



Branding for China: The Role of Next Generation Consumers

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Motivation

- Brands are among companies' most valuable assets
- Brand preferences change over time, but often very slowly
- Little is known about...
 - brand preferences among young Chinese consumers
 - ...and whether and why they change over time
 - Potential causes include friends, family, advertising, and word-of-mouth

Today's Research Topics

- Do brand preferences change over a relatively short time?
- Competition for mind share
 - International brands versus domestic brands
 - Differences across categories
- Evolution of mind share
- Mind share versus market share

Research Data

- **Questionnaires: brand recall, previous usage, brand evaluations, purchase activities, personal characteristics, etc., etc.**
- **Categories:**
 - Athletic shoes
 - Bottled water
 - Facial tissue
 - Ice cream
 - Mobile Phones
 - Shampoo
- **Data collection: September 2007, December 2007, and March 2008**
- **Subjects:**
 - 529 freshmen from Peking University began in September
 - 519 in December and 511 in March
 - Freshman class is approximately 2000 students
 - Freshmen from 21 provinces across China
 - Paid ~\$7 for each round



China



Islands of South China Sea

		September			March		
		International	Domestic	Don't know	International	Domestic	Don't know
Shoes	1st brand	62.8	22.3	14.9	67.7	18.6	13.7
	2nd brand	54.1	22.7	23.2	58.9	23.1	18
	3rd brand	26.1	54.2	19.7	31.1	47.2	21.7
Mobile Phone	1st brand	35.1	5.5	59.4	38.7	6.5	54.8
	2nd brand	46.5	6.3	47.2	54.8	6.3	38.9
	3rd brand	49.3	18.5	32.2	61.4	13.7	24.9
Shampoo	1st brand	22.1	44.8	33.1	31.1	42.1	26.8
	2nd brand	18.2	45.4	36.4	25.4	44.4	30.2
	3rd brand	14.4	47.1	38.5	21.6	47.6	30.8
Ice cream	1st brand	19.1	49.8	31.1	23.7	52.3	24
	2nd brand	8.3	67.9	23.8	13.8	70.9	15.3
	3rd brand	8.3	66	25.7	14.5	62	23.5
Bottled water	1st brand	5.5	84.1	10.4	5.5	83	11.5
	2nd brand	5.5	85.6	8.9	6.7	82.4	10.9
	3rd brand	5.4	82.9	11.7	9.3	80.1	10.6
Facial tissue	1st brand	3.2	77.3	19.5	4.7	77.9	17.4
	2nd brand	2.4	72.2	25.4	2.6	78.3	19.1
	3rd brand	4.7	69.9	25.4	2.9	75.9	21.2

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International brands vs. domestic brands

September to December			
	Same brand at December	Different international brands	Different domestic brands
International brands	74.8	24.3	<u>0.9</u>
Domestic brands	63.2	<u>0.7</u>	36.1

December to March			
	Same brand at December	Different international brands	Different domestic brands
International brands	71.5	18.9	<u>9.6</u>
Domestic brands	59.3	<u>5.8</u>	34.9

International brands vs. domestic brands

<u>All categories</u>			
December to March	Same brand at December	Different international brands	Different domestic brands
International brands	71.5	18.9	<u>9.6</u>
Domestic brands	59.3	<u>5.8</u>	34.9

December to March	Same brand at December	Different international brands	Different domestic brands
<u>Bottled water</u>			
International brands	28.6	10.7	<u>60.7</u>
Domestic brands	54.1	3.5	42.4
<u>Shoes</u>			
International brands	74.8	17.1	8.1
Domestic brands	48.1	<u>31.2</u>	20.8

International brands vs. domestic brands

All categories		
	International brands	Domestic brands
Advertising (like)	<u>5.548</u> **	5.013
Quality	<u>6.268</u> **	6.088
Family usage	<u>3.738</u> **	5.076
Friend usage	<u>5.523</u> **	5.677
Incoming recommendation	<u>5.643</u> **	5.232
Outgoing recommendation	5.231	5.347
Knowledge	<u>4.373</u> **	4.577
Trust	<u>6.069</u> **	5.937

International brands vs. domestic brands

All other categories		
	International brands	Domestic brands
Advertising (like)	<u>5.633 **</u>	5.020
Quality	<u>6.293 **</u>	6.099
Family usage	<u>3.425**</u>	5.096
Friend usage	<u>5.448 **</u>	5.709
Incoming recommendation	<u>5.524**</u>	5.241
Outgoing recommendation	<u>5.071**</u>	5.360
Knowledge	<u>4.223 **</u>	4.578
Trust	6.030	5.949

<u>Mobile phone</u>		
	International brands	Domestic brands
Advertising (like)	<u>5.292**</u>	4.619
Quality	<u>6.190 **</u>	5.571
Family usage	<u>4.743*</u>	4.071
Friend usage	<u>5.765 **</u>	4.071
Incoming recommendation	<u>6.022 **</u>	4.786
Outgoing recommendation	<u>5.743 **</u>	4.714
Knowledge	4.855	4.571
Trust	<u>6.196**</u>	5.321

Mind Share vs. Market Share



Any Differences?



Top Two Brands (Mind Share vs. Market Share)

		Athletic Shoes		Water		Ice Cream	
		Mind Share	Market Share	Mind Share	Market Share	Mind Share	Market Share
Sep	No.1	Nike	Nike	NFSQ	NFSQ	Wall's	Mengniu
	No. 2	Adidas	Lining	Wahaha	Kangshifu	Wuyang	Yili
Dec	No.1	Nike	Nike	Wahaha	NFSQ	Wall's	Yili
	No. 2	Adidas	Lining	NFSQ	Kangshifu	Yili	Mengniu
Mar	No.1	Nike	Nike	Wahaha	NFSQ	Wall's	Yili
	No. 2	Adidas	Adidas	NFSQ	Kangshifu	Mengniu	Mengniu

Top Two Brands (Mind Share vs. Market Share)

		Shampoo		Mobile Phone		Facial Tissue	
		Mind Share	Market Share	Mind Share	Market Share	Mind Share	Market Share
Sep	No.1	Rejoice	Rejoice	Nokia	Nokia	MAUM	MAUM
	No.2	Head & Shoulder	Head & Shoulder	Motorola	Samsung	Breeze	Breeze
Dec	No.1	Rejoice	Rejoice	Nokia	Nokia	MAUM	MAUM
	No.2	Head & Shoulder	Head & Shoulder	Motorola	Samsung	Breeze	Breeze
Mar	No.1	Rejoice	Rejoice	Nokia	Nokia	MAUM	MAUM
	No.2	Head & Shoulder	Head & Shoulder	Motorola	Sony Ericcs	Breeze	Breeze

Modeling Mind Share and Market Share

Dependent Variables
Recall Order
Past Purchase
Future Purchase

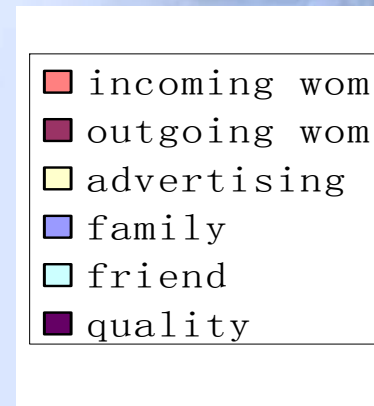
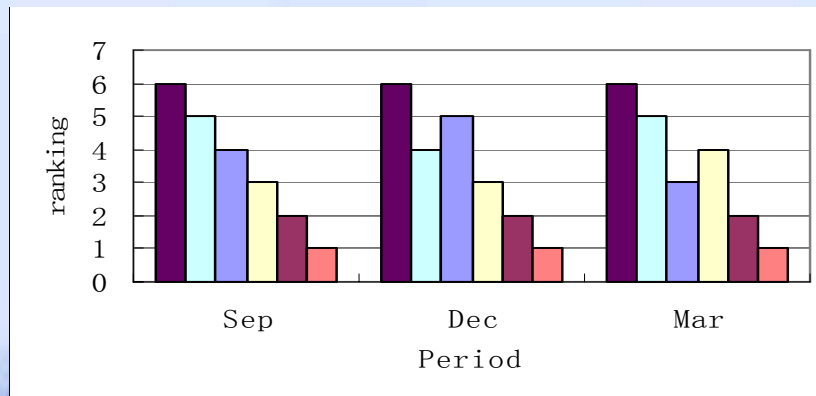
Independent Variables
Family usage
Friends usage
Advertising
Outgoing recommendations
Incoming recommendations
Quality

Models

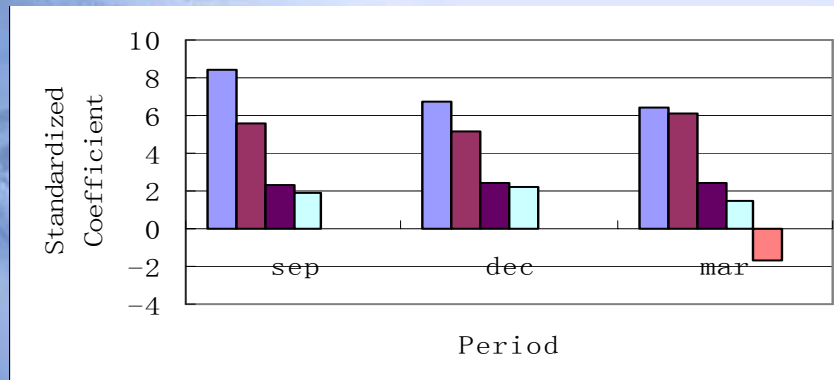
- Ordered Logit model
- Linear Model
- Random effects across individuals.

Recall Order vs. Past Purchase vs. Future Purchase

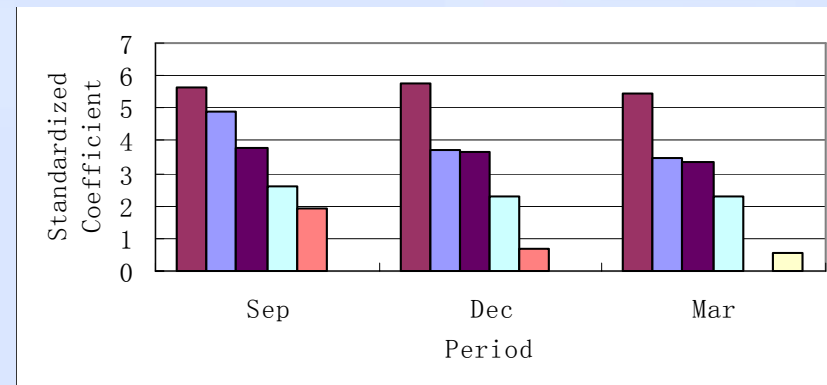
Recall Order



Past Purchase



Future Purchase



Conclusion

- Brand preferences do change over a relatively short time.
 - For both mind share and market share
- Instability in brand preferences increases over the year.
- International versus domestic brands
 - Many consumers don't know which one a brand is
 - One segment loyal to international brands
 - Another segment loyal to domestic brands
 - Mind share of international brands increases over time
- Relative importance of various factors differs between mind share and market share.
 - Mind share: quality, friends, and family
 - Market share: family and outgoing recommendations



Thank you!!