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CHINESE CONSUMER REPORT 2010

# 中国消费者

# Brands and Buzz: Understanding How to Reach Today's Chinese Consumers

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Brands and Buzz: Understanding How to Reach Today's Chinese Consumers

# Foreword from Charles - Edouard Bouée A.

**Charles - Edouard Bouée,**
*President, Asia*
*President & Managing Partner, Greater China*
*Roland Berger Strategy Consultants*

**Dear Reader,**

Roland Berger has been doing business in China for more than 25 years. Our numerous assignments during this time have allowed us to closely observe and follow the dynamic development of Chinese consumers, who are becoming a formidable force on the world stage.

Approaching China as a homogenous mass market is a thing of the past. We have witnessed that Chinese consumers are growing increasingly sophisticated and individualistic. Price, once the determining factor in a purchasing decision, is now just one of several factors alongside brand, quality, and personal style. In order to be successful, companies need to tailor their goods to specific target groups segmented not only by demographics such as age and gender but also by consumer habits and values. In an increasingly nuanced market, effective communication with consumers is even more important, but is easier said than done.

Following our Consumer Report 2009, we have intensified our cooperation this year with CIC, China's leading "Internet Word of Mouth" (IWOM) research firm, to bring you timely trends and insights to help you successfully tackle the Chinese consumer landscape. The Internet is one channel that can't be ignored within China's vast and growing community of Internet users and e-commerce is taking off in China. Proportionally, Chinese consumers rely on the Internet in making purchase decisions much more than their counterparts in the West. Online information and interaction hubs such as blogs, microblogs and BBS are treasure mines of information on consumer preferences and trends as well as channels for companies to reach out to and build rapport with consumers.

Our market knowledge paired with CIC's first-hand research demonstrates vividly the power of the Internet on Chinese consumer behavior and how it can build up or, conversely, damage brands. Through a deep look into the online habits and preferences of Chinese consumers, we offer insights on how to actively participate and capitalize on valuable opportunities in the online realm.

We have also analyzed the Chinese consumer population with our unique Roland Berger branding tool, the RB profiler, and developed clusters defined by consumers' values and personalities. We offer you an in-depth look at what makes each type of consumer tick so that you can tailor your messages, define your road-to-market strategy and take actions to drive the most impact.

The race to keep up with developments of the Chinese consumer is a complex one. We hope that this report and its insights will assist you in seeing both the big picture and the way forward in addressing China's consumers effectively.

On that note, I wish you an inspiring read.

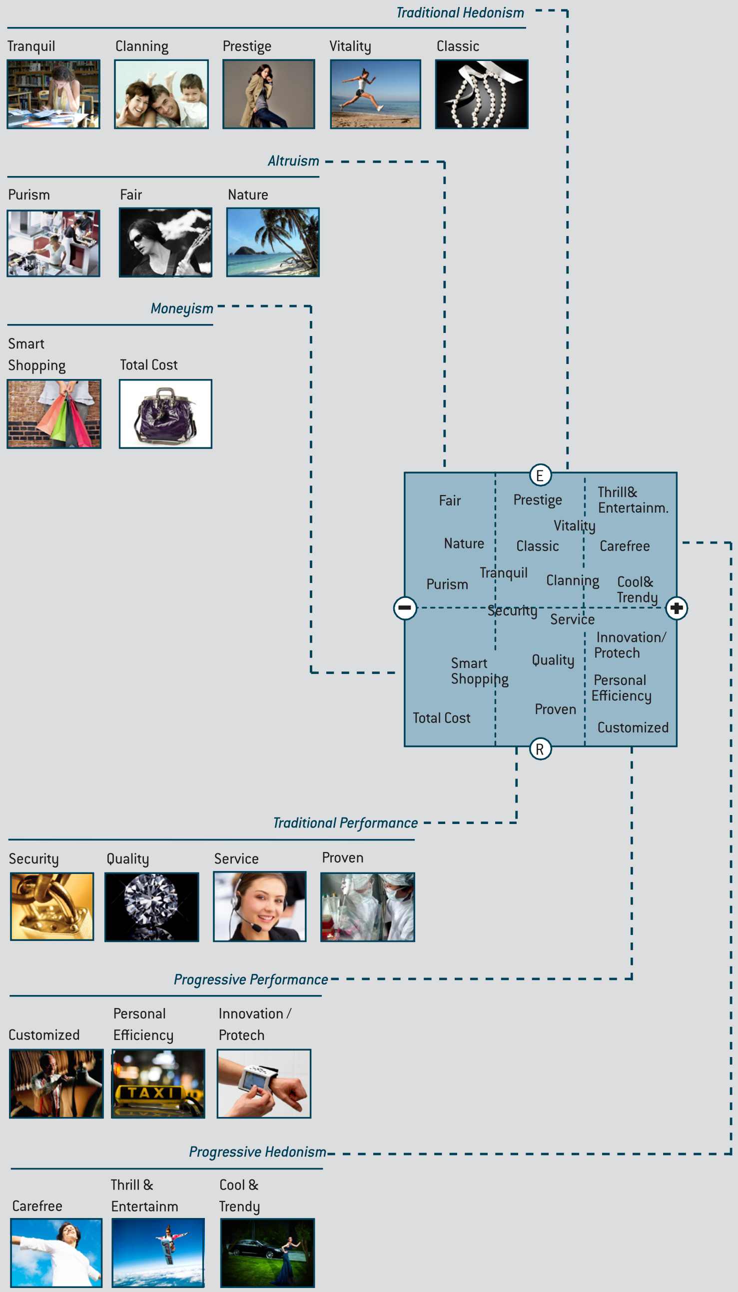
# B. China's diverse and increasingly vocal consumers

Chinese consumers are growing more sophisticated and individualistic. They can be segmented by values and product use habits as well as by demographics like age, gender, and city tiers. In a way, Chinese consumers are becoming more "Western" as brand, quality, and personal style are increasingly important purchasing drivers. They are more conscious of brands, more demanding on quality, and more individualistic in expressing themselves through the products they consume. Furthermore, the perception that Chinese consumers care little about service no longer holds. Nowadays, they are not only mindful of the quality of a product itself, but also about the service they receive during and after a purchase.

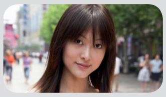
The concept of China as a homogeneous mass market is also becoming a thing of the past. Consumers are growing more diverse through their differences in values, as the younger generation along with people in the middle income level often seek brands associated with fun and excitement and care more about product design, while older people and higher earners lean more toward efficiency and performance when looking at certain consumer goods. These differences will become clearer as we analyze the consumer population through Roland Berger's consumer values and personality-based segmentation tool and explore various industry examples.

At the same time, Chinese consumers are diverging from Western consumers in significant ways, most notably in their much heavier use of the Internet to research, discuss, and evaluate products of all kinds through the whole process of a purchase decision. "Online buzz" is especially important

*The RB Profiler is a proprietary customer segmentation tool that uses 20 general customer values, desires and aspirations to measure the needs of customers and values addressed by brands:*

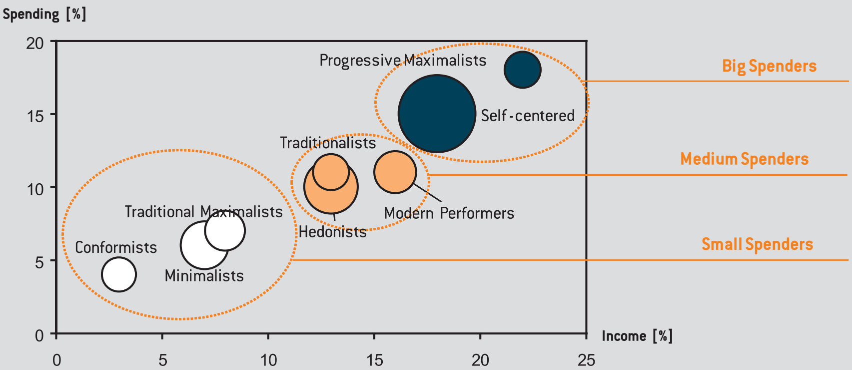


*The RB Profiler segments the Chinese consumer population into eight archetypes, each with unique traits and consumption preferences:*

| |  |  |  |  |
|---|---|---|---|---|
| **Archetype** | **The Self-centered** | **The Hedonist** | **The Traditional Maximalist** | **The Modern Performer** |
| *% of China's population* | *21%* | *15%* | *12%* | *12%* |
| *Traits* | > Rejects traditional values<br>> Early adopter | > Fun & enter-tainment seekers<br>> Trendy | > Holds traditional values but seeks fun and status | > Serious, professional<br>> High performers |
| *Key consump-tion pre-ferences* | > Fashion<br>> Luxury | > New channels<br>> Innovation | > Service<br>> Long-term value | > Efficiency<br>> Perfor-mance |

| |  |  |  |  |
|---|---|---|---|---|
| **Archetype** | **The Minimalist** | **The Progressive Maximalist** | **The Traditionalist** | **The Conformist** |
| *% of China's population* | *12%* | *11%* | *9%* | *8%* |
| *Traits* | > Cautious, avoids risk<br>> Values privacy and peace | > Rule-breakers<br>> Goal-driven<br>> Extraverts | > Family-centered<br>> Traditional values | > Prefers quiet life<br>> Adheres to social conventions |
| *Key consump-tion pre-ferences* | > Low price<br>> Traditional channels<br>> Practicality | > New channels<br>> Innovation | > Quality<br>> Long-term value<br>> Green | > Low price<br>> Traditional channels<br>> Practicality |

*These eight archetypes can be grouped into three spending tiers:*




*Notes:*
- *Spending is measured by the percentage of each archetype that spends more than 2000 RMB per month.*
- *Income is measured by the percentage of each archetype that makes more than 50,000 RMB per year.*
- *Bubble size represents archetype sample size.*

***Source:*** *Roland Berger Consumer Market Survey (Sample no. =11,100 2008), Roland Berger analysis*

in the Chinese marketplace as it plays an influential role in consumer decisions and has the power to build up or significantly damage a brand in a short amount of time.

These changes spell an unprecedented opportunity for consumer goods companies, but also lift the bar for marketers. In order to attract increasingly savvy consumers who care more about brand, quality, and personal style, marketers have to sharpen their strategies and advertising methods, particularly in using the Internet. With an online sphere as large and active as China's, it is crucial for marketers to make proper use of this channel by listening to and positively influencing online buzz about their brands.

This report will explore these important trends in detail through the traits and preferences of eight essential consumer archetypes Roland Berger has identified in the Chinese market.

# C. Chinese consumers are growing more sophisticated and individualistic

## C1. Importance of brand and quality

The traditional conception of the Chinese consumer as a highly price-conscious shopper who primarily looks for a sales tag and bargain deals may be fading. There is ample evidence that consumers are becoming more sophisticated and moving beyond price as the foremost criterion for purchases. While the price tag remains a consideration, it is no longer the make-or-break factor as consumers are paying increasing attention to non-price elements like brand. For instance, when choosing a shopping channel, more consumers care about the brand and trendiness of the product offering than about low prices. (see Figure C.1.1)

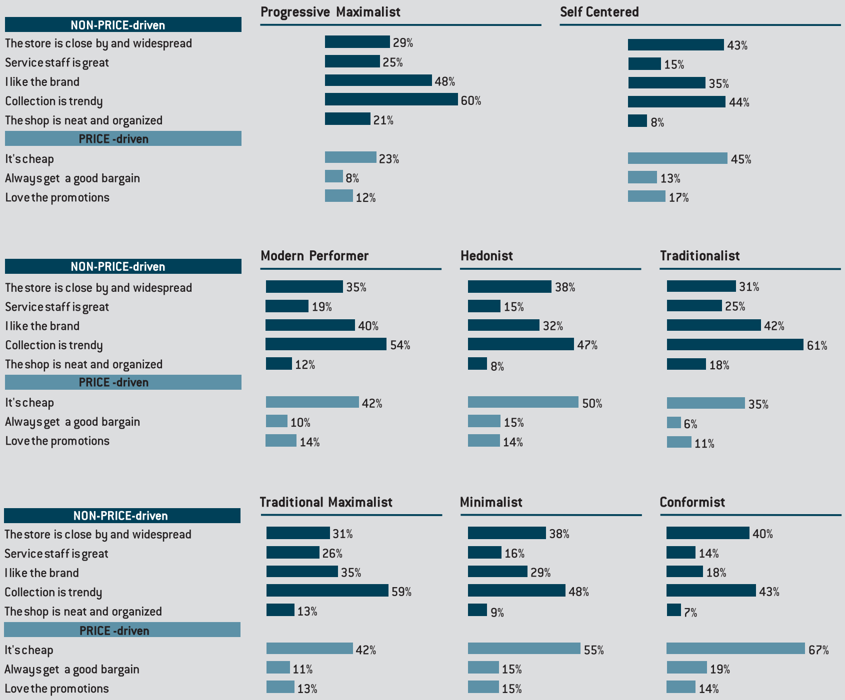
In specific industries like automotive, brand is the frontrunner in determining a purchase for both imported and domestic cars. (see Figure C.1.2)

But what exactly makes a brand attractive to Chinese consumers? While there is no unified answer across all industries, quality, international origin, service and value for money are generally prevalent in defining the attractiveness of a brand.

### *Brand attractiveness: quality*

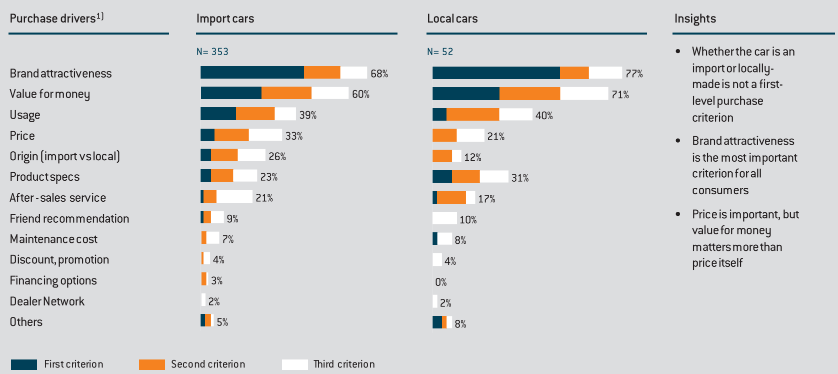
Quality awareness is increasing among Chinese consumers, especially in the wake of quality deficiency incidents that have been seen as threats to public health and safety (see Figure C.1.3). One of the most serious product quality scandals in recent years was

*Figure C.1.1.*
*Decision Drivers: Shopping Channels*
*While price is still a major purchase criterion, brand and other non price-driven factors are important to Chinese consumers:*




*Notes: Percentages refer to proportion of respondents who take a particular factor into consideration when choosing a shopping channel.*
*Source: Roland Berger Consumer Market Survey (Sample no. =11,100 2008), Roland Berger analysis*

*Figure C.1.2.*
*Decision Drivers: Imported cars*
*While price is still a major purchase criterion, brand and other non price-driven factors are important to Chinese consumers:*




1) Multi-choice & closed question: "What were the most important criteria in choosing your car?" (rank up to 5 criteria)

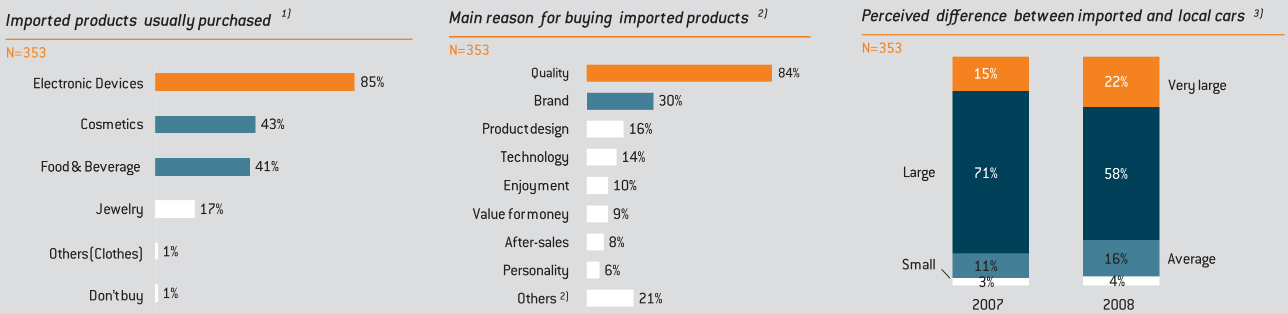
*Source: Roland Berger China Car Consumer Survey 2009, Roland Berger analysis*

## *Figure C.1.3. Product quality scandals in China*

| | Milk powder | Toyota recall | HP laptop | Electronics |
|---|---|---|---|---|
| **Incidents** | > Contaminated milk powder | > Gas pedal problem on RAV-4 SUV | > Screen malfunctioning and overheating | > Low quality of cell phones, computers and TVs |
| **Conse-Quences** | > 6,200 babies ill<br>> Sales of the three largest domestic milk powder manufacturers fell by 30-40% on a comparative basis | > 75,000 vehicles recalled in China<br>> Toyota sales in China decreased 16.3% in January from previous month | > Complaints through official channels<br>> A complaint was sent on behalf of more than 170 consumers to China's General Administration of Quality Supervision | > 223,000 consumers filed complaints about electronics in 2009<br>> The number of complaints in electronics doubled from 2008 to 2009 |
| **Consumer Quotes** | > "How could we have any confidence in the company after what happened?" | > "It's a brand I won't trust anymore" | > "The only thing I want is to return the laptop and get my 5,800 yuan back" | > "I paid for a TV with a good reputation for quality, but I could not afford to repair it" |
| **Emotional drivers** | HEALTH, FAMILY | SECURITY | EFFICIENCY, DURABILITY | PRICE-QUALITY BALANCE |

*Source: Literature Search, Roland Berger analysis*

## *Figure C.1.4. Perceptions of import quality*




1) Multi choice & closed question: "Which import products do you usually purchase or consider for purchase ?"

2) Open question: "Why do you / don't you buy foreign products?"

3) Single choice & closed question: "Do you think there is a difference between imported cars and locally produced ones?"

*Source: Roland Berger China Car Consumer Survey 2009, Focus Groups, Dealer interviews, Roland Berger analysis*

milk powder contamination, as six babies died and nearly 300,000 infants fell ill from melamine-laced powder according to China's Ministry of Health[1]. These product disasters obviously have heavy consequences on consumer confidence; after the scandal, the product sales of the three largest domestic milk powder manufacturers declined by 30 to 40 percent compared with the previous year. Many Chinese consumers turned to imported brands as substitutes, willing to pay higher prices for assurance of quality. This was true both in larger cities where international brands have a more sizable presence as well as in smaller cities where foreign brands tend to be less prevalent. For instance, Dumex, an international infant milk brand, saw its market share in lower tier cities rise from 9.8 percent to 20.1 percent within four weeks in 2008[2].

Just like consumers everywhere, Chinese are looking for brands they can trust, and non-price drivers such as quality are increasingly important determinants of trust.

## *Brand attractiveness: international origin*

The relationship also runs in reverse. A strong brand can act as a proxy for quality. Often, the strength of a brand is rooted in its international origin. In Roland Berger's 2009 survey of car consumers in China, 84 percent of consumers identified quality as the main reason for purchasing imports, among which the most commonly purchased products were electronics, cosmetics, and food. In the car industry, most surveyed consumers perceived a large quality difference between imported and domestic cars (see Figure C.1.4).

Consumers we surveyed in cities like Nanjing and Guangzhou asserted that "Imported models are of a far better quality" than domestic cars, and some have even said they "will not consider local models anymore" because of the frequent maintenance required for faulty parts. The attraction to brand and quality is further reflected in the price premium consumers are willing to pay for these elements (see Figures C.1.5 and C.1.6).

Chinese consumers often have high expectations for sales and after-sales service. For example, car customers demand professional and knowledgeable sales staff, dedicated space and personnel for import cars, and a high service level when they walk

*1. Ministry of Health, December 1, 2008* *2. TNS Worldpanel, November 2008.*

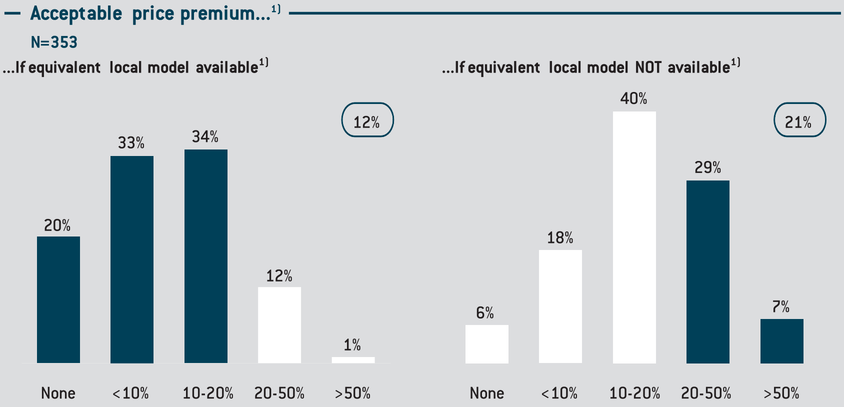
into a dealership to look at cars. According to our Focus Group research, those interested in import cars want VIP sales service, "so at least we can tell the difference from a local [dealer]." At the after-sales level, service quality and repair speed are paramount, as is price transparency in spare parts and maintenance. As a Renault dealer in Nanjing pointed out, "Convenience is not key to after-sales since customers can easily go anywhere with their car; service speed and quality are what really matter."

## *Brand attractiveness: value for money*

Finally, value for money is another important component of brand. While price in itself is not the foremost factor, customers still want to get the most out of their purchase. This is evident in auto purchases, as value is the second criterion after brand attractiveness (see Figure C.1.7). On the web, it is even more evident that people care heavily about value for money, as many bloggers and forum users evaluate and compare products based on their performance vs. the price. In the automobile industry, mentions of "value for money" increased 60% from 2008 to 2009.(see Figure C.1.8)

Chinese consumers are clearly becoming more sophisticated in their preferences, moving away from price as a primary consideration and placing more emphasis on an array of factors driving brand attractiveness, such as quality, international origin, service and value for money. Their increasing consideration of non-price driven factors is also reflected in another important trend that has emerged in recent years, which we will explore in the next section.

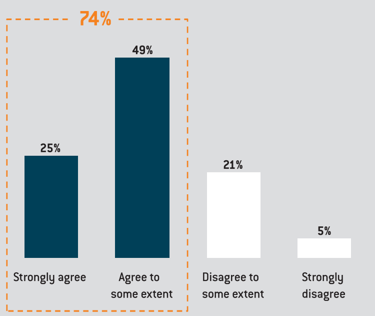
*Figure C.1.5.*
*Acceptable price premiums for imported cars*




1) Single-choice closed question : "What premium would you be willing to pay for an imported car, if a similar locally-made car is / is not available?

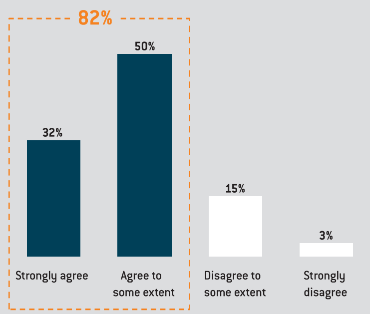
**Source:** *Roland Berger China Car Consumer Survey 2009, Roland Berger analysis*

*Figure C.1.6.*
*Acceptable price premiums for product quality*
*"I am willing to pay more for the sake of quality" [%]*



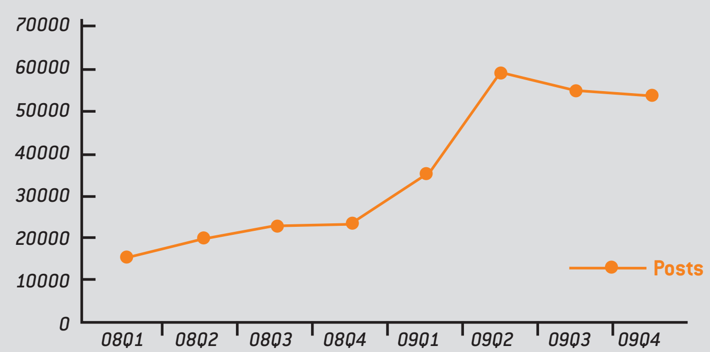

**Source:** *Roland Berger Consumer Market Survey (Sample no. =11,100 2008), Roland Berger analysis*

*Figure C.1.7.*
*Acceptable price premiums for quality service*
*"I am willing to pay more for good service" [%]*



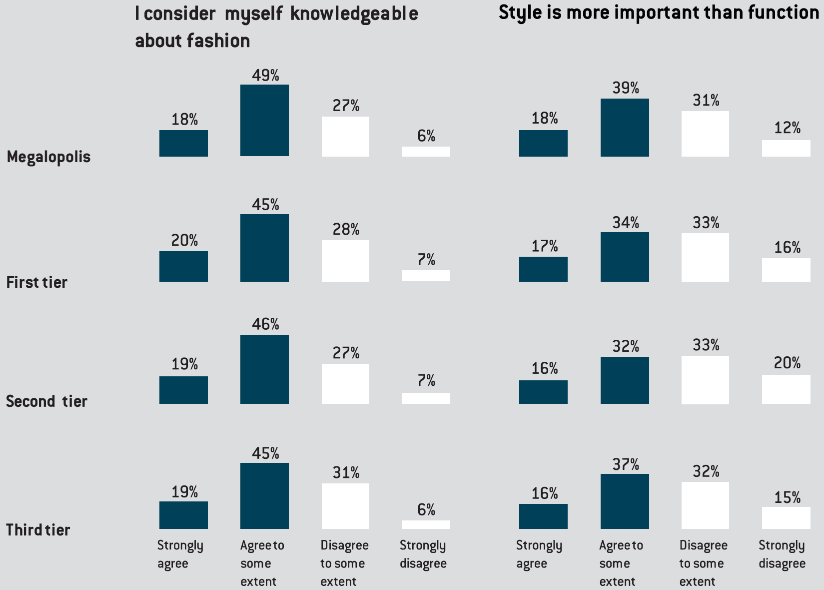

**Source:** *Roland Berger Consumer Market Survey (Sample no. =11,100 2008), Roland Berger analysis*

*Figure C.1.8.*
*Quarterly Buzz Volume Trends on "Value for Money" term in Automotive Industry (2008-2009)*



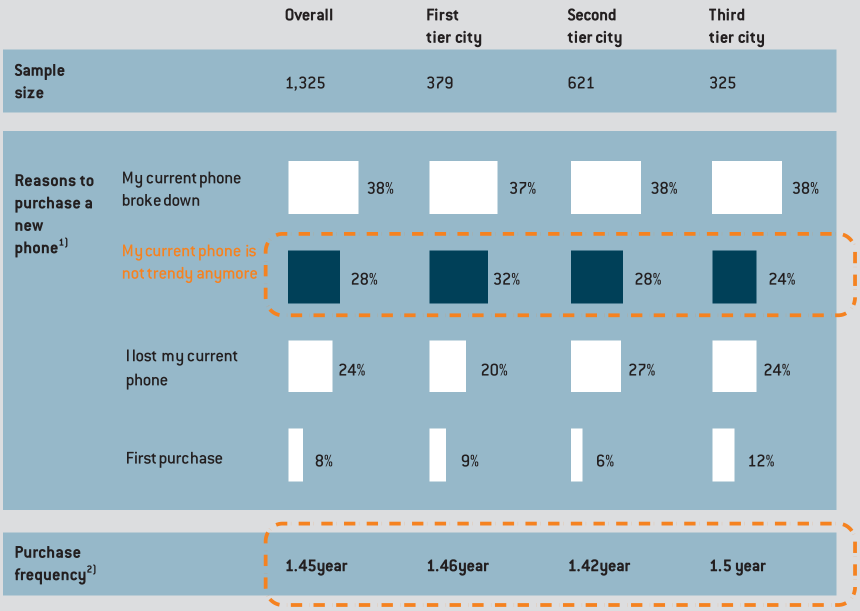

*Source: CIC*

*Figure C.2.1.*
*Fashion and style consumer opinion by city tier*




**Source:** *Roland Berger Consumer Market Survey (Sample no. =11,100 2008), Roland Berger analysis*

*Figure C.2.2.*
*Purchase Drivers: Mobile Phones*




*1) In response to question: "What drove you to buy your current cell phone?"*
*2) In response to question: "How often do you switch to a new phone?"*

**Source:** *Roland Berger Cell Phone Market Survey (Sample no. =1,325 June 2009), Roland Berger analysis*

## C2.
## Importance of personal style

Chinese consumers are placing more emphasis on personal style both through their attraction to the latest fashions and their growing individualism. More consumers are staying up-to-date on trends, and roughly half consider a product's style to be more important than function (see Figure C.2.1).

What may be even more surprising is that these findings are the same across all city tiers, with consumers in the lower tiers displaying stronger responses than those of the upper tiers in some areas. This shows that consumer sophistication is rising just as much or perhaps even faster in the less developed smaller cities than in the booming economic centers of China.

For a specific industry example, let us explore mobile phones. According to Roland Berger's 2009 mobile phone market survey in China, more than a quarter of consumers (across all city tiers) purchase new phones simply because they feel their current phone is not in style anymore. The average mobile phone purchasing frequency in China, about one phone every 1.5 years, is on par with mature markets[3] (see Figure C.2.2).

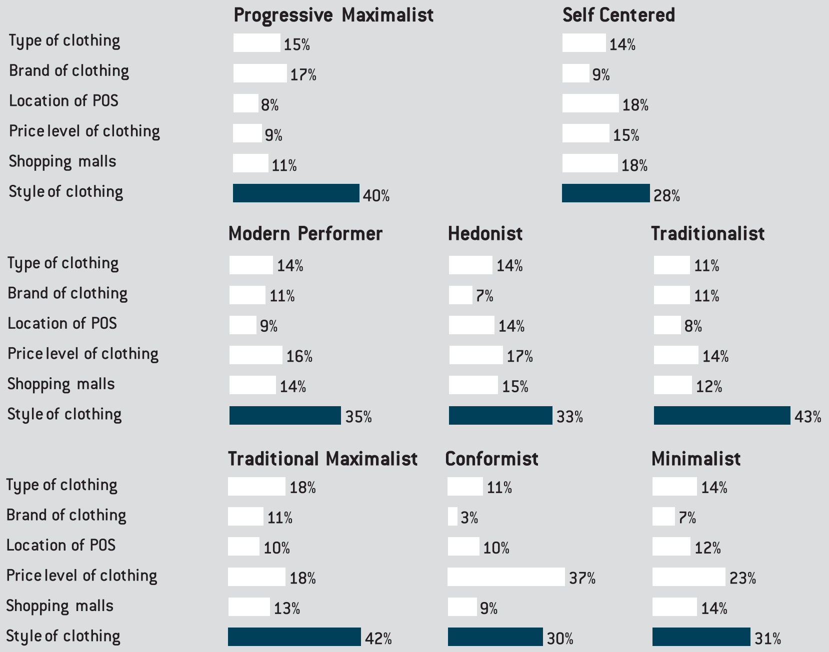
*3. Gartner Technology Business Research Insight, December 2009*

In the clothing industry as well, consumers across all archetypes now care foremost about style, a significant change from the past where they sought practicality and price over fashion (see Figure C.2.3).

Chinese consumers are also displaying more individualism than before, striving not only to be fashionable but to be able to express their individual style and personality through the products they use. This is reflected clearly in our mobile phone user survey, as we can see the variety of values, purchasing drivers, and usage habits across age, income level, preferred price level for a phone, and gender (see Figure C.2.4). Online, Chinese youth often try to show off their uniqueness by creating their own versions of brand logos they like for their own websites and tailoring their icons according to their personalities and interests.

Surveyed consumers attributed different imagery and "auras" to each of the major mobile phone brands in China, signifying the high level of attention they pay to style and which brands can best bring out their personality. For instance, Nokia is seen as a strong international and white-collar brand with the image of a "diamond," signifying its reliability and trustworthiness. LG, on the other hand, is associated with a glass of red wine and fashionable models. Dopod brings to mind the image of "high-performing executives who often play golf, drink red wine, and smoke cigars," while Sony Ericsson "gives off a summer feel" with its "sporty image."

*Figure C.2.3.*
*Purchase Drivers: Clothing*




**Source:** *Roland Berger Consumer Market Survey (Sample no. =11,100 2008), Roland Berger analysis*

*Figure C.2.4.*
*Segments of Chinese mobile phone users*

| Dimension | Consumer group | Values | Driving factors behind purchasing[1] | Usage habits[1] | Purchase frequency[2] |
|---|---|---|---|---|---|
| Age group | 16-20 | Excitement/fun, Liveliness | Design, Full features | Online chat and other social functions | 1.41 |
| | 21-25 | Excitement/fun, Liveliness | Functions | Browse Internet, Read books | 1.34 |
| | 26-35 | Customization, Efficiency | - | Listen to music | 1.43 |
| | 36-60 | Overall cost, Efficiency | Quality, Price | Basic communication functions | 1.6 |
| Individual income | <2000 | Overall cost, Simplicity | Recommendation of store personnel | Read books, Entertainment | 1.5 |
| | 2000-5000 | Customization, Efficiency | - | Make calls | 1.44 |
| | 5000-10000 | Excitement/fun | Brand preference | Listen to music, send/ receive emails | 1.42 |
| | >10000 | Efficiency, Creativity/ technology | Brand preference, Functions | Listen to music, send/ receive emails | 0.84 |
| Price level | Low | Overall cost | Quality, Price, After sales service | Play games | 1.48 |
| | Low-middle | Sensible shopping | Design | Take pictures | 1.45 |
| | Middle-high | Customization, Efficiency | Brand preference, Design, Functions | Send/receive emails, self-installed software | 1.45 |
| | High | Efficiency | Brand preference, Functions | Send/receive emails | 1.35 |
| Gender | Male | Efficiency, Customization | Quality, Price | Browse Internet, send/ receive emails | 1.39 |
| | Female | Sensible shopping, Trust | Design | Functions (music, camera) | 1.51 |

*1) Relative characteristics; 2) Unit = average number of cell phones purchased per year*

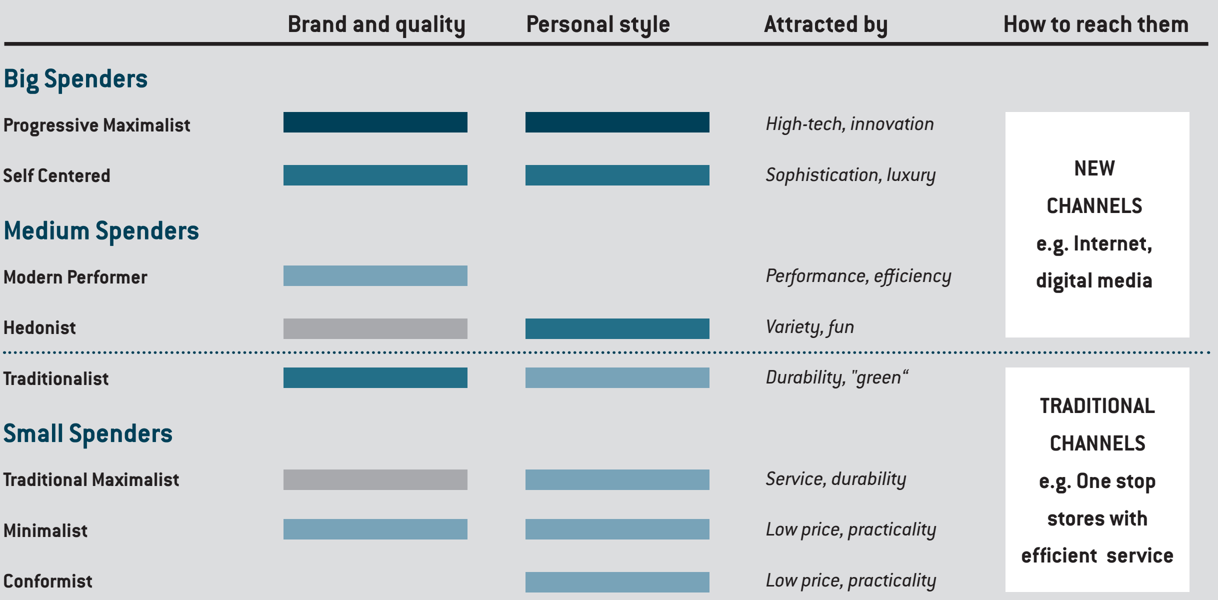
**Source:** *Roland Berger Cell Phone Market Survey (Sample no. =1,325 June 2009), Roland Berger Analysis*

## C3. Marketing to Chinese consumers

So how can companies better market their products to the increasingly sophisticated Chinese consumer? They will have to strengthen their brands and ensure quality, not only of their products but of attached services. Multinationals are already at somewhat of an advantage for many consumer goods, as international origin is often a proxy for quality along with a marker of prestige. But as consumers emphasize price for performance and are not blindly brand-conscious, companies need to meet quality expectations consistently and be aware that a slip in quality could significantly damage their brand. Companies should also pay greater attention to personal style and individualistic preferences as Chinese consumers seek to express themselves through consumer products like mobile phones and clothes.

Companies can adjust their marketing strategies based on the eight different customer archetypes outlined in this document. Below, we can see that the archetypes across different spending levels prefer brand and quality and personal style in varying combinations, are attracted by markedly different values and product traits, and can best be reached by either new or traditional channels. For a more in-depth look at what makes each type of consumer tick, please refer to the Appendix.

Compared with traditional channels, new channels offer ways to both measure and influence consumption to a larger degree than before, and are thus well worth a detailed exploration in the next section.




**Note:** *Darker color indicates stronger preference*

# D. The Internet: a powerful force in shaping Chinese consumer opinions

### Internet Word of Mouth Transforming the Brand/Consumer Relationship

There is much hype in the West about how the Internet, and in particular, Internet Word of Mouth (IWOM), has the potential to transform the relationship between brands and consumers. In China, where there are more people online, more people talking online, more places to talk and those who are talking are more engaged than any other market, this hyped potential is in fact a reality and has been for some time now. Chinese consumers use native social media channels like Xcar BBS (bulletin board service) community, Sina microblog and social networking site Kaixin to share opinions and experiences about brands by the millions. On automobile BBS sites alone, over 13 million consumer comments are published every month by 500,000 consumers. More than just talk, consumers are even organizing themselves for group purchasing discounts and online/offline protests against poor customer service. Many such phenomena impacting the brand/consumer relationship that are just beginning to happen in the West have been happening in China for years.

IWOM's transformation of the relationship between brands and consumers means that it has relevance across the entire organization, including advertising, PR, marketing, sales, human resources, and customer service. The fact that it impacts so many areas of the organization means that it should not be "siloed" in any one of them. We already see IWOM putting pressure on such traditional functions as customer service and PR, where the scale and pressure of IWOM is making it difficult for brands to develop an effective strategy or even structure to respond. While we think it absolutely essential that brands use firms like CIC to listen to IWOM, we also believe that listening is not enough. Brands need to fully understand the implications that this listening has on their organizations. We believe that the Roland Berger - CIC partnership can help businesses not only listen to the buzz, but ultimately leverage the buzz for unique competitive advantage that enables them to thrive in this increasingly complex environment.

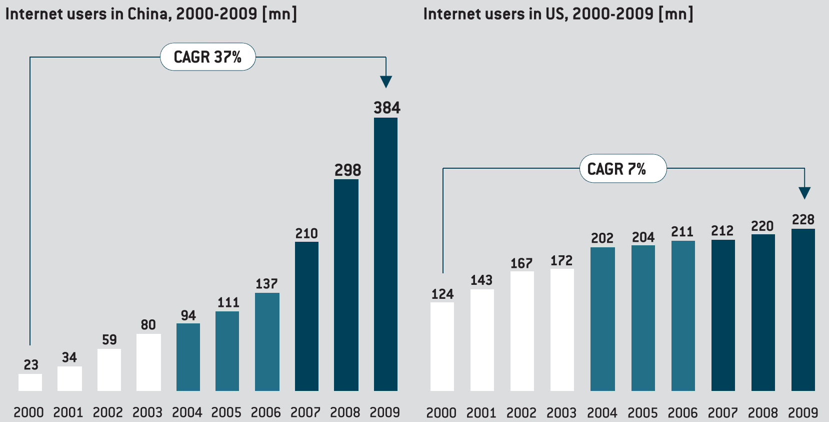
*Sam Flemming, CEO, CIC*

## D1.
## Internet Word of Mouth (IWOM) is changing Chinese consumers' purchasing decision process (PDP)

China's internet user population has seen explosive growth over the past decade, reaching 384 million users in 2009 from around 23 million in 2000 (see Figure D.1.1).

Activities that whittle away hours online range from playing games to writing and perusing blogs to reviewing restaurants and products. In particular, usage of BBS ("bulletin board system," a type of online forum), instant messaging and blogs in China has risen rapidly compared to that in the US and Europe. (see Figure D.1.2)

*Figure D.1.1.*
*Growth and evolution of Internet use in China vs. US*




**Source:** *ITU, Nielsen Online, World Bank, CIC, Roland Berger analysis*

**Evolution of China's Internet community architecture**

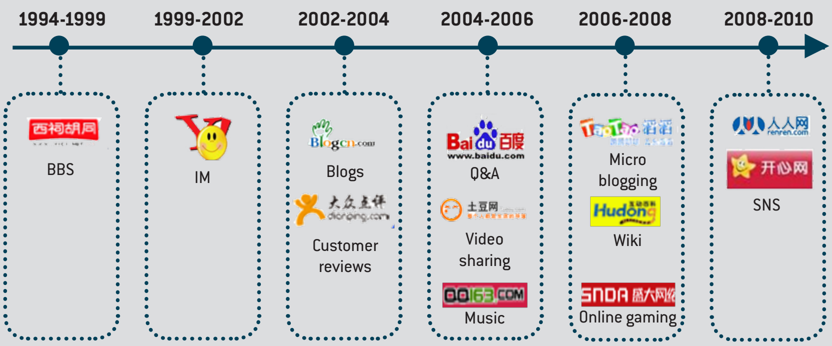
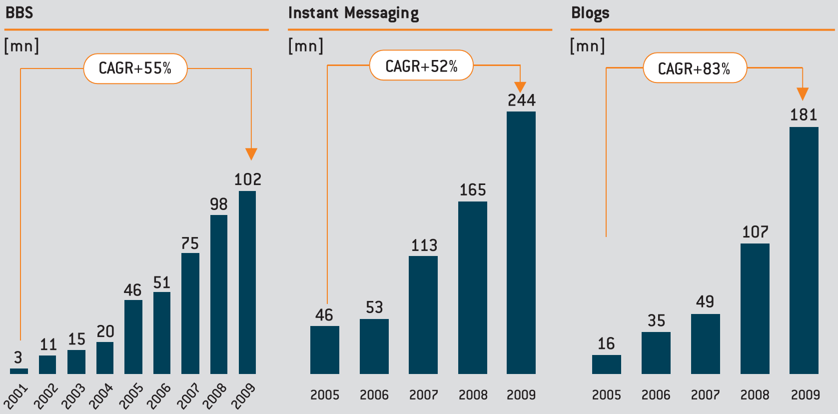


*Figure D.1.2.*
*Growth of Chinese Internet population using various platforms*




Source: *CNNIC*

*Figure D.1.3.*
*Reasons why Chinese participate in online communities*

| | Description | Quotes |
|---|---|---|
| **Share knowledge/ experience** | > Express opinions, experiences and feelings<br>> Share personal product experiences, usage experiences and lessons learned<br>> Communicate with friends | > "I joined this QQ car club and made a lot of friends; I discovered QQ cars suit me, so I bought one"<br>> "I enjoy the process of sharing and benefit from it" |
| **Defend/ expose the truth** | > Ensure that product is treated equally<br>> Feel accomplished by revealing seeders<br>> Expose seeded or fake messages<br>> Defend good brands and disclose bad ones | > "It is unfair to some brands when people just echo others' complaints without having their own views"<br>> "It is fun to disclose the seeders in the community" |
| **Seek/give advice** | > Ask for others' advice, seek solutions when having difficulties<br>> Reply to others' questions, referring others to insightful posts | > "When I am having a specific issue with a new product, I just go online and directly ask about it"<br>> "I like to help people online when they have difficulties in how to use kitchen tools" |
| **Achieve community status** | > Maintain prestige and popularity in an online community | > "People contact me online when they want to know something about German cars" |
| **Improve in business** | > Have in-depth communication with customers<br>> Post or update blogs to sell products<br>> Strengthen relationships<br>> Seek potential business cooperation | > "Sometimes I will invite some of my customers to visit my blog. Blogs are a good platform for communication" |

Source: *CIC*

More generally, the main reasons Chinese consumers participate in online communities are:

> To share knowledge and personal experiences;
> To defend or expose the truth about products;
> To seek and give advice about purchases or product use;
> To make a name for themselves as an expert within a community;
> To improve their own businesses by communicating with customers online. (see Figure D.1.3)

The growing volume of online chatter generated by Internet users, also known as Internet Word of Mouth (IWOM), is especially powerful in China. More precisely, IWOM refers to text and multimedia content related to companies, products, or services shared by Internet users, including brands and consumers, via online community platforms such as BBS (online message boards), blogs and video sites. Internet research firms have developed technologies to monitor, measure, and can analyze IWOM about specific topics, industries, brands, and products. In China, tools targeted for Chinese language IWOM are the latest development.

Where exactly does the power of IWOM lies, and how does it influence Chinese consumers' purchasing decisions? It is involved in every phase of the purchasing decision from the consumers' initial interest in a product to their post-purchase behavior. First, IWOM is one of the major sources of information that inspire demand for a product alongside recommendations from friends, marketing campaigns, and product introductions by sales personnel. These sources work in different combinations to lead the consumer toward a purchase. For example, a consumer may first receive a recommendation from a friend to check out a certain product. He will then go online to read what popular blogs and forums are saying about it, which may reinforce his interest and direct him to an official website or other marketing materials surrounding the product. The final step is usually meeting a salesperson and potentially receiving another firsthand recommendation before either making a purchase or walking away. (see Figure D.1.4)

The purchasing decision process can be broken down into six phases (see Figure D.1.5), and IWOM is significantly involved in each. It is worth noting that in China, "Brand awareness" and "Purchasing decision" are the stages most influenced by IWOM, with 56.3 percent of consumers first learning about a brand through IWOM and 58.7 percent deciding to purchase based on IWOM. A large proportion of Chinese consumers still seek IWOM after a purchase as well (47.5 percent), often to share experiences about product use or to read about how the product has fared with other buyers.

*Definition of "Internet Word of Mouth": text and multimedia content related to companies, products or services shared by Internet users, including brands and consumers, via online community platforms such as BBS (online message boards), blogs and video sites*

**How IWOM is measured**

> Advanced text mining techniques
> Systematic, qualitative online buzz monitor to identify and anticipate crises and opportunities driven by IWOM
> CIC researchers' interactions and discussions about products, brands, etc. with Internet users and "efluencers" in particular categories

**Which technology is used**

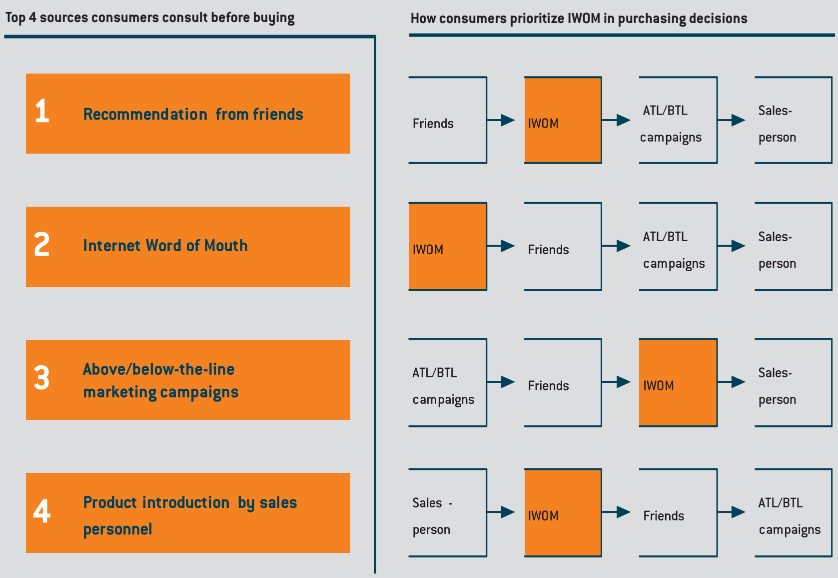
**CIC's "IWOMmaster"**
> Collects over 46 million consumer comments each month related to brands, products and services from 16 industries including automobile, mobile phone, cosmetics, luxury, and FMCG
> Data sources include:
 > BBS
 > News sites
 > Blogs
 > Video sharing sites
 > Q&A forums
 > SNS
 > E-commerce

**How Chinese language is analyzed**

**CIC's "IWOMexplorer"**
> First platform in the world to use sophisticated, patent pending Chinese language text mining technology developed specifically for the unique Chinese social media environment
 > Capable of multifaceted analysis of massive volumes of consumer comments within specific industries
 > Potential for powerful insights to improve brand communications

*Source: CIC*

## *Figure D.1.4. IWOM's influence on overall PDP*




*Source: CIC*

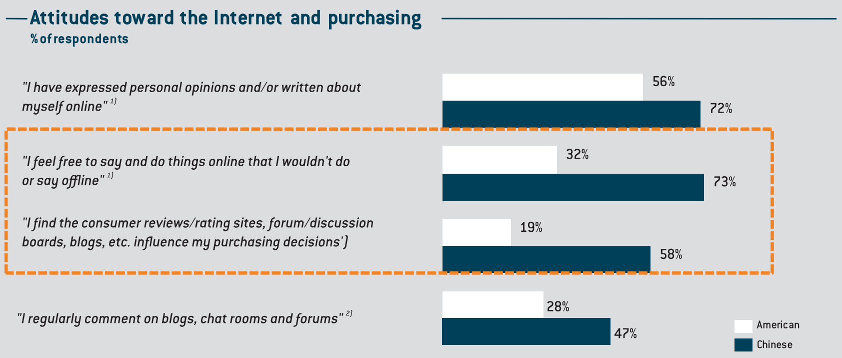
*Figure D.1.5.*
*IWOM's impact on phases of PDP*

| | Initial interest | Brand awareness | Selection of alternatives | Evaluation of alternatives | Purchasing decision | Selection of alternatives |
|---|---|---|---|---|---|---|
| **IWOM impact**[1] | 34.6% | 56.3% | 41.5% | 36.2% | 58.7% | 47.5% |
| **Drivers** | *"I see that many people are discussing this product online"* | *"I can learn about the brands that are frequently discussed online"* | *"I should select from among the brands that people online are discussing the most"* | *"I can seek recommendations for the best model for what I need"* | *"Based on recommendations, I will buy this one"* | *"After buying, I will check other users' experiences so I can know how I can better use what I bought"* |

1) % of consumers who seek IWOM

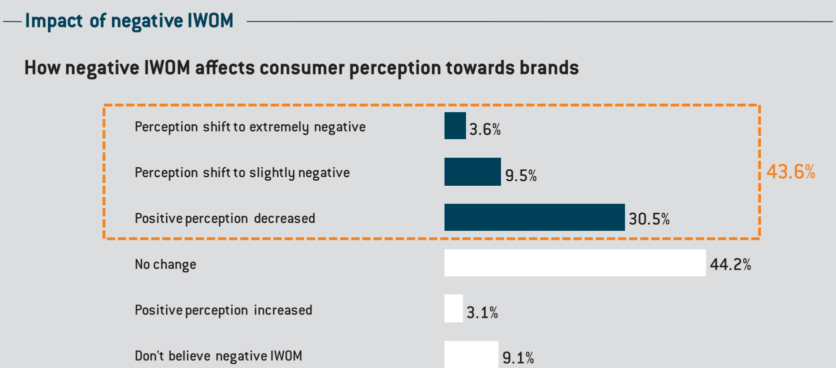
**Source:** *CIC, Roland Berger analysis*

*Figure D.1.6.*
*Comparison of American and Chinese attitudes toward online purchases*




(1) IAC and JWT, China Leads the US in Digital Self-Expression, November 2007
(2) Netpop, Chinese Surpass Americans in Web 2.0 Use, November 2007

*Figure D.1.7.*
*Negative IWOM impact on Chinese brand perceptions*




**Source:** *CIC*

IWOM's impact on the purchasing decision process is more powerful in China than in the West. The majority of Chinese Internet users (58 percent) find that consumer review and rating sites, forums and discussion boards, blogs, and other online spaces influence their purchasing decisions, compared with only 19 percent of their American counterparts. In addition, Chinese consumers feel far more free to say or do things online than they would offline – 73% of Chinese respondents vs. 32% of American respondents (see Figure D.1.6). These stark differences are a call for marketers to pay more attention to IWOM in China.

Not surprisingly, negative IWOM can also dissuade Chinese consumers from making purchases. For instance, 44 percent will have a less positive opinion of a brand after they see negative IWOM surrounding it (see Figure D.1.7).

Considering the growing influence of IWOM on Chinese consumers' purchase decisions and opinions of brands, it is important to understand the factors that drive Chinese consumers to generate and read IWOM, which we will explore in detail in the next section.

## D2. The Internet gives Chinese consumers greater control over purchase outcomes and how they interact with brands

The increasing volume of online buzz means Chinese consumers are gaining greater control over the outcomes of their purchases and their interactions with brands. It brings them closer to brands than ever before by allowing them to scrutinize every detail and potential pros and cons of a product before buying it. Consumers are thus better able to choose products that closely match their demand and quality expectations. IWOM is also an increasingly popular avenue for expressing opinions about a product and brand after a purchase. Dissatisfied customers who generate significant negative online buzz as a group may find companies responding more promptly to their complaints in order to lessen the damage to their brand or notice that their opinions may at least dissuade others from buying the same brand. The pre-purchase and post-purchase implications of IWOM can spell both tremendous opportunity and caution to marketers. In order to reap the benefits of IWOM, marketers need to first understand the rising prevalence of online buzz and online purchasing as well as consumers' motivations for participating in IWOM.

### *The draw of IWOM*

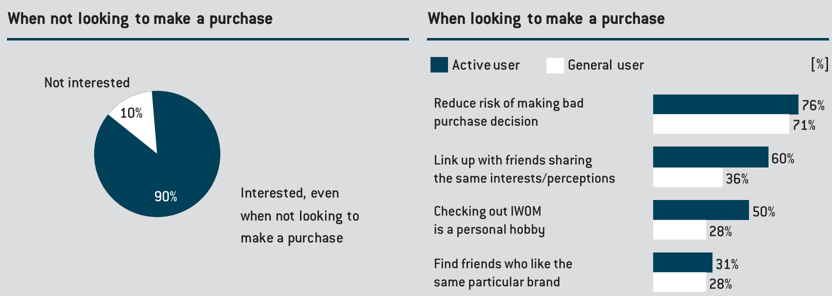
One strong indicator for the importance of IWOM in China is the overwhelming proportion of consumers who pay attention to online buzz about a product even when they are not looking to make a purchase. An eye-opening 90 percent of consumers follow IWOM without specifically looking to buy because they want to keep track of brands they already use, to learn about promotional activities, or to accumulate knowledge on particular industries or products. (see Figure D.2.1)

When consumers are looking to make a purchase, they are motivated to check IWOM for four main reasons:

1. To reduce the risk of making a bad purchase decision;
2. To link up with friends who share the same interests and perceptions;
3. To enjoy IWOM as a personal hobby;
4. To find friends who like the same brands.

The drive to avoid a bad purchase decision is particularly common among active and general Internet users (over 70 percent of both groups), signifying that consumers highly depend on the Internet to clarify their perception of products and ensure that they are making the right purchase decisions. (see Figure D.2.1)

*Figure D.2.1.*
*Consumers' motivations to consider IWOM in PDP*




*THEY CARE BECAUSE ...*

**BRAND**

"Keep track of the news on brands I usually buy and use"

**PROMOTION**

"I can learn about attractive promotion activities"

**KNOWLEDGE**

"There are particular industries/products I keep track of"

*THEY CARE BECAUSE ...*

"What he writes really feeds my appetite, so I add him to my favorite list and read what he blogs about regularly"

"I love Apple's products; if there is anything about Apple online, I will definitely keep up with it"

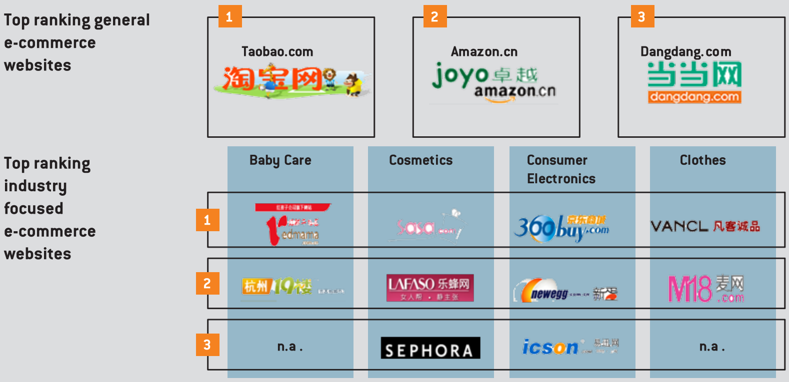
"It's good to get tips from people who have bought a product before"

*Source: CIC, Roland Berger analysis*

*Figure D.2.2.*
*Online shopping transaction values in China vs. the US*


1) Converted from RMB to USD at exchange rate 1USD=6.83RMB
*Source:* *emarketeers, US E-commerce statistics, Forrester Research, Roland Berger analysis*

*Figure D.2.3.*
*Popular e-commerce websites in China*




*Source:* *CIC,Roland Berger analysis*

## *E-commerce*

Chinese consumers are not only generating and studying IWOM about products, but increasingly use online channels to make purchases. The amount of online shopping transactions has grown at an average annual rate of over 100 percent in the past several years. While e-commerce in China is still low in absolute terms compared with online shopping in the US, the former is growing five times faster than the latter, and high growth is expected to continue, particularly as online payment mechanisms and security improve. (see Figure D.2.2)

E-commerce sites like Taobao and Amazon have emerged as buying and selling hubs on the web in China. In addition, industry focused e-commerce sites are also gaining popularity; Sasa.com is the top destination for cosmetics, while consumers often use 360buy.com and newegg.com for consumer electronics. (see Figure D.2.3)

## *IWOM's impact on brand*

Given these trends, consumers have steadily gained more control over their purchase outcomes and the brand image of the products they buy. Companies should be conscious of the degree to which the Internet has empowered consumers and learn to avoid or dampen the negative impact online buzz can have on their brand. A particularly salient example of the power of IWOM to damage a brand is an incident in 2006 that began when a Chinese customer dissatisfied with a computer he had purchased from an international brand posted a complaint on a BBS. This led to a torrent of complaints about the same brand from other customers and the creation of a special section of the BBS for users to post similar grievances, which eventually culminated in a class action lawsuit against the company covered by the national media. Two years later, when actress Sharon Stone publicly criticized certain policies of the Chinese government, Chinese Internet forums were flooded with angry denouncements of the actress. Many users urged a boycott of all brands associated with her, and a major international cosmetics brand decided to pull the actress from its advertisements in China in an attempt to cushion the damage to its brand.

With so much information available at their fingertips, Chinese consumers are well-equipped to make smart purchases of the brands and styles they like at a high quality and value. Consumers are clearly gaining more control over their purchase decisions and the brand image of consumer goods given the plentiful avenues for information gathering and sharing and the growing power of IWOM to shape and sway opinions about a brand. This presents opportunities for marketers to boost their brand image and raise the popularity of their products, as well as some caveats for those yet unfamiliar with the Internet landscape in China.

## D3. How marketers can leverage the web to strengthen their brands with Chinese Internet users

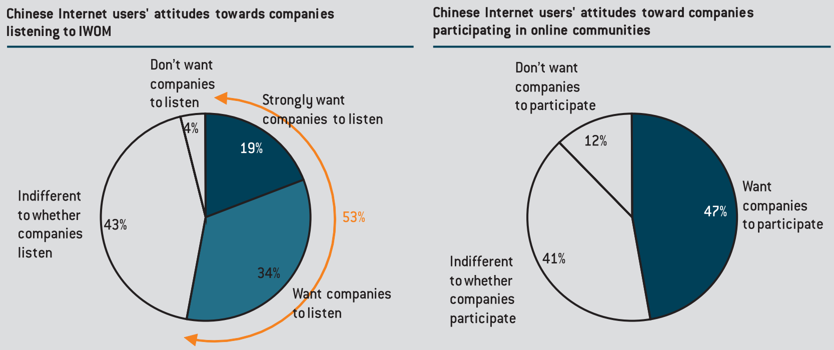
One piece of good news for marketers is that Chinese consumers want sellers to be more involved online. In a survey of 640 BBS and blog users, 63 percent wanted companies to look to IWOM, while 47 percent want them to actively participate in online communities (see Figure D.3.1).

But with the bewildering range of IWOM platforms and content, what exactly should companies look for, and how should they participate?

### *Looking to IWOM*

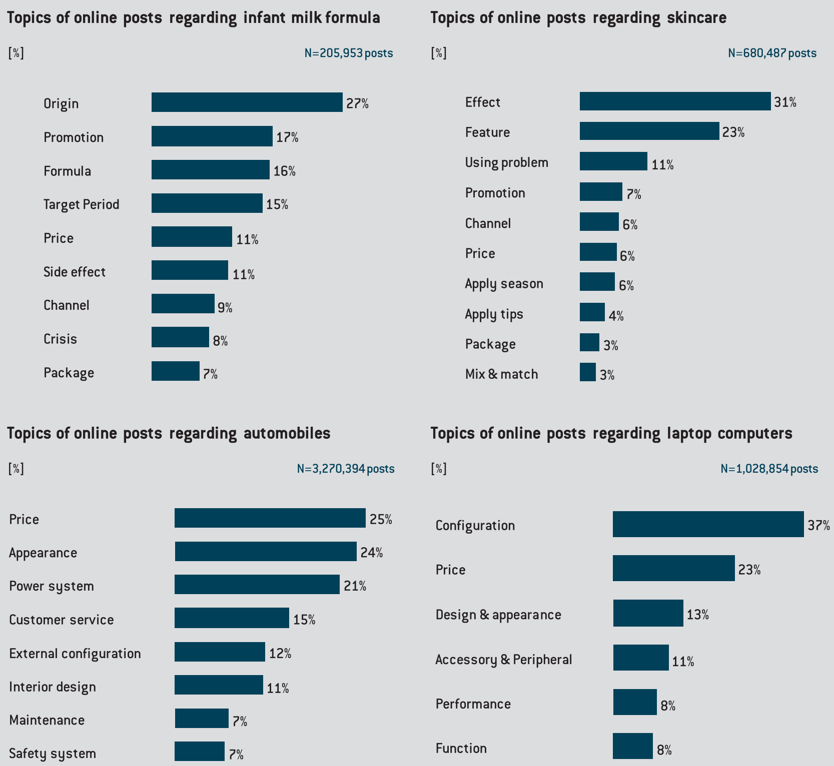
To know what to look for, companies can first investigate what consumers are looking to and talking about. A look at the distribution of online discussion topics shows that consumers are sensitive to different factors about products depending on the product category. For instance, consumers interested in skincare most often discuss the effects and results of certain products, followed by special features and usage problems. For cars, price is the most discussed topic followed closely behind by exterior appearance and power systems. By identifying and following the most frequently discussed topics, companies can likely discover detailed information about what attracts, repels, and concerns consumers and find better ways to meet their demands. (See Figure D.3.2)

*Figure D.3.1.*
*Consumer attitudes toward online marketing*



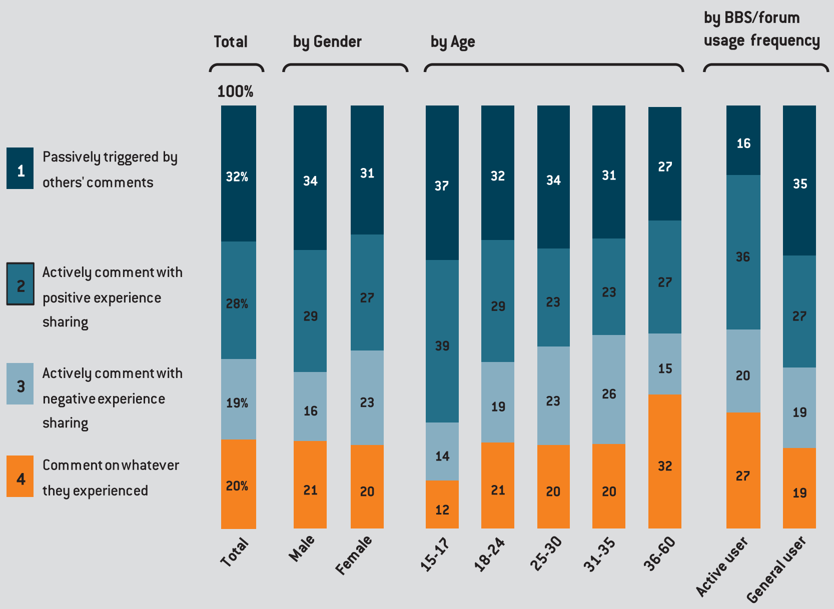

*Source:* *CIC 2009*

*Figure D.3.2.*
*Skincare, infant milk product case study: Breakdown by discussion topic*



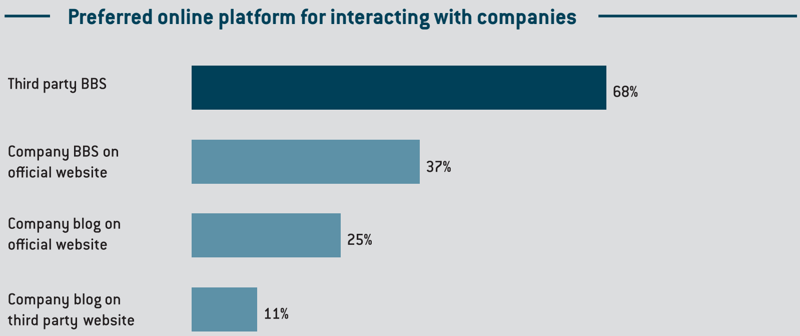

*Source:* *CIC 2009, Roland Berger analysis*

*Figure D.3.3.*
*Participating in IWOM - Consumer motivations*




*Source: CIC , Roland Berger analysis*

*Figure D.3.4.*
*Company web feedback platforms - Consumer preferences*




*Source: CIC survey of 640 BBS/Blog users*

Marketers can also draw some insights from what drives people to make comments about products online. Overall, there is a comparatively greater number of people who "passively" comment (responding to others' posts about brands and products), followed by those who actively comment about positive experiences. When we look at the population by age group, however, we can see that young people are much more prone to positive experience sharing online than older generations, while the latter are more likely to post comments about negative experiences (see Figure D.3.3). It would thus be practical for marketers to build closer relationships with and increase promotional marketing toward younger consumers online to boost positive IWOM about their products, and to carefully follow the negative comments made by older consumers and provide assurance that their concerns will be addressed.

## Communicating with Chinese consumers online

To decide how to best participate in online communities, marketers may take note that a large majority of Chinese consumers prefer to interact with companies on third party BBS sites as opposed to official company pages or blogs (see Figure D.3.4).

The main reason for this is consumers' preference for objectivity in product discussions and the desire for more control of posted content. There is the belief that official company websites and blogs are "too driven by company interests," while third party BBS sites are "more objective because they are managed by an independent party." Consumers worry that "negative posts will be deleted" on official company sites and thus diminish their ability to express opinions freely, whereas third party sites will not restrict them from posting critical comments. Thus, marketers can consider using third party BBS sites as a channel of direct communication with consumers online, where they can look to opinions, respond to concerns, and introduce ideas and product news.

Aside from choosing the appropriate communication channel, it is also important to follow a few participation principles to gain the trust and respect of consumers:

> **Transparency.** Marketers should be transparent and avoid "seeding" positive buzz about their brand; seeding, if discovered by Internet users, can tarnish one's credibility significantly.
>
> > Counterexample: "Spicy Little Chili Peppers" and "Big C" are among several popular fashion bloggers who routinely post pictures of themselves wearing trendy brands. Their posts can easily attract tens of thousands of hits in a day and fans often rush to buy the fashions they recommend at online stores linked on their pages. However, in 2009 fans discovered that these fashionistas were paying much less than advertised prices at the online stores from which they routinely purchased their clothes. Many fans suspected that online stores were giving the women huge discounts so that they would help increase their business, and consequently lost trust and respect for both the stores and the fashion bloggers.

> **Personal Touch.** Marketers should use an informed, personal and sincere approach when communicating with consumers. Generic messages, auto-replies, and unsolicited PR emails may not be received well by users.
>
> > Example: A unique form of net language and notation developed within a LeBron James fan forum on Baidu Post Bar. This method of notation was used by Internet users to show they were "true" members of this particular forum. Based on their community participation strategy, Nike created banner ads that included this unique net language and notation and posted them on the forum. By targeting a relevant community and including information specific to that community, Nike won the praise of Internet users and fans within that community.
>
> > Counterexample: In 2007, a major Internet search engine launched a directory of popular Chinese web portals. Many Chinese Internet users commented about this service on blogs, and some of them received PR emails from the company soon afterward. The bloggers reacted negatively, as they preferred individual responses on their blogs instead of unsolicited blanket PR emails, which they considered spam.

> **Value.** Marketers should offer value to users through providing helpful advice and information, filling in gaps in consumers' knowledge about products.
>
> > Example: "Olay Queen" is the online name of the Beauty Advisor on Olay on Trends (www.trends.com.cn). This person has made it clear to all community members that she represents the Olay brand. She releases new product and promotional information and also interacts with Internet users by providing objective product recommendations and usage Q&A. Olay Queen has attracted Internet users' real engagement. According to the content of Internet users' replies, Olay Queen has established a renowned reputation and authority among Internet users on Trends BBS and has become very impactful on the consumer's purchase decision.

> **Respect.** Marketers should respect users' independence and freedom to express their views about products, even if they are negative opinions.
>
> > Example: When Garnier launched its True White Night Cream, it hired a professional social media agency to coordinate a focus group of e-fluencers. Twenty authentic product reviews for True White Night Cream were generated and attracted many responses from general consumers (with an average of 58 replies per review). The reviews not only offered first-hand product feedback, but also objective suggestions about how consumers should use the product.

Internet users in China who are open to companies' participation in online communities have certain expectations for how companies should communicate with them. Surveyed consumers have provided specific tips, urging companies to use relatively formal language to maintain professionalism, but not to the point where a post sounds like an official sales pitch.

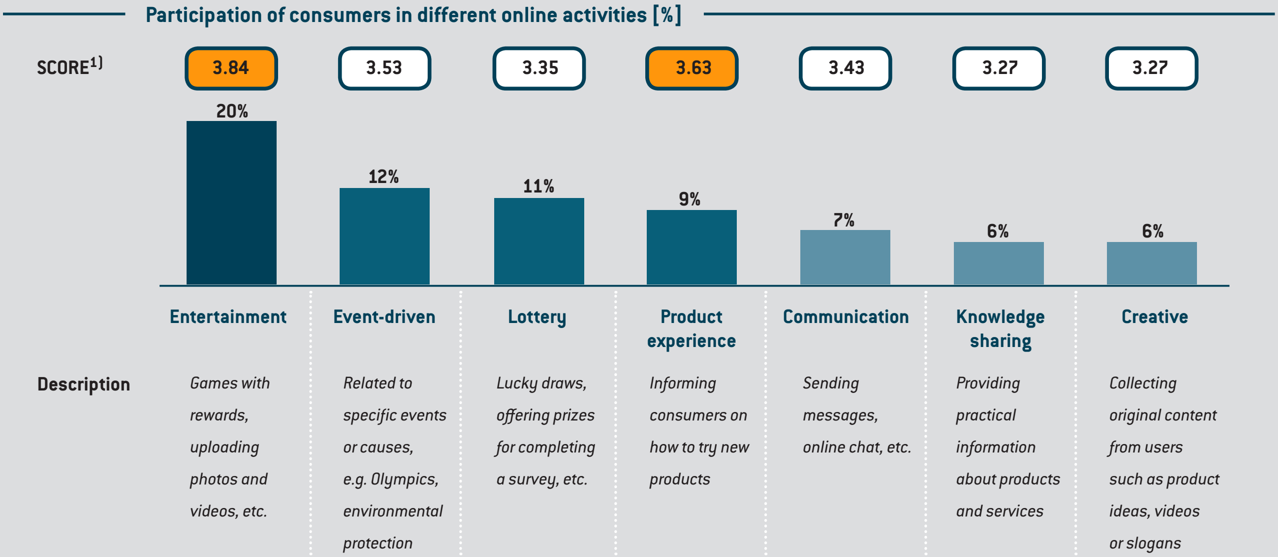
On the other hand, language that is too casual could give off the sense of a "lack of authority." Also, as one of the above examples illustrates, consumers appreciate companies that answer their questions promptly and on an individual basis instead of using a generic response, an auto-reply message or a redirection to customer service. Efforts to give more attention to individual consumers can in turn earn the company more respect and appreciation from users. Finally, consumers demand that companies provide third party sources as supplements to verify any information or responses they may post. Overall, companies should consider establishing a reputation of honesty and approachability in online communities in order to fully utilize these channels for marketing and effective communication with customers. As one user stated, "If a company recognizes the need [for online communication with consumers] and takes action to participate, that's better than what most do. When making a purchase decision, I consider this a priority."

Effectively managing online communication with customers has significant implications for companies' resource planning and marketing organization structure. The quality and professionalism of staff who interact online is a priority for many companies given the potential for both improvement and damage to the brand. Many companies have realized this challenge and are re-considering their team structures to arrange enough seniority, experience and internet savvy to strategically and tactically address their consumers online.

## *Launching online marketing activities*

Posting on forums is just one way to interact with Chinese consumers. There are several types of online activities companies can consider to market their products. Again, marketers should carefully note users' preferences when deciding what kinds of promotions to run. Activities with the most user participation are entertainment-based; for example, fun online games with rewards for prizes, allowing users to upload photos and videos, etc. Next are activities themed on certain events or causes like the Olympics or environmentalism. In terms of participants' enjoyment level, entertainment is again most preferred, with activities that invite users to try out products coming in second. (see Figure D.3.5)

*Figure D.3.5.*
*Breakdown of consumer online activities*




1) Score 1: Very much dislike; Score 5: Very much like

**Source:** *CIC survey of 640 BBS/Blog users*

Preferences for online promotions can be further explored by gender and age. Male and female users have similar preferences, with men enjoying communication and lottery activities slightly more while women lean toward product experience and event-driven activities. The differences are more prominent between age groups. On the whole, younger people enjoy online activities more than older people, with especially strong preferences for entertainment. It is worth noting that all age groups fairly enjoy product experience activities, which signifies that this may be the most suitable online method for mass marketing. (see Figure D.3.6)

When running promotional activities online for Chinese consumers, marketers can also consider what kinds of rewards and incentives will draw more participants. Again, preferences do not vary much by gender so much as age group. Teenagers clearly prefer online virtual rewards (forum points, items to be used in games, etc.) and chances to meet celebrities more than consumers of other ages. Cash and gifts, free product trials and companies' acceptance of consumers' ideas and suggestions are the types of rewards most similarly ranked across different ages, which may make them the best choices for marketers to appeal to the broadest range of consumers. (see Figure D.3.7)

*Figure D.3.6.*
*Online promotional activities - Consumer preferences by gender, age*


1) Score 1: Very much dislike; Score 5: Very much like

*Source: CIC survey of 640 BBS/Blog users*

*Figure D.3.7.*
*Online promotional activities 2 - Consumer reward preferences by gender, age*


*Source: CIC survey of 640 BBS/Blog users*

Overall, marketers may consider the following methods to utilize the Internet effectively in China:

> **Create and innovate**. Marketers should stay up to date on the latest Internet trends and provide relevant, innovative content to consumers.
> > Example: Nokia successfully featured popular magician Liu Qian in viral video ads where he performed magic tricks with Nokia phones and highlighted different features like the mp3 player and the camera.

> **Enhance consumers' product experience.** Consumers are especially receptive to online platforms where they can experience a product virtually.
> > Example: During the 2009 Shanghai Auto Show, Sina.com created a virtual exhibition hall to allow consumers to check out new cars on a 3D online platform. Between then and April 30, 2010, the virtual exhibition hall attracted over one million page views.

> **Minimize entry barriers.** Activities and content need to be user-friendly and easy to access and offer opportunities for participants to feel a sense of accomplishment.
> > Example: 25 ans Magazine in China introduced an interactive online mini-series that encouraged online users to participate by discussing the show and coming up with dialogue for the actors and actresses. The campaign received large amounts of exposure on different media channels, which led the magazine to gain the sponsorship of many well-known brands such as Ochirly, P&G, Olay, SK II and MaxFactor.

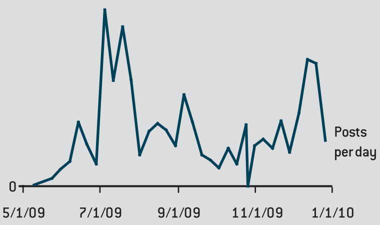
> **Provide attractive incentives.** Marketers should provide economic and emotional incentives that are line with their brand image and products.
> > Example: Lancôme held an online beauty contest for Chinese consumers where users could vote for contestants, and rewarded winners as well as their friends who gathered votes for them. Over 10,000 users participated and hundreds of thousands joined Lancôme's online fan club as a result.

> **Surprise consumers.** Marketers should give consumers more than they expect.
> > Example: L'Oreal ran a successful online campaign on Onlylady, a popular women's fashion website in China. Publicizing the campaign through widely visited forums such as Rayli, Yoka, Tianya and Sohu, it invited Internet users to nominate their friends to win a surprise gift pack of L'Oreal Paris Whitening Perfect. The gift packs were delivered by L'Oreal personnel carrying pink balloons and cameras to photograph and record the delighted reactions of the winners.

Finally, companies can creatively combine online and offline campaigns to enhance their brands. For instance, Lancôme widely promoted the launch of its new product Genifique online and invited users to attend the event in Shanghai. Attendees were then encouraged to post about their experience online and give the company feedback on the product and the launch. Throughout the following months it offered more incentives such as free trials to users and thus continuously generated positive IWOM. Nike also made good use of the Internet after holding a Christmas party in Beijing where all attendees wore Nike shoes. Following the event, the company uploaded photos of sneakers worn by participants on Hoopchina.com, attracting over a thousand page views and almost a hundred comments within a week. Responses were overwhelmingly positive and some users even stated they would buy the sneakers featured in the pictures. (see Figures D.3.8 and D.3.9)

### *Figure D.3.8.*
### *Case study: Online discussion volume after May 2009 Lancôme Genifique product launch*

**Lancôme online buzz volume following Genifique product launch in May 2009**




**Consumers' reactions**

> Blogger: I was so lucky to have attended the LANCÔME GENIFIQUE launch in Pudong. After the product presentation, I began to try this magical skin care product
> Re: How lucky you are! How did you get the opportunity? I wish I could have attended it too
> Re: So lucky! A new product? I'm drooling for it.
> Re: What a beautiful bottle! I want to buy it. What age group is it for?

*Source: CIC*

### *Figure D.3.9.*
### *Case study: Consumer reactions to Nike's Beijing Christmas party*

**Consumers' reactions**

> Re: The shoes in the pictures were so neat looking
> Re: Never thought "Shox Spotlight" could look that good when you actually put them on
> Re: I know which ones I'm going to buy in that picture

*Source: CIC*

*What are the Internet usage habits of the eight consumer archetypes?*
*> Big Spenders are most likely to make purchases online*
*> Self-Centered and Hedonist archetypes are more likely to be reached by online marketing as they are the heaviest Internet users*

| | | Proportion of archetype that often make purchases online [%] | Proportion of archetype that are heavy Internet users [%] |
|---|---|---|---|
| **Big Spenders** | **Progressive Maximalist** | 28 | 16 |
| | **Self-Centered** | 26 | 26 |
| **Medium Spenders** | Modern Performer | 21 | 9 |
| | **Hedonist** | 20 | 20 |
| | Traditionalist | 20 | 7 |
| **Small Spenders** | Traditional Maximalist | 13 | 13 |
| | Minimalist | 19 | 7 |
| | Conformist | 16 | 3 |

*Source: Roland Berger analysis*

## *Conclusion:*

We have explored how preferences and behavior of Chinese consumers are growing more sophisticated. Non-price factors such as brand are increasingly important in determining a purchase, and consumers are drawn toward brands by high quality, international origin, good service, and value for money. In addition, consumers' growing individualism is reflected in their buying choices as they seek to differentiate their personal style from others, wanting to stand out from the crowd.

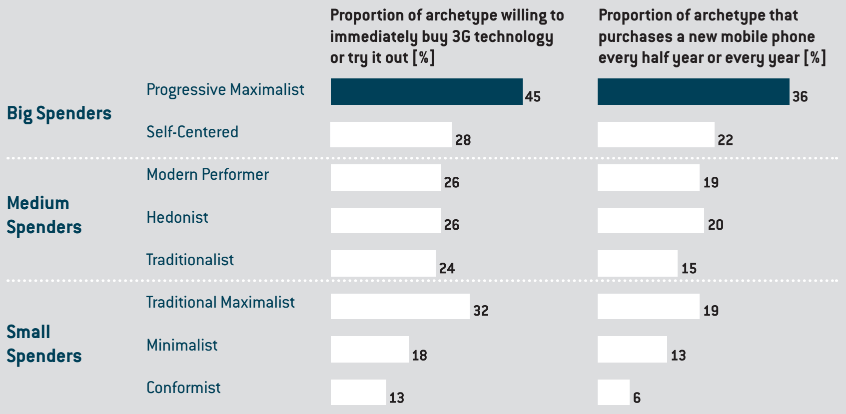
We have also explored the growth of the Internet in China as a marketing channel and venue for companies to interact with consumers. As the Internet population continues to grow in leaps and bounds each year, the power of online buzz is also increasing as many consumers generate and are influenced by IWOM at every step of the purchasing decision process.

Finally, we have looked at the best ways for companies to capitalize on these trends to enhance their brands. Companies can best engage with consumers online through following basic principles of respect and transparency and by adding value to online discussions about products. By keeping track of users' preferences for interaction with companies and for promotional activities, marketers can tailor their efforts to more effectively reach consumers and enhance their brand image.

# E.

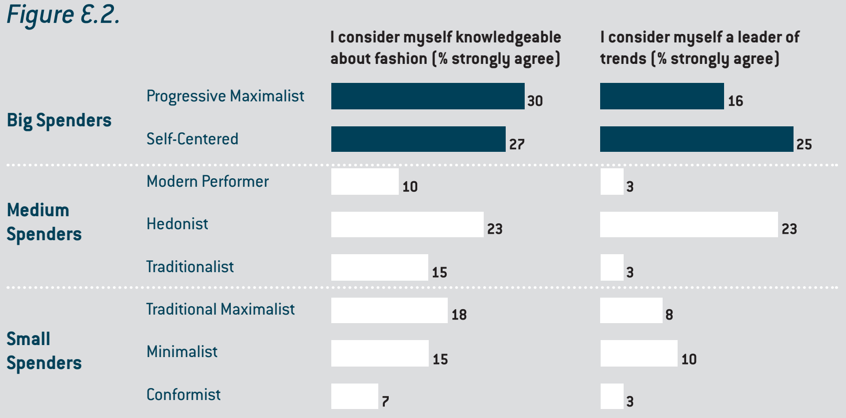
## Appendix: understanding how to reach today's Chinese consumers

*Figure E.1.*



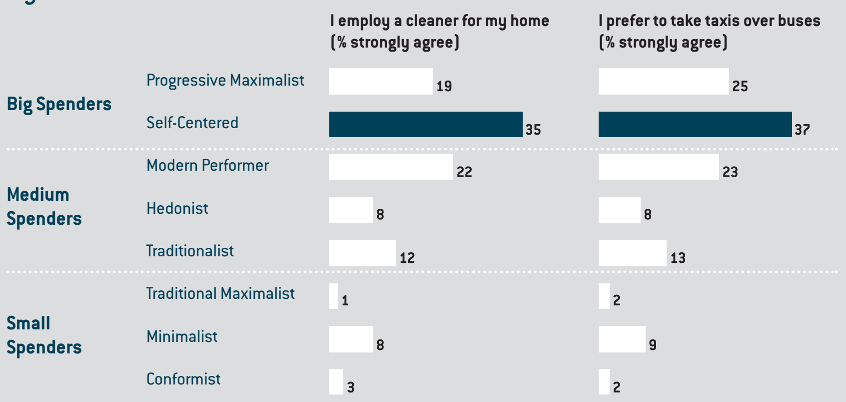

Source: *Roland Berger*

*Figure E.2.*




Source: *Roland Berger*

*Figure E.3.*




Source: *Roland Berger*

The next step for marketers is to dig deeper into the Chinese market by consumers' spending level and personality profiles to know who they should be targeting and how to appeal to them. In the appendix, we provide a multifaceted look at the eight archetypes as a snapshot of the complexity and enormous potential of this growing market. We describe the eight archetypes by Spending Tier (Big, Medium and Small), City Tier and Mobile Phone Industry.

### *Big Spenders: Progressive Maximalists and Self-Centereds*

Big Spenders consume more often and in larger sums, placing themselves at the forefront of trends. Preferences of this group of consumers include Innovation, Fashion, and Luxury.

**Innovation:** Progressive Maximalists especially care for innovation in products, e.g. they are highly interested in 3G mobile phone technology and will buy new mobile phones twice as often as other archetypes.

**Fashion:** Big Spenders consider themselves knowledgeable about fashion and as leaders of trends.

**Luxury:** Self-Centereds especially enjoy luxury and elegance, are more likely to employ cleaners for their homes and take taxis instead of public transportation.

## *Medium Spenders: Modern Performers, Hedonists and Traditionalists*

Medium Spenders are more moderate in their spending as a whole but are a very diverse group in terms of habits and preferences:

> Preferences of Modern Performers include Efficiency and Performance
> Preferences of Hedonists include New Channels and Innovation
> Preferences of Traditionalists include Quality, Long-Term Value and Green Products

**Efficiency:** Modern Performers strongly value efficiency and performance, e.g. they are willing to pay more money to avoid queues.

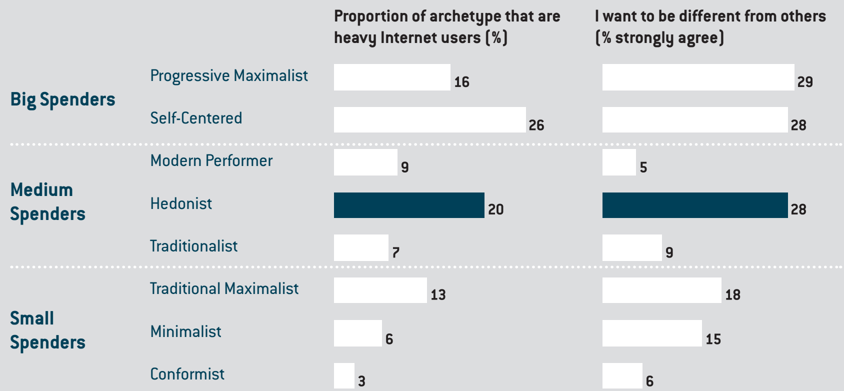
**New Channels & Innovation:** Hedonists are heavy Internet users and have potential to be reached through online marketing. Hedonists are also attracted by innovation and trends, striving to stand out from the crowd and try new things

**Quality & Long-Term Value:** Traditionalists care more about quality both in terms of the product itself and the customer service they receive. Traditionalists often focus on the long-term and are attracted to durable products.

*Figure E.4.*


Source: *Roland Berger*

*Figure E.5.*

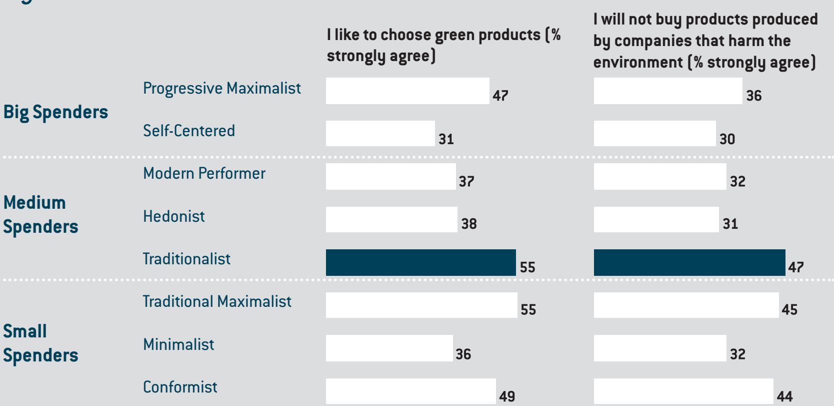



Source: *Roland Berger*

*Figure E.6.*

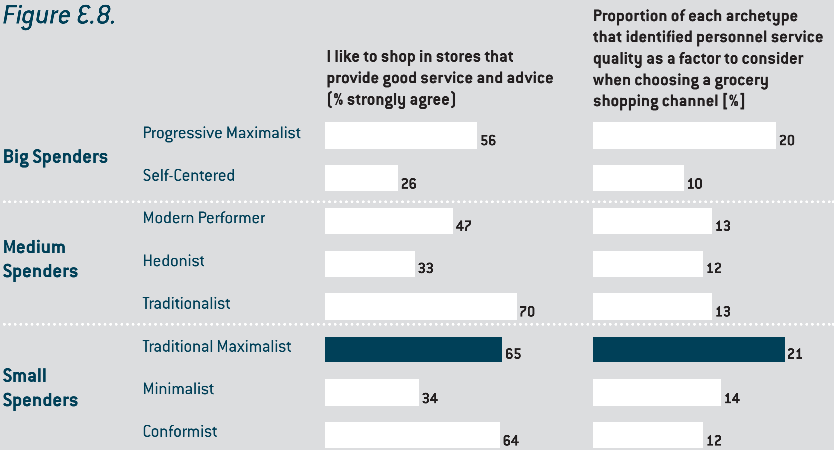

Source: *Roland Berger*

*Figure E.7.*



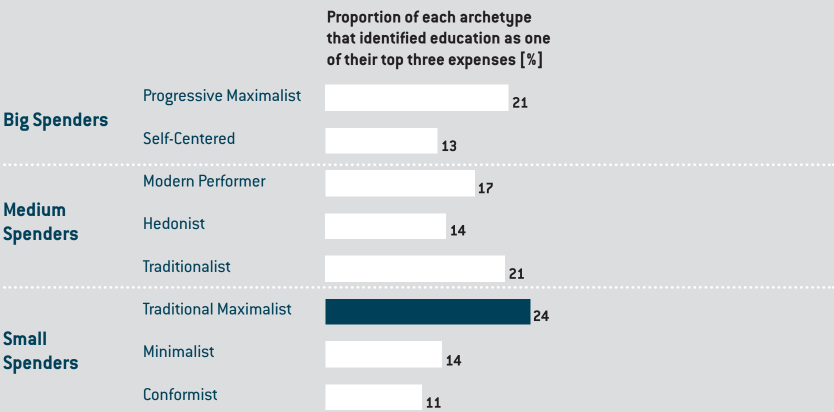

*Source: Roland Berger*

*Figure E.8.*




*Source: Roland Berger*

*Figure E.9.*




*Source: Roland Berger*

**Green Products:** Traditionalists prefer green products more than others, and are less likely to buy products from companies that harm the environment

## *Small Spenders: Traditional Maximalists, Minimalists and Conformists*

Small Spenders are in the lowest income bracket and are the lowest spenders, are very price-conscious and practical in their consumption habits:

> Preferences of Traditional Maximalists include Service and Long-Term Value
> Preferences of Minimalists and Conformists include Price, Traditional Channels, and Practicality

**Service:** Traditional Maximalists have a higher preference for stores with good service and advice.

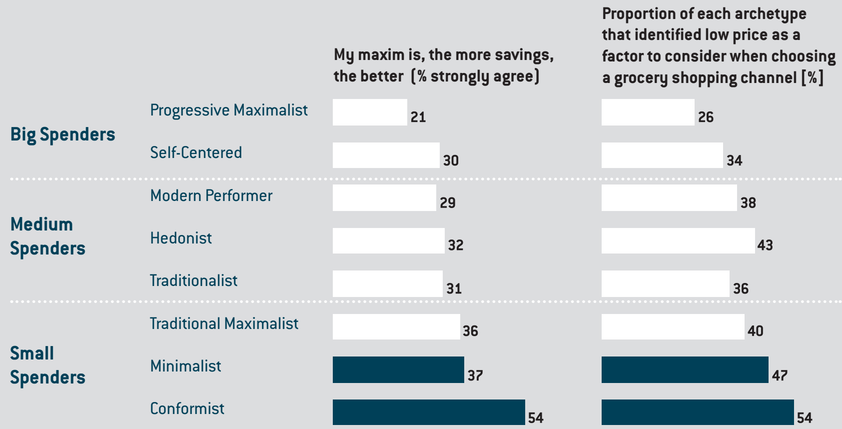
**Long-Term Value:** Traditional Maximalists invest more in the long-term, e.g. more of them listed education as one of their top three consumption items.

**Price:** Minimalists and Conformists strongly emphasize savings and are very price-conscious.

**Traditional Channels:** Minimalists and Conformists prefer to shop through cheaper traditional channels.

**Practicality:** Minimalists and Conformists prefer to buy only what they need and spend little on luxuries, e.g. they spend the least on Entertainment and usually do not dine out irrespective of income level.

## *Figure E.10.*

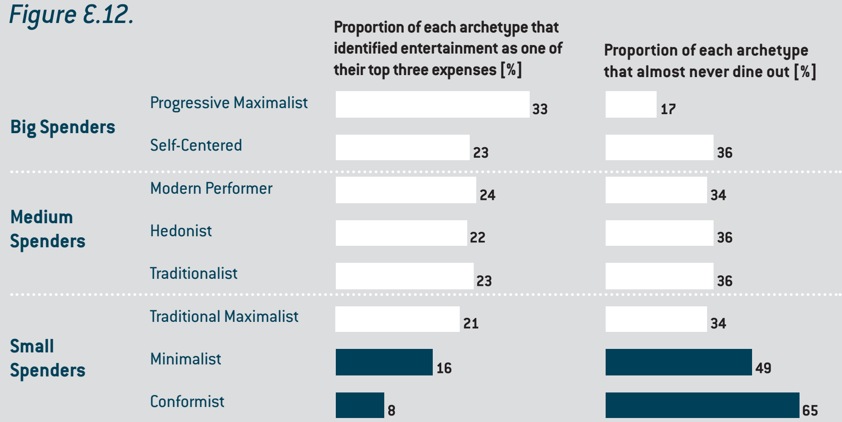



*Source: Roland Berger*

## *Figure E.11.*

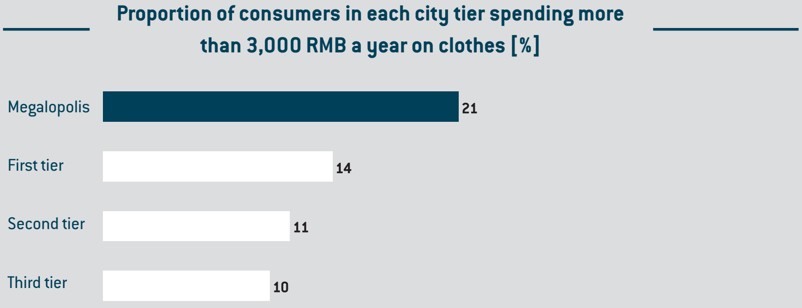

*Source: Roland Berger*

## *Figure E.12.*




*Source: Roland Berger*

## Figure E.13.

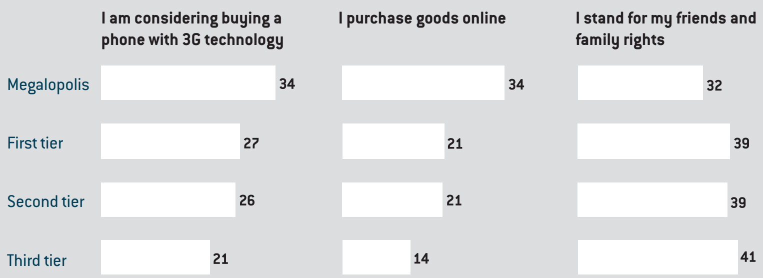



*Source: Roland Berger*

## Figure E.14.


*Source: Roland Berger*

## Figure E.15.




*Source: Roland Berger*

## City Tier

As expected, consumers in more developed cities tend to spend more on consumer goods.

Despite the spending level difference, consumers from lower tier cities have just as much or more awareness and inclination for fashion and sophistication as those in higher tiers.

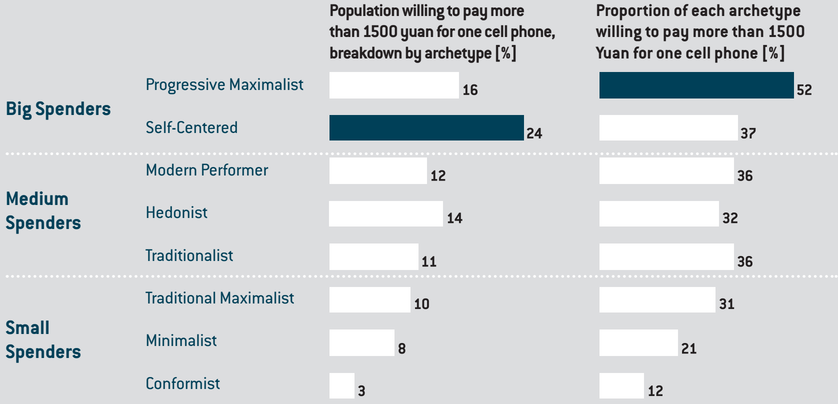
However, some habits and values still differ between city tiers, such as interest in new technology and strength of bonds with family and friends.

## Mobile Phone Industry

Most consumers who are willing to pay more for mobile phones are Self-Centereds. However, when comparing within archetypes, we see Progressive Maximalists are more likely to pay more for a mobile phone.

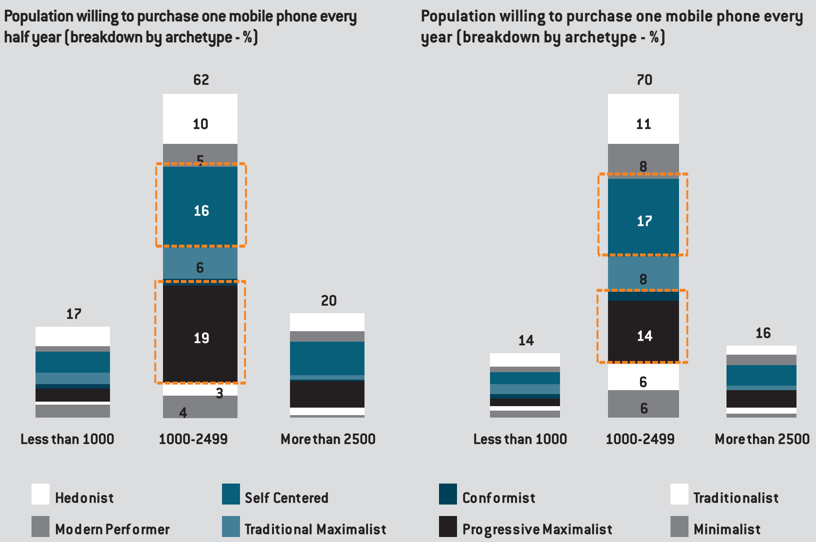
Consumers are willing to pay a similar amount for a mobile whether they purchase every six months or every year. Self-Centereds and Progressive Maximalists are the largest groups.

### Figure E.16.




Source: *Roland Berger*

### Figure E.17.




Source: *Roland Berger*

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## About Roland Berger Strategy Consultants

Roland Berger Strategy Consultants, founded in 1967, is one of the world's leading strategy consultancies. With 2,000 employees in 36 offices in 25 countries, the company has successful operations in all major international markets. The strategy consultancy is an independent partnership exclusively owned by about 180 Partners. The Chinese market is a key pillar of Roland Berger Strategy Consultants' international expansion. Since entering the Chinese market in 1984, the consultancy has grown rapidly: the four offices in Greater China (Beijing, Hong Kong, Shanghai and Taipei) now have over 200 consultants dedicated to working extensively with both leading Chinese and international companies.

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Since entering China, Roland Berger has been committed to providing high-quality consultancy services for our clients, including large and mid-sized state-owned enterprises, joint ventures, private companies and government institutions. Roland Berger's core competencies range from corporate strategy development to restructuring and road-to-market strategies. Based on this market knowledge we help multinational corporations, investment funds and international organisations understand development trends in the Chinese market, design global business operations formulate market entry strategies, position products and services and develop sourcing strategies. These capabilities help our clients improve their global competitiveness and obtain better development opportunities in China.

**Charles-Edouard Bouée**

*President , Asia*

*Managing Partner & President, Greater China*

**Contact:**

E-mail: Consumerreport_China@cn.rolandberger.com

Website: www.rolandberger.com.cn

## CIC

As China's first and leading provider of Internet intelligence and insights based on IWOM (Internet Word of Mouth), CIC provides customized research consulting services, syndicated reports, as well as technical solutions and platforms to help companies meet their business and marketing needs. Since coining the term IWOM in 2004, CIC has pioneered the industry by supporting strategic planning and innovations across the entire spectrum of communications including brand reputation, business intelligence, product development, advertising, media, campaign planning and execution all via an objective, third party perspective.

Utilizing its patent pending text mining technology and analytic tools, CIC makes sense of over 46 million naturally occurring consumer comments every month. CIC gathers these messages from a range of uniquely Chinese social media platforms including blogs, BBS and social network sites and applies its unique, China-derived methodology and indexes to provide a detailed and comprehensive picture of online discussions and their implications. CIC has analyzed and archived well over 1.5 billion mentions of brands and products from well over 1 billion consumer comments.

# CONTACTS


**Charles-Edouard Bouée**

*President , Asia*

*Managing Partner & President, Greater China*

**Roland Berger Strategy Consultants**
23rd Floor Kerry Center, 1515 Nanjing West Road
Shanghai 200040, China
**E-mail:** Charles-Edouard_Bouee@rolandberger.com
**Phone:** +86 21 5298 6677-821

**Wu Qi**

*Senior Partner & Vice President for Greater China*

**Roland Berger Strategy Consultants**
Suites D&E, 20th Floor, Tower A, Gateway Plaza
18 Xiaguangli, East Third Ring North Road
Beijing 100027, China
**E-mail:** Qi_Wu@cn.rolandberger.com
**Phone:** +86 10 8440 0088-619

**Jason Ding**

*Partner & Vice President for Greater China*

*Consumer Goods & Retail Competence Center*

**Roland Berger Strategy Consultants**
Suites D&E, 20th Floor, Tower A, Gateway Plaza
18 Xiaguangli, East Third Ring North Road
Beijing 100027, China
**E-mail:** Jason_Ding@cn.rolandberger.com
**Phone:** +86 10 8440 0088-619

**Alain Le Couédic**

*Partner & Vice President for Greater China*

**Roland Berger Strategy Consultants**
19/F, Two International Finance Centre
8 Finance Street
Hong Kong
**E-mail:** Alain_Lecouedic@hk.rolandberger.com
**Phone:**+852 2251 8823

**Jennifer Wilson**

*Senior Manager, Greater China*

**Roland Berger Strategy Consultants**
19/F, Two International Finance Centre
8 Finance Street
Hong Kong
**E-mail:** Jennifer_Wilson@hk.rolandberger.com
**Phone:**+852 2251 8823


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罗兰・贝格 管理咨询有限公司

Roland Berger
Strategy Consultants

**Beijing** Suites D&E, 20th Floor, Tower A, Gateway Plaza, 18 Xiaguangli, East Third Ring North Road Beijing 100027, P.R.China Tel :+86 10 8440-0088

**Shanghai** 23rd Floor Shanghai Kerry Center, 1515 Nanjing West Road, 200040, P.R.China Tel: +86 21 5298-6677

**Hong Kong** 19/F, Two International Finance Centre 8 Finance Street, Hong Kong Tel: +852 2251-8823

**Taipei** 37th Floor, Taipei 101 Tower, 7 Xinyi Road, Section 5, Taipei 110, Taiwan Tel: +886-2875-82835

**www.rolandberger.com.cn**