



THE CHINESE GOLDEN WEEKS

In Fast Growth Cities

National shopping holidays
Key to sustained sales lift

A pioneer study Powered by **BRANDZ™**



In collaboration with



WPP

Welcome



This report, “The Chinese Golden Weeks in Fast Growth Cities,” can benefit brands and retailers currently in China—or planning to be present in the near future.

It examines the purchasing attitudes and behaviors of consumers in China's fastest growing cities during the Golden Weeks. Golden Weeks generally refers to Spring Festival, or Chinese New Year, as well to the two holidays we highlight in this report, Labor Day in the spring and National Day in the fall. They are shopping festivals.

These consumers represent the majority of China's urban population. They live not in Shanghai, Beijing or other world-class centers, but in what often are designated Tier 2 and Tier 3 cities. In household income many of these cities are just two years behind Shanghai and rapidly closing the gap. Their Golden Weeks spending is a signpost of China's broad and rapidly rising middle class.

Winning the attention and approval of these consumers, especially during the key Golden Weeks sales periods,

is an unparalleled opportunity to position for long-term growth in the world's largest market. This report provides insights necessary to create the strategies and tactics that can lead to solid and sustainable success.

China's government established the spring and fall Golden Weeks just over a decade ago to balance an export-driven economy by stimulating domestic consumer spending. Today, Labor Day and National Day are periods when consumers seek the best deals on big-ticket home electronics, digital devices and appliances. And with time off from work to relax with friends and family, consumers also increase their FMCG spending.

We've marshaled the unparalleled market knowledge and expertise of WPP companies in China to reveal the intricate workings of the Golden Weeks and to explore up-close and in great detail the life stages and need states that influence how consumers in Tier 2 and 3 cities live, shop, evaluate brands and make purchasing decisions.

Ethnographic researchers from Added Value spent several weeks—during the preparation and purchasing phases of the Labor Day 2012—with three families from two Tier 2 cities, Nanjing and Wuxi. They observed and interacted with several generations of the families in their homes, interviewed them about their purchasing needs and accompanied them on shopping trips. International photojournalist Cecilie Østergren documented this field research and her work illustrates this study.

This research, and the insights and commentary contributed by other China-based WPP agencies, was informed by the proprietary intelligence of BrandZ™, the world's largest and most comprehensive source of brand equity knowledge and insight, available exclusively to WPP companies and clients. The WPP company contributors to this report and their contributions include:

Added Value Extensive original research and fresh insights about the lives, shopping habits and purchasing decisions of consumers in Tier 2 and 3 cities

BrandZ™ Analysis of how Chinese consumers view the efficacy and emotionality of home electronics and appliance manufacturer, retailer and FMCG brands

CNRS-TGI Market penetration levels comparing various international and Chinese home electronics and appliance brands, including TVs, air conditioners, refrigerators and washing machines

Hill+Knowlton Strategies Insights into the business and PR landscape surrounding Golden Weeks

Kantar Worldpanel A three-year review comparing the relative influence of the spring and fall Golden Weeks and Chinese New Year on household spending, specifically FMCG products

Millward Brown An original survey, specifically for this report, into how consumer purchasing attitudes correspond to various holidays on the Chinese calendar, focusing especially on the Golden Weeks in Tier 2 and 3 cities

Mindshare An analysis of spending across TV, print, online and other media in the run-up to the spring and fall Golden Weeks

Ogilvy Action Insights about the impact of social media on purchase behavior and the role of shopper marketing

We organized all of this original research into a comprehensive three-part text and photo narrative that clearly presents the findings and their practical applications.

Part 1: Golden Opportunities

sets the context, expanding on the significance of the Golden Weeks purchasing period, the growing impact of Lower Tier cities and the rising importance of brands. It explains what people buy during Golden Weeks, where and how they shop and what brand manufacturers and retailers need to know to succeed.

Part 2: Shopper Journeys

follows three families during their Golden Week shopping cycles, from preparation through purchasing, delivery and installation. These case studies illustrate and reinforce, in photographs and text, the knowledge outlined in Part 1. Call outs provide additional insights and analysis of relevant brands.

Part 3: Best Practices | Shopper Marketing and Media

describes the current marketing and media environment and highlights opportunities for brand owners to most effectively and efficiently communicate in the run-up to the Golden Weeks and during the holidays.

“The Chinese Golden Weeks in Fast Growth Cities” becomes part of our rapidly growing library of WPP BrandZ™ reports for building and sustaining valuable brands. These reports include: the annual “BrandZ™ Top 100 Most Valuable Global Brands,” “BrandZ™ Top 50 Most Valuable Chinese Brands,” and

“BrandZ™ Top 50 Most Valuable Latin American Brands” as well as “The Chinese New Year in Next Growth Cities.”

To download complimentary copies, please go to www.brandz.com. You'll find smart phone apps at www.brandz.com/mobile. For our free iPad interactive magazine for the BrandZ™ Top 100 Most Valuable Global Brands go to the Apple app store and search for BrandZ™ 100. You'll also find apps for the Latin America Top 50 and for the Chinese New Year report. Please see page 157 for further details.

I urge you to read “The Chinese Golden Weeks in Fast Growth Cities” in order to fully appreciate the enormous opportunity that awaits brands and retailers that desire to compete throughout China and are ready to invest in understanding the cultural nuances required to make their ventures successful. The report offers just a glimpse of the extensive insightful and useful market knowledge produced by our combined WPP capabilities.

Located in Beijing, Shanghai, Guangzhou and many other cities and provinces, WPP companies—with all our significant resources, including over 14,000 employees in Greater China—are here to help you gain competitive advantage. We offer insights, advertising, digital, PR, promotion, marketing, media, retail and shopper marketing—the knowledge and implementation necessary to understand China and build and sustain brand value.

To learn more about how to apply this expertise to benefit your brand, please contact any of the WPP companies that contributed to this report. Turn to page 161 for summaries of each company and the contact details of key executives. Or feel free to contact me directly.

Sincerely,

David Roth
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Key insights for brand and retailer success during the Golden Weeks



1

DON'T MISS GOLDEN OPPORTUNITIES

Participate. It's imperative.

The Golden Weeks are national shopping holidays that happen twice a year—in the spring and fall. Sales rise sharply for the key Fast Growing Consumer Goods (FMCG) categories and they spike dramatically for home electronics, appliances, mobile phones, laptops and other digital devices. Golden Weeks participation is imperative for brands and retailers that want to compete in China. The holidays also are an important indicator of retailer and brand strength. If you're participating in Golden Weeks and not winning your fair share it's important to understand why.

Or don't participate.

It's possible to succeed in China without taking advantage of Golden Weeks shopping. But why do that? Ignoring the Golden Weeks opportunity is equivalent to skipping the December holiday season. You could forget the fourth quarter and depend on the rest of the year to make the annual numbers. But would you?

2

TARGET FAST GROWTH CITIES

Sell where most people live.

Establishing a brand in Shanghai and the other Chinese world-class cities is important. But the vast majority of China's increasingly affluent consumers don't live in those metropolises. They can be found in the hundreds of Lower Tier cities where household income, appreciation for brands and consumer sophistication are increasing rapidly. These consumers represent enormous potential purchasing power. Understanding and reaching them is critical for any retailer or brand manufacturer intent on doing business in China.

Reach people who need your products to improve their lives.

Households in Tier 2 and 3 cities are experiencing Life Stages and Need States that drive major purchases. Many people are buying new homes for the first time. And in China, new living space is delivered as an empty shell that requires total outfitting from fixtures to furnishings. Other people, having enjoyed growing affluence for a few years, now are ready to replace or upgrade their electronics and appliances.

3

MOBILIZE TO WIN

Prepare perpetually.

Golden Weeks happen several times a year, so brands and retailers need be perpetually prepared. Although just a few of weeks on the calendar, the holidays can occupy the minds of consumers for months.

Learn how consumers prepare.

Our research revealed that most consumers go through a three-phase process: Perception (I have to repair, replace or upgrade a product), Preparation (What brands and retailers do I want to consider?) and Purchasing (Where can I negotiate the best deal?). Brands and retailers need well thought out strategies and tactics for each phase.

4

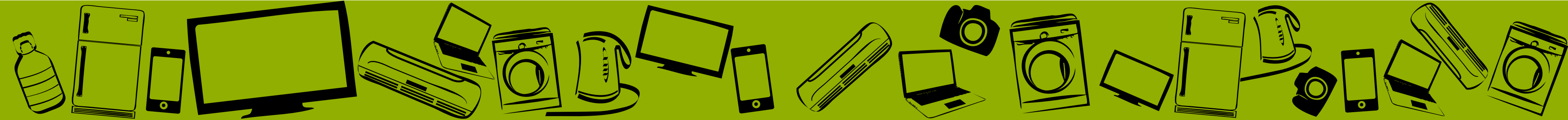
UNDERSTAND THE PROCESS

Know the shopper strategies.

Most shoppers adopt one of three strategies to cope with the demanding task of negotiating the best deals during Golden Weeks, our research discovered. Linked to both the size of their purchases and to their individual personalities, these strategies—convenience shopper, guanxi shopper and smart shopper—determine how much time and effort shoppers will devote to each of the three phases of Golden Weeks preparation. The combination of a three-phase preparation process and three shopper strategies forms a matrix. Every intersection of the matrix is an opportunity for tailored communication.

Understand the interrelated roles of brands and retailers.

Brand owners and retailers in China are engaged in a shifting balance of power, as they are elsewhere. The balance is unfolding somewhat differently in China, however. In some categories, such as consumer electronics, manufacturers still exert significant control over pricing. This dynamic is particularly apparent during the Golden Weeks when stores are overwhelmingly staffed with sales people employed by brands rather than by retailers. But even as brand owners create much of the buzz inside the store during the Golden Weeks, the retailers overlay a storewide marketing message, to draw crowds to the location rather than to any particular brand.



5

GET ON THE CONSIDERATION LIST

Differentiate with shopper marketing.

Retailers and brands need to communicate long before the Golden Weeks to get the attention of consumers while they're searching online, reading newspapers or watching TV. There's a lot of noise around Golden Weeks. And just being louder doesn't cut it. Getting the message heard requires a 360-degree shopper marketing approach that reaches the consumers at different times in many different ways.

Communicate online.

High visibility is critical during the preparation period when consumers are researching products and deciding what brands to include on their consideration list and those to ignore. Much of the research happens online. It's important to be present on consumer forums and micro-blogs, as well as in traditional media, so that when consumers finally visit a store—physical or virtual—they've encountered the brand message many times.

6

STAY ON THE CONSIDERATION LIST

Engage in the store.

Shoppers are bombarded in the stores by a cacophony of messages from sales people representing different products and promoters marching the aisles and loudly advocating for their brands. From this undifferentiated noise, shoppers need to deselect brands in order to form a consideration list. Brands need to devise in-store promotions that cleverly continue the brand story communicated during the run-up to the Golden Weeks. A succinct reminder of a brand's core values and emotional appeal can help it stand out from all the promotional noise.

Connect emotionally.

Chinese consumers increasingly expect product quality. And after decades as the "world's factory," Chinese suppliers know how to deliver it. They're less experienced connecting emotionally with customers, however. As quality and reliability increasingly become hygiene factors, Chinese brands—and foreign brands competing in China—have an opportunity to differentiate more sharply by matching functional excellence with emotional appeal.

Win trust.

Chinese consumers have exhausted their patience with products that fail to meet expectations or prove unsafe. A brand that consistently delivers on the efficacy and safety of its products will gain customer approval. Conversely, there's little room left for error. An unsafe product can destroy customer trust and devastate hard-won market share overnight. During the Golden Weeks the best deal usually wins the sale. But the price negotiation won't take place until the shopper trusts that the retailer offers genuine quality merchandise and reliable delivery and installation services.

7

TAKE NOTHING FOR GRANTED

Don't forget the free gifts.

The free gifts added when a deal is closed may seem trivial. These gifts are not trivial to the recipients. They're important cultural and emotional expressions of respect that signal to shoppers that their patronage is valued.

Manage the margin.

It's easy to get caught up in the buying and selling frenzy of the Golden Weeks and, while dealing with a complicated mix of layered discounts and promotions, lose track of the overall margin. When that happens it's possible to sell a huge amount of merchandise but make little or no money.

8

ANTICIPATE CHANGE

Anticipate tomorrow's Golden Weeks.

The Golden Weeks will rapidly evolve. The holidays will become somewhat less chaotic, although they will remain essentially Chinese. In researching the Golden Weeks of today we also tried to distill insights that point to the future.

Expect success in China to become more difficult to achieve.

As China's economy slows, growth will be not just about getting a slice of an ever-expanding pie. It increasingly will be about gaining market share. That's in part because the country's success to date has produced more sophisticated consumers and more and tougher competitors.

Part 1:

GOLDEN OPPORTUNITIES



GOLDEN WEEKS DEDICATED TO SHOPPING

New holidays added to China's ancient calendar



In the Lower Tier city of JuRong, entertainment attracts shoppers to the electronics products market where both local and national retailers operate stores. Crowds, always important for brands and retailers, hold special significance in China. In a country of 1.3 billion people the absence of a crowd can suggest a problem.

GOLDEN WEEKS DEDICATED TO SHOPPING

The Chinese calendar is filled with holidays and festivals that commemorate traditions deeply embedded in the nation's 5,000-year-old heritage and follow the rhythm of the lunar calendar.

The spring and fall Golden Weeks are not among them.

Ancient and traditional holidays include:

Spring Festival

Also known as Chinese New Year, it's a time for family reunions, gift giving and customs to bring good luck in the coming year.

Tomb-Sweeping Day

Also known as Qingming, it's a time in the spring for remembering ancestors.

Dragon Boat Festival

Also known as Duanwu Festival, it coincides with the summer solstice and is celebrated with special foods and dragon boat races.

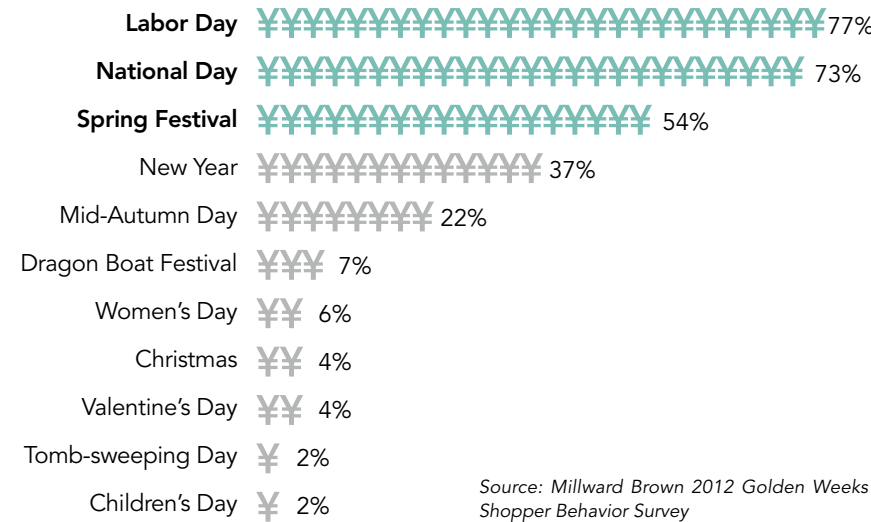
In contrast, the government of the People's Republic of China established the spring and fall Golden Weeks in 2000, specifically to stimulate domestic consumption and better balance the export-driven national economy. It designated two weeklong vacation periods, one in the spring and another in the fall.

The government fixed the dates of these new consumption-driven periods on the secular calendar, coinciding with important communist holidays. Labor Day falls on May 1, which is International Workers' Day and National Day, on October 1, celebrates the founding of the PRC in 1949.

In a 2008 reform of the national holiday calendar, the government modified the length of the spring Golden Week. The time off from work stimulated increased spending on shopping and travel, as intended, but it also disrupted normal commerce.

The Golden Weeks are for shopping...

Three-quarters of consumers in Tier 2 and 3 cities say that the Golden Weeks—Labor Day in the spring and National Day in the fall—are the periods of the year they most associate with shopping and promotions.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

Labor Day now is celebrated for three days and National Day is celebrated for seven. By shortening the spring holiday period the government serves the twin imperatives of growth and stability. Since both Golden Weeks are recent inventions neither is associated with traditional gift giving.

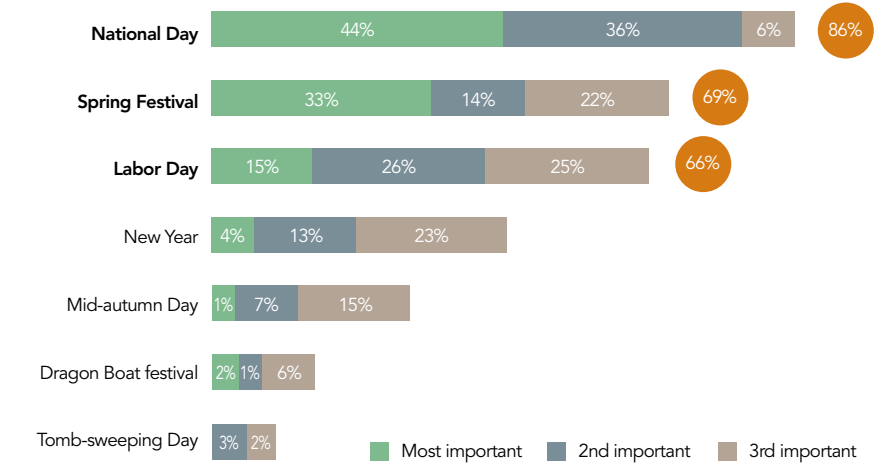
Both holidays are pure shopping festivals. In fact, of all the holidays on the Chinese calendar, National Day is the one most dedicated to shopping, according to the 2012 Golden Weeks and Chinese Public Holiday survey completed by Millward Brown specifically for this report. The survey investigated purchasing behavior in Tier 1, 2 and 3 cities.

Consumers in all tiers view the traditional holidays as times for leisure, family reunion or tourism. In contrast, 64 percent of consumers say that shopping is the main activity on National Day, the fall Golden Week. Similarly, Labor Day, the spring Golden Week is viewed as an important shopping time by 37 percent of Chinese consumers across Tiers 1, 2 and 3.

Consumers also view Spring Festival, or Chinese New Year, and the secular New Year as important shopping holidays. These holidays, which focus on family gatherings and entertainment, produce a spike in FMCG sales. Although the Golden Weeks are known as the time of year for deep discounts on big-ticket home appliances and electronics, people are off from work, entertainment increases and Fast Moving Consumer Goods (FMCG) sales also surge.

...Golden Weeks shopping focuses on appliances and electronics

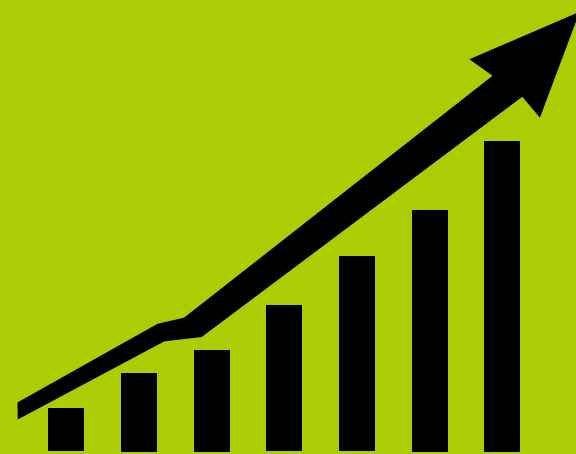
Golden Weeks are the key periods for purchasing home electronics. In Tier 2 and 3 cities, 44 percent of consumers named National Day as most important holiday for electronics shopping and 26 percent said Labor Day is the second most important.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

SECONDARY CITIES DRIVE PRIMARY GROWTH

Brand potential seems inexhaustible



Greeting shoppers at an electronics store, clowns blow up balloons and twist them into animal shapes for children. Their presence adds to the carnival feeling of the holiday and makes it welcoming for families.

The Tier System

Tier 1: (3 cities)
Beijing, Shanghai, Guangzhou

Tier 2: (34 cities)
Mostly provincial capitals

Tier 3: (249 cities)
Prefecture cities

Tier 4: (368 cities)
County level

Tier 5:
Smaller than county level

The tier system divides China's cities into tiers that reflect the administrative division of the country into a hierarchy that includes provinces comprised of urban prefectures subdivided into counties and then small cities and rural areas.

Cities shift tiers as they change in size. Despite this fluidity, tiers are a useful device for marketers developing plans to reach a country as vast and diverse as China.

SECONDARY CITIES DRIVE PRIMARY GROWTH

Tier 2 and 3 cities drive China's future economic growth and the health and expansion of brands.

To fully benefit from this potential, brands already in China and those planning to enter must understand these markets and their consumers.

That's why this report looks closely at consumer attitudes and behavior during the Golden Weeks in these markets. The year's key shopping holidays yield important insights about how consumers purchase big-ticket and FMCG brands.

The tier designations roughly correspond to the country's administrative divisions. Tier 2 cities historically were provincial capitals and Tier 3 cities were smaller provincial centers. The designations can be misleading. They're not about size.

In 1368, with the defeat of the Mongols and the dawn of the Ming Dynasty, when Nanjing again became the capital of China, the city had existed for almost 2,000 years and its population already totaled about 500,000. Today, as an industrial center with over eight million people, Nanjing is about the size of London.

Nanjing is one of two case study cities in this report about Golden Weeks shopping. The other city, Wuxi, is slightly smaller. In almost any other nation cities this size would be top tier. In China they're Tier 2.

Historically, Western companies have focused on Shanghai, along with Beijing, Guangzhou and Shenzhen, the giant metropolises along China's coast, a region long familiar with international trade and forced to be especially hospitable to foreign powers by the Treaty of Nanking that ended the First Opium War in 1842.

But these Tier 1 cities account for a total of only around 60 million people, or about 5 percent of China's 1.3 billion population. And while Shanghai's GDP expanded by a healthy 7 percent during the first quarter of 2012, according to Forbes, the GDP of Nanjing grew by over 10 percent and Wuxi by 9 percent.

The steady growth in monthly household income in Tier 2 and 3 cities provides a clear indication of how dramatically purchasing power is increasing. As household income continues to rise sharply in the Tier 1 cities, Tier 2 and 3 cities are keeping pace. Poverty remains a challenge, but overall Tier 2 and 3 household income lags Tier 1 by only two years.

The average monthly household income of a Tier 2 city in 2011 (¥6,412/US\$1,008) was roughly the same as the average household income of a Tier 1 city in 2009. Put into perspective, Tier 2 and many Tier 3 cities are equivalent in household income to Shanghai and Beijing just two years ago. But here's the difference: There are 34 Tier 2 cities and 249 Tier 3.

Nanjing

POPULATION **8.1 million**
GDP **¥615 billion/\$97 billion**

Nanjing was established about 2,500 years ago as a fort and subsequently served as the capital of many dynasties. Residents suffered a brutal massacre in 1937 during the Sino-Japanese war. Today, the city is a center of industrial investment that includes a broad presence of both Chinese and multi-national companies.

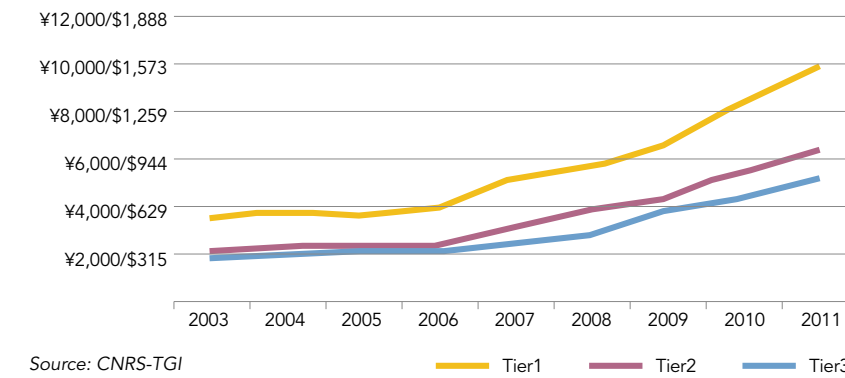
Wuxi

POPULATION **6.4 million**
GDP **¥688 billion/\$108 billion**

Established about 3,000 years ago, Wuxi is located along the Grand Canal, the thousand-mile waterway dating to ancient China. Historically Wuxi flourished as a center for agriculture and silk and by the twentieth century the city had become one of China's leading textile producers.

Average Monthly Household Income Rising Rapidly

The rise in household income in Lower Tier cities is keeping pace with the growth in Tier 1. Between 2003 and 2011 Tier 2 average monthly household income more than tripled. As average monthly income continues to rise rapidly, Tier 2 and 3 cities experience growing affluence and purchasing power increases.



Source: CNRS-TGI

This rapid rise in household income helps improve living standards across China. People can meet their everyday needs with more and higher quality FMCG products. And products that fulfill their wants, such as home electronics or even cars, become more affordable.

This year, for the first time, China's population balance shifted from predominately rural to more than 50 percent urban. This urbanization trend seems relentless. Today 236 Chinese cities have populations of over 500,000, compared with 51 cities in 1980, according to the UN. Over 160 of China's cities exceed one million in population.

Home ownership is rising rapidly in these cities. And more people will be in the most acquisitive life stages: getting married, starting families, moving into new homes, furnishing apartments, replacing and upgrading appliances and consumer electronics. The potential for brands, particularly during the Golden Weeks, seems inexhaustible.

THE RAPID RISE OF BRAND IMPORTANCE

Attitudes changing quickly throughout China



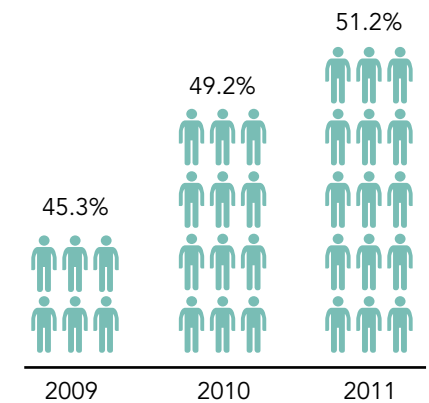
The preparation for Golden Weeks and the actual shopping can be hard work. But people also see the holidays as a time for fun and shopping can become a family outing.

THE RAPID RISE OF BRAND IMPORTANCE

Brand rapidly is becoming an important purchasing consideration among consumers throughout China.

Growth in the value of the BrandZ™ Top 50 Most Valuable Chinese Brands illustrates the point. The Top 50 increased 16 percent in value in 2011 to \$325 billion, led by technology and FMCG.

Brands matter throughout China...



In just a three-year period, between 2009 and 2011, the percent of people throughout China who believe brand matters and affects how others view them increased significantly.

Source: CNRS-TGI

This new receptivity to brands affords brand owners a unique opportunity to connect with consumers now, as they're forming their brand preferences, rather than later when affiliations become more fixed.

The speed of change in China makes the need for action urgent. But the situation also is complicated because attitudes toward brand are evolving in different ways in in Tier 1 and Lower Tier cities.

Especially in the Tier 1 cities in Eastern China, consumers for a long time have embraced international brands for personal esteem and to project status. Consumers in these markets also rely on brands for reassurance about product quality and safety.

Residents in Lower Tier cities tend to be less affluent and their purchasing decisions more practical and price driven. To these consumers the functionality of a brand is more important than the status it confers. In addition, the Lower Tier preference for Chinese brands is in part nationalistic. Consumers in these cities tend to believe that Chinese citizens should buy Chinese products.

These contrasting attitudes, especially relevant during the Golden Weeks shopping periods, are documented in the China National Residents Survey, syndicated market and media research conducted by TGI and based on 93,000 annual Chinese consumer interviews.

... But the preference for international or domestic brands differs by tier...

Tier 1 consumers preferred international brands while Tier 2 and Tier 3 consumers purchased Chinese brand products.

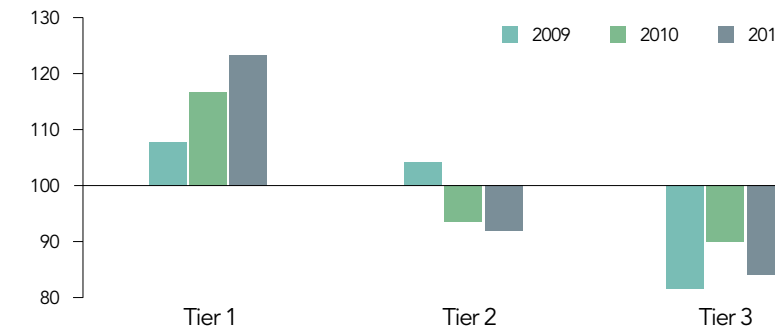


Source: CNRS-TGI

INDEX=100

The preference sharpened over time...

The preference regarding international and domestic brands sharpened over the three-year period between 2009 and 2011.

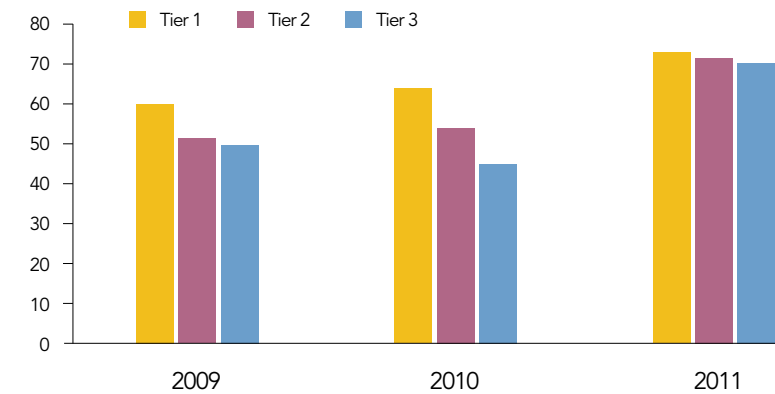


People who agree, "I prefer to buy imports compared with domestic products." INDEX=100

Source: CNRS-TGI

...But the gap can close quickly

Attitude shifts over the past three years reveal that consumers in Tier 1 and Tier 2 and 3 cities agree on at least one purchasing-related question. They all like to shop in nice environments.



Percentage of people who agree, "I like to shop in a nice environment."

Source: CNRS-TGI

International brands should continue to enjoy a favorable position in Tier 1 cities, according to these data, and with the exception of categories, such as luxury, that remain the province of international brands, Chinese brands face a major opportunity in Tier 2 and Tier 3 cities.

That said, the preference for domestic over international brands depends somewhat on the consumer's need state. This variation is apparent during the Golden Weeks. When buying FMCG products to meet everyday household needs consumers tend to prefer Chinese brands. For discretionary products that fulfill wants, such as the desire for a big-screen TV, other factors like "face" may influence consumer purchase decisions and could perhaps benefit international brands.

As brand becomes more important in Lower Tier cities, the interest in international brands should grow. International brands can prepare for this evolution by understanding Tier 2 and Tier 3 consumers and introducing brands in relevant ways. But time is short. Lower Tier shopping attitudes are quickly evolving.

The gap between how Tier 1 and Tier 2 and 3 consumers feel about shopping in nice environments, for example, closed dramatically in just the past three years. The change reflects the growing affluence and shopping sophistication of consumers in Lower Tier cities. Saying they like a nice shopping experience doesn't mean that consumers in these markets are willing to pay extra for it, of course. And media plans for effectively reaching this audience will differ by tier.

WHAT PEOPLE BUY

Big-ticket electronics spike but FMCG grows too



Shoppers crowd into narrow aisles lined with refrigerators on one side and washing machines on the other. In blue shirts, eight sales people mostly representatives of the several Chinese brands, including Hisense, Midea, and Little Swan, demonstrate products and answer questions.

WHAT PEOPLE BUY

Chinese holidays are associated with many product categories.

Sales of gift items, food for cooking holiday meals and alcohol peak during Chinese New Year, also known as the Spring Festival. FMCG purchasing increases during the Golden Weeks, too, especially the weeklong National Day observance in the fall when people spend relaxation time with family and friends.

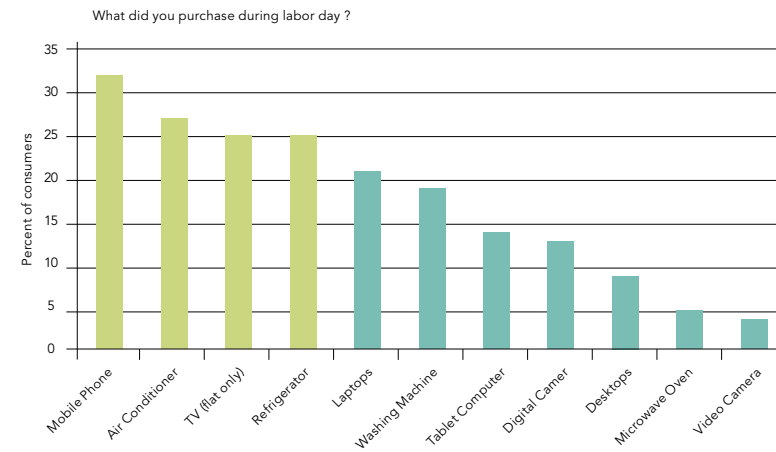
But the government invented both Golden Week periods—National Day and Labor Day in the spring—to drive consumption, and these holidays are best known as the time when sales of big-ticket purchases of home electronics and appliances spike because brands and retailers offer the year’s deepest discounts.

Consumers prepare months before the holidays, researching online and conducting in-store reconnaissance to compare brands, features and prices. Many, with new homes, are buying everything at once. Well informed, they shop during the holidays determined to negotiate the best deals on products for the home that make life more comfortable (appliances) or pleasurable (consumer electronics).

During the Golden Weeks holidays consumers purchase a wide variety of digital devices, appliances and home entertainment. In Tier 2 and 3 cities, mobile phones, air conditioners, TVs and refrigerators top the list of items purchased, according to our study of holiday purchasing, which focused particularly on Labor Day, the spring Golden Week holiday.

Phones, AC, TV and fridges top shopping lists

Mobile phones, air conditioners, TVs and refrigerators are the most sought after electronic purchases during Labor Day in Tier 2 and 3 cities.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

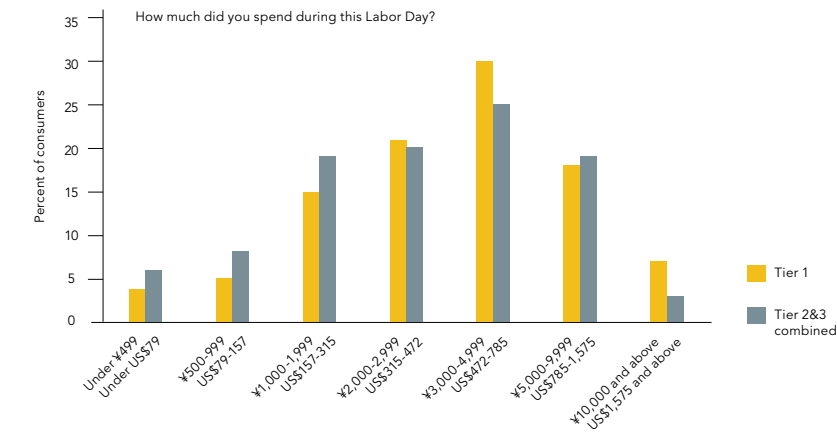
Although shopping for high-ticket electrical products dominates the Golden Weeks, consumers also enjoy their days away from work in other ways, spending more time with families and at gatherings with friends. These activities drive a related increase in FMCG sales.

The FMCG sales increase doesn't happen automatically. It requires FMCG brands to plan and act aggressively, increasing pack sizes and introducing more premium options, for example. Brands that take actions like these will enjoy a sales lift. Those that don't will miss a major opportunity.

Sales of food and dairy, in particular, increase during the Golden Weeks. Alcoholic beverage sales also rise. These sales increases don't match the levels reached during Chinese New Year, when feasts, entertainment and family reunion are central to the holiday observance. Nevertheless, the sales hikes are substantial, research by Kantar Worldpanel reveals.

Tier 2 and 3 basket size lags Tier 1, but not by much

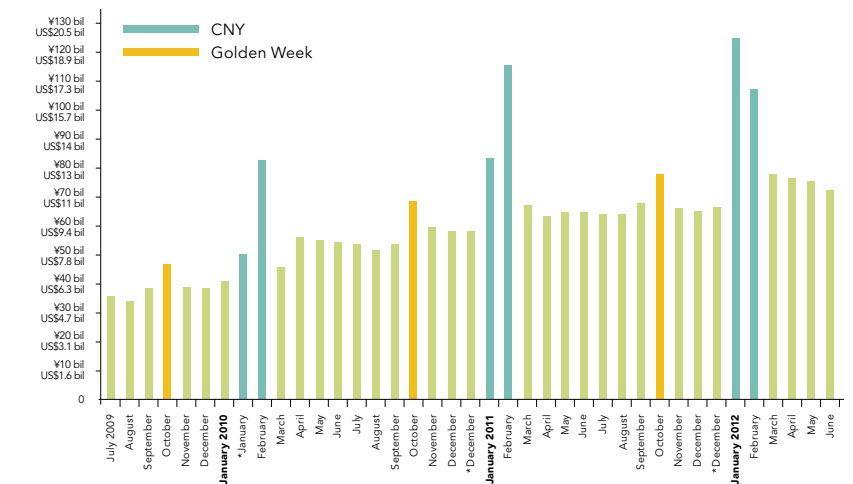
Consumers in Tier 2 and 3 cities spent less than Tier 1 shoppers during the 2012 spring Labor Day Golden Week. But consumer spending in Tier 2 and 3 was strong. The number of consumers with a significant basket size—¥5,000 to ¥9,999 (\$786 to \$1,570)—was almost comparable in Tier 1 and Tiers 2 and 3.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

Fall Golden Week gives FMCG sales a second boost...

Not unexpectedly, given the family focus of Spring Festival, the Chinese New Year, FMCG spending rises 85-to-95 percent during the holiday. During fall Golden Week, when consumers focus primarily on electronics shopping, FMCG sales still increase substantially, by 20-to-30 percent.

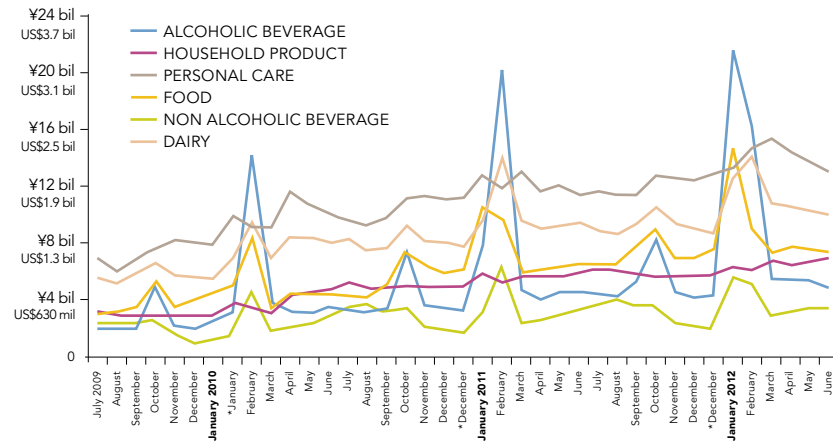


Source: Kantar Worldpanel

(* Indicates second sampling within the month)

...Alcohol, food and dairy sectors benefit most...

Sales of alcohol, food and dairy increase considerably during the National Day period in the fall when consumers have an extended vacation from work.

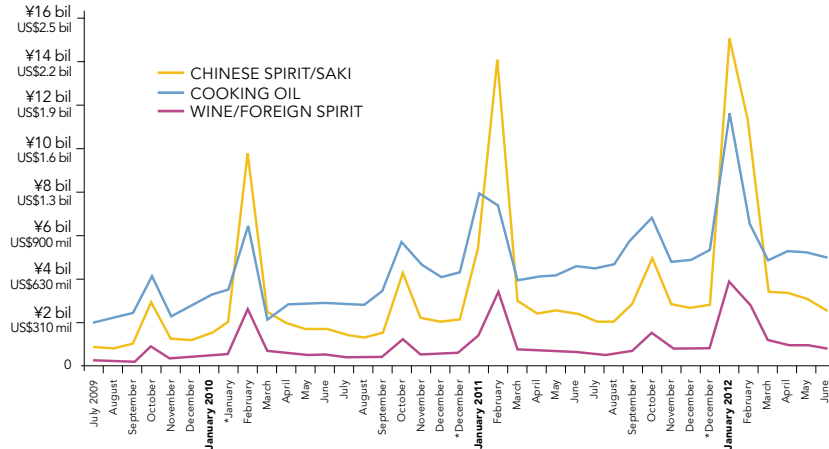


Source: Kantar Worldpanel

(*) Indicates second sampling within the month

...Spirits, wine and cooking oil categories gain substantially

Sales of spirits, wine and cooking oil more than double during Chinese New Year, but sales of these categories also increase substantially, by as much as 50 percent, during the fall Golden Week.



Source: Kantar Worldpanel

(*) Indicates second sampling within the month

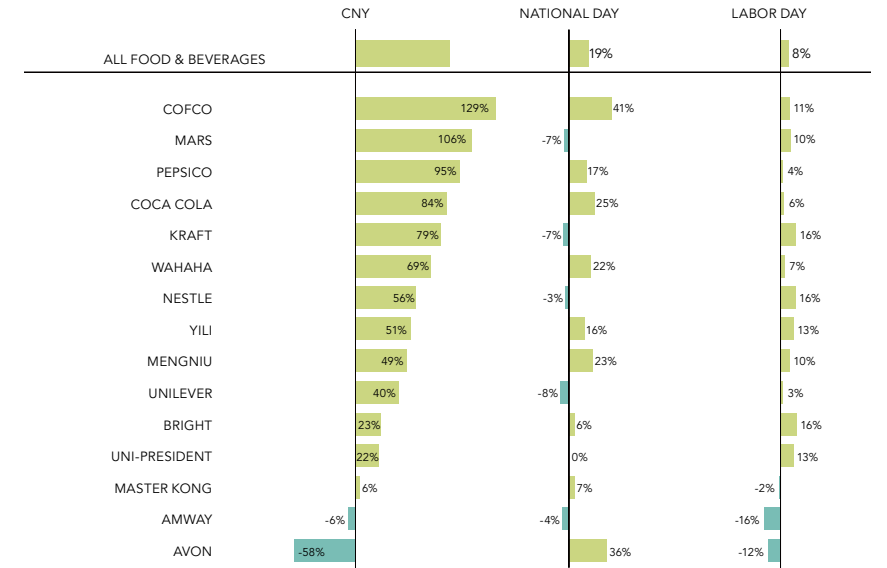
On a brand level, the effect of the holidays is particularly evident in food and beverage sales, which rise 88 percent for Chinese New Year and spike a substantial 19 percent during National Day, in the fall, and 8 percent during the shorter Labor Day holiday in the spring.

Not surprisingly, COFCO, the large state-owned food conglomerate experienced the greatest holiday effect. Its many brands include Fulinmen, a leading producer of cooking oil, and Great Wall wine. The strong sales rise for Pepsico and Coca Cola (see chart) indicates that household consumption of beverages and snacks increases during both Chinese New Year and the Golden Weeks.

Of all of the categories, dairy rises most evenly across the holidays. Both Yili and Mengniu enjoy a sales hike of about 50 percent during Chinese New Year and Bright sales improve 23 percent. Sales for all three brands remain relatively high for the Golden Weeks. Mengniu sales increase 23 percent and 10 percent, respectively, for National Day and Labor Day. Sales of Yili rise 16 percent and 13 percent. Bright gains 6 percent on National Day and 16 percent on Labor Day.

Both fall and spring Golden Weeks lift food and beverage brands

Because entertaining and family reunion is central to Chinese New Year, food and beverage brands experience their greatest lift during that holiday. But sales also rise sharply during Golden Weeks, when shopping is the main holiday activity.



Source: Kantar Worldpanel

THE BUYING PROCESS

Seeking the best deals on electronics



In-store promotion parades are a standard Golden Weeks feature. Adding to the noise level and crowding, they heighten the retail excitement. These young women in identical uniforms are promoting a Chinese brand mobile phone. A script they recite in unison is broadcast from small loudspeakers hanging from their waists.

THE BUYING PROCESS

The Golden Weeks primarily are a time when consumers shop for big-ticket consumer electronics and appliances. They begin their Golden Weeks purchasing activity online and long before the holidays.

These are considered purchases, mostly for home electronics, digital devices and appliances. A three-level hierarchy of needs and attitudes drives the process.

Life Stage

What major events—marriage, new home, growing child needing study space—are happening in the shopper's life?

Need State

What purchasing—repair, replace, upgrade—needs does this Life Stage trigger?

Strategy

Based on the time and effort required, what shopping strategy—convenience, guanxi, smart—will the shopper use to satisfy the purchasing needs?

It's important for brands to engage with consumers early and focus on Life Stage because Life Stage is an accurate forecaster of need. Knowing Life Stage enables brands to anticipate both the products consumers plan to buy and the strategy they'll adopt to buy them.

Marriage, for example, signals a need to set up a new home and buy many big-ticket items. Consumers planning to spend substantial sums often adopt a "smart" shopper strategy. They research extensively and negotiate price intensively. *(Please see How People Shop on page 36.)*

China's approach to new home or apartment development in part drives the size of the purchase. The new space is delivered as an empty shell that needs to be finished by the new owner.

Life Stage is the key driver of electronics purchases. Consumers devise often-elaborate game plans for getting the best deal on electronics during the Golden Weeks holidays. These plans divide into three phases: Perception, Preparation and Purchasing.

PERCEPTION

The process begins with a perceived need usually driven by Life Stage. Consumers ask themselves a series of questions to clarify what they need to buy and when and where they need to buy it.

What do I need?

- Am I in the market for an upgrade, replacement or new purchase?
- If I'm upgrading, why am I upgrading? Is it for a functional reason (I want more power and efficiency) or for a brand reason (I want to go from a basic to a premium or international brand and satisfy status needs)?

When do I need it?

- Can I defer the purchase until the holiday or not?
- Is my purchase essential or not? What impact will lacking this item have on my life? Is its importance essential (a refrigerator) or limited (a small appliance)?

Where should I buy it?

- Do I need just one item or do I have a bulk purchase to make?
- Do I know anyone who can help me get the best deal?
- Can I group buy with other people to get an even better deal?

INSIGHT

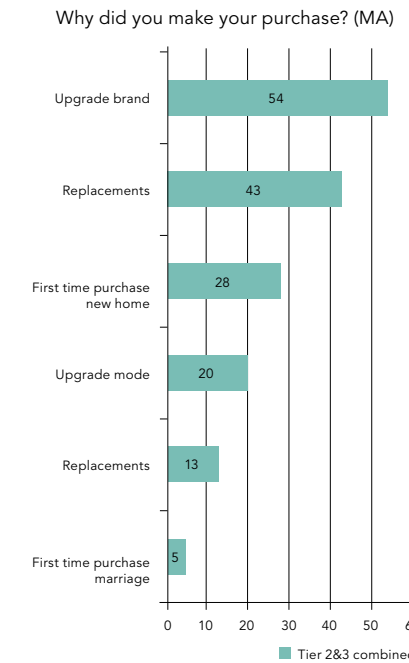
Brand & retailer preparation

Although consumers begin the buying process long before the Golden Week holidays, often with extensive online and in-store research, retailers don't prepare stores with point-of-sale promotion materials until perhaps a week before the holidays. Brands also wait until soon before the holidays to activate in the store. Because most stores merchandising look similar, retailers and brands have an opportunity to differentiate.



Upgrading and replacement drive purchasing

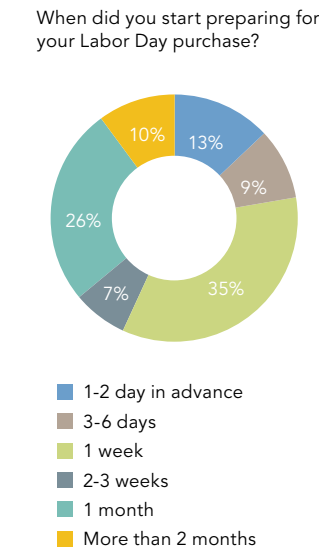
Upgrading brands and replacement of old products are the main drivers of purchases in Tier 2 and 3 cities.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

Consumers plan shopping weeks, even months in advance

More than a quarter of consumers in Tier 2 and 3 cities begin planning for Labor Day shopping a week before the holiday, while a third focus on shopping a month before the holiday and 10 percent begin planning even earlier.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

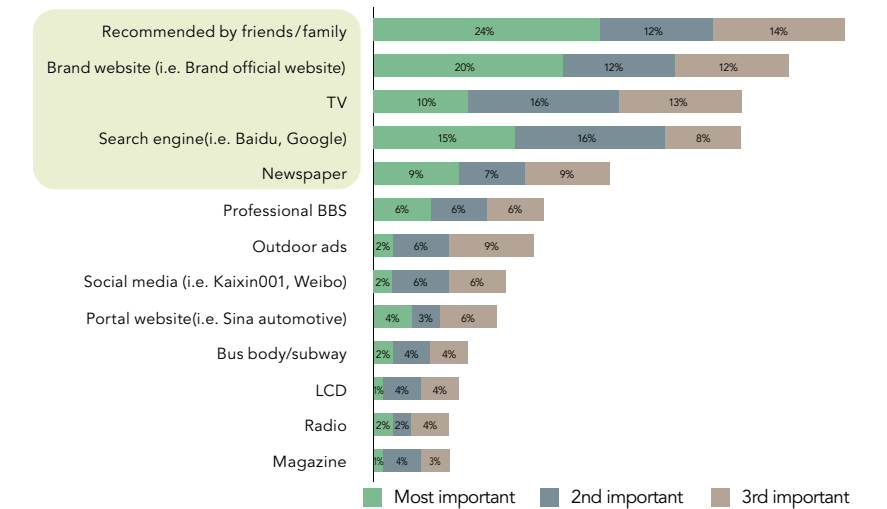
PREPARATION

The preparation period begins weeks, even months, prior to Labor Day or National Day. To consider product functionality, brand options and prices, consumers visit both brand and retailer websites. In Tier 2 and 3 cities, 66 percent of consumers visit a physical retailer prior to purchase and 40 percent check out online offers, according to our Millward Brown holiday survey.

Consumers check pure online sites like Taobao or 365Buy to purchase and also to find a reference price for a transaction that might ultimately takes place in a physical store. Consumers add to their knowledge by networking with family and friends and checking China's many micro blogs. Word of mouth is the most important information channel in Tier 2 and 3 cities.

Word of mouth is an important information channel

Word of mouth is an important information channel for consumers in Tier 2 and 3 cities. They also search online, particularly viewing brand websites, and TV remains significant.



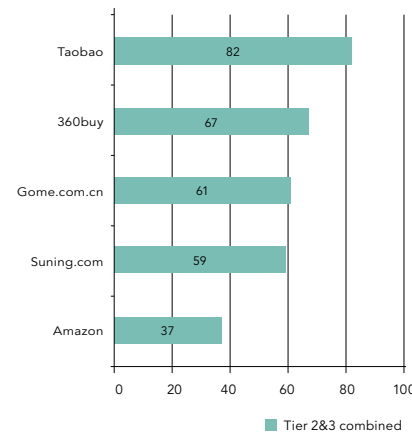
Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

Prior to the holidays consumers visit bricks and mortar stores at least once and often multiple times. They time the visits carefully. Go too early and the holiday prices are not yet available. Go too late and there's not enough time to find the best deals. Consumers understand that initial prices at bricks and mortar retailers may be higher than prices offered online, but they want the in-store interaction with products and sales people and they expect the initial price to be reduced with a combination of discounts from both the brand manufacturer and the retailer.

Prior to the holidays consumers visit online retailers...

Top 5 most visited online retailers

More than 80 percent of consumers in Tier 2 and 3 cities check the Taobao site prior to Labor Day. And a substantial number visit other online leaders. Consumers use the online sites both to research products and prices and to purchase.

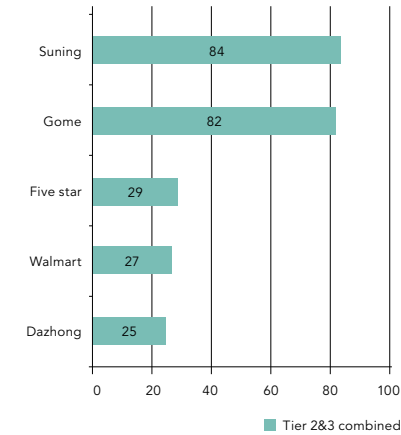


Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

...And they visit physical stores

Top 5 most visited bricks and mortar retailers

More than 80 percent of consumers in Tier 2 and 3 cities visit the two leading consumer electronic retailers, Suning and Gome, prior to Labor Day. In search of the best deal, consumers visit many retailers, including smaller local chains and the hypermarkets like Walmart.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

Finding the best deals requires evaluating competing offers that are not easily compared. The listed price is only a starting point for negotiation. Depending on their level of motivation and energy, consumers can reduce the listed price significantly with direct discounts, vouchers for savings and additional discounts applied to the total shopping bundle. This profusion of discounts, nominal gifts and other special offers creates a layered pricing structure that can seem complex. For Chinese shoppers—and the retailers, brands and partners that provide these discounts—it's simply business as usual.

Brands

Brands offer discounts in many forms, from straightforward money off to reductions linked to purchasing other items or reaching a spending threshold. In-store sales people usually work for the brands, not the retailer, and negotiate with the shopper. Salespeople compete against each other for the sale.

Retailers

Retailer discounts typically are added at checkout as an additional percent off the total bundle. Retailers also may provide vouchers with a cash value against future purchases. And retailers sweeten the shopping experience with free parting items that are practical and low cost, a rice cooker, for example. These items are a social lubricant of China's gift-giving culture. Shoppers aren't fussy about the particular gifts, but their absence can be an issue.

Partnership Programs

Retailers honor discount vouchers from non-competing retailers and other organizations with which they collaborate. These vouchers can help close a deal by making it marginally more advantageous than the competition's.

PURCHASING

With preparation completed, shoppers again visit the bricks and mortar stores, this time to purchase. They arrive with detailed game plans that may include not only the order of stores to shop but even the restaurant stops for lunch and dinner.

By the time shoppers are ready to purchase they often have more than one multi-layered offer to consider, especially if they're purchasing several items. They apply four mental filters to evaluate the competing offers to determine the best deal.

Cost

Where can I get the cheapest price and is the store located within a reasonable distance?

Function

Does this retailer offer a range that projects trustworthiness and enables me to shop my entire basket?

Experiential

Will I be comfortable in the store and is it staffed with helpful people?

Symbolic

Have I had good experiences with this retailer so far? Did the retailer treat me with respect by recognizing my value as a customer and giving me a good deal?

On purchasing day shoppers arrive at the stores with shopping lists but also flexibility. They've evaluated all offers and determined the best deals. But an effective game plan requires an open mind. Shoppers will review each negotiated deal and seek further discounts. And they'll alter their plans opportunistically, switching brands or making an impulse buy as necessary. The buying process can be long and involved. And it's not over until it's over.

INSIGHT

Bonding challenge and opportunity

Because the need to get the best deal is such a stronger motivator, it's possible to persuade Chinese consumers to switch brands during the Golden Weeks. As brand becomes more important in China, brand owners have an opportunity to build strong customer relationships where currently few exist. Brands that succeed will gain a differentiating competitive advantage.



HOW PEOPLE SHOP

Shopping strategies for winning a deal



Promotions engage every sense. Retailers switch on all entertainment electronics and appliances and aisles fill with the sound and light of TVs, the aroma from rice cookers and other appliances and, as these shoppers discovered, the steam blown from humidifiers. Touching and trying products is expected. Salespeople circulate with free water.

HOW PEOPLE SHOP

Growing affluence, home ownership and access to consumer goods drives the growth of high-ticket purchases in China's Tier 1 and Tier 2 cities. Across all Life Stages and Need States, these Chinese consumers believe that the more time and energy they devote to researching and shopping, the better deal they'll get during the Golden Weeks holidays.

But devotion varies by shopper. Depending on financial circumstances, time available, size of purchase and personality Chinese consumers in Tier 2 and Tier 3 cities typically adopt one of three shopping strategies for researching and purchasing home electronic products and appliances during the Golden Weeks.

The strategy selected—convenience, smart or guanxi—depends on how a consumer balances the need to gain the best possible deal against the time and energy required to achieve it, our research by Added Value in Nanjing and Wuxi revealed. The strategies form a continuum.

At one end of the continuum, convenience strategy shoppers invest less than full time and energy to the purchasing process but will accept less of a discount. Anchoring the other end of the continuum, the smart shopper strategy is adopted by people willing to devote enormous time and energy in pursuit of the best possible deal.

The guanxi shopping strategy can be found anywhere along the continuum. These shoppers, who expend various amounts of time and energy on the buying process, ultimately depend on a personal relationship, or guanxi, to achieve what they hope will be the best possible deal. Variations exist within each strategy.

INSIGHT

Salespeople need to be as prepared as shoppers

Shoppers are sophisticated and often tireless as they network online and with friends and family gathering intelligence that will help them negotiate the best deal. Salespeople need to be well prepared because, to avoid disadvantage and losing face, shoppers are unlikely to negotiate without being extremely knowledgeable. And well prepared salespeople gain more power in the negotiations.



CONVENIENCE

A discount is important to convenience shoppers and they're willing to exert a certain amount of effort to obtain it. Otherwise, they could pay full price before or after the holiday periods and avoid all of the holiday hassle. But convenience shoppers make a trade off, sacrificing some discount for time and energy saved.

The convenience shoppers expect to get at least the average—about 15 percent—discount for Labor Day and National Day transactions. Time constrained consumers, and those needing only a few relatively low-price items, are more likely to select the convenience strategy. They'll move through the entire shopping process, including research, but at high speed.

Although this description sounds as if it could fit western shoppers, there are important differences. In the West, all shoppers—whether making minimal or maximum effort to achieve the best deal—would have access to the same pricing information.

That's not the case in China where, in the electricals sector, the best price usually is not the one that appears on the shelf, in an ad or on a website. It's the price that emerges only after intense face-to-face negotiation. The lack of immediate price transparency disadvantages the convenience shopper.

INSIGHT

It's all about getting a deal but not just about getting a deal.

Although consumers view Labor Day and Golden Week as the time to find the best deals, the level of shopper involvement isn't always determined by income. Even the most affluent people engage in serious shopping because finding the best deal is important for self esteem, or face. Especially with home electronics, Chinese consumers gain esteem not just from having purchased the right brand, but also from having purchased the right brand at the best price.



SMART

These shoppers do the most intensive and thorough job of research either because they're naturally disposed to behave that way or they're about to spend a large sum of money on a high-ticket item or large basket.

Especially in the fast-growing Lower Tier cities, these smart shoppers often are in a Need State driven by rising affluence. They may be furnishing a new home, for example. In these circumstances, savings on each item helps and can add up to a substantial amount for the total purchase.

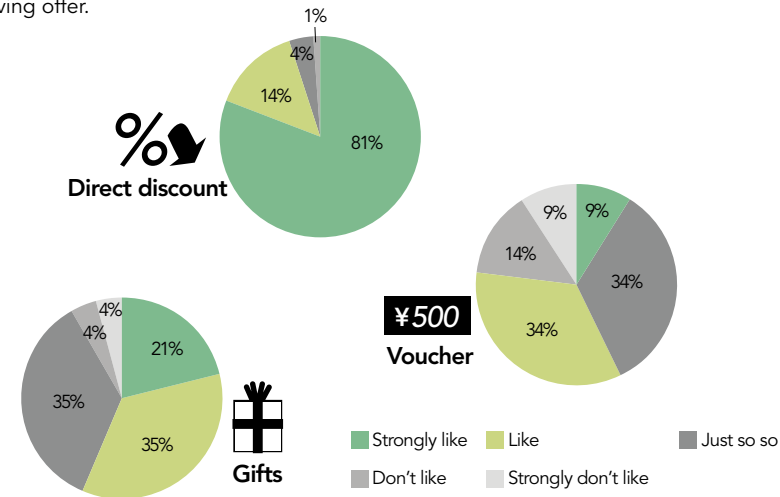
Smart shoppers check prices online, visit many stores, find all available discounts and vouchers from which they construct and evaluate competitive offers. Because this process takes time, smart shoppers enlist help.

While convenience and guanxi shoppers usually visit stores alone or in small groups, shoppers who adopt the smart strategy are more likely to be accompanied by an entourage of friends and family across multiple generations. This support group helps with some of shopping's physical tasks, such as obtaining vouchers.

The group does not act as an advisory counsel, however. It helps execute the Labor Day or National Day game plan, but the person making the purchase ultimately decides what deal to accept.

Consumers prefer direct discounts

Although vouchers and gifts are important purchasing incentives and emotional drivers, consumers overwhelmingly rank direct discounts as the most important type of money-saving offer.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

GUANXI

Of the three shopping strategies, Guanxi is the most distinctively Chinese. It emphasizes the importance of a personal relationship to obtain the best deal.

Guanxi is a relationship, or a network of relationships, in which the partners invoke mutual obligation as a kind of currency to obtain and reciprocate favors. Over time, the ledger of benefits given and received must balance. In the Golden Week context, the guanxi shopper requests a favor—a good deal—from someone in a position to deliver it, a brand manufacturer or retailer friend.

Shoppers who intend to use guanxi typically contact their friend early in the shopping process. Like convenience shoppers, they hope to exert minimum effort. Shoppers more determined to secure the best possible deal don't depend exclusively on guanxi. They first research and gather all available discounts before asking a friend for the best possible deal. These guanxi shoppers act like smart shoppers.

Guanxi can be tricky. It can shorten the shopping process but, because of the nuances of a personal relationship, guanxi can't guarantee the best deal.

INSIGHT

The transparency paradox

Golden Weeks shopping is based on a paradox. In an environment where there's no price transparency, because the sticker price means little, there is total transparency because everyone knows that the sticker price means little and, through networking, everyone can learn the best deal.



WHERE PEOPLE SHOP

Shoppers crowd the leading electronics retailers



All the major brands employ people to draw attention in retailer-owned stores and direct shoppers to their departments. This salesperson promotes Motorola at a Suning store, while the girl at the left in the photo looks at a list of available mobile phone numbers.

WHERE PEOPLE SHOP

Having selected a shopping strategy for winning a good deal on white goods or home electronics during the Golden Weeks, consumers need to decide not only on the product brands they most desire, but where to purchase them.

People often begin their research online. They may start with a search on Baidu, China's dominant search engine and the world's largest after Google. And they'll check out Tencent, China's largest online community with as many users in China alone as Facebook has worldwide.

In fact, shopping research is a key growth driver of social networking in China. Consumer reviews, rating sites, forums and discussion boards influence the purchase decisions of China's Internet users.

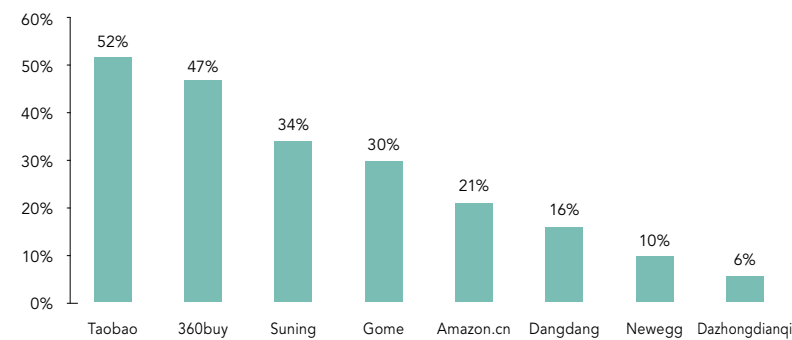
Beyond using the Internet to compare product features and prices, Chinese consumers exchange retail intelligence, including the discounts and vouchers available at specific stores and even experiences with particular salespeople.

Some consumers purchase online. They tend to consider purchasing from the pure online brands such as Taobao (52 percent) or 360Buy (47 percent), rather than the online sites of the bricks and mortar leaders.

Most consumers prefer to experience the merchandise firsthand and interact with salespeople about product features, prices and discounts. Their visits to home electronics retailers may include regional brands, like Five Star, and China's two national electronics retailer leaders—Suning, which operates a portfolio of more than 1,500 stores, and Gome with around 1,200 stores.

Some consumers purchase online...

Consumers are more likely to purchase from pure online brands like Taobao and 360buy rather than the online sites of bricks and mortar retailers.

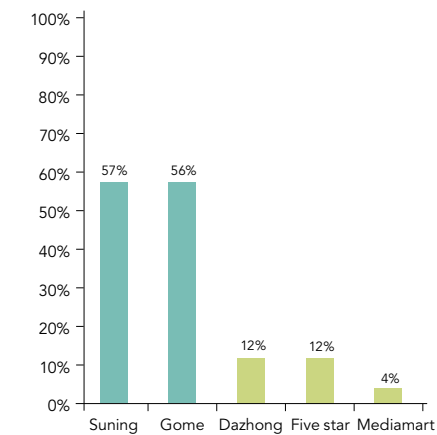


Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

What stores consumers choose to visit depends on several factors including convenience and past experience with the brand. Consumers often will visit several stores during the preparation period when they're researching. Ultimately, they spend money in the store that offers the winning combination of product, price, trustworthiness and discounts, basically the best value proposition.

... Most consumers prefer to purchase in physical stores

Most consumers prefer to purchase from physical electronics retailers and especially from the national brand leaders.

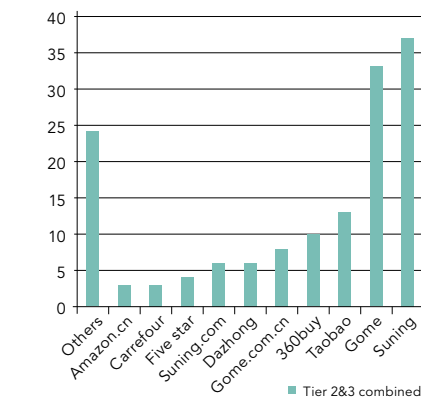


Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

Tier 2 and 3 shoppers demonstrate this preference for purchasing electronics in physical stores, according to our Millward Brown research into electronics purchasing during Labor Day. Suning and Gome are the favored purchasing destinations by far.

Tier 2 and 3 consumers mostly buy at physical stores

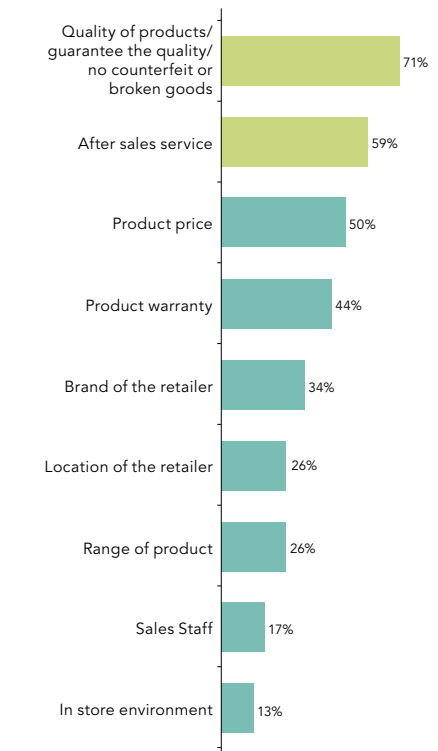
Tier 2 and 3 shoppers overwhelmingly purchased from physical stores during Labor Day 2012, and from the retail leaders Suning and Gome in particular.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

Consumers shop where they trust quality

Trust in the quality of the merchandise tops consumer considerations for selecting retailers. Price is important, but consumers list it as their third concern following trust in quality and in after-sale service.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

INSIGHT

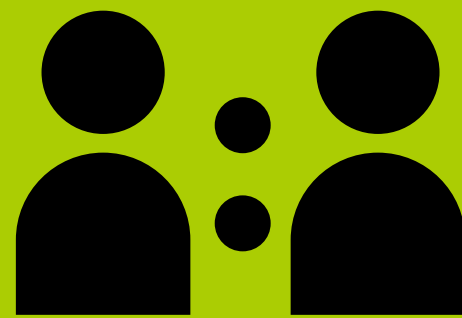
Trust is more important than price

Although for consumers the Golden Weeks are all about winning the best deal, trust comes first. The price discussion doesn't happen until consumers trust that the manufacturer and the retailer offer quality products and reliable follow-up. The need for trust as a precondition to price negotiation underscores the importance of brand.



THE RULES OF THE GAME

Complicated, ritualized, competitive and entertaining



At the end of the shopping trip, preparing to return home, a family organizes all its free gifts. Gifts close sales in a positive way with a gesture that helps shoppers feel good about their purchases and interactions with store and brand salespeople.

THE RULES OF THE GAME

With time off for relaxation and entertaining during the Golden Weeks, consumers increase their FMCG purchasing. They might purchase larger or better known brands as a family treat or for entertaining. Beyond that, however, how they shop for FMCG doesn't change much. In contrast, purchasing of home electronics and appliances increases dramatically during the holidays and consumer shopping patterns are much less routine.

Electronics stores filled with shoppers during the Golden Weeks resemble retail crowds just about anywhere in the world. But the magnitude and style of price negotiating and maneuvering is specifically Chinese.

What seems like a large modern store may actually be a collection of leased space owned, staffed and operated for the benefit of a manufacturer brand. This structure produces fierce

inter-department competition with no incentive to benefit the overall performance of the retailer.

Regulations govern the sticker price shown on the shelf. But the price on the shelf is rarely the final price. Shoppers understand this system and visit the various brand departments to negotiate hard for the deepest discounts and other incentives.

In some instances, retailer sales people escort shoppers through the store to better understand what shoppers are buying and to assess the margin mix and determine if further discounts to secure the sale might be possible.

Golden Weeks price competition can become so competitive, sales people sometimes refuse to put negotiated discounts in writing to prevent customers from using these price references to negotiate elsewhere.

INSIGHT

The fragility of margins

Manufacturers usually provide discounts on individual products, while the discount on top of the total purchase comes from the retailer. Manufacturers also provide free gifts. The myriad combinations of manufacturer and retailer discounts and incentives can make it difficult to calculate final margins. Without sufficient analysis and oversight it's too easy to sell a lot of merchandise but make little or no profit.



Prior to checkout, with item-by-item negotiating completed, the shopper and retail sales person may engage in a final negotiation for a bundle discount and possibly other benefits that close the deal.

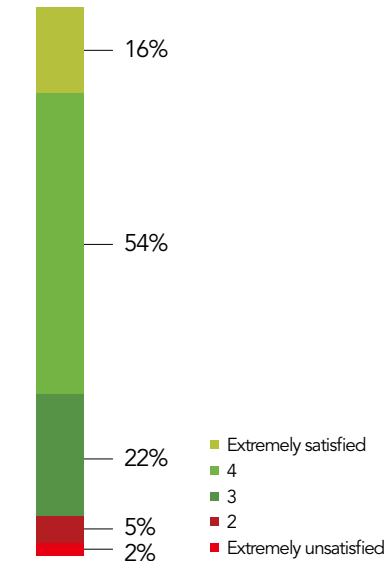
Consumers, brand marketers and retailers embrace this intense process for at least three reasons. First, it works. All the participants benefit. Retailers and brand owners sell a lot of merchandise and consumers receive assurance that they've gotten a good deal on the products they desire.

Second, it's cultural. Strategic maneuvering as a path to competitive success is expected and respected in China. Retailer and manufacturer attempt to ease the stress with ritualized hospitality, providing shoppers with free water, hand fans to cool off and other small amenities.

Third, it's expected. Changing this routine is possible, but it won't happen soon.

Consumers are overwhelmingly satisfied with their holiday purchases...

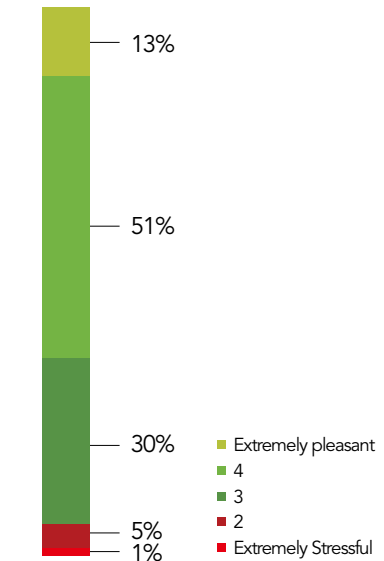
Almost three quarters of shoppers, 70 percent, said that they were very or extremely satisfied with their Labor Day purchases.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

...And with the shopping experience overall

Almost two-thirds of shoppers, 64 percent, said that they found the Labor Day shopping experience very or extremely pleasant.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

INSIGHT

The Yin and Yang of retail

Consumers, retailers and brand manufacturers understand that they're engaged in a relationship and each has a role to play. The role of the brand manufacturer and retailer is to sell products for a profit. The role of the consumer is to buy products at the best possible price. While these are adversarial positions, they also are complementary, a yin and yang that form a mutually beneficial relationship.



Part 2: SHOPPER JOURNEYS



INTRODUCING THE CONVENIENCE SHOPPER

The family is replacing a broken washing machine.

Ding Jun, a 43-year-old supervisor in a state-owned enterprise lives with his wife and son in one of two modest apartments that he inherited from his parents. His mother Xu Zhihua, a 67-year-old widow, lives with the family. Along with Mr. Ding's salary, the family also receives income from his wife's employment. He Xiaoling, 40, works in a fashion shop operated by Mr. Ding's brother.

The family considers a washing machine especially important because 13-year-old Ding Guanjie, active in sports, changes his clothes three or four times a day. And his parents are concerned both about his hygiene and his appearance as it reflects on their status.

In the traditional way, the husband is the key decision maker about electrical items. But Mr. Ding has postponed buying a new machine because he likes tinkering and wants to wait until Labor Day when he expects to get a better price.

The family kept the current machine in the backyard where they hang clothes to dry, but they'll install the new machine in the bathroom. In China, washing machines usually are installed in bathrooms and size is always a consideration. In preparation for the purchase Mr. Ding used his desktop computer to research online and narrow his choice by brand.

He originally thought about buying a Siemens unit, but it was expensive. He also looked at Little Swan, a leading Chinese brand. He visited Taobao the online marketplace, and the online site of electronics retailer Suning. Mr. Ding decided not to buy online in part because he expected to get a better deal during the holiday.

During a browsing trip to a store he discovered a Whirlpool that fit the bathroom dimensions. Although he enjoyed the shopping process, he did not research too intensively. With only one item on his shopping list, he didn't want to spend an overwhelming amount of time trying to negotiate for the best possible price if reasonable effort could yield a good price. Price remained an important factor, however since the washing machine cost perhaps 40-to-50 percent of his monthly income.



Wife: He Xiaoling



Son: Ding Guanjie

SHOPPER: **Ding Jun**

AGE: **43**

LOCATION: **Nanjing**

INCOME: **¥8,000/mo. (\$1,250)**

LIFE STAGE: **Married with a child**

NEED STATE: **Washing machine broke**

SHOPPER STRATEGY: **Convenience**

IN-STORE TIME: **1.5 hours**

ESTIMATED SAVINGS: **25 percent**





Xu Zhihua, Mr. Ding's mother, lives with the family. She's resting in the yard where the family hangs clothes to dry.



The couple convenes in their dining area to discuss their shopping needs. Their wedding photo hangs on the far wall.



The family had kept the old washing machine that broke in the yard.



Guanjie, the couple's 13-year-old son, watches a big screen TV as his father tends to the family dog.



Ms. He checks the new washing machine, which the family will install in the bathroom, where Chinese households usually keep washers.



Mr. Ding keeps the family's old TV because, once severely damaged by water, it miraculously recovered.

INTRODUCING THE GUANXI SHOPPER

Gu Zhijie, 28, and Shen Juan, 26, are engaged to be married.

During the two years they've been together as couple he's lived by himself and she's lived with her parents. They're now preparing to move into an apartment together after they're married. In China, that means purchasing all the items—from appliances to decoration—required to transform raw concrete space into a home.

Because this process is long and expensive, shopping well and saving money is important. Both individuals are employed, Mr. Gu as a chauffeur and Ms. Shen in the finance department of a small household goods company. Their parents are mostly retired and relatively well off financially, in part because of savings and inherited property. They'll generously help their children.

The groom's parents set the wedding date, in a traditional way, after consultation with a fortuneteller who determined that the most auspicious day would be in the fall. They will organize the wedding dinner for 450 guests. The bride's parents will pay for all the electronic purchases. The couple's shopping list includes: a refrigerator, a washing machine, two TVs—for the living room and the bedroom—and two room air conditioners.

Although the bride's parents told their daughter to spend what was needed, they also suggested a budget of ¥30,000 (\$4,700). The children appreciated the open-ended offer but understood they had a spending ceiling appropriate for their circumstances, which are comfortable but not luxurious.

Mr. Gu initially shopped alone for the merchandise. After researching online purposefully for a couple of months, he began his in-store research two weeks before Labor Day with a visit to Gome and then Five Star, electronics chains. He also visited a local Wuxi retailer. During these store visits he created a shopping list of model numbers and prices.

The couple purchased the merchandise together during the holiday at a Five Star store where a friend of Mr. Gu worked as a salesman. Mr. Gu had discussed his shopping list with his friend and expected that *guanxi* alone, the mutual obligations of this personal relationship, would yield a significant discount. It didn't work out exactly as planned.



Girlfriend: Shen Juan



Father: Gu Huijun



Mother: Jiang Hui



Paternal grandmother:
Chen Yuzhen



Paternal grandfather:
Gu Changsheng

SHOPPER: **Gu Zhijie**

AGE: **28**

LOCATION: **Wuxi**

INCOME: **¥7,000/mo. (\$1,100)**

LIFE STAGE: **Engaged to be married**

NEED STATE: **Furnishing new apartment**

SHOPPER STRATEGY: **Guanxi**

IN-STORE TIME: **2 hours**

ESTIMATED SAVINGS: **15-20 percent**



Before going shopping, Mr. Gu considers his purchases, in the living room of his apartment.



Several TVs fill Mr. Gu's bedroom in the apartment where he lives alone.





On another floor of the building where Mr. Gu lives, renovations take place in the apartment that he and Ms. Shen will occupy after they're married.



In the living room of his parent's house, where Mr. Gu often goes for meals, he speaks with his mother, left, a guest and his grandmother, in the wheelchair.

INTRODUCING THE SMART SHOPPER

In an apartment building the family owns two units, the one they occupy and the one they're renovating.

Because Chinese employers in the past often provided apartments as part of worker compensation, it's not unusual today for people of modest means to own more than one inherited unit. Ren Lu, 29, and Chen Cheng, 28, fit this description.

They married three years ago and have a two-year-old son, Chen Ren Haoqian. Mr. Chen works as a construction engineer and Ms. Ren as an office administrator. They're relatively comfortable with a monthly income of ¥12,000 (\$1,880) and a hatchback MG.

Ms. Ren is the decision maker about all household issues, but because she doesn't know how to cook, Mr. Chen prepares the meals. Both sets of grandparents live nearby, close enough to help with childcare.

Ms. Ren began her research online and created a shopping list that included two TVs, a 42-inch model for the living room and a 32-inch model for the bedroom. Her budget included ¥5,000-to-¥7,000 (\$785 to \$1,100) for the living room TV, where a prestigious brand is required to make the right impression on guests. In the bedroom, where brand is less consequential, she expected to spend around ¥2,000 (\$315), probably on a Chinese brand like Panda.

She selected the Panda brand after her online research convinced her that certain Panda models are produced in the same factories as models from Sharp, the Japanese manufacturer. She also planned to buy air conditioners for the rental apartment and considered price more important than brand because the appliances are for tenants, not for her family.



Husband: Chen Cheng



Paternal grandmother:
Zhang Lixia



Maternal grandmother:
Chen Guiying



Son: Chen Ren Haoqian

SHOPPER: **Ren Lu**

AGE: **29**

LOCATION: **Nanjing**

INCOME: **¥12,000 RMB/mo. (\$1,880)**

LIFE STAGE: **Married**

NEED STATE: **Renovating apartment**

SHOPPER STRATEGY: **Smart**

IN-STORE TIME: **4 hours**

ESTIMATED SAVINGS: **35 percent**





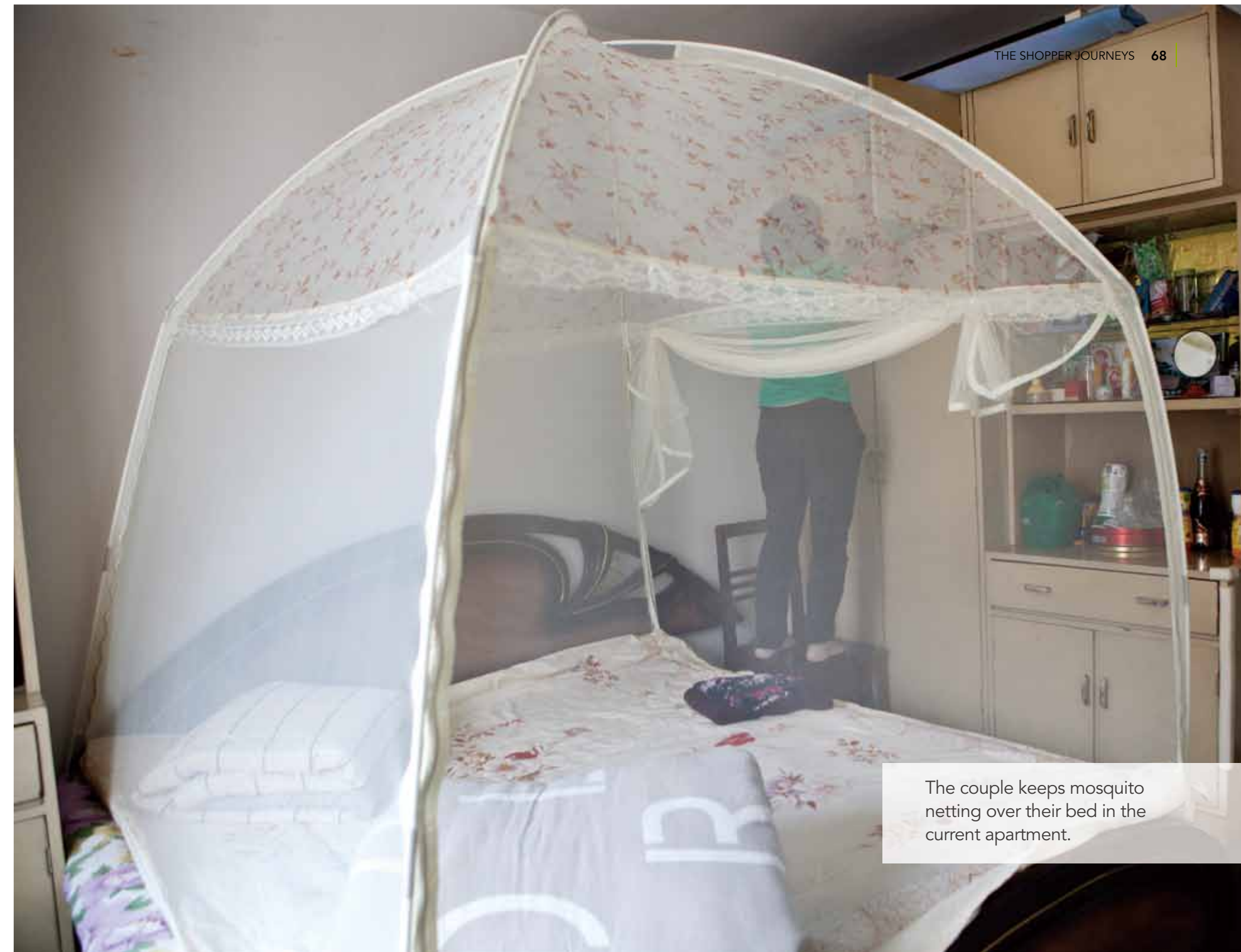
Although Ms. Ren is the decision maker about household issues, Mr. Chen prepares meals for the family because she doesn't know how to cook.



Ms. Ren plays on the floor of the living room with their son, while her husband and mother relax on the couch.



Ms. Ren considers a prominent place in the living room to place the TV she plans to buy.



The couple keeps mosquito netting over their bed in the current apartment.

Case Studies

SHOPPING WITH THE FAMILIES

CONVENIENCE

Shopper



Soon after the washing machine broke, Ding Jun began researching online for a replacement. He looked at Taobao, the virtual marketplace, and website of Suning, the electronics retailer and considered Siemens and the Chinese brand Little Swan. He decided not to purchase from Taobao because he was concerned about accountability if he encountered a problem with the merchandise. Rather than purchase online from Suning, he felt more comfortable judging the quality and design of the product in a physical store.

CNRS-TGI

BRAND PENETRATION

Washing Machines

Two Chinese brands—Haier and Little Swan—dominate the washing machine category. Across all tiers, 22 percent of Chinese washing machine owners own a Haier brand machine and 17 percent own a Little Swan. Panasonic and Whirlpool are the most represented foreign brands.





Two weeks prior to the holiday, Mr. Ding visited the Suning store in the city center of Nanjing, intending to purchase a Siemens product. He'd already checked other stores but wanted to visit Suning because he expected to find a more extensive product range and knowledgeable sales help. After Mr. Ding explained the washing machine size and features he needed, the saleswoman introduced him to another brand, Whirlpool.



The saleswoman then suggested that Mr. Ding look at the Siemens machine so that he could compare it with the Whirlpool model. In an attempt to close the deal, two weeks before the holiday, the saleswoman, employed by Whirlpool, offered what she promised was the holiday offer: a 5 percent discount plus a ¥400 (\$63) voucher against other purchases and ¥100 (\$16) cash back for every ¥1,000 (\$160) spent. The seemingly complex, multi-layered offer, standard in China, reduced the price of the washer from ¥4,599 (\$720) to a rounded-down ¥3,900 (\$610) cash and ¥400 (\$63) in vouchers, or ¥3,500 (\$550). The price tempted Mr. Ding to purchase the Whirlpool washer on the spot. He decided to wait for the holiday, however, and took the saleswoman's mobile number to follow up.

BrandZ™ Brand Building Tools

The world's largest source of brand equity knowledge and insight, BrandZ™ is available exclusively through WPP companies.

TrustR

An index, based on BrandZ™ data, TrustR measures the extent to which consumers trust and are willing to recommend individual brands. An average TrustR score is 100. A score of 105 or more is good, 94 or less is poor. A high TrustR score correlates positively with bonding, sales and brand value.

www.brandz.com

ValueD

An index, based on BrandZ™ data, ValueD measures the gap between the consumer's desire for a brand and perception of the brand's price. Any score above 100 is relatively strong because it signals that the brand scores higher on desire than on price. ValueD helps brands optimize their sales, profit and market positioning.

www.brandz.com

Brand Toys

Brand Toys are visual representations of brand personality based on brand BrandZ™ data combined with an index of social media buzz. This information dictates the Brand Toy's size, shape and expression. Eyes widen to indicate charisma, while height increases and legs thicken to project trustworthiness, for example. Brand Toys stimulate creative thought that can lead to new marketing and strategic insights.

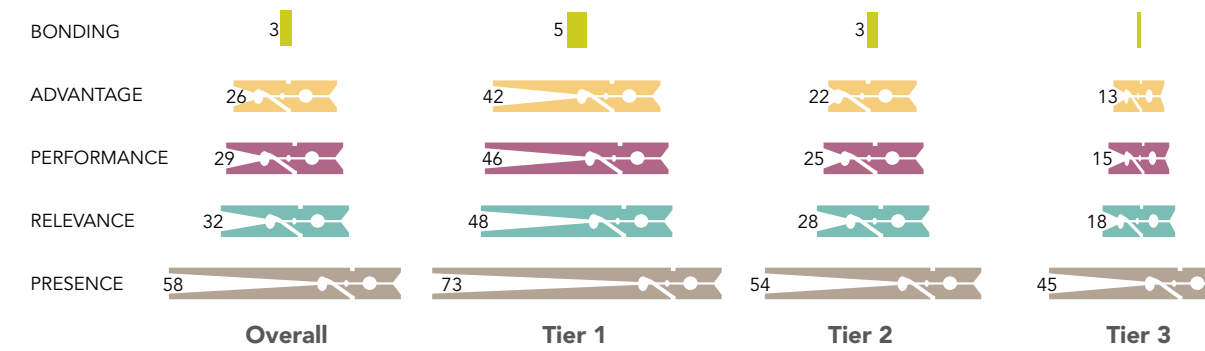
www.brandtoys.com

BrandZ™ Pyramid

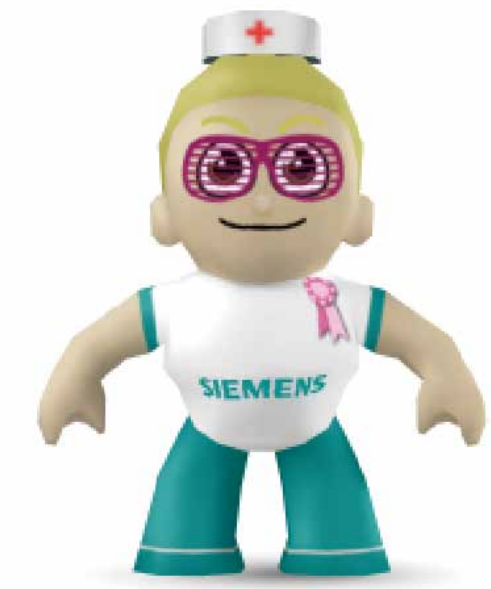
The BrandZ™ Pyramid measures consumer engagement with a brand. Engagement begins on a foundation of presence (familiarity with the brand) and builds with successive levels: relevance (meets needs and makes the consideration set), performance (proves functionality and makes the short list) and advantage (provides benefits over the competition). Strength at each level correlates with increased share of wallet and loyalty. Strength at the pinnacle of the pyramid, bonding (emotional engagement), can indicate active brand advocacy. The numbers on the pyramid show the percent of consumers that engage with the brand at each level.

www.brandz.com

BrandZ™ Analysis: Siemens



2012	TrustR	ValueD
Siemens		
– overall	102	90
– Tier 1	103	94
– Tier 2	101	89
– Tier 3	102	87
Category Average		
– overall	99	101
– Tier 1	99	101
– Tier 2	99	101
– Tier 3	101	101
Top 50 Most Valuable Chinese Brands	106	112



Source: BrandZ™

Siemens

The German brand Siemens is well known in China's largest cities and highly regarded for its performance. These findings, indicated by the thickness of the Siemens BrandZ™ Pyramid in Tier 1, reflect the positive perception of foreign brands among affluent Tier 1 residents. The relative thinness of the bonding level of the BrandZ™ Pyramid indicates that although consumers respect the functional performance of Siemens, they feel little emotional connection to the brand. The low ValueD score suggests that the brand's premium positioning is accompanied by a presumption that it's high priced. The data also indicate that Siemens is less established in lower tier cities where Chinese brands are strong and consumers value function over status. Based on the body shape and accessories of the Brand Toy, the consumers see Siemens as a familiar brand with strong potential, a caring personality and somewhat different, probably because of its international pedigree.



Two weeks later, during the holiday, Mr. Ding visited a different Suning store, closer to his home because it was convenient. But to double-check the Whirlpool offer, he called the saleswoman from the city center Suning on her mobile phone. She tried to set up an appointment with him to arrange for the many supervisor approvals she'd need to activate the promised discounts. He set up the appointment.

INSIGHT

*Location,
location,
location*

In contrast to most other markets where stores are more widely dispersed, stores with like specialties are clustered together in China. Even individual brands often are represented multiple times within the same vicinity. The concentration of stores facilitates intensive comparison-shopping in China. And it requires brands and retailers to compete decisively.



Mr. Ding then investigated prices at another Suning store to see whether he could find a better deal. Once he had another offer he again called and texted the original saleswoman to see if she could match the deal.

INSIGHT

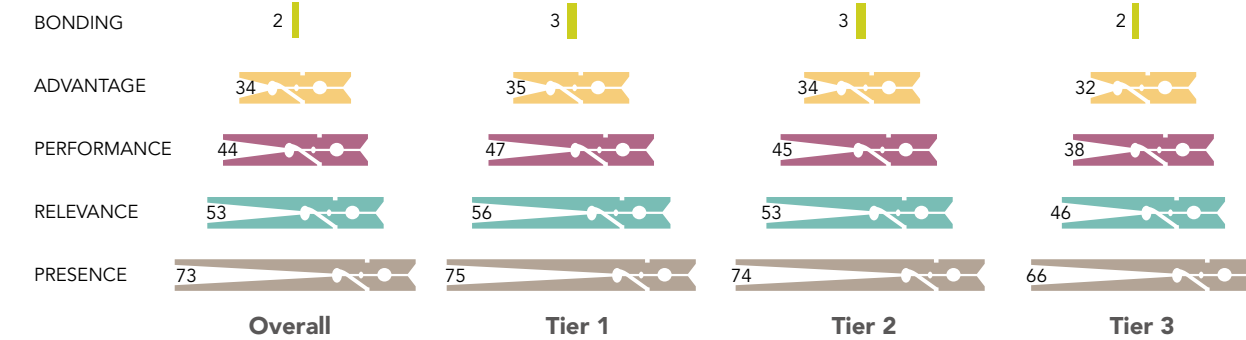
Retail brand discounts vary by location

The discounts offered by a retail brand often vary by store location. This variation results from several factors including: the multi-layered structure of discounts that include both manufacturer and retailer deductions; and a high level of local autonomy to negotiate the discounts. This phenomenon motivates consumers to shop at multiple locations of the same retailer.



At this point, Mr. Ding knew the brand and model number that he wanted to purchase and was simply working on the price, negotiating to see if he could obtain an even better deal. Ultimately he found the best deal at the third Suning that he visited.

BrandZ™ Analysis: Little Swan



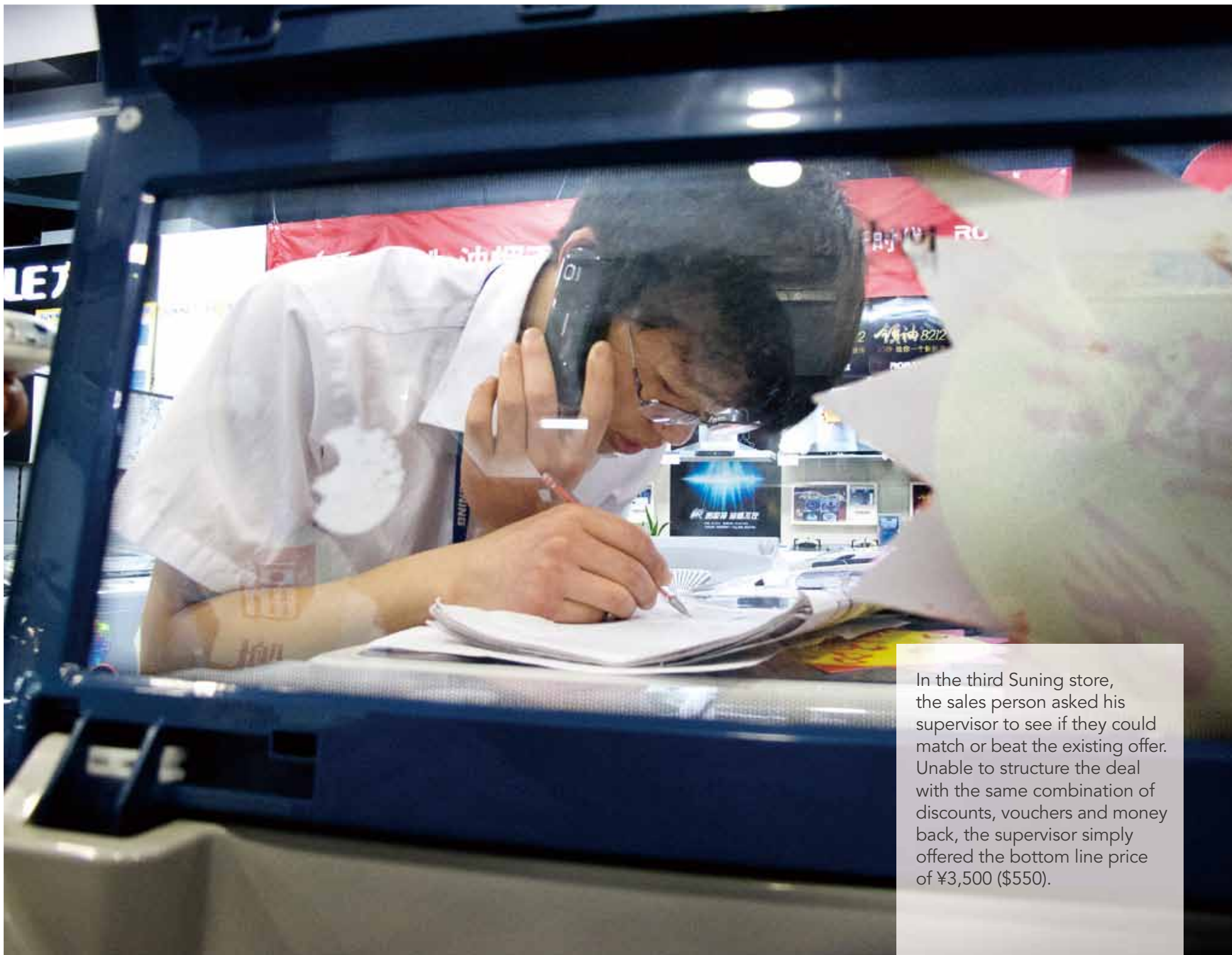
	2012	TrustR	ValueD
Little Swan			
- overall		96	105
- Tier 1		95	104
- Tier 2		96	104
- Tier 3		98	108
Category Average			
- overall		99	101
- Tier 1		99	101
- Tier 2		99	101
- Tier 3		101	101
Top 50 Most Valuable Chinese Brands		106	112



Little Swan

The Little Swan Chinese brand specializes in producing washing machines. It's well regarded across all tiers as a pragmatic choice. The Value-D score, higher than the category score overall, suggests that consumers believe Little Swan has achieved a good balance between quality and price. But consumers have not formed an emotional attachment to the brand, as indicated by the TrustR score, which is lower than the category average, and the relatively weak bonding level of the BrandZ™ Pyramid. The Brand Toy shape also shows that the Little Swan brand hasn't fully developed its potential, although it's familiar and projects a friendly and caring attitude.

Source: BrandZ™



In the third Suning store, the sales person asked his supervisor to see if they could match or beat the existing offer. Unable to structure the deal with the same combination of discounts, vouchers and money back, the supervisor simply offered the bottom line price of ¥3,500 (\$550).



To qualify for the retailer discount, Mr. Ding needed to apply for a Suning VIP card.

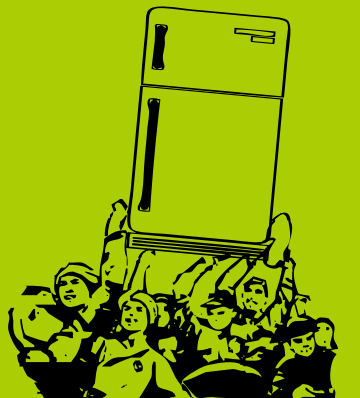
Mr. Ding left the Suning store satisfied that he got a good price and the cleanest deal. An add-on gift of a frying pan reinforced his positive feelings, sweetening the transaction with both functional and symbolic benefits. These low-value items reflect the Chinese gift-giving culture and help assure that customers leave happy.



After qualifying for the Suning VIP card Mr. Ding proceeded to the checkout.

CNRS-TGI BRAND PENETRATION Refrigerators

In China, Haier brand refrigerators are found in more than a quarter of the homes that own a refrigerator. With the exception of Germany's Siemens, the brand owned by over 7 percent of households with refrigerators, the other Top 5 brands by penetration are Chinese.



Case Studies

SHOPPING WITH THE FAMILIES

GUANXI

Shopper



Prior to visiting stores Gu Zhijie checked online to research products and brands. For a couple getting married and setting up a home, research, including word of mouth, is important for considering brands. The couple also spoke with their parents and friends.



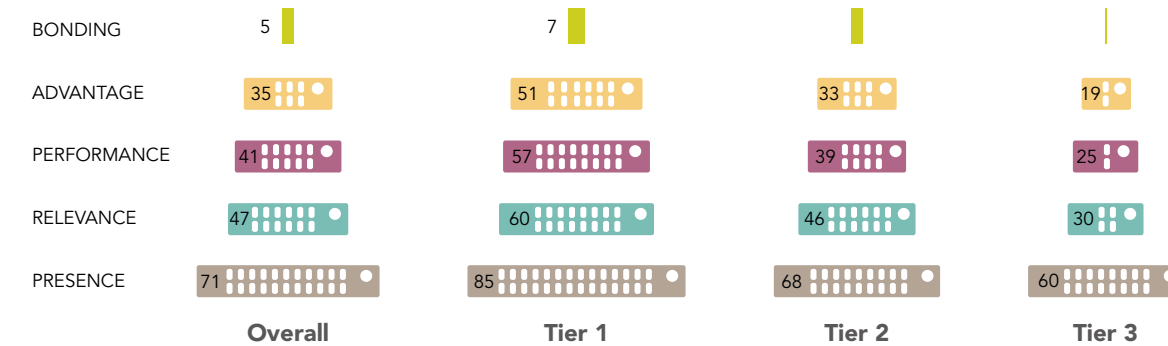
Two weeks before the holiday Mr. Gu began in-store research by himself, at a Gome electronics store. A saleswoman walked the aisles with him, writing down model numbers, product features and prices. The saleswoman persuaded him to consider a different Samsung refrigerator model. She offered him a pre-order form to guarantee the best price and avoid crowds on Labor Day. He passed up the offer.



Mr. Gu then visited a Five Star location. He planned to purchase a local washing machine brand, Little Swan, but switched to a Samsung because the Samsung salesperson promised he would get superior quality for the same price. Mr. Gu also selected a Samsung refrigerator. For the

two air conditioners, however, he preferred the Chinese brand Gree because it's a trusted brand. He asked a few technical questions about the air conditioners, but was not too interested in the brands and features of the products—except for the TVs.

BrandZ™ Analysis: Samsung



2012	TrustR	ValueD
Samsung		
– overall	100	94
– Tier 1	104	94
– Tier 2	99	97
– Tier 3	99	87
Category Average		
– overall	99	101
– Tier 1	99	101
– Tier 2	99	101
– Tier 3	101	101
Top 50 Most Valuable Chinese Brands	106	112

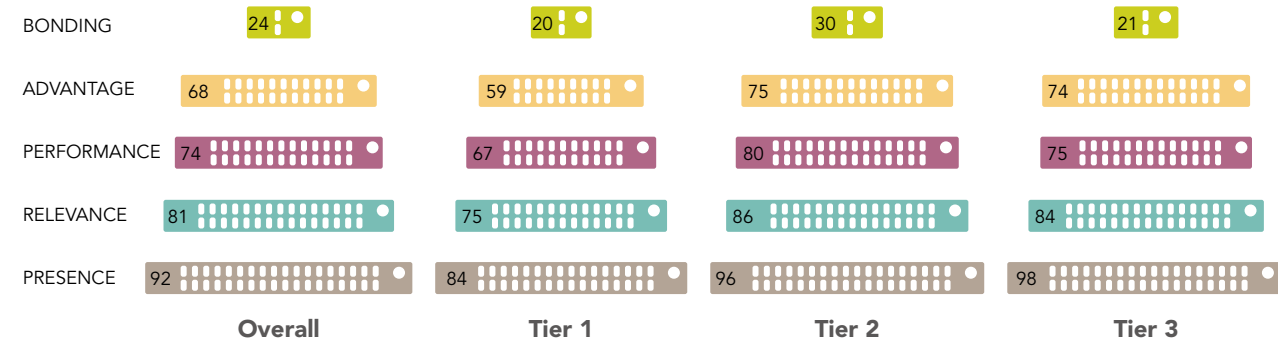


Samsung

The shape of the Samsung Brand Toy suggests that the brand is well known. The hat and pencil accessories signify a brand that's both in control and creative. Tier 1 consumers are most aware of Samsung, however, and have higher regard for its performance and its advantages than consumers in Tier 2 and Tier 3 cities, the BrandZ™ Pyramids reveal. The higher profile that the Korean manufacturer enjoys in the largest cities reflects a trend that generally characterizes foreign brands in China.

Source: BrandZ™

BrandZ™ Analysis: Haier



2012	TrustR	ValueD
Haier		
– overall	107	127
– Tier 1	102	123
– Tier 2	109	130
– Tier 3	111	128
Category Average		
– overall	99	101
– Tier 1	99	101
– Tier 2	99	101
– Tier 3	101	101
Top 50 Most Valuable Chinese Brands	106	112



Source: BrandZ

Haier

Haier is especially strong in Tier 2, its home base. But the brand has successfully established itself throughout China, even in Tier 1 as shown by the wide and stable BrandZ™ Pyramids. The thickness of each level of the pyramids illustrates consumer satisfaction with Haier's overall performance. Consumers believe that Haier has an extremely attractive quality and price proposition, as revealed by the high ValueD score. The strong TrustR score also reflects the high regard consumers have for the brand's after-sales service. Consumers admire the Haier brand, as indicated by the body shape of the Brand Toy. Haier is one of the few Chinese brands that has evolved into a multinational player with a reputation for consistent quality that consumers don't often associate with Chinese brands. The Brand Toy's glasses indicate that consumers see the brand as somewhat different. Haier ranks 29 in the 2012 BrandZ™ Top 50 Most Valuable Chinese brands.



Mr. Gu ultimately selected a 42-inch Sony 3-D TV for the living room. After finishing his research at Five Star, Mr. Gu also visited a local one-off electronics store in a mall store where prices were somewhat more competitive. However, because of issues of trust and face—pressure to purchase from a retailer his friends would respect—he decided to buy only from a national chain.

CNRS-TGI BRAND PENETRATION Televisions

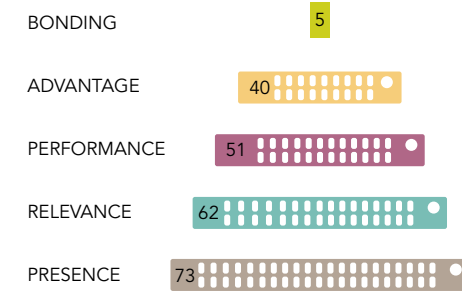
With the exception of Japan's Sony, Chinese brands dominate the list of the Top 5 TV brands. Among Chinese consumers who own TVs no brand dominates, although Skyworth edges out the competition. Over 6 percent of TV owners have a Skyworth model.





Two weeks later, on the first day of the holiday sale, Mr. Gu, accompanied by Ms. Shen, visited the Five Star store where a friend worked as a salesman. The couple looked at a 37-inch 3D Skyworth TV for the bedroom. They walked the store collecting slips of paper with model numbers and prices from various sales people for the products they intend to purchase.

BrandZ™ Analysis: Skyworth



2010	TrustR	ValueD
Skyworth Televisions	97	111
Category Average – Televisions	99	102
Top 50 Most Valuable Chinese Brands	106	112



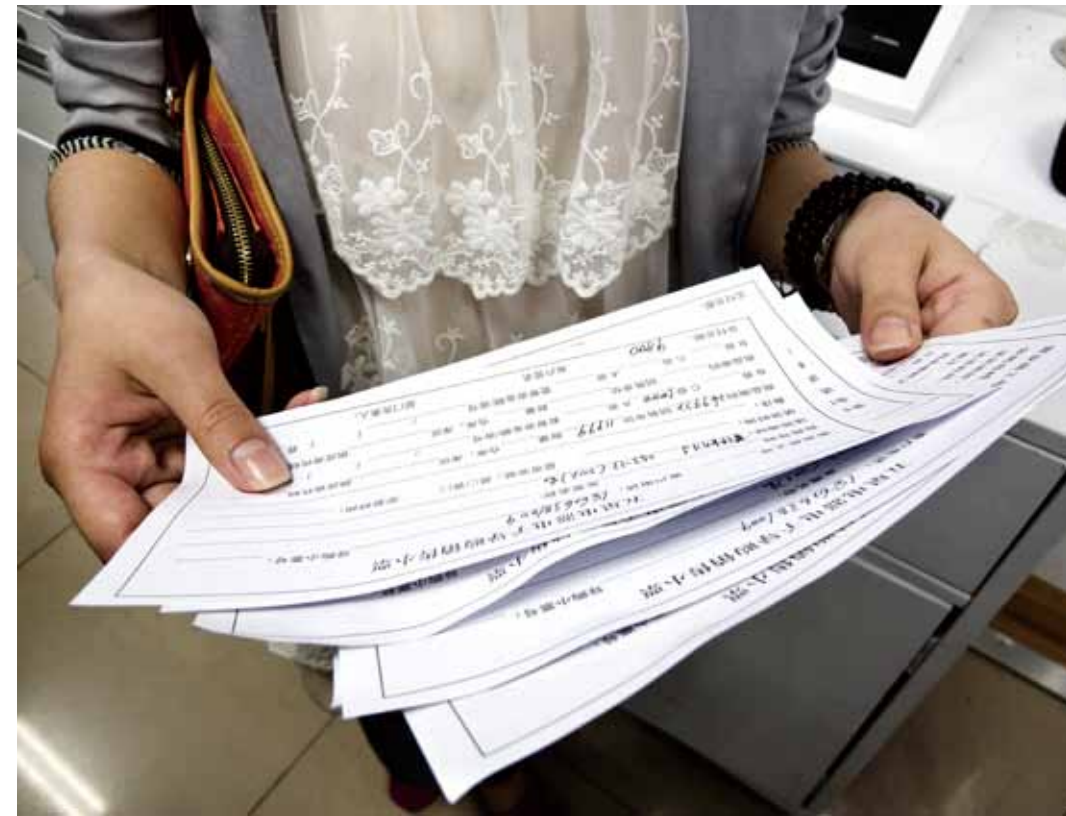
Skyworth

The ValueD score summarizes the key appeal of Skyworth—price. The ValueD score, well above the average for the TV category, and almost equal to the average for China's Top 50 most valuable brands, indicates that Skyworth projects a strong quality and price proposition. While consumers might like more product features from the brand, they're willing to compromise for affordability. The Brand Toy indicates that the brand generates a lot of chatter and that consumers see it as generous and kind. Greater emotional appeal could help move the brand from the bedroom to the living room.

Source: BrandZ™



While the couple considered the TV options, Ms. Chen tested the 3D glasses. She was having fun, of course, but she also was engaged in a first-hand experience of the product, an important aspect of the selling process in China.



Once they had all their paperwork, the couple waited for about half an hour to meet with the salesman friend.

The couple expected *guanxi*, Mr. Gu's relationship with the salesman, to yield significant savings. They were disappointed when *guanxi* yielded only a 5 percent discount from their total bundle. Because they relied exclusively on *guanxi* the couple had not negotiated intently with salespeople while shopping.





With the additional 5 percent discount the order totaled ¥24,500 (\$3,855). The amount, substantially less than their ¥30,000 (\$4,700) budget, reflected appreciation and respect for Ms. Shen's parents who paid for the purchases.



With deal closed, Ms. Shen used a credit card at checkout.



Before leaving the store Mr. Gu and Ms. Shen thanked the salesman friend. They felt relief rather than elation. For them, shopping for home electronics was a necessary marriage preparation step for setting up their home, but not as exciting as planning their honeymoon on Hainan Island, a holiday destination in the South China Sea.

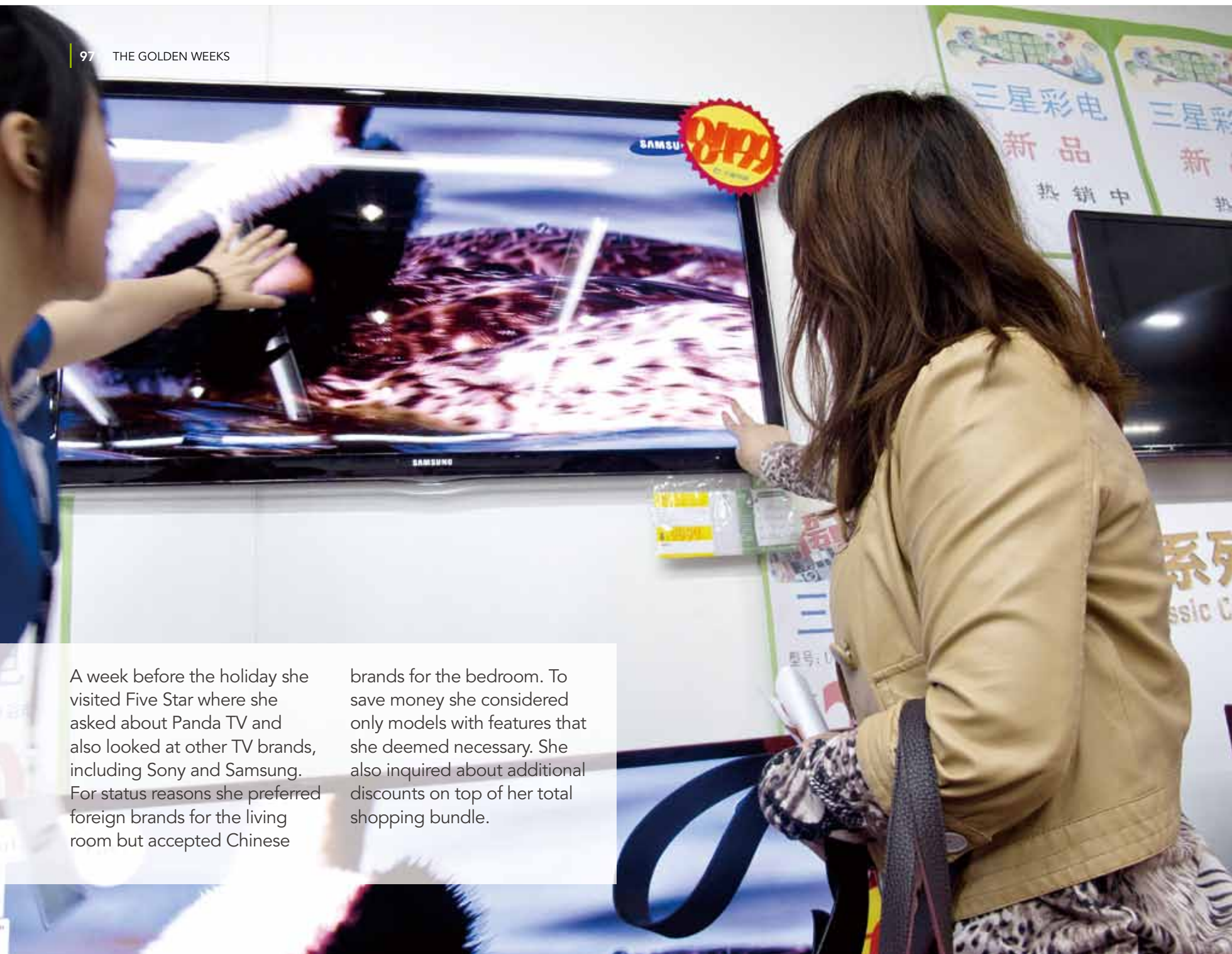
Case Studies

SHOPPING WITH THE FAMILIES

Smart Shopper



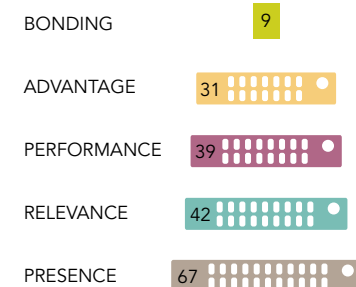
Ren Lu began her shopping research online investigating brands and prices and reading blogs. From her research she believed that a particular TV model of the Chinese Panda brand was produced in the same factory as the Japanese brand Sharp.



A week before the holiday she visited Five Star where she asked about Panda TV and also looked at other TV brands, including Sony and Samsung. For status reasons she preferred foreign brands for the living room but accepted Chinese

brands for the bedroom. To save money she considered only models with features that she deemed necessary. She also inquired about additional discounts on top of her total shopping bundle.

BrandZ™ Analysis: Sony



2010	TrustR	ValueD
Sony Televisions	101	98
Category Average – Televisions	99	102
Top 50 Most Valuable Chinese Brands	106	112



Sony

The Sony Brand Toy body shape and accessories suggest that consumers see the Sony brand as desirable, trustworthy and having high potential. In contrast, the narrowness of BrandZ™ Pyramid suggests only moderate connection with Chinese consumers. TrustR is average, higher than the average score of the TV category, but below the average score of China's Top 50 most valuable brands. And Sony ranks below average for the category and below the Top 50 in ValueD.

Source: BrandZ™

Ms. Ren questioned air conditioner energy efficiency and price. An air conditioner from the Chinese brand Gree was listed at ¥3,418 (\$535). The saleswoman said that the holiday sale price would be ¥2,900 (\$455) and recommended preordering and leaving a deposit to lock in the discount. Ms. Ren agreed and also asked again about a volume discount based on her entire shopping bundle.



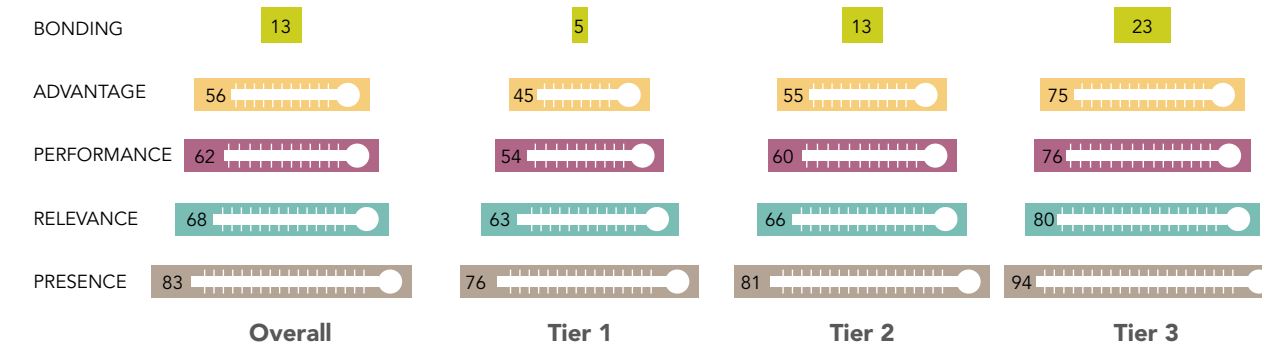
CNRS-TGI BRAND PENETRATION

Air Conditioners

Gree is China's leading air conditioner brand measured by household penetration. Over 22 percent of households with air conditioners own a Gree model. Midea and Haier are a close second and third at about 20 percent and 13 percent respectively. With 4 percent penetration, Japan's Mitsubishi is the only foreign brand to make the Top 5.



BrandZ™ Analysis: Gree



2012	TrustR	ValueD
Gree		
– overall	106	111
– Tier 1	96	102
– Tier 2	108	109
– Tier 3	112	118
Category Average		
– overall	99	101
– Tier 1	99	101
– Tier 2	99	101
– Tier 3	101	101
Top 50 Most Valuable Chinese Brands	106	112

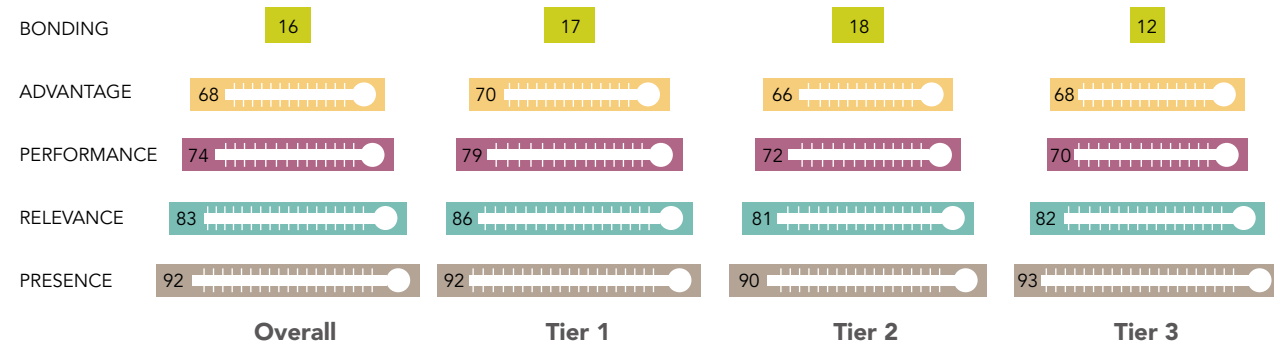


Source: BrandZ™

Gree

The brand is particularly popular in Tier 3 cities where consumers who select the brand remain loyal to it, as reflected in the high bonding score in the BrandZ™ Pyramid. But Gree also connects well with consumers in across China in all Tiers, becoming progressively stronger as the Tiers become smaller. The brand's ability to build on its strength is also most evident in Tier 3, where the pyramid levels measuring brand performance and advantage are comparable in thickness. Gree's particular strength in Tier 3 also is reflected in its TrustR and ValueD scores, although here, too, the brand performs well in China overall. The Brand Toy corroborates these consumer perceptions, suggesting that consumers regard Gree as a brand with strong potential that's fun, desirable, and different. Gree ranks 27 in the 2012 BrandZ™ Top 50 Most Valuable Chinese brands.

BrandZ™ Analysis: Midea



2012	TrustR	ValueD
Midea		
– overall	105	120
– Tier 1	102	118
– Tier 2	103	120
– Tier 3	110	119
Category Average		
– overall	99	101
– Tier 1	99	101
– Tier 2	99	101
– Tier 3	101	101
Top 50 Most Valuable Chinese Brands	106	112



Midea

Midea's strength is consistent throughout the country, as indicated by the robust BrandZ™ Pyramids of roughly the same size for China overall and the individual tiers. This positive performance across cities both large and small also shows up in the consistency of both TrustR and ValueD scores. The Brand Toy accessories, the hat and badges, denote a brand that's caring, trustworthy and desirable. The body shape suggests that consumers are well aware of Midea but see it as having only moderate potential. This view of the brand's potential may reflect its weak emotional connection with consumers despite their high regard for the functional efficacy of the brand. Midea ranks 31 in the 2012 BrandZ™ Top 50 Most Valuable Chinese Brands.

Source: Millward Brown BrandZ™ data



As she was leaving Five Star, Ms. Ren noticed a poster saying that gift cards from a bookstore were redeemable for discounts on Five Star merchandise. Excited by the potential savings, she decided to purchase the gift cards online. Eventually, she purchased cards worth several thousand RMB from a variety of online sources.



In a nearby Gome store, Ms. Ren saw a Samsung TV that appealed to her. But she'd already decided to buy in Five Star because she liked the comprehensive selection and prices and because by purchasing everything at the same location she'd earn the additional discount on her total shopping bundle.



After finishing her in-store research, Ms. Ren contacted friends for reassurance that she was getting the best deal. Then she returned to Five Star to review how all the layers of discounts and vouchers worked together and to confirm her total price. On the purchasing day Ms. Ren went to Five Star with her husband, son and mother.



A Five Star saleswoman accompanied the family to each department, collecting the slips of paper that listed the model numbers and agreed prices for the selected items. Ms. Ren attempted to renegotiate for even lower prices and free merchandise.



Although Ms. Ren intended to buy a Gree air conditioner she switched to Midea because the price was better. Toward the end of the shopping process her mother decided that she also wanted a TV. Ms. Ren selected another Panda set.



With her shopping completed, Ms. Ren took advantage of one more discount. She went to a counter to change roughly 20 bookstore gift cards into Five Star store credit. The process took about 45 minutes because the store finance official carefully checked each voucher and added an unexpected 5 percent fee for each transaction.



Meanwhile, Mr. Chen watched the couple's two-year-old son Chen Ren Haoqian.



During checkout Ms. Ren realized that she'd missed an additional ¥20 (\$3) discount for the Panda TVs. She went back upstairs to obtain the necessary paperwork and then returned to the cashier. Because each voucher needed to be laboriously verified and recorded, checkout took about half an hour.

After paying for the purchases the family returned to each department to arrange for delivery and to present a receipt in order to receive token free gifts promised as part of the final deal, including bowls, cooking oil and a teakettle.

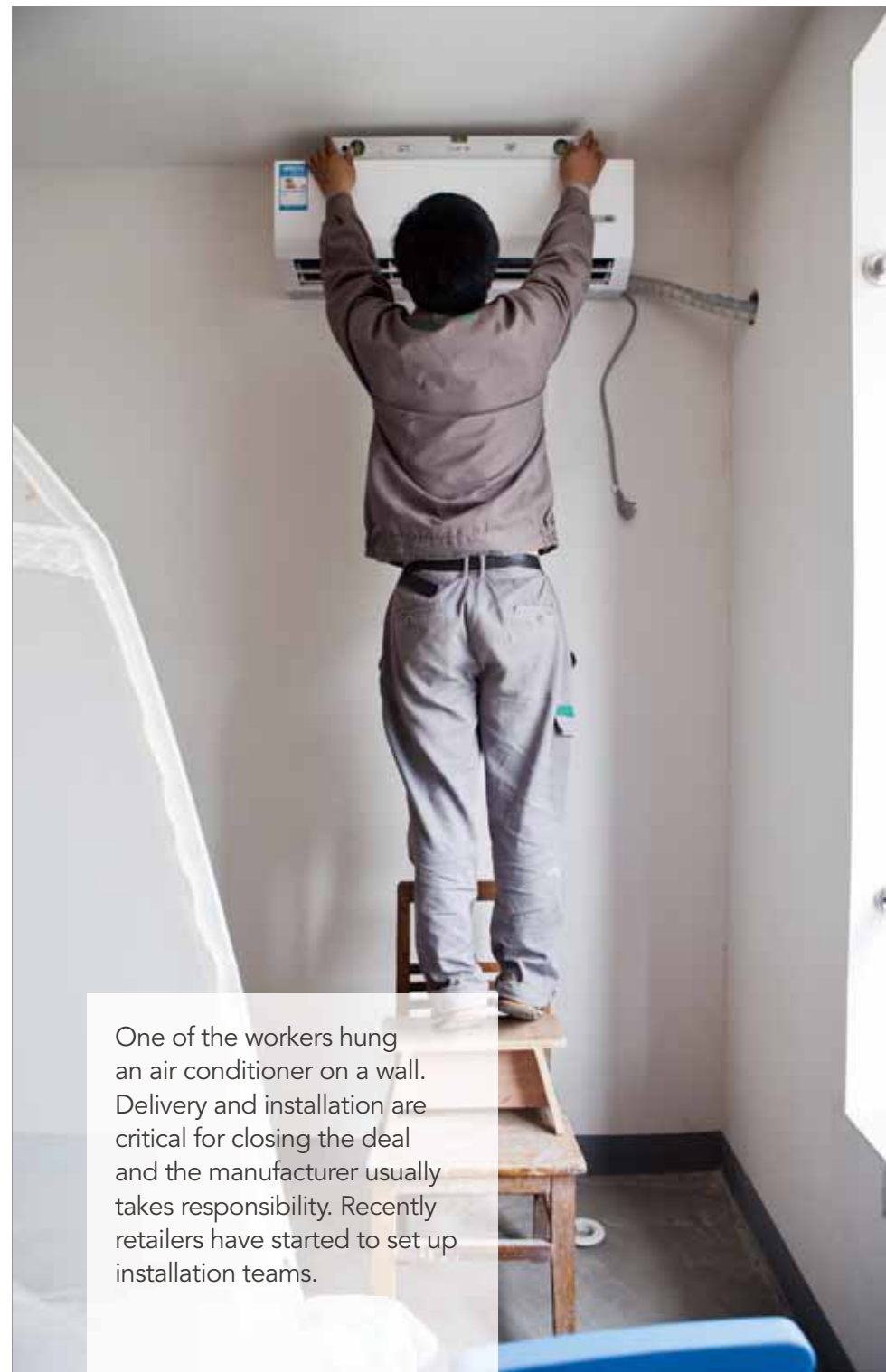


The family celebrated their shopping success over dinner at a small restaurant where Ms. Ren had purchased discount vouchers worth about 10 percent off the cost of the meal.





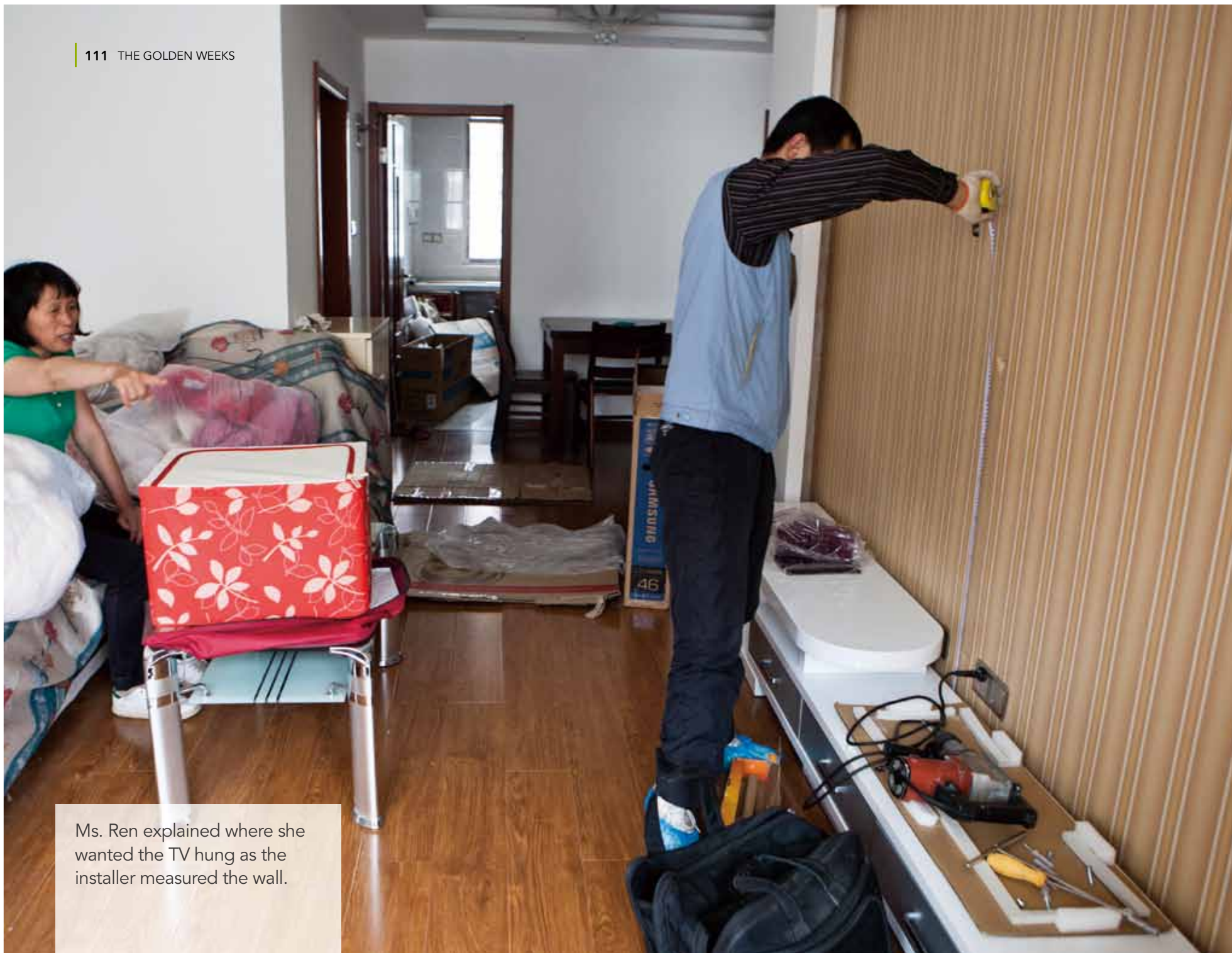
Following a standard practice, Ms. Ren negotiated delivery and installation into the final price for her appliances and home electronics. The air conditioners arrived a few days after she purchased them.



One of the workers hung an air conditioner on a wall. Delivery and installation are critical for closing the deal and the manufacturer usually takes responsibility. Recently retailers have started to set up installation teams.



Another worker installed an air conditioner through a wall.



Ms. Ren explained where she wanted the TV hung as the installer measured the wall.



The installer tightened the TV in place.



Ms. Ren and the TV installer reviewed the invoice.

Part 3:

BEST PRACTICES

Shopper Marketing and Media



SHOPPER MARKETING

Method in the Madness



Successful brands understand that shopping decisions often take place in-store and are influenced by many factors.

HOME ELECTRONICS AND APPLIANCES

Retailers and brands transform
stores into promotion emporiums



SAMSUNG

During the week before a Golden Week holiday, in what seems like the calm before the storm, the salespeople make final preparations. They set up a podium for a salesperson, stack free gifts and hang promotional signage as well as brightly colored balloons to add a festive feeling to the shopping frenzy.

Success requires insight and differentiation

Do not view marketing in China through a Western lens.

In a list of China marketing “dos and don’ts,” this admonition leads the “don’ts.” But forget it for a moment and look through the lens. See how confusing the path to purchase seems in the West? Now rotate to China and watch the image become even more convoluted as if you’re looking at reality as seen in a fun house mirror.

The point is that a lot of the in-store marketing activity in China, particularly during the Golden Weeks, seems unusual because if we approach it only with western preconceptions what we see is a distortion of the actual reality.

Store activity can seem chaotic. The visual and audio stimulation created by signage and demonstrations is dense and unremitting, making it much more difficult for brands to be heard and to differentiate. And yet the apparent chaos isn’t random.

Customers, brands and retailers follow understood rules of engagement. The activity can seem frenetic and blurred, but it’s rational. Chinese shoppers are prepared to negotiate for the best price. They expect to touch the merchandise and interact with salespeople before purchasing.

The challenge for a brand is to understand the process and insert a message into this constant chatter and movement. It’s difficult, like trying to board a moving carousel. Brand success requires starting a conversation.

Simply shouting louder doesn’t work. They’ll always be a brand making more noise. Becoming the brass ring that people reach for requires creating a story that’s different from the competition’s story and telling it in a different way.

Consumers deselect before they select. They deselect products that look the same. They select

products that seem different, that are differentiated for whatever reason—price, quality, design, features or trustworthiness.

Developing an emotional connection is becoming more key. Chinese products have increased in quality. In that sense Chinese brands can give consumers reasons to believe. Chinese brands have been less active building emotional connections, in giving people reasons to return.

Why? Some reasons have to do with market evolution. Although brands have existed in China for thousands of years, the concept of emotional branding and meaningful differentiation is relatively new. Some reasons are cultural. Chinese consumers tend to make buying decisions pragmatically. But Chinese brands and consumers are changing rapidly. Their growing sophistication will require retailers and brands to perfect every aspect of their communication programs from insight through execution.

超实惠好礼多超低价惊喜连连

The close proximity of stores adds to the shopping frenzy.

While the national chains dominate the media during the Golden Weeks, local 3C (computer, communications and consumer electronics) retailers, like this independent, also add to the energy. This Nanjing store opens to a central shopping street near the major big-store competitors, Suning, Gome and Five Star. In a Tier 1 city a similar independent probably would occupy as less prime location. The sign over the store says, "Good products at low prices, gifts to surprise you."



In search of the best deal consumers search online and visit any retail format that sells home electronics and appliances, including hypermarkets. Consumers

buying big-ticket items or making multiple purchases are most likely to comparison shop. They become extremely knowledgeable and formidable negotiators.

Communication begins outside the store.



Retailers and brands create a promotional atmosphere outside the store with a shopping bazaar intended to get consumers excited by the prospect of good deals and focused on spending as they approach the entrance. These outdoor stands add to the theater that helps communicate excitement and buzz. Retailers usually sell this space to brand manufacturers.



Promotion parades happen all the time during the Golden Weeks, even before retailers open for the day and regardless of the weather.



Brands parades fill the aisles.

In this parade representatives from Midea, the air conditioning brand, promote the brand. Parades build in-store brand awareness and contribute to the retail buzz. Parades also attempt to influence the customers to switch brands on their consideration lists.



The promotion parades of Sacon, a maker of kitchen exhausts, and the air conditioner brand Midea pass each other in a Suning aisle. The parades advertise the brands and establish presence. Successful brands penetrate the clutter with differentiated communication.



Price messages are everywhere.

No matter where shoppers look, they encounter brand messages. The yellow call outs hanging from the ceiling promote multiple white goods brands. Other banners announce prices for particular products.



While in the store, surrounded by price messages, shoppers also check circulars that they may receive as newspaper inserts or as home-delivered promotions, or pick up as they enter a store.



Signs shout basic prices and special offers.

Some of the bold yellow and red price promotion call outs on the microwaves in Suning advertise a straight ¥100 (\$16) discount off the original price. Others call outs announce special gifts with purchase, including five bowls and movie tickets. Shoppers calculate the value of these offers when negotiating price and making their purchase decisions.



The price signs on the air conditioners show the basic price of the item set by the brand manufacturer, and a layered on discount, offered by the retailer, of ¥100 (\$16) cash back or every ¥1,000 (\$160) spent on the UnionPay card.

Shoppers need to touch the merchandise.

Flat screen 3-D TVs were a popular Golden Weeks item and most brands offered them. The brands merchandised their ranges by making 3-D glasses available to customers. This kind of customer engagement is a vital part of the Golden Weeks sales process. People expect to be able to touch and try the merchandise.




In this modern Suning store in JuRong, the mobile phone department is laid out to encourage shoppers to tryout the devices. Balloons add to the festive feeling. The stores is an example how retailing is changing and consumer opportunities are expanding in Lower Tier cities.



Sitting signals seriousness.

Shoppers spend a lot of time researching and comparison-shopping. Serious conversation begins when people sit. Seating is available throughout the store to encourage interaction and negotiation. Seating also is available as a culturally dictated courtesy to balance shopping stress with rest and comfort.



Shopping during the Golden Weeks often is a family activity. Family members discuss an air conditioner purchase with a saleswoman.



In Five Star, just prior to the holiday, a saleswoman at the Haier and Hisense booth stands under promotion banners that explain various discount combinations. Manufacturers and retailers usually don't reveal the price promotion details until just prior to the holidays.



星光闪耀 智在必赢

Free gifts close the deal with a gesture of respect.

In this Samsung area in a Five Star store a saleswoman arranges the stacks of free gifts that customers receive when they purchase. These nominal but functional items, such as rice cookers, frying pans and teakettles, help close the deal—and the intense negotiations—with a symbolic expression of appreciation and respect. For people fitting out new homes the gifts also help save money. Promotional posters cover the floor. The banner references Samsung's Olympics sponsorship and also the interconnectivity of Samsung devices.

FAST MOVING CONSUMER GOODS

Sales spike during Golden Weeks
but less than for the New Year

Events attract large crowds and free media coverage, demonstrating the power of Out-of-Home promotion.

SPOTLIGHT

Clever contest drives brand relevance and differentiation

Determined to expand in China, M&M's®, a Mars candy brand, faced a key challenge—differentiating from the myriad candies and snacks already on store shelves.

Most consumers weren't aware of M&M's®. Of those who'd heard of the brand, many considered the colorful coated chocolate drops childish. The brand needed to make the product relevant to Chinese consumers and tell its story in an interesting way.

Adopting an existing M&M's® promotion, OgilvyAction invited people to participate in a contest to determine who could eat the most M&M's® in one minute. The agency added a special rule for the China competition, however. It required contestants to eat M&M's® with chopsticks.

The idea created a lot of buzz and attracted free media coverage. It was wrapped in a 360-degree campaign that included a roadshow, an event, out-of-home advertising, online communication to reach young people and in-store promotion with special signage and fixtures.

With a compelling story presented many interesting ways, the brand broke through the clutter of in-store messages. At the same time, consumers needed pay to play—buy the product in order to play in the contest. That requirement forced consumers into stores.

The activation campaign created strong interest. The test market results: Major improvements in awareness and brand image and a 187 percent increase in sales.

Golden Week opportunity needs 360-degree Shopper Marketing

The Golden Weeks provide FMCG brands with a twice-a-year opportunity to drive sales spikes.

Consumers have time off from work. They're in a mood to relax and spend time with family. And they're also in a mood to purchase and even upgrade for occasions and gifting. They're looking at shopping promiscuously and are willing to try new items and brands.

During Golden Weeks shoppers are more likely to be responsive to bigger packs, bundles of merchandise and price promotions. All the conditions are aligned for sales growth, but achieving growth requires understanding the market, deriving the right insights and activating effectively.

The stakes are high. The prize is large. But consumers in Lower Tier cities are increasingly sophisticated and

competition is growing. Marketers need strategies for getting on - and staying on - the consideration set of each type of shopper.

It's not enough to shout louder. Gaining the attention and interest of the consumer requires differentiating. The most effective approach is a 360-degree campaign that touches consumers before, during and even after shopping.



A customized bus traveled to 14 college campuses and 12 shopping malls.

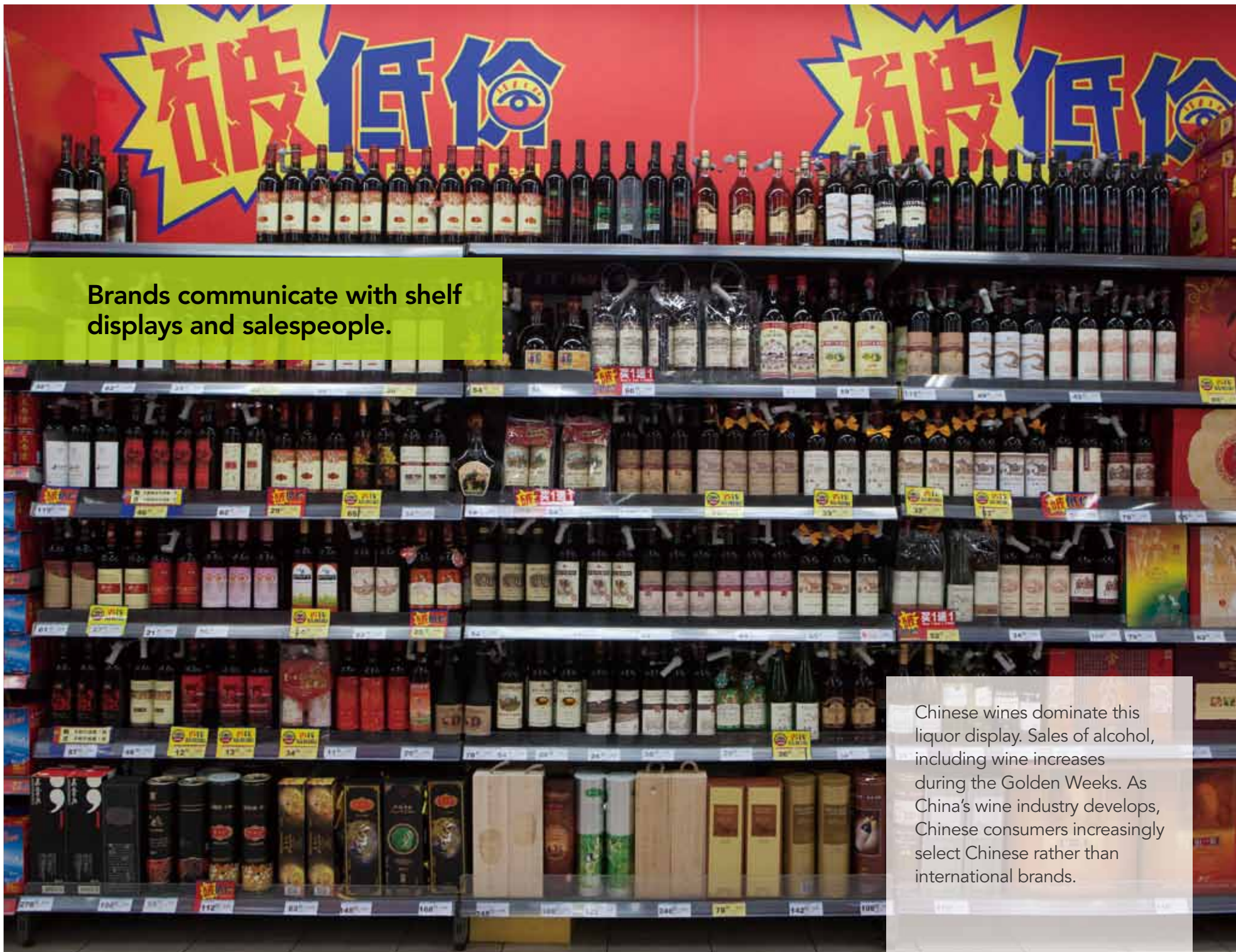


Traditional merchandising in a modern setting creates interest.

Shoppers gather at the raisin display to examine the dried fruit and select individual raisins. For certain foods, including fruits, vegetables, rice and fresh fish, Chinese shoppers prefer to touch the food and assess its quality.



Scooping their own rice, rather than purchasing packaged rice, Chinese shoppers demonstrate a cultural inclination to shop in a traditional market, although this rice display sits in the middle of a modern hypermarket.



Brands communicate with shelf displays and salespeople.

Chinese wines dominate this liquor display. Sales of alcohol, including wine increases during the Golden Weeks. As China's wine industry develops, Chinese consumers increasingly select Chinese rather than international brands.



A brand representative from Moutai, a leading brand of baijiu, the clear Chinese alcohol, strengthens the brand's in-store presence.



Brands communicate with shelf displays and salespeople.

Shoppers expect and enjoy the opportunity to sample products. Staff members create excitement by promoting products over loud speakers.

Sampling is important because it leads to trial. Brands in many product categories offer samples. The promotion people work for the brands, not the stores. They increase in number dramatically during Golden Weeks. Brands need to educate these promoters to present the brand story effectively. Some samples, like cups of juice, are simple to provide.





Other samples are more complicated to offer, such as chicken broth...



... or instant noodles, which require cooking.



Bulk displays create presence. Free merchandise drives sales.

The bulk display of dairy products and the prominent price signs call attention to the category, which spikes during the Golden Weeks.



Fixtures illustrate category management and dominance.

The presence of refrigerated cabinets, still relatively uncommon in China, shows the market's growing sophistication.

To drive milk sales the brand attaches two free bags to each carton.



Although not part of the store's standard layout, the promotional display of juice is integrated distinctively, enabling the brand to communicate category dominance.





Signage and merchandising captures the attention of busy shoppers.

A young shopper on her mobile phone while selecting product illustrates the challenge of gaining and keeping shopper attention.



In the snack aisle, signs overhead and on the shelves draw shopping interest. Price promotions signs draw attention. Snack sales increase during the Golden Weeks because people have more time at home.



Retailers merchandise every available space and decorate throughout the store to create excitement around the holidays.

MEDIA INVESTMENT

Golden Weeks Drive Spending



Media influences consumer Golden Weeks shopping from the run-up preparation period prior to the holidays through in-store decision-making. Media is both strategic and tactical. Overall activity is critical to Golden Weeks success. It's not just about spending money on media, but spending it wisely to stand out.

GOLDEN WEEKS DRIVE MEDIA INVESTMENT

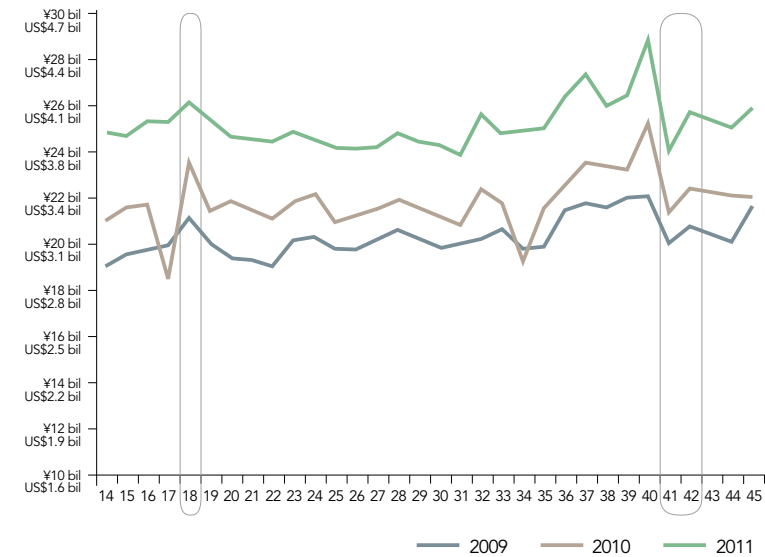
The two Golden Week periods—Labor Day in the spring and National Day in the fall—drive the greatest spikes in media spending overall during the entire year.

- Golden Weeks media spending rose steadily over the past three years.
- Most of the spending happened during the Golden Weeks run-up, which can start six weeks or more before the holidays.
- Most of the run-up spending is aimed at getting the brand on the consideration list.

In research produced specifically for this report, Mindshare examined weekly media spending in China over a three-year period from January 1, 2009 to December 31, 2011. And Millward Brown surveyed consumer Golden Weeks media habits.

Media spending peaks during Golden Weeks

China's Golden Weeks—Labor Day in the spring (week 18) and National Day in the fall (weeks 41 and 42)—drive the annual peaks in overall media spending.



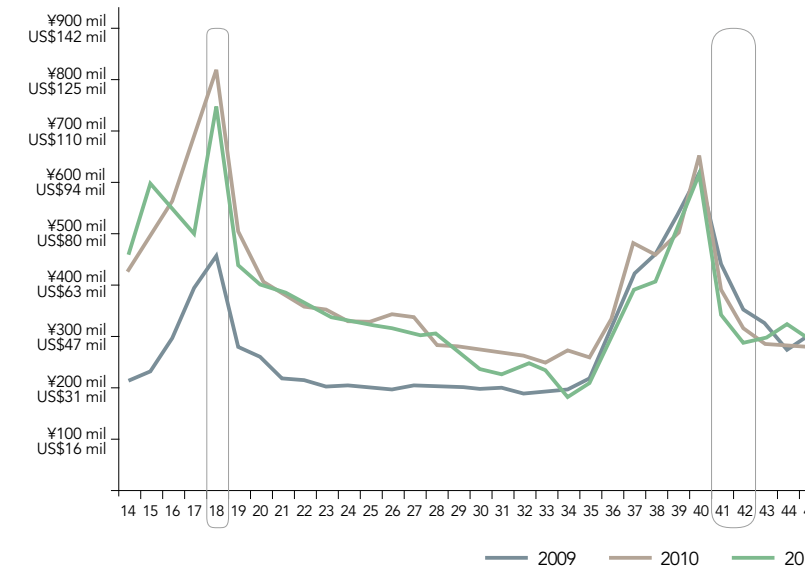
Source: Mindshare Golden Weeks Media Spending

Given the shopping focus of the Golden Weeks on home electronics and white goods it's not surprising that household appliances leads all categories in media spending. It also makes sense that media spending on appliances, during both the spring and fall holidays, has increased over the past three years, driven by the growing affluence throughout China, including the Lower Tier cities.

Consumers rely especially TV and newspapers on for information during public holidays. Word of mouth is important, too. Consumers also say that watching TV and surfing the Internet are their favorite holiday entertainment activities, according to the 2012 Millward Brown Survey of Golden Weeks and Other Public Holidays.

Media spending is especially strong for the household appliance category.

Golden Weeks media spending in the home appliance category is increasing over time.



Source: Mindshare Golden Weeks Media Spending

Consequently, newspapers receive a large share of holiday investment as the medium for advertising promotion messages. Circular inserts during the run-up to the holidays in part account for the sharp spike in newspaper spending. Spending on TV remains relatively flat, although it's increasing year-on-year.

Media spending on newspapers plunges precipitously after the holiday run-up and reaches a low point during the holidays. This decline during the holidays seems to ignore the fact that many consumers don't finalize their purchase decisions until they're actually in the stores during holiday weeks. Similarly, the relatively even TV spending during the holidays seems inconsistent with the high level of TV watching people engage in when they have time off from work.

INSIGHT

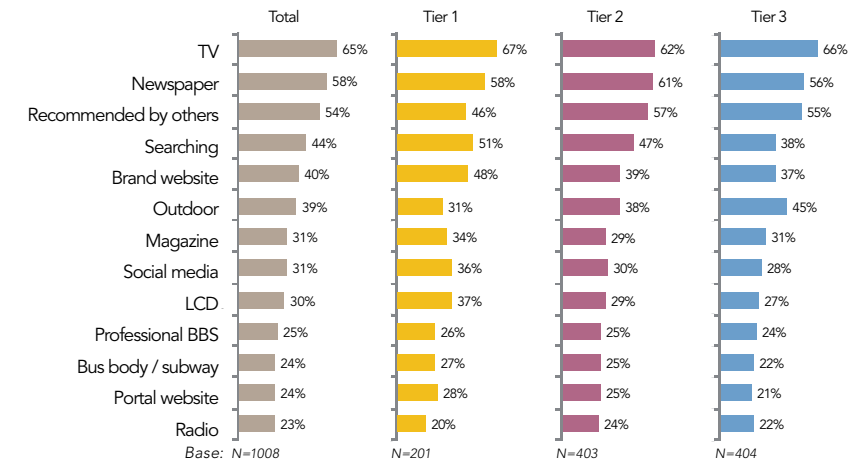
Opportunity lost?

The decline of in TV spending during the holidays suggests that marketers may be missing an opportunity to reach consumers when they're more likely to be relaxed and receptive to brand messages.



TV and newspaper remain the major information channels for consumers

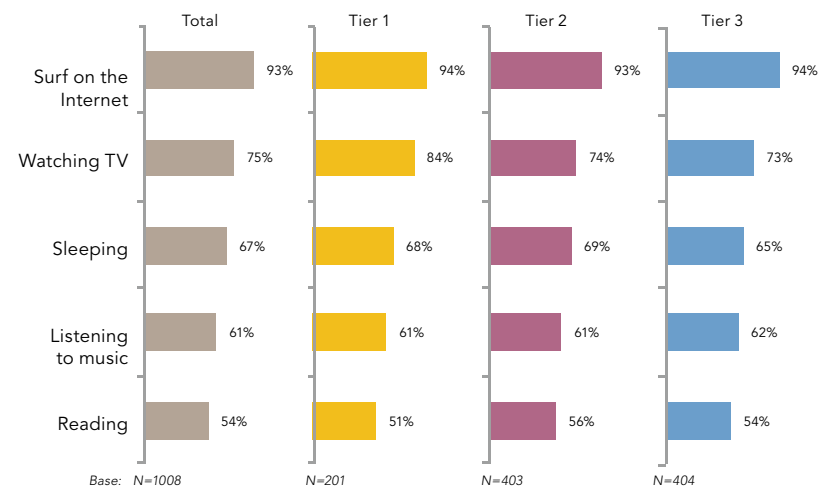
A majority of consumers across all tiers rely on TV, newspapers and word-of-mouth as their main information sources. In Higher Tier cities online is an important channel. In Lower Tier cities outdoor is more important.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

TV watching is the second most popular holiday entertainment after web surfing

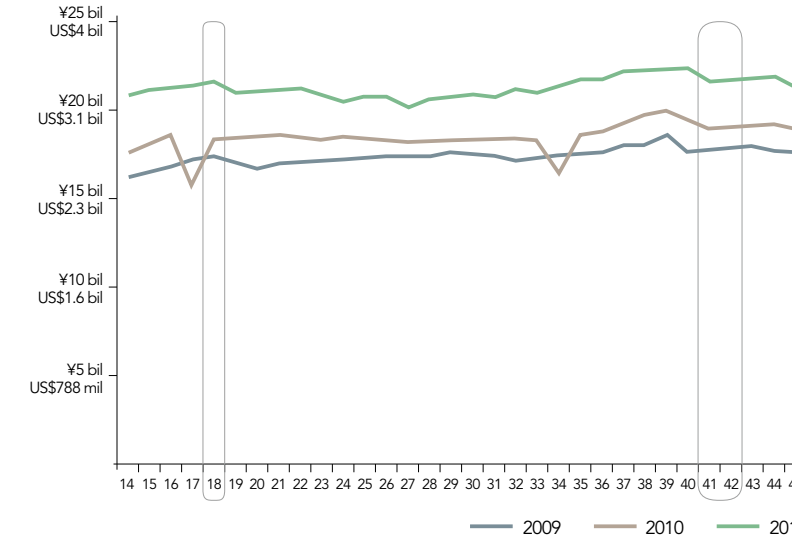
Communicating with consumers during the holidays means reaching them when they're surfing the Internet or watching TV.



Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

TV spending remains relatively flat

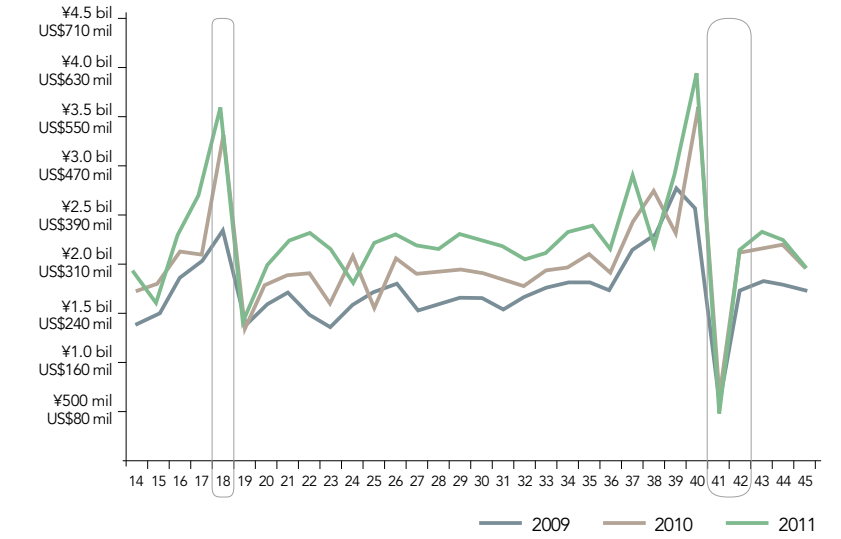
TV spending during Golden Week is increasing, but at a slower rate than newspapers.



Source: Mindshare Golden Weeks Media Spending

Newspaper spending outpaces other media

During the Golden Weeks newspaper spending spikes well above the steady spending of the rest of the year.

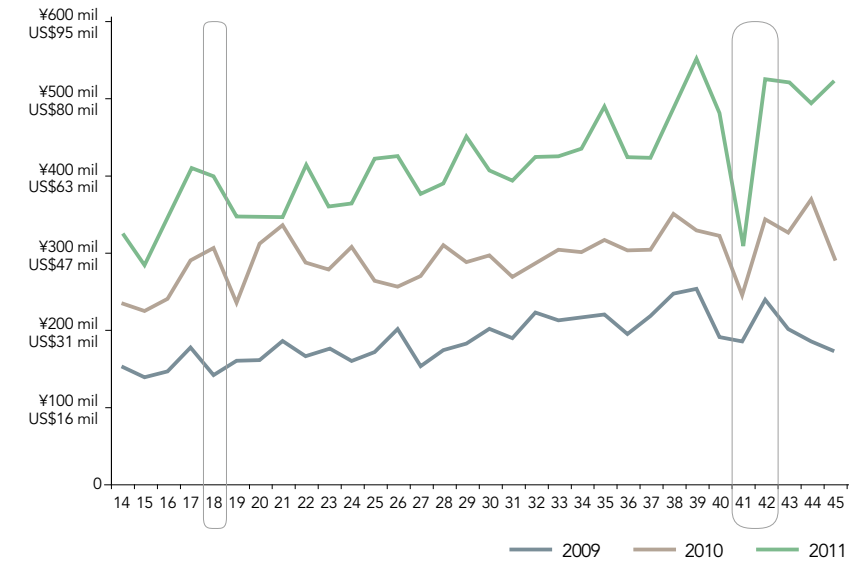


Source: Mindshare Golden Weeks Media Spending

Internet spending rises during the run up to the holidays, but as is the case with other media, spending drops during the holiday. Brands may be missing an opportunity by not maintaining a high online presence during the holidays, for at least two reasons.

Internet spending rises steadily for several months before National Day

Internet spending rises fairly steady over the summer before peaking at the fall Golden Week.

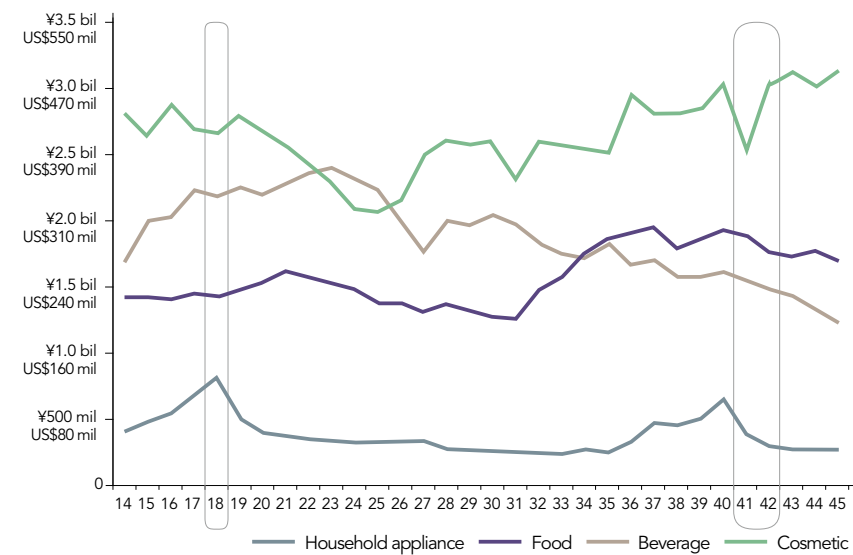


Source: Mindshare Golden Weeks Media Spending

First, consumers are online. Surfing the Internet is the favorite holiday relaxation activity, according to our Millward Brown survey. Second, when the holidays arrive, consumers have already researched the advertised deals. They're busy networking for word-of-mouth intelligence to help them evaluate those deals and arrive at purchase decisions.

Media spending spikes for appliances, fluctuates for FMCG

Media spending for household appliances is lower than for FMCG categories and spikes around two consumer purchase occasions, the spring and fall Golden Weeks. FMCG media spending fluctuates with consumption patterns.



Source: Mindshare Golden Weeks Media Spending

Magazines and Out-of-Home fluctuate less because of the Golden Weeks. Magazine spending peaks during National Day in the fall, but not during Labor Day in the spring. And there seems to be no correlation between the Golden Weeks and Out-of-Home spending.

INSIGHT

Brand Opportunity

Because the run-up period before the Golden Weeks can extend for at least two months, brands have an opportunity to create significant brand awareness and brand differentiation before switching to a more promotional message as the holidays draw closer. The challenge is identifying the optimum time to switch.



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Target Group Index (TGI), is a global network of single-source market research surveys providing invaluable, comparable consumer insights for over 60 countries across six continents. It is widely used for understanding target markets and to aid in marketing and advertising decisions. The TGI-affiliated study in China is CNR-TGI, published by CTR, which surveys almost 100,000 Chinese consumers annually. The TGI global network is co-ordinated by WPP's Kantar Media.

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David Roth is the CEO of The Store WPP, for EMEA and Asia and leads the BrandZ™ worldwide project. He has been associated with China for the past 18 years and advises many companies and retailers on their China entry strategy, and the changing Chinese consumer. Prior to joining WPP David was a main board Director of the international retailer B&Q.

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WITH APPRECIATION

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