

CHINESE BRANDS ARE COMING TO AMERICA

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It's already happening.

Chinese companies are bringing their brands to America seeking the rewards of the greatest economy on earth. Conversely, leveraging their knowledge and success building brands, American companies are bringing their newly acquired Chinese brands back home.

While this is all very exciting, regardless of sponsor, Chinese brands face significant barriers to entry.

When introducing a Chinese brand — fair or not — China, the nation, is perceived as the master brand. It is the primary indicator of the offering and the key point of reference. By default, the corporate brand is relegated to that of a sub-brand.

Significant research has been conducted on the 'country-of-origin' effect, concluding that the country image is an integral component in the set of extrinsic cues consumers use to evaluate products. Others include price, packaging, seller, and prestige.

Phillip Kotler, the S.C. Johnson Distinguished Professor of International Marketing at the Kellogg Graduate School of Management at Northwestern University, defines country image as “the sum of beliefs and impressions people hold about a place. Images present a simplification of a large number of associations and pieces of information connected with a place. They are a product of the mind trying to process and pick out essential information from huge amounts of data about a place.”

American universities, French champagne, Italian suits, German automobiles, English beer, and Scottish whiskey are just a few examples of country images that generate positive associations and influence purchasing behavior.

Evolving the Brand “China”

So what is the country-of-origin effect for the China brand?

Unfortunately, both anecdotal evidence and conventional wisdom suggest existing associations are negative and include: value pricing, unskilled labor, inexpensive materials and, overall, low-quality products.

But there is hope.

Think about it: today China is perceived no differently than was Japan in the 1950's and 60's. Yet, by the final decade of the 20th century, Japan was able to slay its country-of-origin curse and emerge as synonymous with advanced technology, manufacturing quality, competitive pricing, style, and even status.

In fact, what took Japan nearly fifty years to accomplish in the 20th century, China is on-track to accomplish in the first decade of the 21st century. China is doing so by leveraging the deep reach of the media and the ubiquity of the Internet to build a new set of positive associations.

Another key way in which China is recasting its image is by benefiting from positive word-of-mouth from the growing number of business executives and tourists who have had favorable experiences there. The positive comments are being reinforced by the numerous optimistic reports on China written by respected consulting firms such as McKinsey and Accenture, as well as equally encouraging stories detailed in the media.

These new positive associations characterize China as having an urban, westernized middle-class that desire consumer goods, a burgeoning democracy hungry for new ideas, and a five-thousand-year heritage that can be traced back to the beginning of culture.

The emergence of a Chinese middle-class appeals to Americans. It feels familiar and reinforces our belief in the American Dream. (It also subconsciously validates our contention that, deep down, many people around the world would rather live in America—again making us feel good.)

Democracy differentiates the West from many of the nations in the world. It informs our sense of justice, the separation of church and state, and the rights of the individual.

If there is any one single attribute of a brand that provides sustainable competitive advantage, it is heritage. Heritage speaks of status, character, social class, and a history. It connotes a traditional way of life that is of value to present and future generations.

Who Will Be First?

The race to be the first to steward a Chinese brand into the American marketplace is well underway.

An article published in the *New York Times* on August 26, 2006 reported that Lenovo, the world's third-largest computer maker, paid \$1.25 billion last year to acquire the personal computer business of IBM. Furthermore, the company has been aggressively strengthening its executive ranks as it tries to transform itself into a global computer giant.

Lenovo is also trying to become one of China's first home-grown global brand names as is evidenced by its signing up as a sponsor for the 2008 Olympic games in Beijing, enlisting celebrities to promote its products, hiring foreign executives and refashioning a company that grew out of a small computer shop in Beijing.

So, it appears that a Chinese company may be the first to steward a brand from China into the biggest economy in the world. How should they position their brand leveraging new and positive associations for the brand China?

Recasting China Through Branding

Personal computers are designed for, and largely purchased by, the middle-class. And the urban Chinese middle-class is now going online. So, are we to believe Lenovo is the Chinese brand that promotes the shared experiences that bind citizens of many different cultures, but principally of one economic class?

The freedom and flow of information is the bellwether of a democracy. And being on the Internet exposes the urban Chinese middle-class to western ideas and values. So Lenovo may be the Chinese brand that enables democracy in China.

It's reported that the abacus, the oldest known calculating device, was invented by the Chinese around 2600 B.C. Therefore, a case could be made that Lenovo is born from a people who were managing the meaning of numbers for over 4500 years. And that is a heritage anyone would be proud of.

But America is not China and the category of personal computers is cluttered by many well-known brands.

So would these new positive associations create meaningful points of differentiation for Lenovo from Dell and Apple and HP?

Could brand China result in a sense of pride of ownership in the minds of American consumers?

Time will tell.

Though we know one thing for certain—Chinese brands are coming to America. And in order to achieve success, branding experts must determine exactly how this story should be told.

About the Authors

Messrs. Levinson, Benson, and Allison are principals of Brand Blueprint, a Brand Consultancy located in Boston, MA. Their key areas of expertise include, respectively, brand positioning, brand strategy and creative expression.

CEOs, CMOs and other marketing leaders turn to Brand Blueprint when they seek to reposition, fortify or simply update their brand.

Collectively, Brand Blueprint principals have over sixty years of experience advising category-leading brands such as Allstate, Bose, DeBeers, Disney, General Electric, Gillette, JP Morgan/Chase, Pitney Bowes, Rolls Royce, Seagram and Staples.

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