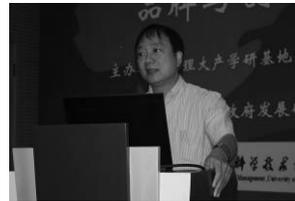




Workshop 2: Brand Learning and Buying and Relationship Behavior

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I. The Future of Brands in China

Major Brand Drivers

- Increase in disposable income
- Discourage savings
- Upgrading/trade-up demand
- Diffusion of brand and product information via social media
- Increased marketing efforts and penetration into low-tier cities
- Engaging existing and potential customers
- Significant changes in retail landscape
 - ◆ Rapid development of modern shopping malls and investment in mall reputation
 - ◆ Retail outlets/malls at major MTR and HST stations
- Innovation: Product and marketing
- More exposure to western lifestyles

**Product buying behavior
≠ Brand buying behavior**

**Our focus is on Brand
Buying Behavior**

BUT, building and managing brands in China is never an easy task!!

Lessons from:

- Zara Fashion
- Tsingtao Beer
- Rolex
- Lining
- Semir
- Budweiser innovative ants / Snow Beer
- Peak
- Meterbronwe



Before 2006,
17-19%



青島啤酒

Approx. 13%
In 2011

*Large SoE with
lots of government
supports and preferential
treatments*

Lost shares to →

Before 2006, 9-11%



Over 21 % in 2011

Brand image problem in China

- Educate Chinese consumers and the public
- Call for more innovative communications



*Professionalism, achievement,
Status, or
A sign of corruption/show-off*



Pay attention to Chinese consumers' brand and product knowledge and educate them is a must!



Core Brand Value: Fast Fashion

Received a lot of complaints pertaining to The quality issue in China in 2011



Metersbonwe
美特斯·邦威



PEAK Marketing & Sponsorships *I CAN PLAY*

Association with NBA – the world's most recognized basketball league

League	Official Marketing Partner of NBA in China
Stadium	Rights to display PEAK signage at home stadium of Huston Rocket and Miami Heat
NBA Players	15 endorsed NBA players who are required to wear PEAK athletic footwear during all kinds of events and tournaments

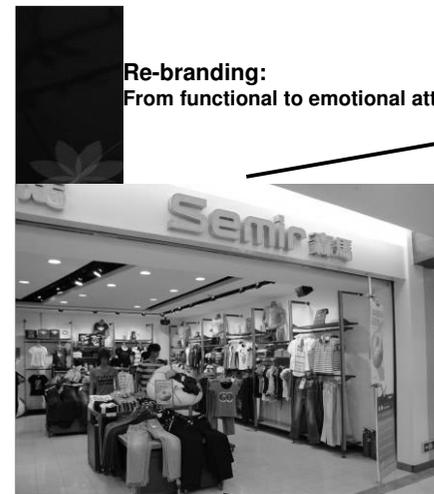
15 Endorsed Players in 12 NBA Teams

1. Andrew Goudelock	9. JaVale McGee
2. Anthony Morrow	10. Jeremy Tyler
3. Beno Udrih	11. Kyle Lowry
4. Carl Landry	12. Marqus Blakely
5. CJ Watson	13. Patrick Patterson
6. Dorell Wright	14. Sam Young
7. Gordon Hayward	15. Shane Battier
8. Jason Richardson	

Teams with PEAK player(s)
As at 31 December 2011

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Re-branding:
From functional to emotional attributes



Local competing brands
catching up rapidly and
indicating the increasing
important role of channel



II. Building and Managing Brands in China – Questions commonly Asked

- Which groups of consumers are more ready to buy branded products/services?
- How do Chinese consumers know about brands?
- How much brand knowledge do they have?
- How important is the brand factor to choice decision?
- Which group/groups of customers prefer to buy branded products most? How to identify them?
- What does a well-established brand mean to Chinese consumers?
- How do Chinese consumers evaluate a brand?
- Is it difficult for Chinese consumers to understand the symbolic values of a brand?
- What kinds of brand values are more receptive by Chinese consumers?

II. Building and Managing Brands in China – Questions commonly Asked

- How to justify investment in branding? What is the return?
- Do (brand) loyal customers really spend more than other customers?
 - ◆ To what extent will loyal customers speak for the brand?
 - ◆ Will loyal customers refer new customers to the brand? If yes, on average how many potential customers will be referred?
 - ◆ If price increase is inevitable, how likely will loyal customers still stay with the brand?

You would like to know Chinese consumers'

- Awareness of your brand
- Interest in your brand
- Preference towards your brand
- Knowledge of your brand
- Perception of your brand
- Attitude towards your brand
- Behavioral responses

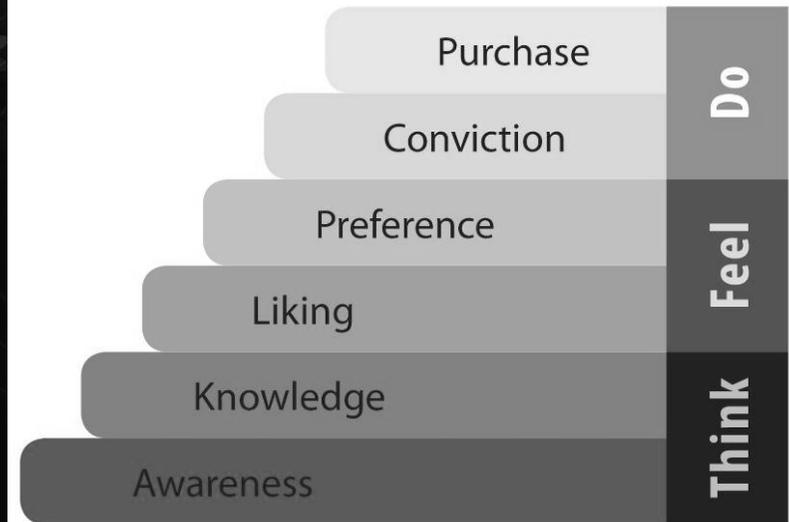
What motivate Chinese consumers

to learn about,
to approach
to have interest in
to speak for
to trust
to try/buy
to defend
to recommend
to buy again

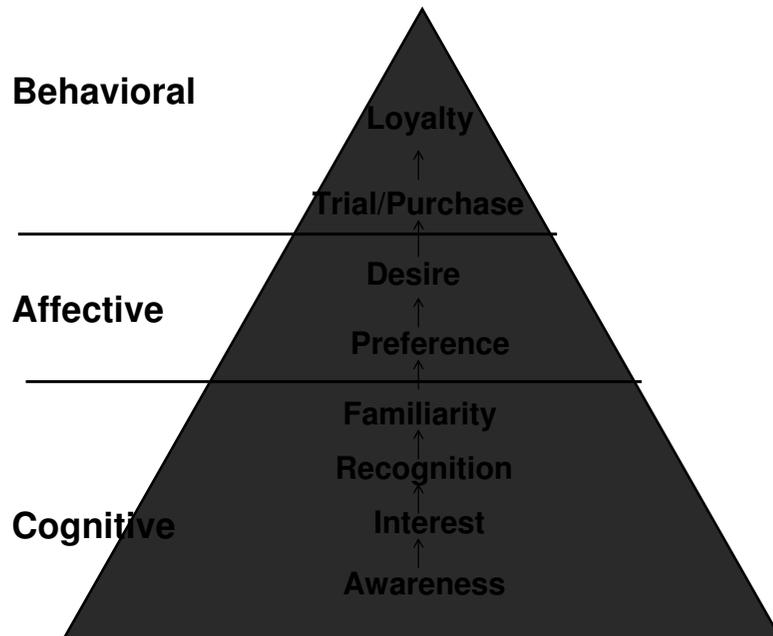
your brand!

III: Analyzing Customers' Brand Learning and Buying Behavior: The Framework

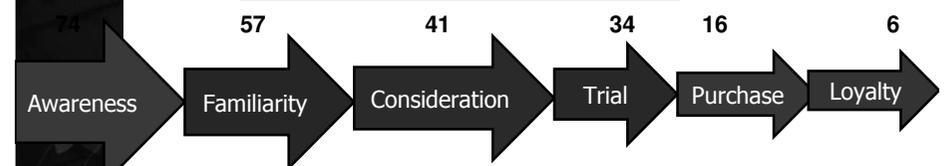
Brand Buying Behavior: Hierarchy-of-Effects Model from an Advertising Management Perspective



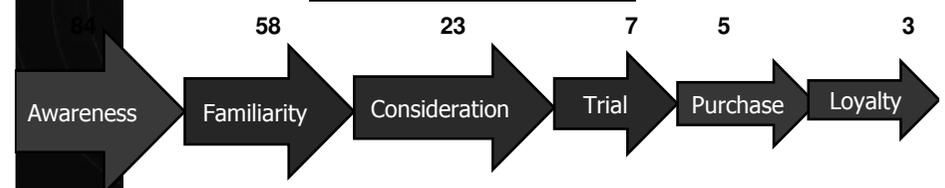
Brand Adoption Model: An Extension of Hierarchy-of-Effects Model



Fast-moving consumer goods

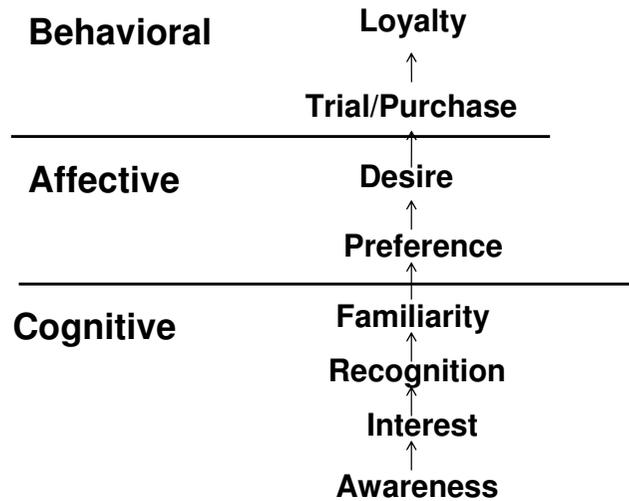


Consumer Electronics



Chinese Consumers' Purchase Funnel (McKinsey, 2006)

Brand Management Issues You Have to Consider in Each Phase!



Cognitive

Familiarity
↑
Recognition
↑
Interest
↑
Awareness

- How do consumers know about your brand?
- Do consumers really understand the meaning and attributes of your brand?
- Which information channel is more effective in term of creating brand awareness? Which is more effective in educating consumers about your brand?
- What will stimulate consumers' interest in your brand?
- What information device will help consumers to remember your brand (Evoke Set)?

Affective

Desire
↑
Preference

- What will make consumers like your brand most?
 - ◆ Recommendation from friends/social media? Celebrity advertising? Event marketing? Brand image/attributes?
- What will turn preference to desire?

Behavioral

Loyalty
↑
Trial/Purchase

- What will prompt consumers to try your brand?
 - ◆ Sales promotion? Price? Attractive design?
- What are the choice criteria?
- How do consumers evaluate the brand after consumption?
- To what extent are consumers loyal to your brand?
- What will motivate consumers to establish and maintain a close relationship with your brand?
- What are the characteristics of consumers' loyalty behavior?
 - ◆ Transaction size
 - ◆ Repeated purchase
 - ◆ WOM: Recommendation to friends, social media, brand community...
 - ◆ Resistance to competing brands' price cut/sales promotion activities, forgiving/advocacy

Our Findings Indicate:

- 5 Academic research projects since 2003
- 6 Consultancy projects in the past five years
- Over 20 case studies
- Covered more than 30 cities and 8 industries
- Mainly consumer goods and services

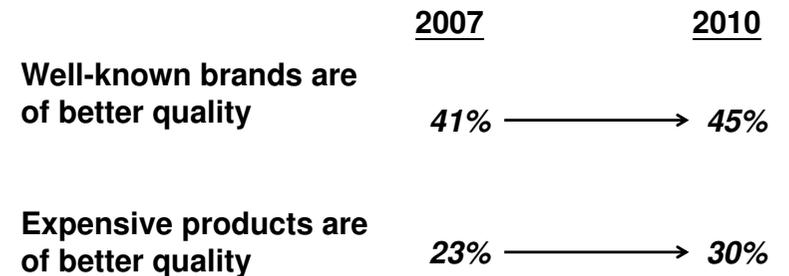
Overall Picture

- Many Chinese consumers are brand conscious
- Consumers in low-tier cities have less exposure to foreign brands
- But brand conscious \neq brand loyalty
- Brand = better quality and less risky
- Chinese consumers' attitudes towards brands, brand knowledge, exposure to foreign brands, brand choice criteria are highly fragmented
- Brand loyalty is not only a sustainable competitive advantage but also a major profit driver

Chinese customers: New Expectations of Brands

- More knowledgeable about products/brands
 - ◆ More pragmatic
 - ◆ More sophisticated
 - ◆ Higher expectation of product and service quality
 - ◆ Functional attributes:
 - Better quality
 - Safety
 - Innovative
 - Started to shift to emotional characteristics/connections

To Chinese customers, brands symbolize:

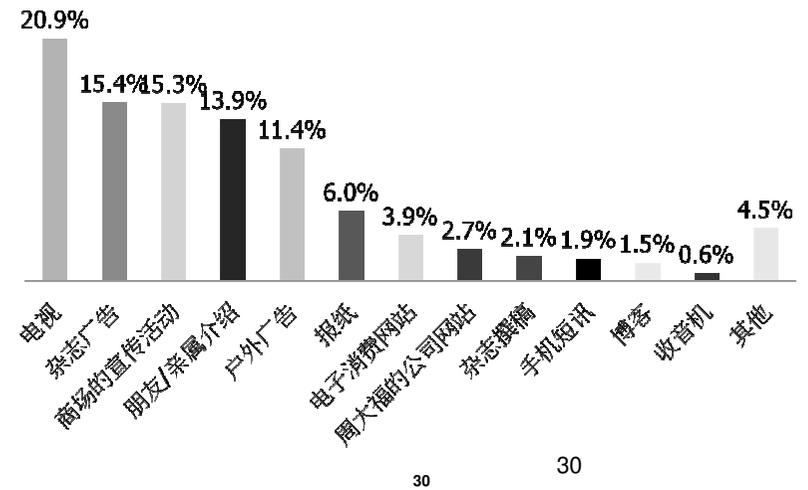


How do Chinese consumers learn about brands?

- Major information channels (sources)

- Major information channels in terms of impact on
 - ◆ Brand awareness
 - ◆ Brand preference
 - ◆ Brand choice criteria
 - ◆ Brand trust
 - ◆ Brand loyalty

How do Chinese consumers learn about your brand?



Brand Information Searching Behavior

- Willing to spend much further in researching purchases than the average consumer in the West
- WOM is extremely important in all phases
- Online product reviews: Increasingly more popular and important
- Significant between-group differences in information search behavior

Brand Choice Criteria

- Brand, price (even for luxury brands), and quality have remained important
- Popularity of the brand
- Nationalism – more rational
- Perceived risk/safety

Mean Comparison

Construct	Full Sample	Overall brand-oriented	China	Americas/Europe
Product & Brand	5.46	5.63	5.69	5.68
Service	5.52	5.68	5.78	5.90
Risk	5.86	6.02	6.13	6.00
Shop Environment	5.02	5.20	5.20	5.19
Lifestyle	4.94	5.14	5.06	5.23
Effort	4.61	4.51	4.54	4.80
Price	5.30	5.48	5.54	5.50
Satisfaction	5.22	5.38	5.40	5.51
Word of Mouth	5.24	5.37	5.45	5.44
CPV	5.31	5.44	5.51	5.53
Brand Preference	5.61	5.84	5.77	5.79
Brand-orientation	5.14	5.18	5.39*	4.68*

Significant at 0.01 level

Perceived Risk and Brand Choice

- Insufficient protection of consumer interests in China
- Even fake or low-quality products and deceptive business practices are quite commonplace due to a shortage of protection of consumer interests
- Consumers rely on established brands to reduce perceived risk for they provide the trust and product quality guarantee needed



Evaluation of Brand Experience

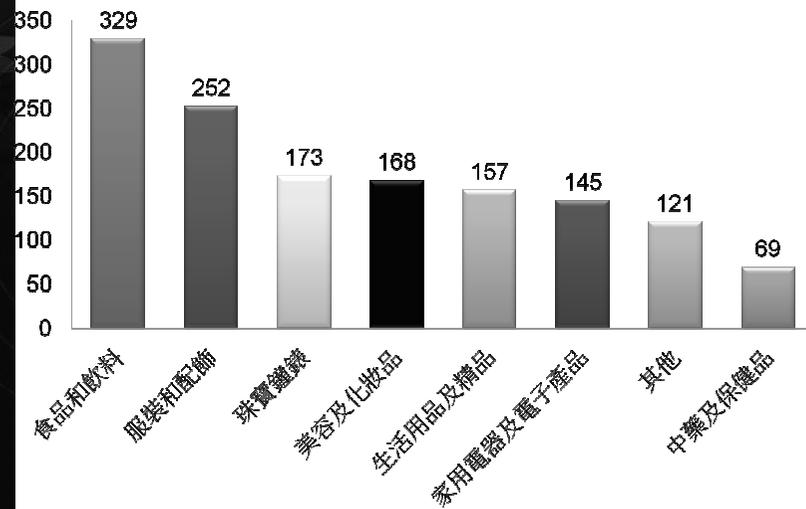
- Perceived value of the brand is subject to:
 - ◆ Product and service quality, product-mix, risk, and price are all important
 - ◆ Match with lifestyle is less important
 - ◆ Recognition by friends/peers is also important
- Loyal customers are more demanding for service, preferential treatment, special offers, and recognition

Major differences in brand buying behaviour and evaluation are attributed to:

- Economic development
- Product and brand knowledge
- Infrastructure and protection of consumer interest
- Culture

And characteristics of Chinese consumers' brand loyalty behavior
- Help justify your investment in branding in China

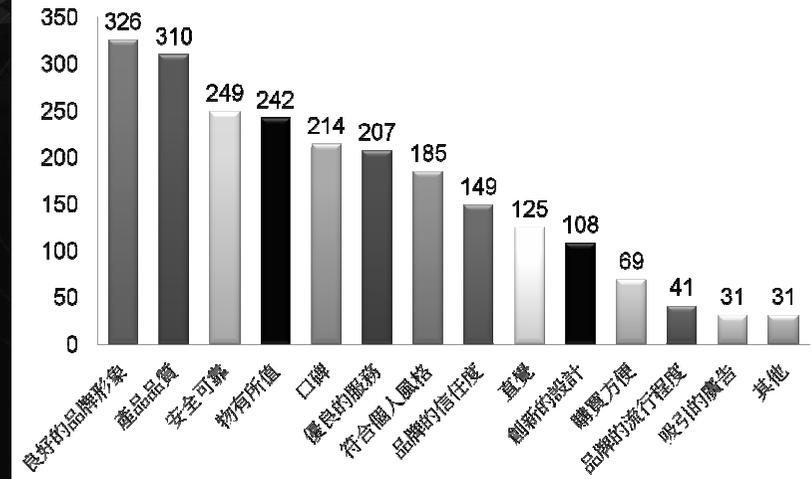
最受歡迎的香港品牌產品



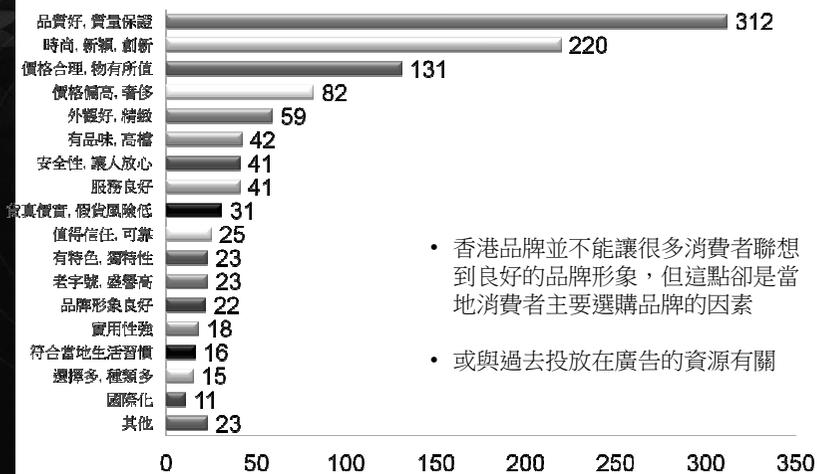
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選擇品牌的購買因素



對香港品牌的聯想



• 香港品牌並不能讓很多消費者聯想到良好的品牌形象，但這點卻是當地消費者主要選購品牌的因素

• 或與過去投放在廣告的資源有關

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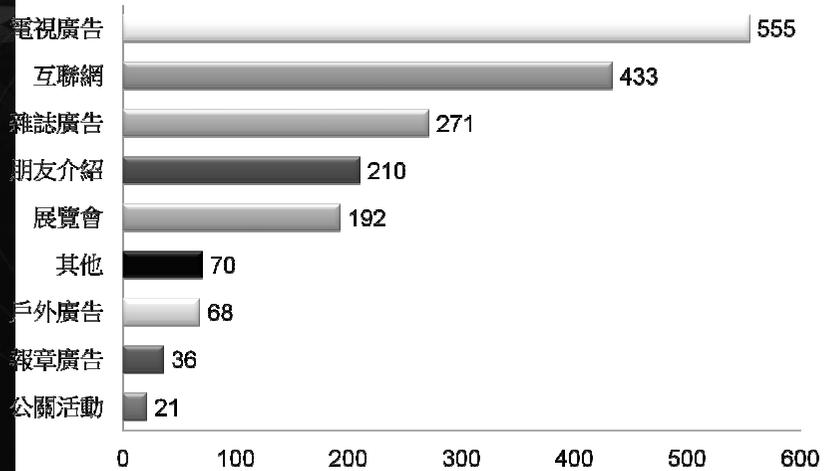
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喜歡購買港品牌類別與消費者特點

Mean (SD)	整體	服裝及配飾	珠寶鐘錶	生活用品及精品	家用電器及電子產品	食品及飲料	中藥及保健品	美容及化妝品	其他
我喜歡香港品牌	5.35 (1.30)	5.54 (1.15)	5.65 (1.23)	5.51 (1.19)	5.48 (1.21)	5.54 (1.15)	5.70 (1.30)	5.53 (1.22)	4.75 (1.45)
我信任香港品牌	5.33 (1.29)	5.45 (1.23)	5.43 (1.28)	5.52 (1.15)	5.34 (1.30)	5.44 (1.21)	5.80 (1.01)	5.50 (1.19)	4.93 (1.38)
我喜歡購買品牌	4.99 (1.76)	5.16 (1.75)	5.13 (1.71)	5.05 (1.69)	5.03 (1.83)	5.06 (1.67)	5.20 (1.83)	5.38 (1.59)	4.70 (1.92)
我熟悉中國品牌	5.80 (1.16)	5.83 (1.14)	5.92 (1.13)	5.76 (1.14)	5.79 (1.10)	5.83 (1.18)	5.78 (1.15)	6.01 (1.03)	5.81 (1.11)
我熟悉香港品牌	3.34 (1.57)	3.49 (1.65)	3.50 (1.55)	3.53 (1.67)	3.42 (1.62)	3.32 (1.56)	3.54 (1.63)	3.67 (1.59)	2.98 (1.50)

- 各零售類別消費者均對港品牌表示不熟悉
- 當地中藥及保健品消費者最信任香港品牌

主要認識香港品牌的渠道



THANK YOU!