The world to China; China to the world - brand lessons from the WFA Global Advertiser Conference 2011

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In April 2011 the World Federation of Advertisers brought its Global Advertiser Week to China for the first time. Held in Beijing, the event provided an opportunity to hear from both international brands operating in the market, and some of the Chinese brands with which they compete.

The two-day conference kicked off with a closed-door session from MediaCom, designed to present delegates with an overview of the key trends within the Chinese advertising market.

One of the recurring themes of the session was how important it is for marketers to understand the diversity of China. There is diversity in terms of culture - the different dialects, ethnic groups and even personality traits of different regions of China. There is diversity in terms of economic development - the different economic 'tiers' that China's cities are grouped into, and the big gaps in wealth between town and country. There is also diversity between generations - in particular the emergence of the post-80s generation who grew up as China reformed, and the post-90s generation who have known only economic growth and have used the internet from an early age.

In the face of this diversity, the marketers who presented at the MediaCom session all argued that local insight and staff who are empowered to act on it quickly were necessary to succeed.

MediaCom concluded with five 'ways to win in China'.

1. Reflect the regions - understand how people differ around the country and tailor strategies and campaigns accordingly.
2. Look beyond the big 'tier one' cities for growth. Again, expect different strategies to be needed in lower tiers than in tier one.
3. Understand you're playing to a tough audience - consumers are not brand loyal, and brands need to adapt rapidly to maintain interest. Sometimes a global approach needs to be completely rethought to be relevant to China.
4. Digital is vital, and local Chinese platforms are key media partners.
5. Content is king - brands have a huge opportunity to engage consumers by being helpful, useful or entertaining.

Adapting to succeed

The lesson that marketers at international brands must think much harder about the nuances of China if they want to succeed in the market was echoed in the main conference sessions. In particular, the WFA unveiled research conducted alongside Millward Brown that showed marketers were adapting their strategies for China.

The study, which polled 300 China-based executives, revealed that 63% of non-Chinese marketers believe they need to change their brand's fundamental attributes for local consumers. Just 27% said they would extend their global brand into the Chinese market with the same attributes already established in other markets, and 2% said they would create an entirely new secondary brand for China. (See more results here).

Priorities for these marketers were to build awareness and improve brand perception; they expected that in three years' time their priorities would have shifted to growth and acquisition.

Meanwhile, a significant minority (27%) of Chinese marketers polled are considering expanding internationally. The study also looked at the key hurdles for marketers in China. The top three issues cited were lack of transparency, lack of reliable market research, and shortage of talent.

Video: WFA Managing Director Stephan Loerke discusses the research findings

Revlon and Nokia - understanding the market

With that in mind, a couple of international marketers updated the conference on their progress in China.

Julia Goldin, global CMO of cosmetics brand Revlon, revealed that her company had set out to gain a greater understanding of Chinese women in an effort to improve its marketing in the country. She said that research carried out among women aged 20 to 39 had uncovered three 'tensions' that exist between some of the traditional expectations of women and some of the opportunities and trends of modern-day China.

Two tensions were particularly relevant for a beauty brand:

- There is a traditional expectation of 'beauty' in China that involves an understated approach to dress and make-up. But there is a growing desire to stand out from the crowd through choice of dress or personal appearance. A desire to appear 'individual' is a common theme among young Chinese women. This will influence the way Revlon markets products such as colour lipstick.
- The Chinese market is full of beauty brands - the Western players compete with a host of brands from Japan and Korea. But consumers still have a relatively low understanding of what these brands stand for, their benefits and the way they should be used. Brands therefore have an education role in this market.

Philip Manzi, Director of Global Marketing Operations at Nokia, also updated the conference on his company's progress in the market. His focus was the huge opportunity digital communications present for brands in China - he pointed to a prediction that by 2015, 87% of Chinese consumers will have digital access, either by PC or mobile phone. Indeed, he said that the digital work being carried out by his Chinese team was some of the sophisticated in all of Nokia's operations.

Nokia's marketing model is increasingly based around driving word of mouth. The 'net promoter score' and its number of users have become key metrics. It is now looking at online channels to drive this. Media spend on digital went from 23% in H1 2009 to 33% in H2 2010. It has also shifted its model of investment: whereas it used to spend 90% of its budget on handset launches and 10% on ongoing communications, it now aims to spend 50% of its budget on launches and 50% on ongoing work.

The company has steadily built up its digital marketing activity in China, using viral videos and a social media presence. The goal is to help consumers have fun and spend time together.

The culmination of these trends was the launch of the Nokia N8 in China, which Nokia's first ever online launch. It included a day-long microblog press conference via Twitter-like platform Sina Weibo. This involved a dedicated page with regular updates, and invited celebrities to take part in the day's blogging. The launch, he said, turned out to be the most successful in the brand's history.

The next step in China, he added, was social commerce. He expects the Chinese team to follow the example of Nokia UK, which has experimented with a dedicated Nokia shop within Facebook.

Manzi's comments struck a chord with many delegates from international brands. Chris Burggraeve, WFA President and CMO at Anheuser-Busch InBev, identified the power of word-of-mouth in China as one of the key things he had learned during the conference.

Video: Chris Burggraeve discusses the key themes of the conference

The Chinese perspective

The conference also provided an opportunity to hear the heads of Chinese brands talk about their experiences and their expectations. One such executive was Chen Qiyu, CEO of Chinese pharmaceutical company Fosun Medicine Group.

Chen agreed that multinational companies had to be more flexible in their approach for China, in particular by partnering with local companies, but he also suggested that local brands had a lot to learn from the overseas players.

"Chinese enterprises should take the initiative to learn from MNCs on how to market and build their brands," he told delegates. "The vast majority of Chinese companies, especially SOEs, have been engaged in manufacturing for many years."

Many of these companies have hit a ceiling in terms of growth and need to ask how they can transform their businesses. Some suggestions included hiring overseas talent, and maybe even investing in overseas companies. Overall, they should be braver in building a brand that can carry them overseas.

Lenovo and the lessons of global competition

One company that has gone down this path is Lenovo. Founded in 1984, the PC maker now has 42,000 employees. Liu Chuanzhi, chairman of the board of directors at Lenovo Group, gave delegates a potted history of the company's expansion and transformation into a global brand.

In the 1980s, he said, high tariffs and a complicated licensing scheme kept foreign players out of China. Those conditions changed in the early 90s, and Liu admitted: "We had quite a shock when foreign brands came into China... We did not consider how competitive our competitors would be."

By 1994 Lenovo had only 2.7% market share in China. It overhauled management, sorted out its inventory management and cut prices. In 1998 it produced a PC designed to help people onto the internet, co-operating with telecoms firms in the process. And it turned to marketing communications, advertising in more than 100 cities. The product was a huge hit: by 2001 Lenovo had a 27.5% market share.

Despite another blip when Dell came into the market (which required another overhaul of sales, customer services and marketing to overcome), Lenovo was able to purchase IBM's personal computer business in 2004, propelling it onto the global stage. It was, said commentators at the time, like a snake trying to swallow an elephant.

Lenovo's recent history has been no less colourful. It was badly hit by the financial crisis in 2008, and posted a loss of more than US$200m. This led to another overhaul of management, and in 2009 its US chief executive stepped down.

Lenovo has, said Liu, returned to profit with a growth rate that outstrips competitors such as Toshiba, Dell, Hewlett-Packard and Acer. It has built a strong business in China. And its market share globally has grown, he added, to 10.3% in 2010. The current management, he believes, is better at planning for future - it is "more insightful than previous teams". It is still learning from overseas competitors, and is now looking at the smartphone and tablet markets for future growth.

China Mobile - understanding 500 million customers

Another major Chinese brand seeking to adopt global best practice is China Mobile. A presentation by Zhao Fang, Deputy Director of the company's marketing department, gave an insight into how the company was seeking to use its customer data in ways similar to other telecoms firms around the world. The only difference is that China Mobile has more than 500 million subscribers to analyse.

China Mobile has three brands. There is GoTone, which targets high-end customers over 25, has 75 million subscribers and uses the strapline 'Be a winner in life'. There is M-Zone, which targets young customers, has 140 million subscribers and uses a strapline that translates as 'I call the shots on my turf'. And there is the mass-market Easyown, which is based on a prepaid SIM card and has 400 million users.

The rise of internet, said Zhao, has "brought huge opportunities for us in terms of marketing", in particular because it is cheaper. "We can formulate a marketing strategy on the internet at a lower cost." In particular, it can target communities and particular groups of consumers online.

To do this effectively, it is beginning to conduct analysis of its customer data in terms of web usage, mobile usage and location.

This approach is becoming more important as China Mobile seeks to expand from a communications supplier to a broader internet-based company. It has its own app store, plus a portal at 10086.cn, and is planning to set up a search engine in partnership with state news service Xinhua.

China Mobile, said Zhao, hopes to learn from internet companies by building open platforms. It is also looking to forge partnerships with external platforms. An example cited in the presentation is a music festival launched in 2009 with a number of partners. China Mobile put footage of the awards ceremony at the festival online, and in 10 days 100,000 people watched it.

"If we can have a better understanding of our consumers, we can have better sales and profits. This is a key priority... We need to be wiser and more agile so we can provide a better service to our customers."

About the author:

David Tiltman is Warc's International Editor. He has been writing about media and marketing for more than a decade, including six years at Haymarket Media Group. There he was features editor on Marketing magazine, based in London, before moving to the Hong Kong Office to become Managing Editor of Haymarket's Media magazine (now Campaign Asia), covering marketing and media across Asia-Pacific.

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