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 CNRS-TGI, KANTAR, MILLWARD BROWN, HILL+KNOWLTON STRATEGIES, MINDSHARE, OgilvyAction

WPP
Welcome

This report, “The Chinese Golden Weeks in Fast Growth Cities,” provides a snapshot of China’s most vibrant and fast-growing rural areas, offers insights into the purchasing behaviors of Tier 2 and 3 city consumers, and details their contributions to the golden week spending cycle. It examines the purchasing attitudes and behaviors of consumers in China’s fastest growing cities during the Golden Weeks. The report provides useful information for companies looking to capitalize on the Golden Weeks in China or planning to be present for the holidays.

Part 1: Golden Opportunities

Part 1 describes the current marketing and media environment, the opportunities for brand owners to market products and services during the golden week shopping cycles in Tier 2 and 3 cities. This report sets the context, expanding on the significance of the Golden Weeks, its historical roots, and the growing importance of FMCG spending. It explains what people buy during Golden Weeks and how and why consumers shop and what brands and retailers need to know to succeed in China.

Part 2: Shopper Journeys

Part 2 follows three families during their Golden Week shopping cycles, from preparation through purchase, delivery and installation. The 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

Part 3 describes the current marketing and media environment, provides additional insights and analysis to complement the knowledge outlined in Part 1. Call outs provide additional insights and analysis of relevant brands.
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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 earning 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?

Sales 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.

Prepare perpetually. Golden Weeks happen several times a year, so brands and retailers need to 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.

Understand 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 salespeople 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.

DON’T MISS GOLDEN OPPORTUNITIES

TARGET FAST GROWTH CITIES

MOBILIZE TO WIN

UNDERSTAND THE PROCESS

1

2

3

4
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 different products and promoters marching the aisles and loudly advocating for their brands. From this unfiltered noise, shoppers need to sort and brand them 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.

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 unfiltered noise, shoppers need to sort and brand them 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.

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.

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
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 shoppers, hold special significance in China. In a country of 1.3 billion people, the absence of a crowd can suggest a problem.
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. 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.
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.

SECONDARY CITIES DRIVE PRIMARY GROWTH

Brand potential seems inexhaustible
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 need to 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 paid 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 the size would be top tier. In China, they’re Tier 3.

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 for foreign policy by the treaty of Nanjing 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 at 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 climb, it’s expected that Tier 1 cities, Tier 2 and 3 cities are keeping pace. Poverty remains a challenge, but overall Tier 2 and 3 household incomes lag Tier 1 by only two years.

The average monthly household income of a Tier 2 city in 2011 ($629) 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.

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 predominantly rural to more than 50 percent urban. This urbanization trend tends to accelerate. Today 234 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 GOLDEN WEEKS GOLDEN OPPORTUNITIES

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

Attitudes changing quickly throughout China
THE RAPID RISE OF BRAND IMPORTANCE

Brand rapidly is becoming an important purchasing consideration among consumers throughout China. Growth in the value of the Brands™ Top 50 Most Valuable Chinese Brands illustrates the point. The Top 50 increased 15 percent in value in 2011 to $325 billion, led by technology and FMCG. Overall, the Top 50 Most Valuable Chinese Brands increased 16 percent in value in 2011.

THE GOLDEN WEEKS GOLDEN OPPORTUNITIES

Brands matter throughout China. 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 conveys. 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.

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

As brand becomes more important in Lower Tier cities, the interest in Tier 1 and 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.

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 Tier 1 and Lower Tier cities.

As brand becomes more important in Tier 1 cities, the interest in Tier 1 and 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.

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...But the gap can close quickly

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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 quick questions.
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 holidays—National Day and Labor Day—in the spring— to drive consumption, and these holidays are best known as the time when people spend relaxation time with family and friends. 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.

### What People Buy

Consumer 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 (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.

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

Consumers in Tier 2 and 3 cities spend 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.

#### 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, sales lift. Those that don’t will miss a major opportunity. 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 drink, in particular, increase during the Golden Weeks. Alcoholic beverages sales also rise. These sales increases do not match the levels reached during Chinese New Year, when feasts, entertainment and family reunion are central to the holiday observance. Nevertheless, the sales lines are substantial, research by Kantar Worldpanel reveals.

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**Source:** Millward Brown 2012 Golden Weeks Shopper Behavior Survey

**Source:** Kantar Worldpanel

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**Source:** Kantar Worldpanel

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**Source:** Kantar Worldpanel

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* (*) Indicates second sampling within the month

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* Source: CPM Group 2013 Golden Weeks Shopper Behavior Survey

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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.

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

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.

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.

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.
In-store promotion parades are a standard Golden Weeks feature. Adding to the noise level and overcrowding, they heighten the retail excitement. These young women in identical uniforms are promoting a Chinese brand mobile phone. A script they recite 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, genre, smart—will the shopper use to satisfy the purchasing needs?

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 to do?

• 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’t 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?

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.

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.

Preparation

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.

Shoppers use an average of four media to plan their shopping, according to our Millward Brown shopping survey.

Shopper Behavior Survey

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.

The preparation period begins 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.
Because the need to get retailer. the brand manufacturer and the combination of discounts from both initial price to be reduced with a sales people and they expect the store interaction with products and retailers may be higher than prices at bricks and mortar deals. Consumers understand that not enough time to find the best available. Go too late and there’s time the visits carefully. Go too early once and often multiple times. They bricks and mortar stores at least Prior to the holidays consumers visit 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 the online sites both to research products and prices and to purchase.

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 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 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 competitors.

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?

Expansional: 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 impulsive buy as necessary. The buying process can be long and involved. And it’s not over until it’s over.
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.

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.

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 consumers 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.
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.

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.

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 nuance of a personal relationship, guanxi can’t guarantee the best deal.

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.

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 nuance of a personal relationship, guanxi can’t guarantee the best deal.

**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.
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.
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.

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.

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.

WHAT STORES CONSUMERS CHOOSE TO VISIT

Consumers shop where they trust quality

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.

Consumers shop where they trust quality

Most consumers prefer to purchase in physical stores

Tier 2 and 3 shoppers overwhelmingly purchase from physical stores during Labor Day. Suning and Gome are the favored purchasing destinations by far.

Most consumers prefer to purchase from physical electronics retailers and especially from the national brand leaders.
The Golden Weeks: Golden Opportunities

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

Complicated, ritualized, competitive and entertaining
THE GOLDEN WEEKS

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 positions are adversarial, they also are complementary, a yin and yang that form a mutually beneficial relationship.

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.

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

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

Sources: Insiders 

The Yin and Yang of retail

Consumers, retailers and brand manufacturers understand that they’ve 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 positions are adversarial, they also are complementary, a yin and yang that form a mutually beneficial relationship.
Part 2:

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

Xu Zhihua, Mr. Ding’s mother, lives with the family. She’s resting in the yard where the family hangs clothes to dry.
Ms. He checks the new washing machine, which the family will install in the bathroom, where Chinese households usually keep washers.

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

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

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

The SHOPPER JOURNEYS

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.

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

Husband: Chen Cheng
Paternal grandmother: Zhang Lixia
Maternal grandmother: Chen Guiying
Son: Chen Ren Haoqian
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

Soon after the washing machine broke, Ding Jun began researching online for a replacement. He looked at Taobao, the virtual marketplace, and websites 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.

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.
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.

**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 what consumers desire for a brand and what they perceive the brand to be. 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

**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**

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

Siemens

Source: BrandZ™
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.
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.

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.

**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.

**BrandZ™ Analysis: Little Swan**

**Little Swan**

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.

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**Top 50 Most Valuable Chinese Brands**

Little Swan 106 112

**Source: BrandZ™**

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**Bonding**

**Advantage**

**Performance**

**Resilience**

**Presence**

Overall Tier 1 Tier 2 Tier 3

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**2012 TrustR ValueD**

Little Swan

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Overall Tier 1 Tier 2 Tier 3

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- Little Swan
- Tier 1
- Tier 2
- Tier 3

- Category Average
- Overall
- Tier 1
- Tier 2
- Tier 3

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

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.

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.

Source: BrandZ™

### BrandZ™ Analysis: Samsung

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#### 2012 TrustR Value

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Source: BrandZ™

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.
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.

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™ Pyramid. The thickness of each level of the pyramids illustrates consumer satisfaction with Haier’s overall performance. Consumers believe 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.

BrandZ™ Analysis: Haier

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Source: BrandZ

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 intended to purchase.

**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.

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.
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.

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.
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.
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.

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

Gree 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 is also 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.
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.

Midea's strength is consistent throughout the country, as indicated by the robust BrandZ™ Pyramid of roughly the same size for China overall and the individual tiers. This positive performance across 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.
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 or 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.

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

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

HOME ELECTRONICS AND APPLIANCES

Retailers and brands transform stores into promotion emporiums. 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.

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 competitor’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.

Success requires insight and differentiation.
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 a 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.
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.

Communication begins outside the store.

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

Brands parades fill the aisles.

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.
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.

Price messages are everywhere.

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.
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 discount offered by the retailer, of ¥100 ($16) cash back or every ¥1,000 ($160) spent on the UnionPay card.
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.

BEST PRACTICES

In this modern Suning store in JuRong, the mobile phone department is laid out to encourage shoppers to try out the devices. Balloons add to the festive feeling. This store is an example of how retailing is changing and consumer opportunities are expanding in Lower Tier cities.
Shoppers spend a lot of time researching and comparison-shopping. Serious conversation begins when people sit. Seating is available throughout the store to encourage negotiation 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 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.**

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**FAST MOVING CONSUMER GOODS**

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

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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.

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**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. When most people 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 a 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, contestants needed to 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.

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**Golden Week opportunity needs 360-degree Shopper Marketing**

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**Spotlight**

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

Traditional merchandising in a modern setting creates interest.

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

Brands communicate with shelf displays and salespeople.

A brand representative from Moutai, a leading brand of baijiu, the clear Chinese alcohol, strengthens the brand’s in-store presence.
Shoppers expect and enjoy the opportunity to sample products. Staff members create excitement by promoting products over loud speakers.

Brands communicate with shelf displays and salespeople.

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.

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

Fixtures illustrate category management and dominance.
The presence of refrigerated cabinets, still relatively uncommon in China, shows the market’s growing sophistication.

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

Signage and merchandising captures the attention of busy shoppers.
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.

NEWS

www
**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.

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.

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.

**Source:** Mindshare Golden Weeks Media Spending

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**Oppportunity 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.
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

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

Source: Mindshare Golden Weeks Media Spending

TV and newspaper remain the major information channels for consumers

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

Source: Millward Brown 2012 Golden Weeks Shopper Behavior Survey

Source: Mindshare Golden Weeks Media Spending

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.

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.

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.
BrandZ™ on the Move
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Get the BrandZ™ Top 100 Most Valuable Global Brands, the Latin America Top 50, the China Top 50, the Chinese New Year and a lot more on your smart phone or tablet!

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ValueD: Balancing Desire and Price for Brand Success
An index based on BrandZ™, ValueD measures the gap between the consumer’s desire for a brand and perception of the brand’s price. It helps brands optimize sales and profit per unit. Complete information is available from WPP companies.

Beyond Trust: Engaging Consumers in the Post-Recession World
An index based on BrandZ™, TrustR measures the extent to which consumers trust and are willing to recommend individual brands. High TrustR correlates with higher sales and financial value. Complete information is available from WPP companies.

The Chinese New Year in Next Growth Cities
The report explores how Chinese families celebrate the ancient festival and describes how the Holiday online provides opportunities for brands and retailers, especially in China’s lower tier cities. For the iPad magazine search BrandZ™ on iTunes.

The Top 100 Most Valuable Global Brands 2012
The report profiles the world’s 100 most valuable brands, outlines top trends driving brand value growth, and evaluates companies on their growing influence of Chinese brands at home and abroad. Go to www.brandz.com/mobile.

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INSIGHT,WRITING & PHOTOGRAPHY

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Jo Malone and Inkerman.

Amanda worked in corporate sales at Weeks reports. Prior to joining WPP the Chinese New Year and Golden Week holiday, and on their shopping trips, as they visited stores and made their purchase decisions.

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Our deep gratitude to the Ding, Gu and Ren families for graciously allowing us to enter their lives and spend time with them at their homes, as they prepared for the spring Golden Week holiday, and on their shopping trips, as they visited stores and made their purchase decisions.