Brand culture and consumption:
Chinese consumers and the foreign brands

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Abstract: China approaches a new phase of its economic development, during which foreign brands are not any more in the same position towards Chinese consumers. The consumers' attitudes towards the international brand have long been the subject of numerous studies in the western countries. Yet they are not sufficiently studied on Chinese consumers even if they may assume greater importance. Until now, the very strong preference for the foreign brands particularly the first choice brands of the Chinese consumers corresponded to socio-cultural characteristics of the country, as the concern of the hierarchy, the collectivism. This paper puts forwards a model of the preference of Chinese consumers for foreign brand. It draws a conclusion that it is important to understand the symbolic values of prestige required by the Chinese. To be successful in china, the foreign brands have to follow the rules of the games which govern this market.

Key words: Chinese consumers, foreign brand, country of origin, symbolic value, socio-cultural characteristics, Chinese culture, competition
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An implementation of an opening up to the outside world has transformed the Chinese economic landscape since the 1970s, to a society of consumption. As the fourth largest economy entity in the world, China has achieved a gross domestic product (GDP) amounting to 2,200 billion in 2005 (21). With an average annual growth rate of 9.4% over the period 1979-2005 (6), China has come to the third place in the world in the summer of 2007. Being one of the first countries receiving foreign investment, China has become an unavoidable market. The phenomenon of foreign brands is a highlight of this period.

The daily life of Chinese people has changed because of foreign brands through the establishment of transnational corporations. The acceptance of products of foreign origin by Chinese consumers is with a genuine enthusiasm and due to various reasons: better quality, good reputation, greater diversity of choice, more attractive appearance, a feeling of liberty, new arrivals and so on. During the recent period everything that has a foreign name had to be of good quality, high price, and all those who consumed these products were regarded as rich and refined.

However, for Chinese enterprises, development of the brand is a complicated matter because the economic change took place very quickly. Indeed, Chinese companies have quickly understood the essence of brand. Over the past twenty years, with the advancing technical level, the manufacturing industry in China has not only won the confidence of Chinese consumers, but also established its brands and introduced its products in the international market. Some products of Chinese brands have become new 'stars' to the world. For example, HAIER Group is now globally the fourth enterprise in the electric appliances industry (15). Therefore, the competition between Chinese brands and foreign brands is more and more fierce. In this context, to attract Chinese consumers, foreign companies must have a thorough understanding of their ways of thinking, their values and decision-making levers.

The success of foreign brands among Chinese could be more complex than it seems. Why the Chinese show a strong preference for products that bear world-famous names? How to explain their superstition and credulity facing the products of international origin? Is there a competition for local brand? If yes, how does the competition influence the perception of foreign brand?

The consumers' attitudes towards the international brands have long been the subject of numerous studies in the western countries. Yet they have not sufficiently studied Chinese consumers, in an academic way following a rigorous methodology, even if they may obtain greater importance (Guo, 2005 (7)). So, Chinese consumers should be understood. In addition to the cultural differences that characterize the people, attitudes and behaviors of consumers appear intimately linked to the combined experience of generations of Chinese. Among many related concepts, the attitudes towards international brands, the preference for international brands has been chosen as a key issue in our study.

To try to answer these questions, we propose to structure our paper into four main parts. Firstly we
believe it is necessary to present the evolution of foreign brands in China, which allows us to have an overview of the context of our research. The second part will be devoted to the presentation of the conceptual framework of the issue of foreign brands. Then, we will trace the development of consumption in China. Finally, we propose, from all our lectures, methods of the research to solve our problem. We will conclude with the presentation of the contributions of our research and considered future developments.

1 - The evolution of the foreign brands in China

In the years of the Qing dynasty, Western foreign powers have forced the Chinese doors to open and therefore all foreign products began to enter China (27). For cooking, Chinese lit the fire with the yanghuo (foreign matches) and children were using the foreign oil lamp (yangyoudeng) when doing their homework. The productivity was so low in China that most general merchandise came from abroad (character yang).

The Chinese economy was characterized by shortages, due to insufficient domestic production before the year 1979 (Guo, 2005). Indeed, during the Cultural Revolution (1968-1978), ‘ration tickets’ have been distributed to buy products in China. Obviously, it was impossible for the Chinese to make a choice among competing brands. After 1979, a reform and opening policy to engage fully in building a modern economy allowed all industrial sectors to experience prodigious growth. At that time, many foreign companies have failed to penetrate because of their lack of knowledge of the Chinese market and local habits, but foreign brands remained very attractive for Chinese. However, the price of foreign products was so high that average employees could not afford them. In 1990, many Chinese have expressed a genuine enthusiasm for foreign products, from car to food and clothing. By purchasing a product that bears a worldly famous name, Chinese consumer achieved a part of their dream. Some even saved intentionally to be able to buy foreign products.

With the deepening of reform and opening up the economy and improving the investment environment, especially with its entry to WTO, the enormous Chinese market has attracted more and more foreign products in China, and attracts more foreign companies coming to invest. The number of applications for registration and trademark registrations is increasing, so is their proportion in the annual applications compared to all existing brands. In 1982, applications for registration of foreign brands accounted for 8.4% with 1 565 applications. In 2002, one year after the formal accession of China to the WTO, they increased by 25.2% over the previous year to reach the number of 50 902, which stood 13.7% of applications. Before 1979, only 20 foreign countries and territories had registered trademarks in China, for a total of 5130 recordings. At the end of 2003, the number of countries and territories reached 129 and the number of registrations was 361 795, as 71 times more. The proportion of the cumulative number of foreign trademarks registered in relation to the total rose from 15.7% in 1979 to 18.3% in 2003, representing a growth of nearly three points (1).

Nowadays, most Chinese companies realize the importance of the brand. In 2004, Lenovo, the first computer manufacturer in China, took over the IBM PC division for 1.75 billion dollars (29). In January 2005, AS Watson of Hong Kong bought Marionnaud, a large distributor of French cosmetics and perfumes. A great competition of brands settled locally. In 2005, a serious crisis of
confidence concerned the Chinese public. Indeed, companies as Heinz, McDonald's and KFC have been affected by the problem of food colorant "Sudan I", the rate of fluorine found in Unilever’s Lipton instant tea has exceeded the permitted norms, and Colgate toothpaste has been suspected to have carcinogenic properties. The turnover of these companies has declined significantly. Currently, Chinese consumers choose products at their convenience. Being better informed, Chinese consumers are seeking what suits them and not exclusively the foreign brands products. At the same time, they like foreign products because they demonstrate a higher life quality. Thus, some foreign products with special character are still quite requested. For example, European or American clothing are still in vogue, and very high-end foreign products are the new trends in consumption in China. According to a study cited recently by the Financial Times, China is the third world market for luxury products with annual sales of two billion dollars and growth prospects annual 20% until 2008 and 10% up in 2015 (18).

The evolution and current situation of the foreign brands in the Chinese market show without doubt the unique characteristics of an emerging market. Then we’ll make a review of the literature with regard to the issue of foreign brands to better discern the specifics of foreign brands in China.

2 - Theoretical analysis

2.1 - The International Brand Strategy

The influence of foreign brands on consumer behavior is a hot topic. It is first studied in the literature in terms of brand strategy to be adopted by enterprises (non-domestic customers). Motameni & Shahrokhi (1998, (19)) have noted three main points to understand: 1. How consumers in each country consider the choice of brands, 2. How they evaluate them, 3. The different needs that drive their purchasing decision. In a context of globalization of markets, there are many studies about the alternatives of a marketing strategy, standardized or localized, which derives the question of a branding strategy standardized (global) vs brand adapted (Kapferer, 2002 (10), Roth, 1992 (22), and 1995 (23)). Research shows that it is important to identify potential obstacles, for example, some national characteristics, in the process of developing a global brand. Before looking at the value of a particular brand in a given market, it is also necessary to know the predisposition with which consumers of this market consider the brand in general, and then this brand in particular.

Generally, the factors that can create differences are often classified into two broad categories: socio-cultural characteristics and socio-economic conditions. Roth (1995) studied the relationship between cultural characteristics and socio-economic market and the choice of development strategy of brand following the model proposed by Park et al. (1986, Roth, 1995): functional, social and sensory. This study has given comparative results that provide an important starting point for research on the influence of cultural and socio-economic factors on the perception of image and role of the brand in contexts of different markets. However, limits have been found in this study: the used information is rather secondary and the perception the brands is not starting from the viewpoint of consumers. In other words, the analysis is based on evaluations of brands and its performance and is made in a subjective manner from marketing managers. So we’d like to introduce the influence of Chinese cultural factors on the behavior of Chinese consumers and specificities of the Chinese market (in the next section on Chinese culture and consumption of
foreign brand) to see to what extent the strategic choice of creating the brand image really have an impact on their behavior.

2.2- The concept of country of origin and its effects on consumer behavior

The concept of country of origin was more often chosen vis-à-vis the problem of the influence of foreign brand on consumer behavior in the literature. The works on the effect countries of origin have certainly been many more in the field of international marketing over the past four decades. There are nearly 766 scientific contributions, including 361 journal articles, over the period 1952-2001 (Papadopoulos and Heslop, 2002 (20)). Numerous studies have stressed the importance of the effect of country of origin since the foundational works of Schooler (1965 (24)). During the past forty years this course has significantly evolved, from models for a single attribute (eg Schooner 1965) models for multi - attributes (eg Liefeld and Wall, 1993 (14)), highlighting the role of moderating variables. Several meta-analyses have sought to summarize the results of this literature (eg Bilkey and Nes, 1982 (4), Verlegh and Steenkamp, 1999 (26)) and stress that the effect of country of origin, yet the dominant majority terms of number of publications, is still poorly understood. The diversity of studies on the country of origin and their respective different results make it difficult to compare these studies.

The limits of cognitive multi-dimensional models using the country of origin as extrinsic attributes have been identified by various investigations during the last fifteen years. For example, Li, Leung and Wyer (1993 (16)) suggest that the country of origin may play a role other than to attribute (the country of origin is then used by consumers as a signal to infer quality Product); Aurier and Fort (2005 (2)) use the term region of origin in place of country of origin. The limit that interests us in this research concerns the explanation of consumer choice solely by the cognitive processes of information processing. The country of origin is not just another indication of product quality: Verlegh and Steenkamp (1999) emphasized that its effect on consumer behavior is based on a wider connotations, including emotional dimensions (the country of origin has a symbolic and emotional value to the consumer) and normative (consumers have social norms and personal links to the country of origin). It would be interesting to conduct studies in which the cognitive, emotional and normative influences would be explicitly modelled and their influences would be contradictory, distinguished.

Indeed, much has been said and written about the role of country of origin on the perception, evaluation and choice of foreign products. However, the effect of origin on brand has rarely been studied, and only in recent years it becomes an interesting subject for the researchers, with the rise of a movement that believes that the congruence between these two variables is more important than their effects taken separately (Aurier and Fort, 2005). Our research intends to adopt this congruence approach to better understand the symbolic value and the practical value of the country of origin in the perception of foreign brand by Chinese consumers.

There are a smaller number of researches studying the problem of countries of origin in the context of developing countries. Batra & Al. (2000 (3)) showed that consumers in these countries perceive the country of origin as a factor indicating not only quality but also social values symbolic, and they give preference to trademark 'non-local " compared to local brands. However, these proposals were rarely tested by empirical work. The study of Batra & al. (2000) among
Indian consumers is an important reference on this point. Their results showed that consumers in developing countries have a more favorable attitude towards brands perceived as non-local, and for reasons that go beyond evaluating the quality of the brand. According to the authors, **non-local brands are regarded as symbols of prestige, at least by certain categories of consumers and for categories of products with high symbolic value.** These consumers are identified as those with a high degree of standard setting influence, one of the main influences that a reference group has on an individual. This group admires the lifestyles of economically developed countries. It is interesting to note that the brands are generally presented as non-local and non-associated with a given country, as in other more conventional research on the effect of country of origin. In sum, the study Batra & al. among consumers in India provides us with the first clues for further research on the perception of foreign brand by consumers in developing countries. In this research, an interesting feature of Chinese consumers towards foreign brands in a society in transition is explored.

Basing on this literature review and its limitations, we can assume that cultural orientation can influence consumer attitudes towards foreign brand in a positive way. Cultural values are considered as determinants of attitudes and behaviors and provide a more stable and domestic-oriented consumers (Kamakura and Novak, 1992 (9)).

**3. The Chinese culture and consumption of foreign brand**

**3.1 The traditional Chinese culture and consumption of foreign brand**

Although there are three philosophical influences in China (Taoism, Confucianism and Buddhism), the dominant Chinese culture is characterized by Confucianism. Confucianism is centered on society, which consists mainly in two institutions: the family and the state. Hofstede (2001 (8)) has put forward the specific dimension of China in its cultural differences measurement. This dimension is essentially represented by a high degree of collectivism and a long-term orientation, as measured by the persistence of hierarchical relationship.

. The presentation of some of these principles will help us gain a better understanding of the behaviors of Chinese people. Some elements or values are respected, promoted and implemented in everyday life, including how to choose a brand. Four features are introduced below.

- The first feature of Chinese society is the collective nature. The Chinese will adhere more easily to the standards of group than people in individualistic societies. An essential element in Western culture and consumer behavior, the desire to distinguish themselves, is also in China. It assumes a difference as a member of one group over another group, while respecting individual standards of his group. **We therefore believe that the consumption of the product of foreign origin is rather symbolic other than utilitarian to correspond to social status.** Imitation is also a behavior used for identification as a member of the group. Moreover, it is obvious that luxury products are well sold in China in recent years. **This means that the brand is in the process of buying decision because it meets the needs of good social status than personal needs (Guo, 2005).**
- The second characteristic feature is the concept of guan-xi. (Social interaction)
Indeed, "the Chinese […] instinctively divide between those people with whom they already have a fixed relationship, a link, what the Chinese call guan-xi, and those with whom they do not. These links are operating as a series of invisible threads, linking the Chinese to each other with much more resistance than mere friendship in the West "(King, 1991 (12)). The relationship of trust leads the development of interpersonal relationships that underpin the functioning of many Chinese. The behaviors of Chinese consumers are more easily influenced by the existing trust between people who have a good personal relationship. **It is assumed that the recommendations and comments from others play a very important role in the choice of brand.** The Chinese consumers tend to regard the brand as part of their social life and their relationships to others. The exchange of gifts is considered as the most direct and most visible to cultivate guanxi. The way a person respects and implements the complex rules of gifts exchange is an essential element in assessing the social position of that person. For example, luxury products and international brands that can be gifts are well sold in China in recent years.

- The third feature is the concept of face. (Self – esteem)
In Chinese tradition, the concept of "face" (mianzi) refers to the obligation of reciprocity. It is important to give oneself a positive image, reflecting his role, his status and is in line with the traits that respect his group membership. It should be noted that the face might be given but also lost, saved or challenged. The importance of the statute imposes indeed to project the right image, which is usually the high-end products and prestigious. **Besides a practical side that makes the Chinese still consider products in a rational and functional way, there are also an emotional side, which makes them pay attention to symbolic, imaginary, consumption value and to the appearance of product (Guo, 2005).** This element of brand is beginning to have a status in the perception of Chinese consumers and companies must therefore take into account its importance.

- The fourth feature is the concept of hierarchy.
In the highly hierarchical Chinese society, individuals have an acute awareness of their status within the group, institution or society as a whole, of their attitude, their dressing and their speech that match their status. They are extremely looking upon the need to keep their dignity, not to lose face and not to make others lose theirs. The Chinese consumers attach great attention to product selection; price, brand and presentation must match its own social status. **In view of the higher price and ostentatious function of the international brand compared to the local brand, consumers choose brands which is best known locally and do not want to take the risk of spending money for these brands anonymous on the market (L.u, 2004 (17)).** The reputation of the brand foreign in domestic market is required for the reason of saving face.

3.2 The modern Chinese culture and consumption of foreign brand

The arrival of foreign investors and the invasion of imported goods have make the Chinese confront a new reality, which is not easy to integrate. The remains of a past are still deeply rooted in the mentality of the population. They coexist with the new trends of life, consumption, in the developed countries. With the surprising economic development of the country, the current Chinese society is in a changing stage where the mindset of consumers seems divided between the rigid principles acquired in an era of deprivation, and aspirations to novelty inspired by Western models.
A new ideology has been created since the end of 1970s and has led to changes in cultural values. The new values, which are developed under the old system or borrowed from abroad especially the west, form and influence the purchasing behavior and consumption. An analysis that compares the contents of commercial advertising in China and the United States revealed two common values: modernity, youth (Cheng and Schweitzer, 1996 (5)). This means that Chinese culture was inevitably influenced by Western culture with the deeper implementation of reform and opening policy.

The attitudes towards international brands of Chinese consumers are influenced by modern Chinese culture as well as traditional one. Specifically, modernity, youth, success and wealth allow Chinese consumers to pay greater importance to the brand, to develop a preference for foreign brands since it itself can constitute a social and symbolic universe (Lendrevie and Lindon, 1997 (13)). Modern consumers have more ways, consume more symbolically; they look for products with brand, either for their good quality or value for signs of the brand through research statute. Western Life influences consumer behavior of young Chinese. The admiration of the quality of life of developed countries exerts a positive influence on the attitude towards foreign brands.

The preference for brands as a result of modern cultural values is not intended to comply with the social environment as proposed by Confucianism. Here it is rather to highlight one’s wealth, one’s personal success and the modernity of consumption. In summary we assume that traditional Chinese culture, which is dominated by Confucianism, influences sensitivity towards foreign brands in a positive way, while modern, characterized by the value of youth and modernity, also promotes sensitivity to foreign brands for Chinese consumers.

The relationship of Chinese consumers with foreign brands, which includes several aspects, manifests itself in a more or less depending on different social backgrounds, different categories of people. Elements such as age, sex, education level, and the standard of living… certainly seem to influence the perception of foreign brands. A global study published by Accentur shows that to attract Chinese consumers increasingly sensitive to foreign brands, companies must adjust their marketing strategies to the preferences of three categories of clientele. So the "golden youth", i.e. young urban graduates, mostly women, who have a high standard of living and significant interest to the foreign brands is the first category with the most potential. According to the study, consumers in this class are two times more likely than others not only to buy new brands (28% against 14% maximum for others), but also to be the first to test (43% against 32% maximum). The other two categories are, on the one hand, "ambitious", young people who are sensitive to brands and covet the latest and best products, but whose incomes do not allow them to realize their dreams. On the other hand, "high income", who are also looking for exclusive products at the cutting edge of technology, but unlike the former, deserve the brands (28).

Following the literature review carried out at the top, we will hold the key hypotheses shown below on the factors underlying consumer preference for the Chinese foreign brand.
## Hypotheses

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<th>Explanatory Variables</th>
<th>The preference of Chinese consumers for foreign brand</th>
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<tr>
<td>The literature review</td>
<td>Practical Value: The difference in perceived quality gap between the local brand and foreign brand</td>
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<tr>
<td></td>
<td>Symbolic Value: The difference in symbolic Value perceived between the local brand and foreign brand</td>
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<td>The Chinese culture</td>
<td>Orientation of Confucianism</td>
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<td>Orientation of modernity</td>
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<td>Country of origin effect</td>
<td>The difference attitudes towards the products of developed countries and the products of developing countries</td>
<td>Positive / depends on the countries</td>
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## Moderating variables: The socio-demographic variable

## Moderating variables: The categories of product

### Model

![Model Diagram](image-url)
4. Guidelines for the management of foreign brands in China

For foreign investors, we offer below a few ways to manage the implementation of their brand in the Chinese market: capitalize on the preference for foreign brands, integrate the characteristics of Chinese culture to manage the perception of Chinese consumers, target specific segments of consumers and take account of competition.

4.1 Chinese preference for foreign brands

The works of Kapferer and Laurent suggested that the belief of the differences between brands is the main determinant of sensitivity to brand: marketing is primarily marketing of difference (Kapferer and Laurent, 1992 (11)): This shall be expressing the values and utilities on the symbolic values.

- Practical Value
Numerous studies on the problem of country of origin are interested in the influence of this concept on consumer preferences, and more specifically, preferences for foreign products or domestic products. The research in this field has highlighted a trend among consumers in developing countries to prefer foreign products to domestic products because of the superiority of foreign products in terms of quality. Long accustomed to basic products and very poor quality, Chinese consumers welcome these products of foreign origin with an enthusiasm, which may explain a better quality of these products. **We therefore believe that the greater the perceived quality gap between the local brands and foreign brands is, the more Chinese consumers are sensitive to foreign brands.**

- Symbolic Value
The importance of symbolic value tends to increase when society evolves socio economically from a low level to a higher level (Supphellen and Gronhaug, 2003 (25)). The Chinese consumers today are looking for brands capable of performing not only utilities functions but also symbolic functions and give them greater importance. The value of symbols and social standards of Chinese culture invites us to assume that it fosters the perception of foreign brands by Chinese consumers. **We also assume that the differences of the perceived symbolic value between local and foreign brands exert a positive influence on the perception of foreign brands.**

4.2 Perception of foreign brands

- Integration of foreign brands in the Chinese culture
As we mentioned earlier (in the previous section on Chinese culture and consumption of foreign brand), the Chinese cultural characteristics influence the behavior of Chinese consumers. More precisely, Confucianism (the collective nature, the concept of guanxi, the notion of the face, and the concept of hierarchy) and modern Chinese culture (modernity, youth, success and wealth) exert a positive influence on the perception of foreign brand. Note however that there is a difference in choice between different categories of products (for example between those high symbolic value and products with low symbolic value) and also for different categories of brands (for example, the ostentatious function of the luxury brand promotes the choice of brand).

- Segmentation of the Chinese market
In addition to the cultural differences that characterize Chinese consumers, their attitudes and behaviors appear closely related to other factors such as age, sex, education level, the standard of living… indeed, the evolution of the perception of foreign brand in China takes place at a very rapid pace. This can create significant differences between groups of people more or less susceptible to the effects of opening up the country, for example, between cities and rural areas, between generations… For the foreign firm, it is essential to find segments of Chinese consumers who are more sensitive to brands.

- The impact of competition

China is entering a new phase of its economic development during which the foreign brands are no longer in the same position vis-à-vis the Chinese consumers. The local competition may exert a negative influence on the perception of foreign brands. The Chinese brands have made progresses and become competitors for certain foreign brands. Faced with the improving quality of domestic products and the maturity of Chinese consumers, foreign companies must understand the symbolism of consumption that is implanted in the mind of Chinese consumers as a fundamental element of Chinese culture.

Conclusion

In summary, the situation of foreign brands in China and Chinese consumer behavior vis-à-vis foreign brands are discussed in this paper. The Chinese preference to foreign products seems to be an interesting feature in a society in transition to consumerism. The phenomenon of foreign brands in China appears somewhat different from what is often addressed in research in marketing, because of the complexity of the market situation and cultural characteristics of today's Chinese society and consumer behaviour, closely related to the combined experience of generations of Chinese. Together with globalization and integration of markets, foreign investors wishing to work in China have to be aware of this reality. To have a good strategy of building brand image, it is important to understand the symbolic values of prestige required by the Chinese. To attract Chinese consumers, our study suggests several options: to highlight differences in terms of product quality and in terms of the symbolic value of brands; to strengthen orientation to Confucianism and to the theme of modernity and youth linked to consumption; to emphasize the importance of segmentation for the Chinese market; to emphasize the difference in choice between categories of products with high symbolic value and low symbolic value and at last to identify new constraints imposed by local competition. Finally, we hope that this study makes a contribution to knowledge about the management of the brand in general and on the issue of foreign brands in the Chinese market in particular.
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