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**BRANDING AS A REFLECTION OF CULTURE - AN ANALYSIS
OF BRAND CONSUMPTION PATTERNS IN CHINA**

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Working Paper

Branding as a reflection of culture - An analysis of brand consumption patterns in China

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Abstract

This study examines cultural factors influencing brand building strategies in the Chinese market. Our purpose is to investigate what Chinese consumers value in a brand, examining consumer behavior as well as manufacturers and their business strategies to respond to customers. Findings show a positive correlation between branding strategies considering cultural factors and business success in China, implicating that culture, lifestyle, and economic development influence customers' attitude towards a brand. In particular, brand image, a connection with a social group, and a strong need to avoid uncertainty, reflect dominant culture values in the purchase decision of consumer goods, implicating that they are valued as a reflection of Chinese consumers' own cultural values. The paper concludes with a discussion about implications and suggestions for future research.

Keywords: China, consumer goods, culture, consumption, branding

1. Introduction

In the process of ongoing globalization, markets are growing together. With new markets opening up across developing countries, international trade is expanding. Together with rising incomes, especially in East Asia, access to new customers in different nations offers new sales opportunities to internationally operating companies. This is especially evident in China, where the new wealth has changed lifestyle and consumption patterns (Zukin and Maguire, 2004, p. 190). To keep up with the progressively various needs, marketers have to understand how cultural factors may affect brand building in a foreign country. Especially, when the goal of branding is to create awareness, trust and brand-loyalty, domestic branding elements are not valued for their own sake; rather, they are valued as a reflection of the consumers' own cultural values (Zhou and Belk, 2004, p. 72).

Since previous research suggests that successful branding is sensitive to culture (e.g., Wang, 2013 p. 13; Jackson, 2004, pp. 166-67), we want to examine how cultural determinants influence brand building in the Chinese market for consumer goods. To explore this importance, we considered lifestyle, cultural values, and the economic development. Additionally, we discussed examples from the Chinese market to highlight branding patterns. This approach is used to guide an empirical exploration into the cultural determinants influencing brand building in China, examining consumer behavior as well as international producers and their branding strategies to respond to Chinese customers. Our primary goal in this paper is to selectively highlight relevant research on building brand equity in China, thus examining what Chinese value in a brand.

We begin with a brief review of theoretical considerations regarding the studies of brand building in China. After an explanation of our methodology, we examine Chinese consumer behaviors to draw conclusions about brand building in the Chinese market. Our study is based on both market research data and literature. We conclude this paper with managerial implications for international manufacturers doing business in China.

2. Theoretical Background

This study of brand building is a continuation of the debate on how to get a foothold in the Chinese market. Since Chinese consumers become wealthier and more sophisticated, they are increasingly aware of their relationship with brands and the impact brands have on their lives (Wang, 2013, p. 2). In the past twelve years, Chinese urban incomes have risen dramatically with an annual growth of about 11 %. In 2011, the average urban disposable income per household was RMB 21,810, rising from RMB 7,703 in 2002 (Statista, 2013). The ongoing economy upturn and the government's initiatives to encourage consumption have increased both brand awareness and consumer sophistication. Chinese consumers expect more choice, and have begun to express a preference for branded products (Holtbrügge and Puck, p. 152). Recently, Wang (2013, p. 2) has shown that Chinese are learning to buy for reasons other than price, viewing brands as useful symbols embedded with cues about quality, safety and other information necessary for making purchasing decisions. Thus, brand building in China is getting more important.

There is a wide range of authors who argue that branding in China is sensitive to its culture. For instance, Yin (1999, pp. 30-31) and Hingley et al. (2009, p. 49) pointed out that Chinese consumers have a different lifestyle compared to Westerners and require a brand building strategy which takes cultural determinants into account. Others claim that tradition influences Chinese appeals towards specific brands and consumption (Wang and Lin, 2009, p. 401). Further attention to this was drawn by Lin (2001, p. 92) who showed in his research that Chinese are attracted to different branding messages compared to Western consumers. A cross country study by Jackson (2004, p. 64) led to a similar result, showing that brand building is influenced by regional cultural preferences. Above all, Nunes et al. (2010, p. 47) pointed out that creating a successful brand in China requires a sophisticated understanding of what Chinese consumers value in a brand.

More recently, Bell and Shelman (2011, p. 3) showed that the success of Kentucky Fried Chicken (KFC) in China was strongly related with its ability to build a "valuable" brand:

"Infusing a Western brand with Chinese characteristics. The company's managers sought to stretch the brand so that consumers would see KFC as part of the local community –

not as a fast-food chain selling inexpensive Western-style items but as restaurants offering the variety of foods and the traditional dishes that appeal to Chinese customers. They enlarged the outlets, which are about twice the size of those in the U.S., to allow for bigger kitchens and more floor space where customers can linger. They made a special effort to welcome extended families and groups. In the United States, by contrast, KFC outlets are designed primarily for takeout - most of the dining is done at home.” (Bell and Shelman, 2011, p. 3)

There is a wide range of studies highlighting the positive relation between business success and branding strategies adapted to culture. For instance, Guptill and Wilkins (2001, p. 39) pointed out that adapted branding leads to an increased performance, although adapted strategies means an erosion of economies of scale. This was already indicated by an earlier study by Samiee and Roth (1992, p. 13), who suggested that standardized branding does not improve performance based on possible cost savings.

Since research shows that creating a successful brand requires an understanding of what different segments of the Chinese markets value in a brand, we think further investigation is necessary. This study attempts to help determine which factors may influence successful brand building in China by finding out customer needs and desires. In the following chapter we describe how we examined the importance of an adapted brand building strategy for the Chinese market.

3. Methodology

To evaluate the significance of brand building strategies adapted to cultural determinants, we investigated consumer behavior in China. We chose China because it is a culturally diverse country with differences in language, values, income, and lifestyles compared to Western countries (Cheong et al., 2010, p. 2). China is the largest developing country. With its vast population and its increasing disposable incomes, China attracts many companies, but still remains relatively new for the industry. The Chinese consumer is part of a traditional and collective culture for whom many products are still unknown or new (Wang and Lin, 2009, p. 406).

Our objective is to examine what Chinese value in a brand by exploring their consumer needs and desires. We therefore investigate branding considerations and show how

consumer demands in the Chinese market are met. This approach allowed us to evaluate consumer needs from a customer's point of view, because it finds out how a product has to be placed and communicated in order to attract consumers. Data were collected from market research reports as well as through an evaluation of Chinese consumer behavior studies. We investigated these data sources to highlight consumer needs in China. In the next step, we therefore wanted to examine consumption of Chinese customers to evaluate what they value in a brand, drawing conclusions about successful branding strategies.

4. Brand Building in China

There is little doubt that especially with regard to brand building, China is a unique case, with consumption habits differing much from that in Western countries (Dony, 1998, p. 166). This raises the question how brands can be built successfully in China. In this chapter we focus on branding considerations.

Branding means much more than just giving a brand name to a product with the mark of an organization. According to Keller and Lehman (2006, p. 740), brands are built on the product itself, the accompanying marketing activity, and the use by customers. Hence, brands reflect a complete experience that customers have with products. A brand is created and influenced by people, culture, lifestyle, opinions, advertisements and messages. Successful branding comes from keeping the brand's promises to customers and from earning their trust. Emphasis will be placed on both tangible and intangible elements. Tangible elements include the product itself; look, price, the packaging. The intangible elements refer to the experience that the consumer takes away from the brand, and also the relationship that they have with that brand.

Entering the Chinese market begins with the question how to translate the brand into Chinese. Since not all Chinese are able to read Latin letters, a product translation into Chinese characters is necessary. Being an unphonetic language based on characters, a purely translation is all too often impossible. Choosing a Chinese brand name often results in the use of characters whose pronunciation is far from its original name. However, well received are names promising happiness and success. Products without a Chinese name are regarded as products without designation. A purely foreign name is

ignored. Use of a Chinese name alone also earns the disapproval of consumers, and means a risk that the product is no longer recognized as an international one (Holtbrügge and Puck, 2008, p. 155). The market is littered with examples that demonstrate the significance of a Chinese brand name taking cultural determinants into account. For instance, for its entry in the Chinese market, the German liquor producer Jägermeister misjudged the importance of a smart Chinese name. The self-given name 圣鹿 Shènglù, which means “holy deer”, did not convince Chinese consumers to buy the liquor, because it reminded them of medicine and an aid against impotence. Only after changing the name with the help of a consulting group into 野格 Yěgē, which can be translated as “wild guy”, Jägermeister could increase its sales significantly (Marohn, 2007). Table 1 shows some selected brands with their Chinese translation.

According to Nunes et al. (2010, p. 42), trustworthiness is the most important factor in choosing a brand for Chinese consumers. Since lots of products are still unknown or relatively new in China, one of the most important prerequisites to gain a foothold in the Chinese market is the development of a well-known and positively associated brand. Chinese have a strong need to avoid uncertainty and therefore buy products which are popular, requiring promotion to be recognized by consumers (Holtbrügge and Puck, 2008, p. 152, p.154). A study by Wang and Lin (2009, p. 404) showed that Chinese are easily influenced in their purchasing decisions through advertising and brand image. Although Chinese consumers are very brand conscious, they do not show any brand-loyalty. Hence, brand building in China focuses more on creating brand awareness to receive consumer’s attention (Dony, 1998, p. 183).

Brand name	Characters	Sound	Translation
Berentzen	百人城	Bǎi Rén Chéng	Hundred strong men
BMW	宝马	Bǎo Mǎ	Rich horse
Coca-Cola	可口可乐	Kěkǒu Kělè	Pleasure in the mouth
Jägermeister	野格	Yěgé	Wild guy
McDonalds	麦当劳	Màidāngláo	(No meaning)
Siemens	西门子	Xīmén Zǐ	Master from the west gate
Starbucks	星巴克	Xīngbākè	(No meaning)
Subway	赛百味	Sài Bǎi Wèi	Tastes one hundred times better
Volkswagen	大众汽车	Dàzhòng Qìchē	Car for the people

Table 1: Chinese translations of Western brands.

Source: Own Depiction.

As already mentioned, lots of products are still unknown and Chinese have a strong need to avoid uncertainty. Therefore, companies should provide additional information about their products in order to appeal to Chinese consumers. With regard to packaging, Chinese are willing to pay a price premium for a lavish package that reflects the content well. This is especially evident for luxurious items such as wine or pralines. For these kinds of products, which are often used as a gift, the package design plays an important role because it gives a face to the presenter and the *presentee* (Ambler et al., 2000, p. 131). In advertisements it is just the opposite. Since too much information is considered too direct and thus impolite, Chinese consumers are more attracted with advertisements containing less product information (Lin, 2001, pp. 90-91). This implies that for building trustworthiness, marketers should communicate additional brand information rather on the packaging than in advertisements to appeal to Chinese consumers.

Information about a product's use can be critical to launch successfully a new brand into the Chinese market (Dony, 1998, p. 182). To give an example: when Phillip Morris, the conglomerate owning Maxwell Coffee, initially launched instant coffee in China in the 1980s, the marketing campaign showing a Chinese family enjoying instant coffee failed. Although the campaign convinced people to buy the product, it failed to explain how to make instant coffee. Chinese consumers unfamiliar with instant coffee, used too much powder, and did not know to mix sweeteners or dairy products with the coffee. This resulted in most Chinese consumers having an awful taste experience with Maxwell Coffee, killing the brand immediately. When Nestlé entered the market with Nescafé

instant coffee in 1992, it first focused on educating the Chinese consumer on the benefits and use of instant coffee with advertisements (Wong, and Garret, 1996, cited in Dony, 1998, p. 182). The business success of Nescafé was highly affected by their ability to communicate its brand with regard to local circumstances.

Since Chinese culture is less individualistic than Western culture, a smart brand should reflect values as togetherness (Lin, 2001, p. 90). As shown by Cheong et al., (2010, p. 11), this is why Chinese consumers are more attracted to advertising messages emphasizing the connection with a social group, for example, enjoying the consumption of a given product together with friends. In contrast, Western consumers are more attracted to advertising highlighting the exclusivity of a product, for example, its outstanding taste (Cheong et al., 2010, p. 11). Food giant Nestlé adapts its advertising strategy thus for Nespresso and many other products. While in the United States Nespresso is advertised as an exclusive product using movie star George Clooney as a testimonial, the Chinese advertisement shows enjoying of Nespresso with family and friends (Liao, 2012). The adaptation of its advertising strategy allows Nestlé to position its brand in a more appropriate way.

More than in Western countries, pricing is important for product positioning in China. It therefore influences the image of a product (Dony, 1998, p. 175). Chinese want branded products (IMBC, 2010, p. 13). Although Chinese purchasing power remains low, Chinese consumers are willing to save money for an expensive brand purchase if it is regarded as luxurious (Holtbrügge and Puck, p. 152; IMBC, 2010, p. 10). Since the weak Chinese currency Renminbi (RMB), as well as transportation costs and import duties, increase imported consumer good prices, many Western producers are not able to reduce their prices to a level which is affordable for Chinese consumers (Hopkins and Katz, 2012). Therefore, targeting the mass market with cheap prices is often impossible. Thus, several foreign manufacturers place their products as luxurious items in order to attract upper-class consumers with prices above the European or American level. For instance, the American ice-cream producer Häagen-Dazs positioned itself as a high luxury brand in China. Unlike the casual ice-cream parlors in the United States, China's ice-cream parlors were designed as luxurious spaces with menu prices equivalent to US\$ 35 (Alonso et al., 2012). As a comparison, a menu of Häagen-Dazs costs about US\$ 5.50 in an U.S. parlor (Johnson, 2012). For Häagen-Dazs, it was a necessity to reposition itself as super premium brand. Without an adaptation of its brand positioning,

the ice-cream producer with its high prices may have been ignored by Chinese consumers. Hence, the country's specific circumstances may require a brand positioning which is different from its domestic one.

With regard to brand image, reaction to advertisements and cultural issues, Chinese are attracted to branded products which inform about product use and provide additional information on the packaging rather than in advertisements. Furthermore, an appropriate Chinese name as well as brand values emphasizing the connection to a social group appeal to Chinese consumers. Since the weak Chinese currency hinders entering the Chinese market with prices on a local level, placing a product as a premium item is often required in order to attract upper-class consumers.

5. Implications

The aim of my study was to examine what Chinese consumers value in a brand. To conclude, we investigated consumption patterns in China on the basis of branding considerations.

The findings in our study suggest that considering cultural factors is critical for entering the Chinese market. Brand building strategies in China do not follow Western ones, and the differences are attributable to the differences in culture, lifestyles, and economic development. Chinese and Western consumers are also appealed to different communication messages. Overall, for successful end-consumer targeting, manufacturers should consider differentiating between Western and Chinese buyers. With regard to companies doing business in both Western and Eastern countries, for example, Häagen-Dazs or Nestlé, we noticed that their performance was directly correlated with their ability to adapt their branding strategies. Our practical findings, as well as different consumer needs in China and in Western countries, support the theories claiming that branding in China is sensitive to its culture as claimed by Nunes et al. (2010, p. 47) as well as Yin (1999, pp.30-31) and others.

Our study offers important marketing implications for companies producing consumer goods. Firstly, marketers need to be aware of culturally diverse countries while launching a new product into a foreign market. Taking into account how diverse a new market is can greatly influence a product's performance. Culture differences have to be

detected in order to understand what consumers' value in a brand. The most successful brands will be those founded on a well thought-out and executed brand building strategy based on insights into consumers' attitudes, needs and behaviors. Another important implication of our research is that varying needs in different cultures may require a new brand positioning (e.g., Häagen-Dazs). Lastly, distinctive cultural values and the manner in which a company reacts to them exert significant impacts on the purchase decision. Therefore, applying accepted marketing strategies to position consumer goods in international markets should be done with caution.

6. Limitations and directions for further research

Although, our results show that brand building in China is sensitive to culture, our study bears several limitations. First, this study was limited to China, a country differing much in terms of culture, values, lifestyles, and economic development from Western countries. Further research is necessary to examine the cultural influence on branding for countries that are relatively homogeneous, for example, the United States and Canada. Moreover, future researchers are also encouraged to expand the number of countries involved in the analysis.

Second, this study is limited to the market for consumer goods. Since successful branding for those goods is affected by culture and preferences (Wang, 2013 p. 13; Jackson, 2004, pp. 166-67), we assume that local branding is less important for low-involvement products, such as nails, as well as other product groups. Thus, future researchers should expand the number of products to draw conclusions on how culture may affect branding for other product groups.

Third, this study is limited by the nature of the research method used. Although highlighting Chinese consumer behavior is a useful research method to explore how culture affects brand building strategies, it does not provide direct evidence that branding appeals consistent with cultural values ensure effective practice. That is, a brand positioning which considers Chinese culture is not necessary meant to be the most effective in accomplishing marketers' goals. Thus, further investigation is necessary to identify the most effective brand positioning strategies for the Chinese market.

Finally, our research method limits the scope of the research. While highlighting Chinese culture has proven to be useful, it failed to demonstrate conditions in which standardized branding strategies could work between Western and Eastern markets. Thus, future research should directly examine the relative effectiveness of using standardized approaches in the market when different cultural norms are inherent.

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