Made in China: Consumers are choosing local brands

A decade ago, international brands were synonymous with quality in the minds of Chinese consumers. They offered status and bling, while local brands could only aspire to being ‘good enough’. This is no longer true.

The uncertainty consumers in China once felt toward domestic products is gone. Local brands are challenging and beating the global competition, and consumers increasingly believe they’re comparable.

The 2016 ranking of the BrandZ™ Top 100 Most Valuable Chinese Brands includes no international names; only home-grown brands made the grade. The total value of these brands rose 13% in the last year, despite the economic slowdown, as consumers remain confident in their spending and optimistic about realizing the Chinese Dream.

Local brands are growing at the expense of their international rivals by helping consumers to achieve that dream of making a better life for themselves and their families. For the first time ever, Millward Brown research shows local Chinese brands are equal to international brands in Brand Power – the BrandZ measurement of brand equity – meaning they are now in many ways equally competitive.

CONSUMERS UPGRADE TO LOCAL

Chinese consumers are still pursuing their aspirations. They seek quality products and services that satisfy desires, rather than simply fulfilling needs, while their increased knowledge motivates them to select brands for the good value they provide.

Where it’s justified, consumers are willing to pay more for premium products – particularly in the personal care and healthcare categories. Maintaining good health and being well-groomed has become super important in China.

Unlike 10 years ago, ‘upgrading’ does not mean replacing a local product with one from a big name global brand. Where a brand originates from is not important, as long as it provides quality and value, is trustworthy, and leverages the right channels to make its products available – in particular ecommerce.

Chinese brands are doing a better job of this than their global rivals. They have improved their products and services, and effectively communicated this in a way that builds awareness. Blue Moon detergent is now challenging Omo and Tide, for example – consumers are attracted by the quality of the detergent and the value it offers. Seen as an iconic brand, it has a 74% chance of increasing its volume share next year, according to BrandZ data, compared to 60% for Omo and 40% for Tide.

MEETING NICHE NEEDS TRIGGERS GROWTH

As the information explosion in China makes people more sophisticated, they demand more choice as well as better quality and value. This presents an opportunity for new, niche brands to come onto the market – and again, local brands are taking the lead.

The facial masks segment of the personal care category didn’t exist in the country three years ago. As interest in beauty grew, the brand MG moved quickly and created the segment, followed by other niche local brands. It was two years before a major global brand launched a face mask in China, by which time there was no space left in the market.
International brands underestimate how quickly they need to respond to changing trends and opportunities in China. The speed at which they gather consumer insight fails to match that of Chinese brands, and they don't translate this insight fast enough into innovation, product development and distribution to meet local need.

It's also easy to underestimate the pace at which China is digitizing and 'mobilizing'.

**CATCH THE SPEED OF THE MOBILE WAVE**

China is the most dynamic market in the world in terms of mobile use. Around half of all ecommerce is mobile compared to about a fifth in the US and a third in the UK, and 90% of internet users access the web using a mobile device (CIIIC). The use of cash and credit cards is already perceived as outdated; everyone uses mobile payment systems such as Alibaba’s AliPay and Tencent’s TenPay.

Chinese brands understand when and how best to use mobile, and all have a strong mobile presence – not simply as purveyors of products and services, but as partners in helping consumers realize the Chinese Dream. Their mobile experience represents the brand in all its aspects: advertising and marketing, social communication, shopping, purchasing, and payment.

**INVEST TO AGGRESSIVELY BUILD AWARENESS**

No longer thrifty with their marketing budgets, Chinese brands invest more heavily in media than their international counterparts. The Top 10 investors on the TV channel CCTV, for example, are all local brands apart from Coca-Cola.

The strategy of many international brands seems to be to ‘grow the market gradually’ – but they must realize that their competitors are like lions and tigers, investing huge amounts of money, fast. If they don’t at least match local investment levels they’ll be forgotten, and replaced when the consumer is ready to upgrade.

Content selection is also important. Great content is still being generated on TV, and local brands are brilliant at selecting the best sponsorship opportunities by identifying the shows that are going to be ‘hot’.

**THE ADVANTAGE SITS WITH CHINA**

In 2010, multinationals scored 115 on the BrandZ Brand Power metric, and Chinese brands scored 89. Today, both score 100 – but Chinese brands have the advantage of upward momentum, while international brands are weakening.

Chinese brands score more highly on ‘Salience’, one of the three components of Brand Power, which means a brand comes quickly to consumers’ minds. They are almost equally as ‘Meaningful’, which means they meet consumers’ functional and emotional needs. However, they lag behind on ‘Different’.

It is consumer-focused innovation that will provide this missing distinctiveness. Once local brands have it, they will surpass their international rivals in every aspect that creates competitive advantage. Innovation is a challenge when you’ve been a ‘copycat’ for so long – but innovation doesn’t necessarily mean total reinvention, and Chinese brands are already good at ‘renovation’, taking a proven idea and adding new functions that have local relevance.
To remain competitive, global companies must also focus on building strong, innovative brands. They need to accelerate their response to evolving trends and needs, and communicate more effectively the role they can play in advancing consumers' hopes, expectations and aspirations using digital and mobile.

Chinese companies are learning how to develop unique, innovative brands. If international brands can't speed up and change their approach they risk missing the wave, and being replaced.

Key Takeaways

- Consumers today believe that Chinese brands are comparable with international name brands.
- International brands are failing to keep pace with consumers’ aspirations, and the speed of the mobile wave.
- Consumer-focused innovation will be the main growth driver in the new, rebalanced China.