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Branding – China's Achilles Heel
Superbrands China 2013 Tribute Event



Executive Summary

In the context of China's changing economy, international competition and the development of domestic markets, branding will be increasingly important to Chinese firms. To compete, these companies will need to improve their brand management capabilities and fundamentally change their strategic thinking.

These are the most important practices for Chinese firms to implement, to build successful and recognized brands:

- 1. Cultivate a deep understanding of what a brand is... and isn't*
- 2. Develop the advanced capabilities necessary to manage a portfolio of strong, differentiated brands*
- 3. Strengthen brand management organizations and governance processes within the company*
- 4. Improve the measurement of brand success and create tracking processes to respond effectively to market results and changes in consumer response*

Through practices like these, you develop proficiency, and strategic brand management becomes part of your company's identity, enabling a much better value proposition for consumers in Chinese markets.

Chinese leaders recognize that differentiated brands are increasingly important to business growth in this country

“Chinese retailers need to be more focused on brand. Before, you had to be good at opening stores... Now it’s a different game”

– Jin Goon Kim,
Executive Director of Li Ning

“Brands made in China will represent the image of a nation”

– Wen Jiabao,
Premier, China

“It is very difficult to be a Chinese brand... No one in China believes in a Chinese brand”

– Feng Jun,
Founder of Aibo

From within China, the dramatic pressures of today's business environment put a new premium on brand value

Competition

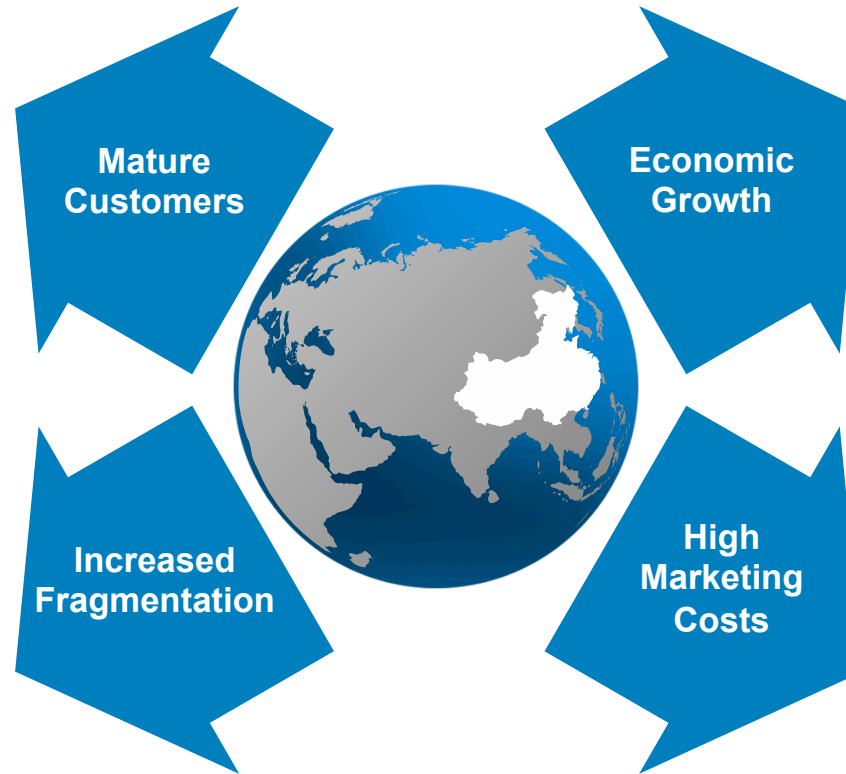
Chinese consumers are becoming more sophisticated and demanding as they are exposed to more services and products

Some of the world's strongest brands, such as Prada and Apple, have cultivated widespread recognition in China

Competition

Chinese markets are becoming increasingly fragmented, separating along vertical price bands and horizontal product categories

Each segment requires a separate value proposition



Competition

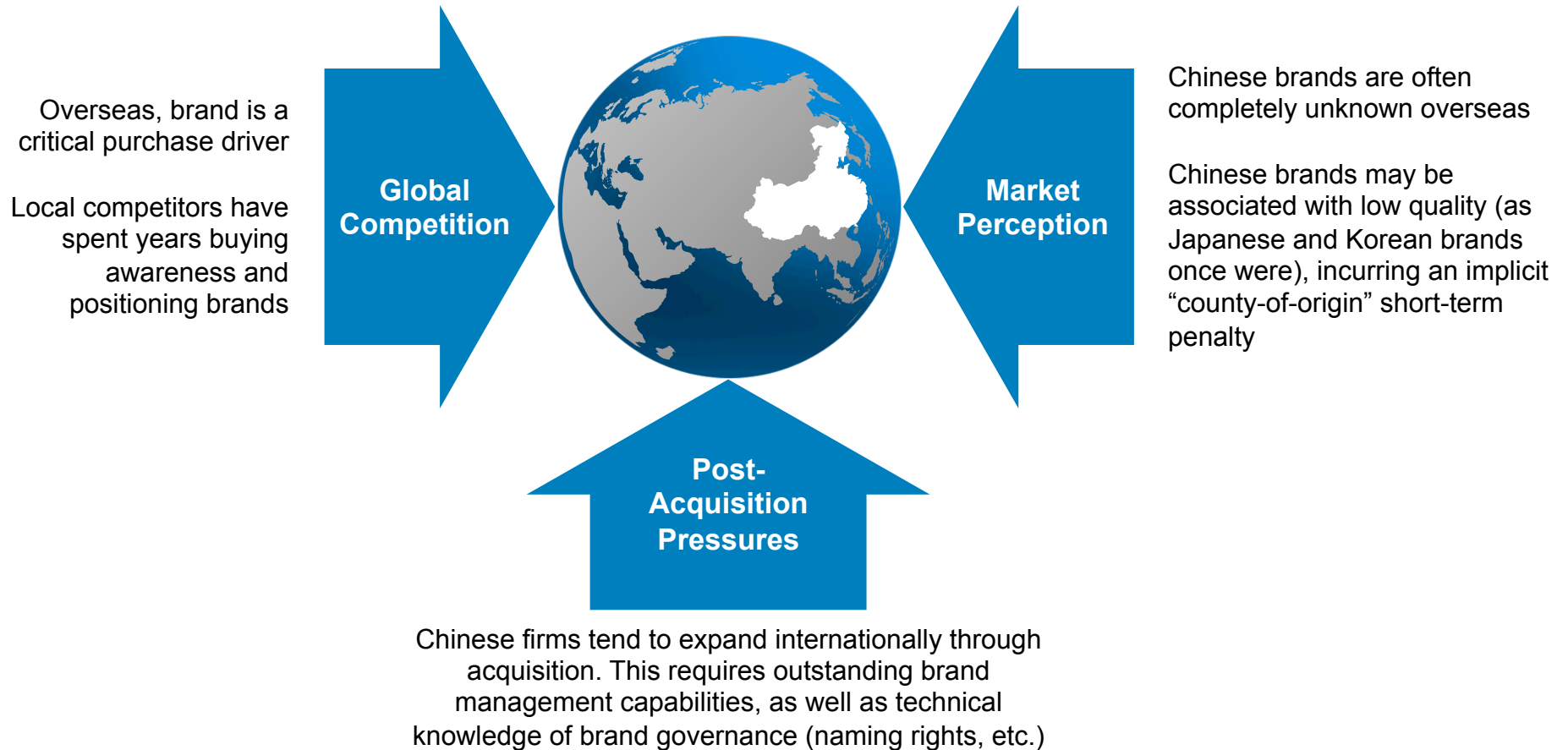
As economic growth slows to a more sustainable 7-8%, the nature of competition is changing. There is more head-to-head competition and an increased proportion of replacement demand (versus first-time) buyers

Competition

Industry-wide, it is becoming more expensive to build and manage brands

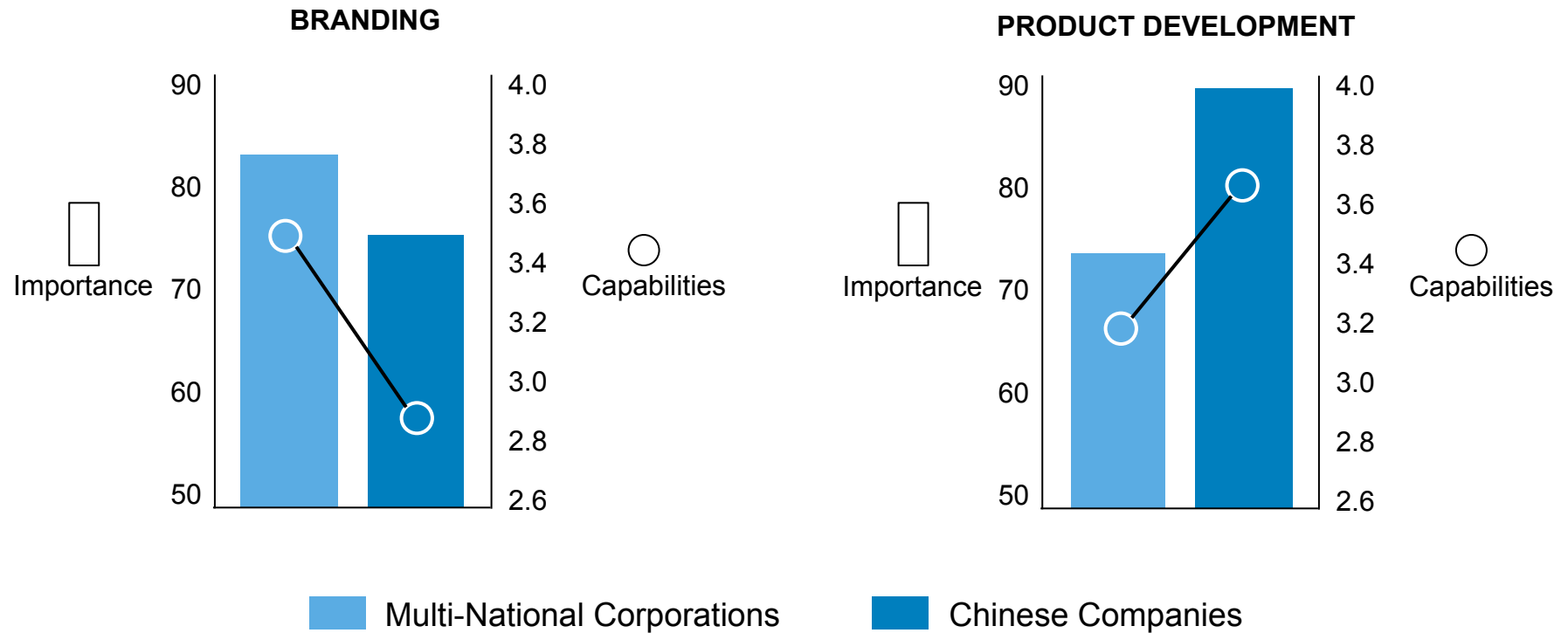
This steepens the learning curve for Chinese brands by raising the cost of failure

As Chinese firms expand worldwide, and face global competition and other global pressures, they find that powerful brands are vital



Although Chinese firms recognize the importance of having strong brands, they are not focused on developing branding capabilities

In Surveys, Companies Assessed the Strategic Importance vs. Their Own Capabilities*



Source: Business Response to Trends in China's Consumer Market, Booz & Company and Amcham, May 2012; Booz & Company. 34 MNC and 36 Chinese companies were included in the analysis

These companies shift their strategic thinking and management practice to do so

✘ *A primary focus on communicating the image of a single brand*

✓ **An holistic approach based on positioning multiple brands for the greatest brand equity**

✘ *A product forward philosophy where the product drives the brand*

✓ **The brand enables and defines product development**

✘ *A short term sales focus*

✓ **Long-term customer lifecycle management**

✘ *Functional silos*

✓ **Cross-functional teams that span organizational boundaries to better integrate activities**

There are four best practices for Chinese companies to follow to improve their brand strategy

1

Develop a deep understanding of what a brand is ... and isn't

2

Focus on building advanced brand management capabilities

3

Strengthen your brand management organization and governance processes

4

Measure brand performance and respond to the results

1 Develop a deep understanding of what a brand is... and isn't



A Brand Is ...

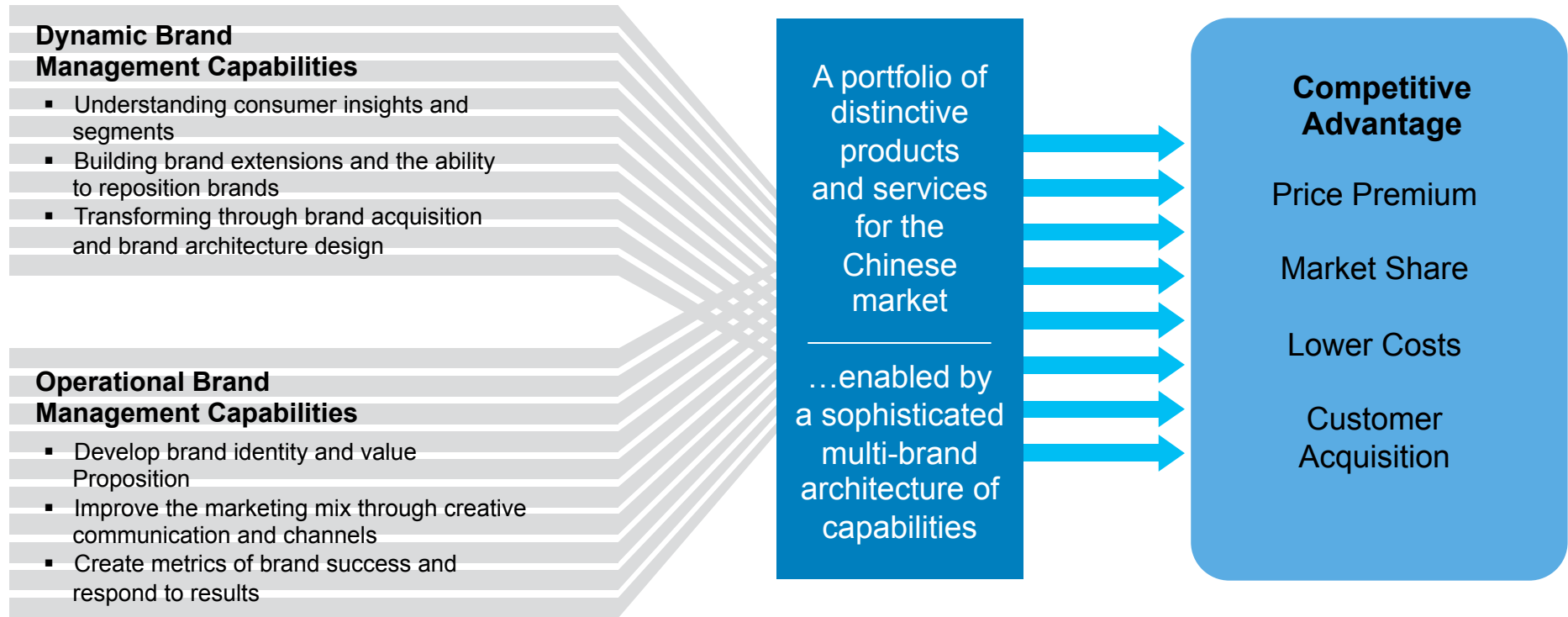
- A brand is a set of associations linked to a product or service
 - Attributes (e.g., color, size, flavor)
 - Image (e.g., sophisticated, traditional, hip)
 - Benefits (e.g., functional, emotional)
- Brands function like prisms
 - How consumers perceive a branded product is shaped both by the actual product and the associations the brand has developed
- To be effective, a brand identity must
 - Resonate with consumers
 - Differentiate the brand from competitors
 - Represent what the firm can and will do over time



A Brand is Not

- Just a Name
 - A name doesn't have associations; it is simply a name. It becomes a brand only when people start linking it to other things
- An Advertising Slogan
 - A brand's identity represents what the firm wants the brand to stand for
 - By contrast, a tagline merely communicates the brand's positioning to consumers
- A Management Fad
 - Brand awareness, perceived quality, customer loyalty and strong brand associations are increasingly required in an age of hyper-competition, commoditization, globalization, and rapid technological obsolescence

2 Focus on building advanced brand management capabilities



3 Strengthen your brand management organization and governance processes

Organization

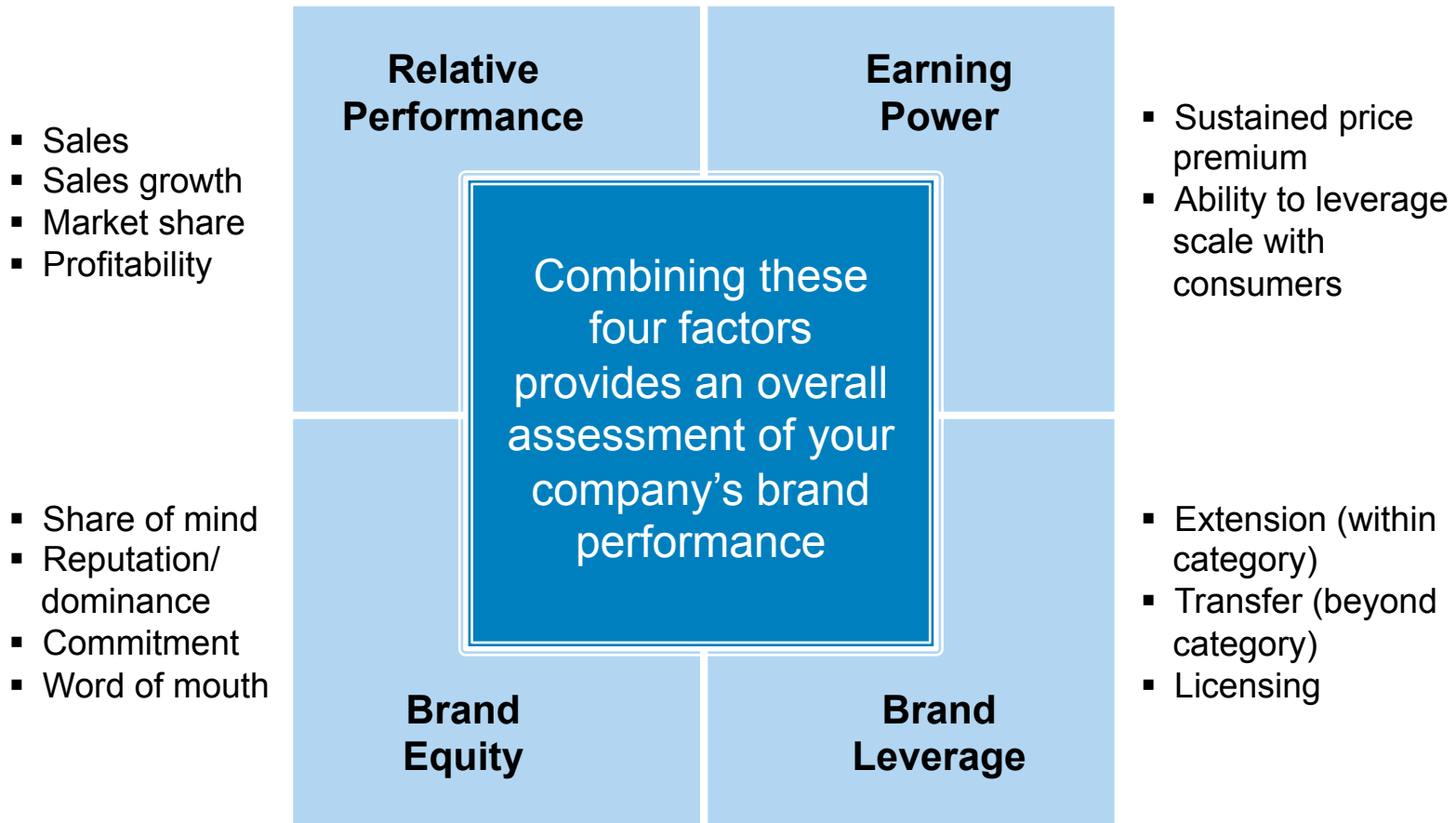
- Central brand management organization (e.g., custodian function, Center of Excellence)
- Linkages to upstream activities (e.g., product development) and downstream activities (e.g., sales)
- Strong senior management involvement

Governance

- Performance Management (e.g., key metrics to develop the brand)
- Decision Rights (e.g., clear responsibilities and boundaries, exception management process)
- Control Model (e.g., centralized vs. decentralized)

4 Measure brand performance and respond to the results

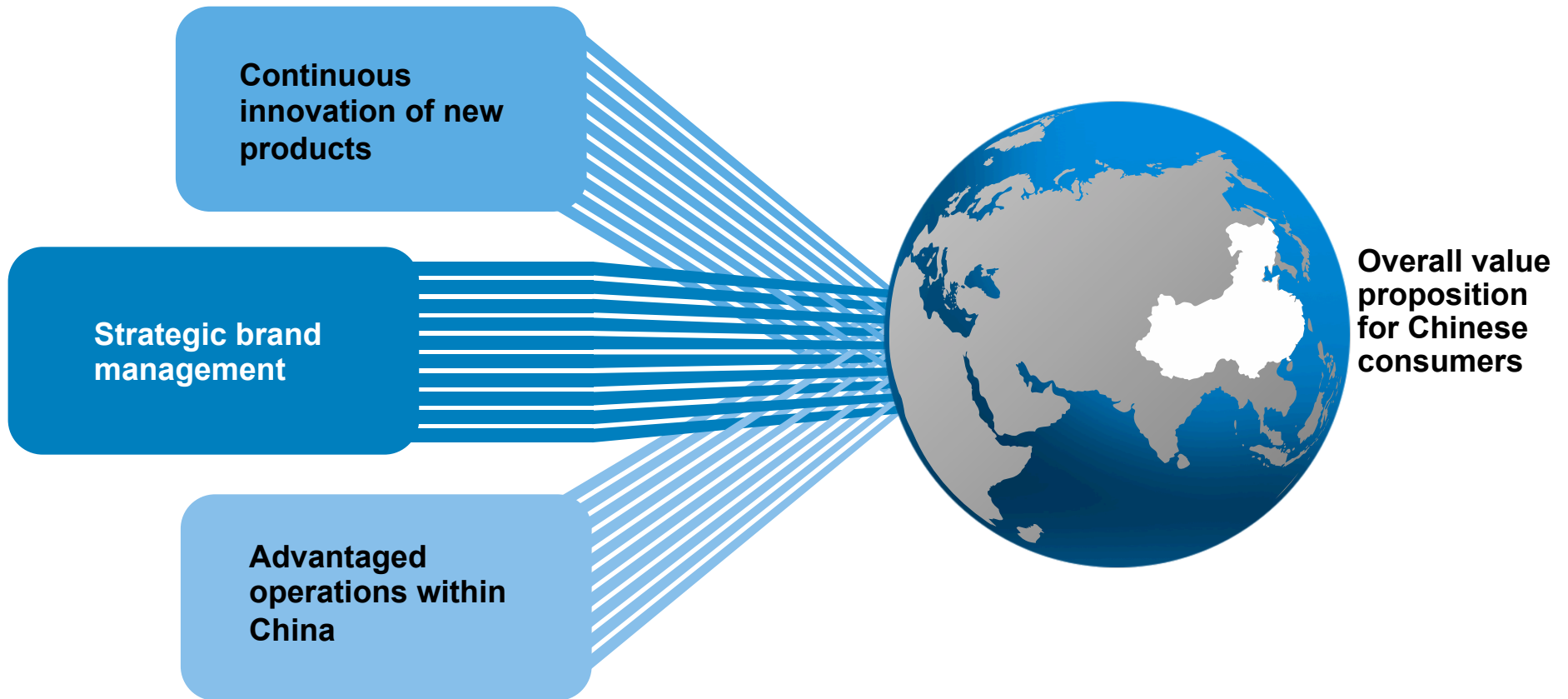
Brand Value Assessment Framework



Source: Booz & Company

As strategic brand management becomes a stronger capability, it merges with other capabilities to provide broader value

A Typical Capabilities System for a Chinese Company



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