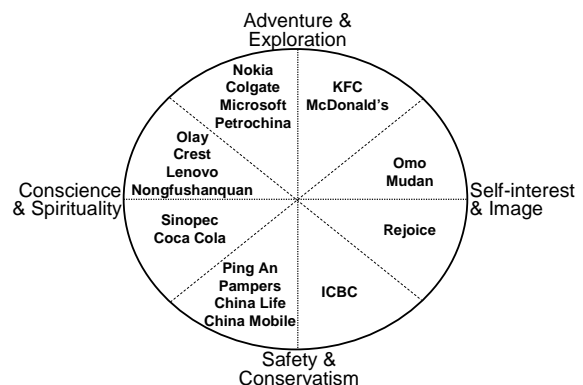
What the 'Bonded' believe

We also evaluate each person's beliefs and values. This is done by asking them how important they feel each of nine aspects are in their life.

These are then used to classify each respondent's overall 'life values'.

Those who feel that 'Having fun' and 'Excitement' are more important than 'Tradition' and 'Certainty' would bias towards Adventure & Exploration rather than Safety & Conservatism. Equally those who choose 'Creativity', 'Tolerance' and 'Helping others' over 'Achievement' and 'Influence' would veer towards Conscience & Spirituality rather than Self Interest & Image.

What is striking is that the top 20 brands attract very different people.



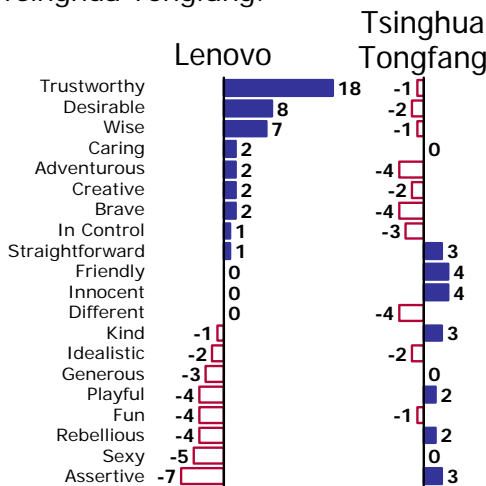
The values of those who are Bonded to **Mudan** credit card, for example, are the 'Motivated' and put themselves first, but are also open to change. They are highly ambitious, very concerned with image and appearance, and tend to be avid consumers.

The **Ping An Insurance** fans are typically biased towards the 'Traditionalists', being conservative but with a less self-centred orientation. They are often patriotic and value society's existing customs.

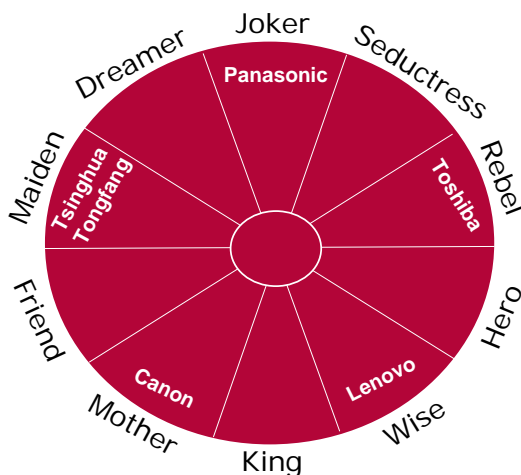
Nongfushanquan Bonded are more philanthropic, but also welcome change and risk. They tend to be idealistic & have strong convictions, reject materialism, and expect people /organisations to behave ethically.

Brand Character

Many of the China Top 20 Bonded brands are classified as 'Wise' characters. They have a high degree of perceived trustworthiness, wisdom and are very desirable. Lenovo shows a typical strong character profile which contrasts with its local rival Tsinghua Tongfang:



Having a distinctive character is a considerable advantage as it further differentiates the brand as the character 'wheel' for IT Hardware companies in China clearly illustrates:



The Top 20 Bonded tend to have **more** character with 114% more positive mentions compared to all brands in China (and also fewer negative mentions).

The last 10 years

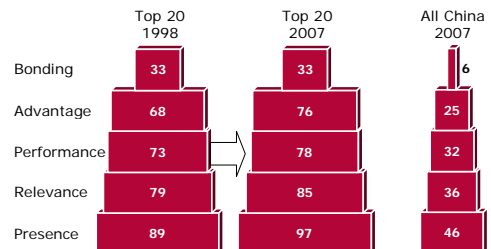
Many things have changed dramatically in the last decade, not least the rise of the Internet and the opening up of China to the rest of the World.

Ten years ago only eight of the brands that are now in the Top 20 Bonded were also in the 1998 list (Coca Cola, Colgate, ICBC, KFC, Mudan, Omo, Ping An Insurance and Rejoice).

Chinese brands counted for only a third of the top 20 compared to half now.

The average level of Bonding of the 2007 Top 20 is the same as ten years ago – but the top Chinese brands have increased their Bonding.

The powerful relationship that has been forged by the 2007 Top 20 is clear to see. Huge increases from Presence all the way up the Brand Pyramid to Advantage – and a much bigger Pyramid than all brands in China:



The start of something big

We have already seen phenomenal growth of brands within China – both in strength and in number. And now we are seeing the expansion for some beyond China (such as Lenovo, Haier, China Mobile and so on).

As Chinese brands gain in confidence that they can appeal beyond price and lead the way in terms of innovation, we will see huge value created that will help push China to Number One in the World.

BrandZ is the WPP global brand equity study available to clients and potential clients via WPP owned companies. It is validated against sales and quantifies and diagnoses the strengths and weaknesses of brands.

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