

# The Rising Dragon: Chinese Consumerism\*

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## Greater China

While the rise of consumerism in mainland China will be the main focus of this paper, we should recognize at the outset that the term “Chinese consumer” can refer to anyone of Chinese ancestry living in the People’s Republic of China, Hong Kong, Singapore, or Taiwan. In fact, these four countries make up what is commonly known as Greater China. While the populations Greater China all share a common written language, Chinese ethnicity, underlying Confucian social norms, and cultural values—Taiwan, Singapore, and Hong Kong have already passed through intense periods of economic development. It is the rise of consumerism in mainland China that has been exciting to watch from an advertising perspective. And it is this new phenomenon that has garnered worldwide attention, particularly as regards marketing and advertising. Thus, most of what I will discuss today will relate to the growth of consumerism on the mainland of China. I will also discuss the changing pattern of retailing in Hong Kong—especially as it responds to the large and growing influx of Chinese consumers visiting from the mainland.

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## Rising Economic Development

Since the initiation of economic reforms in 1978, China has become one of the world's fastest growing economies, and it has emerged as a global economic force. In fact, over the past few decades, China has experienced the most dynamic economic growth of any country in the world, with a current increase in GDP of 9.5%, reported in the first half of 2005 (Zhang, 2005). This rapid economic growth has been accompanied by a dramatic increase in advertising. Today, billions of dollars (U.S.) are spent on mass media advertising in this region—aimed at enticing the burgeoning middle class to consume everything from cars to computers. In the past year alone, total advertising expenditure in China rose by nearly 40% making it the third largest advertising market in the world after the U.S. and Japan (ChinaKnowledge Press, 2005).

Table 1 Total Advertising Turnover in Mainland China (1991–2003)

Year	Turnover (RMB billion)
1991	3.5
1992	6.8
1993	13.4
1994	20.0
1995	27.3
1996	36.7
1997	46.2
1998	53.8
1999	62.2
2000	71.3
2001	79.5
2002	90.3
2003	107.8
2004	158.8

Source: *ChinaKnowledge Press* (2005), p.47.

Meanwhile, it is important to note that China has a population of 1.3 billion people. While the overall GDP per capita is still low and there are still millions living in poverty, overall, during the past two decades, China has been the world’s largest and most rapidly developing country. This rapid economic growth has resulted in a transformation of consumer behavior. The country’s economy is shifting from its traditional origins to a mass-market mode, and advertising is positioned at the epicenter of this transformation.

The International Monetary Fund now ranks China as the world’s second-largest economic market. According to China’s National Bureau of Statistics, China’s GDP reached US\$1,650 billion in 2004 ranking it the seventh largest in the world. Meanwhile, China’s advertising industry has also been growing apace. Nielsen Media Research estimates that advertising increased by almost 40% in the past year. This makes China the world’s third-largest advertising market, and at current expansion rates it could reach number two within a decade. (“Playtime in China”, 2004).

Table 2 Top 10 Product Categories in Mainland China by Ad Spend (2003)

Rank	Product Category
1	Real Estate
2	Pharmaceuticals
3	Foodstuffs
4	Home Appliances
5	Cosmetics
6	Medical Services
7	Automobiles
8	Garments
9	Liquors
10	Travel

Source: *ChinaKnowledge Press* (2005), p.52.

## Rise of the Middle Class

In the past 10 years, over 100 million people in China moved up to the middle class and many others moved up to the wealthiest class. In fact, the figures on China’s newly

rich are staggering. China now boasts nearly 235,000 millionaires (US\$ equivalency). At least 10,000 of these entrepreneurs are each worth US\$17 million, according to researchers at the Chinese Academy of Social Sciences. Last year the 50th richest Chinese boasted an income of US\$190 million, while in 1999, number 50 on the “rich list” had only \$10 million (Leow, 2005). Economists forecast that in 10 years, China’s middle class will be 400 million strong (“Lifestyles of the Rich and Chinese”, 2004).

According to a recent article in *TIME Magazine’s* Asia edition, investment bank, Credit Suisse First Boston, estimates that mainland Chinese urban incomes doubled in the past nine years, and will likely rise another 46% over the next decade (Shuman, 2005). “By 2013, the bank predicts that 151 million urban families will earn more than US\$10,000 a year, up from only 3.8 million in 2003.” Foreign firms are gearing up: Nearly 30% of all new McDonald’s opened this year will be in China, and Starbucks, the huge U.S. coffee company, expects China to become their second largest market in the world (Shuman, 2005).

While China’s overall annual per capita income only passed the U.S. \$1,000 mark last year, nonetheless, this is enough disposable income for many to move beyond “the basics.” In the big cities, the middle class now buy “aspirational” products and more branded goods. By 2010, nearly 250 million Chinese will be able to afford luxury goods, overtaking the Japanese as the world’s dominant high-end buyers (Leow, 2005). In fact, the Chinese already buy more mobile phones and TVs than do North Americans. About 94 million Chinese surf the Internet, up 18% in 2004, and the Chinese took over 29 million overseas trips in 2004, up 42% from the year before (Schuman, 2005).

According to China’s Academy of Social Sciences, 19% of Chinese were *bai ling* (white collar workers) in 2003 up from 15% at the end of 1999 (Leow, 2005). From the point of view of advertising agencies and their clients, this is probably the most important change to occur in the past 25 years.

Not only has economic growth brought about a reduction in poverty in China, it has also driven a dramatic rise in consumer spending. Until the end of the Cultural Revolution, most Chinese were bereft of all but the most basic of products. Today, many young Chinese consumers flock to shopping malls, like the Super Brand Mall in Shanghai, where Gucci, Christian Dior and Mont Blanc draw large crowds of shoppers. Its 1.2 million sq ft of floor space make this the largest retail venue in Asia. The 10-storey shopping complex has a nine-screen movie theatre, more than 30 different types of

cuisines and 350 upscale stores (“Lifestyles of the Rich and Chinese”, 2004), all aimed at attracting the increasing number of *xiao kang* (little rich) in China

The shift to a free market has unleashed a flood of new goods. The Chinese equivalents of yuppies are called *xiao zi*, or “little bourgeois.” *Xiao zi* are addicted to instant messaging, and changing their cell phones every few months. They like to vacation in Europe, Thailand, Australia, and Hong Kong, and they read the Mandarin versions of magazines like *Cosmo Girl*, *Elle*, and *Vogue*—all currently published in China.

Table 3 Top 10 Advertisers in Mainland China by Ad Spend (2004)

Rank	Brand Name
1	Olay
2	Gaizhonggai
3	Rejoice
4	China Mobile Telco
5	Crest
6	Head & Shoulders
7	Huangjindadang
8	Sanjing
9	Colgate
10	Naobajin

Source: *ChinaKnowledge Press* (2005), p.48.

## Rising Youth Market

Chinese between the ages of eight and 24 have annual incomes worth US\$40 billion, according to *Advertising Age*. In the mainland’s five largest cities, half the total family income is spent on goods for children. Monthly consumption by children under 12 exceeds US\$422 million, according to China Mainland Marketing Research. In Beijing alone, the figure has reached US\$169 million (Madden, 2005).

Successful advertising for youth brands carefully navigates the respect young consumers feel for their family, peer group, and country, and treats with caution their

awakening desire to express individuality. According to Ian Sobel, Coca-Cola's Shanghai-based general manager of strategic marketing for China, "China is undergoing a rapid transformation from collectivism to individualism. Advertisers need to strike the balance [between] standing out and blending in", (Madden, 2005).

There are over twenty million students in China's universities, and they present a promising and lucrative market. Marketers such as Coca-Cola, McDonald's, and the National Basketball Association (which represents an enormously popular sport in China) appeal to this group by focusing on four major passion points: music, fashion, sports, and technology (such as mobile phones, games, and Internet cafés) (Madden, 2005). Coke, for example, has teamed up with a popular girl band in China called S.H.E and athlete Liu Xiang. Coke is also pursuing a profitable association with the current video-game hit in China, "World of Warcraft." The game-athletic hero combination hits two or three passion points at the same time (Madden, 2005). The Internet cafés are particularly important, according to Mr. Sobel, "because China will probably be the world's biggest online gaming market by next year. This is an exploding passion point" (Madden, 2005). The U.S. beverage giant, Coca-Cola has decorated thousands of cyber cafés around China with promotional stands and posters featuring characters from the popular World of War game with Coke branding. This particular synergy has driven up Coke sales in the cafés by up to 30% (Madden, 2005).

The range of goods available to the young in China is growing. Nokia estimates that 900 models of mobile phones are currently on sale in China. In contrast, only 80 are available in the U.S. Young and capricious consumers in big cities like Shanghai prefer to replace their phones every three months: The global average is once every 18 months (Schuman, 2005). This forces phone makers to continually churn out new models. Samsung offers an average of one new model per week in China.

## **Rising Nationalism: Local Vs. Global**

A decade ago, it seemed unlikely that Chinese companies would pose a serious competitive challenge to Western multinationals. Most multinationals entered China at the high end of the market. Electronic companies like Toshiba and Hitachi originally priced their products 20% higher and stressed technological advantages. But today they are losing their edge because Chinese firms use their growing competence to move aggressively up-market, financed by massive sales volume at the low end of the pricing

scale. Today, companies like Haier are challenging Hitachi (which can now charge only a 5% price premium).

In fact, in the past five years, local champions frequently beat out international arrivals in the Chinese markets. According to the *Ivey Business Journal*, multinationals generally start off with clear advantages—better technology and more managerial competence (“How to succeed in the new China”, 2005). But multinationals have handicaps: poor support infrastructure, weaker distribution systems, and being forced to meet international standards that local companies are not required to match.

Local companies, on the other hand have certain advantages, not the least of which is their deep understanding of Chinese culture and Chinese consumers. Nice detergent for example, ran a TV spot showing a young girl helping her mother wash the family clothes. The mother had just been laid off from her job. The ad succeeded and was very popular because it showed the emotional connection (*dong shi*) that takes place when a child starts to understand his or her responsibilities to the family and society—a critical part of growing up. While *dong shi* is an important concept in Chinese families, there is no direct counterpart in Western culture. A Western detergent commercial might stress things like stain removal, and thus would probably not connect nearly as well to the target audience as Nice did with their spot.

A similar story is told about the Little Prince clothes washer. Whirlpool has historically sold large and impressive-looking European types of washer in China. But Haier, the leading Chinese white goods manufacturer, came out with a machine dubbed Little Prince that was capable of handling small loads. They knew that Chinese mothers preferred washing cotton diapers over using disposables for their “little princes” and the small machine makes it easy and inexpensive to do many small loads. Haier’s machine was an instant hit, and they have sold millions of units. In fact, in a recent Euro RSCG study, Haier came out the second most popular brand in China.

Thus, even without big research budgets, local companies intuitively understand consumer needs. On top of this, local companies are often leaner than the State-owned companies they are edging out: State-owned firms now account for only one-third of China’s GDP. Local knowledge also helps local companies build strong support networks. These networks manage a complex web of relationships, giving local brands a distribution advantage as well as an advantage in media buying. Thus, the new breed of smart and wiry Chinese companies are becoming extremely competitive.

When they entered China a decade or so ago, Western multinationals targeting the Chinese middle class. By doing so, Western brands left the door open for local brands to reach the broader population, Tom Doctoroff of J.Walter Thompson contends that local brands didn't exist in China before the late 90s. A decade later, the Chinese TV manufacturer TCL is digesting its Thompson acquisition, while PC maker Lenovo has, in one bold stroke, purchased IBM's entire PC division (Doctoroff, 2005).

The likes of Haier (electrical appliances), Tsingtao (beer), and Bird (mobile phones) have exploited the blind spot of the multinational brands. While the multinationals were busy targeting the middle class, they left the broader masses uncovered. This has allowed the local players to build enviable momentum in some categories (such as mobile phones and personal care) and total dominance in others (electrical appliances and apparel). Chinese brands are fast getting stronger.

## Share of Mind

In terms of awareness, a recent Gallop Poll revealed that while some multinational companies have become well-known brands in China, a surprising number have yet to become household names. Some globally famous brands have made comparatively minor inroads in China. For example, only 41% of Chinese consumers are aware of Microsoft. In addition, despite their huge interest in computers, less than half of Chinese consumers (43%) have ever heard of Intel (McEwen, 2005). Interestingly, only half (50%) know the Nike name, while 67% know China's Li Ning sportswear brand.

Some global brands, however, have become almost as familiar to Chinese consumers as their own domestic brands, especially in the larger cities. Almost everyone in China's "big three" cities—Beijing, Shanghai, and Guangzhou—knows the name Tsingtao beer (96%), but nearly as many know the name Budweiser (86%). In those same three cities, about as many consumers know about Mercedes (93%) as know about Shanghai VW (93%) or Beijing Jeep (85%). These brand-familiarity numbers reflect the strategic focus in targeted marketing expenditures pursued by companies such as Anheuser-Busch and DaimlerChrysler (McEwen, 2005).

Table 4 10 Brands with the Highest Popularity Gains  
in Mainland China (2004)

Rank	Brand Name
1	Samsung
2	Haier
3	China Mobile
4	Google
5	Crest
6	Meng Niu
7	Sony
8	Lenovo
9	Sina
10	Colgate

Source: *ChinaKnowledge Press* (2005), p.22.

## Culture is everything: Localization of Campaigns

Increasingly, a local touch is necessary to reach the Chinese consumer. The centrally controlled global strategies, which were common currency in the 1990s, have run their course. The mode of the 1990s for American-based transnational agencies was “think globally” but today they have found that unless they can “think locally” they risk losing sales.

There are many stories about companies that have blundered in China. In 2003, Toyota ran a television commercial that featured a Toyota Prado SUV towing a broken-down local military vehicle past bowing Chinese stone lions, which are revered as a symbol of Chinese power. The network received many complaints and the company had to publicly apologize to the Chinese community (Fowler & Cheng, 2005). To make things worse, it turns out that the marketing department of Prado had authorized the Chinese translation for Prado to be Badao using characters that meant “high handed” or “domineering” and could also be used in the word “hegemony”—not a very auspicious thing for a Japanese company to do in China, where sensitivities to the Japanese occupation still run quite high (Anderlini, 2005).

McDonald's had to withdraw a TV commercial in China following complaints the images attacked Chinese people's dignity. Created by Leo Burnett, the commercial showed a man kneeling before the clerk and begging for a discount at a local store. It then shifted its focus to McDonald's, with the message that the food giant offered cheap meals all year-round, no need to beg for coupons or discounts. Shanghai stations pulled the McDonald's spot, and other networks quickly followed suit. In Chinese culture begging is humiliating and many people felt the commercial was offensive.

As recently as late last year, Nike was forced to pull an animated ad which showed NBA star LeBron James defeating a *kungfu* master, two women dressed in traditional attire, and two dragons (a sacred symbol in China). Optimedia China CEO, Steven Chang, said Japanese and U.S. companies, in particular, need to tread carefully. "Chinese citizens are looking for anything that may have an insulting aspect," said Chang. "(They) are currently being very sensitive." (Murphy, 2005)

## **Rising Consumer Awareness**

Until the end of the Cultural Revolution, most Chinese could only buy from among a limited range of commodities and a few basic manufactured items. The shift to a free market began 20 years ago and brought with it a flood of new goods. But it also ushered in an atmosphere in which greedy companies and weak regulations left shoppers awash in counterfeit—and sometimes defective or even fatally unsafe—products. Recently, Chinese consumers have been demanding higher quality: newspapers and particularly the Internet have given them a way to raise their voices.

Last year, for instance, the press helped expose a counterfeit powdered milk that lacked nutrients and was causing babies in poverty-stricken Anhui province to develop enlarged heads, leading to 13 deaths. More recently, a respected Beijing newspaper published an article claiming that some 95% of China's domestically produced beer contains formaldehyde, in many cases, at levels exceeding the nation's standards. The paper printed its expose alongside a letter from an anonymous reader who "wanted the public to know" that the use of formaldehyde as a stabilizer had become "an unwritten rule" among many Chinese breweries (Fowler & Cheng, 2005)

And it is not just domestic brands that have taken a beating: 2005 was a year of consumer scandals involving big global brands in China. A newspaper report in the

southern city of Shenzhen accused Haagen-Dazs, the ice cream maker, of having an open toilet near a production kitchen and for failing to have a sanitation permit. The report, quickly spread on the Internet. Try as they could, Haagen-Dazs couldn't quell the bad publicity, even after a public apology. Even the state-run *China Daily* newspaper was declaring that Haagen-Dazs had made "a mockery of China's law on food hygiene" (Fowler & Cheng, 2005).

China's government doesn't want to be seen catering to multinational companies, so local competitors sometimes play dirty. Added to that, some Chinese journalists seize on consumer issues knowing they will not have to fear the government censors. For multinationals, confronting sudden attacks in newspapers and on the Internet has become a vital tactic in doing business in China. Edelman, a global public relations firm, urged companies to monitor Internet bulletin boards, where negative reports spread, and to "aggressively attack misinformation" about their companies (Johnson, 2005).

Moreover, Chinese courts are increasingly accepting lawsuits from aggrieved consumers. Procter & Gamble found itself in Chinese headlines this year: In March, a woman in Jiangxi province took the company to court over its SK-II anti-aging cream, charging that the cream had caused a painful allergic reaction. After a month of losing sales, the company apologized to consumers and paid a fine.

In fact, efforts to inflate a consumer scandal have also hit Chinese companies. But Chinese executives seem to be able to squelch rumors by hiring specialists to intervene in Internet chat rooms or go after journalists spreading rumors. "In China, we use a very Chinese way: We 'talk' to the reporter and make them be silent," said an unnamed local publicity professional. "Giving them money is the most direct way." (Johnson, 2005).

## **Understanding Local Culture Is Key to Success in China**

Understanding Chinese cultural values seems to be the key to success in marketing in China. A variety of scholars have identified some of the main cultural values in Chinese. More usefully perhaps, J. Walter Thompson China has identified some cultural values that have significant impact on advertising strategy and consumer behavior in China (Doctoroff, 2005).

Confucianism creates a well-ordered society from the ground up rather than from the top down. In the Confucian tradition, certain relationships are accorded paramount

importance. The Five Cardinal Relations (*wu lun*) are namely, “those between ruler and subject, father and son, elder brother and younger brother, husband and wife, and friend and friend. In each case, the senior member is accorded a wide range of prerogatives and authority with respect to the junior” (Bond, 1986, p. 215).

These values play into consumer behavior. As Doctoroff explains, while within the family unit, one has a defined role, and the role is pre-determined by Confucian principles. Outside the family circle, a person’s status is unclear. The J. Walter Thompson research shows that this drives certain types of purchases. The researchers believe that Chinese consumers feel a need to project who they are to the outside world by using highly visible, branded goods, like watches and hand phones. Thus, Chinese consumers might lay their Nokia hand phones on the table while sharing a meal, so all can see what brand they use (projection). Branded goods are purchased to show one’s status to the outside world, but within the house there is no need to project: inside the home a basic Haier washing machine will do fine. No one really knows, or cares, what brands you are using at home!

Other examples Doctorow gave included the Shanghai buildings with gold domes to project the status of the city as “world-class” to the outside world and VIP cards for practically every retail establishment in China, from restaurants to bookstores. You can even be a VIP at the ice cream store.

According to the J. Walter Thompson study, 88% of Shanghai women nowadays get married with a diamond ring. They feel the need to project their status and value to the world with the show of a diamond.

Cars also project status. The car says “I have a good job and I work hard” to the outside world. Approximately 95,000 luxury cars were sold in China in 2004. Mercedes topped the list until BMW burst on the scene, selling almost 19,000 vehicles and surpassing Mercedes. Rolls Royce has opened three showrooms in Chinese cities over the past few years. Even Bentley took 80 orders for its Continental GT in Shanghai last year. (“Lifestyles of the Rich and Chinese”, 2004).

In another study on cultural values, published in the *Journal of Consumer Marketing*, the authors examined how consumers in collectivist cultures like China differed from those in individualistic cultures like the U.S. and England. They found that people in collectivist cultures scored higher on:

1. Importance of personal appearance (“Dressing well is important to me”)
2. Keeping up with trends (“I like to see movies everyone is talking about”)
3. The importance of family (“Children are the most important thing to a marriage” and “I feel guilty serving convenience food to my family”)
4. Defined Gender Roles (“A woman’s place is in the home” and “Men are smarter than women” and “The father should be the boss in the household”)

Individualist Cultures scored higher on:

1. The importance of brand names (“I like to stick to well-known brand names”)
2. Travel (“I like to visit places that are totally different from my home”)
3. Financial satisfaction (“My family income is high enough to satisfy my needs”)

Some of these values like “dressing well is important to me” are of great interest to the luxury brands that are attempting to build a strong presence in China. It has been estimated that by 2010, about 250 million Chinese will be able to afford luxury goods overtaking the Japanese as the dominant high-end buyers (Leow, 2005).

## **The Rise of Women as Big Spenders**

As John Naisbitt pointed out in his book, *Megatrends Asia*, millions of “affluent professional Asian women have entered the 21st. Century as a force the entire world must reckon with” (1996). These Asian women, he noted, are well educated, business-minded and are pioneering new roles that demand full partnerships with men. In China, women already made up 25% of all entrepreneurs, about 20% of all management jobs in Hong Kong were held by women, and the number of female managers in Singapore had tripled over the previous 10 years.

The combined influence of education, technology, and rapid economic growth has laid the groundwork for women in all parts of Greater China to become more assertive about their role in the economic growth of the region. Female consumers in China’s major cities are increasingly tapping into the essence of Japanese consumer culture (J-Sense). While local brands are still strong players in the market, many compete on imitation and price, while brands from Japan such as Shiseido and Kanebo cosmetics have found a lucrative market in the major cities of China’s coast where young urban

women are turning in increasing numbers towards expensive Japanese cosmetics. In mainland China, Kanebo expects to double its distribution points from the current 150 department stores over the next few years, and Shiseido is rolling out its brand in 5,000 Chinese stores. (“Playtime in China”, 2004)

Young female consumers in cities like Shanghai and Beijing who typically earn US\$200–250 a month are willing to pay top prices for these brands. There is a belief in this demographic that Japanese products are better suited to Asian skin than the western equivalents. Japanese brands also tend to use Asian models in their marketing, which appeals to this self-confident segment that is delivering something of a backlash against excessive westernization.

Not surprisingly, cosmetics manufacturers and distributors are carefully studying the attitudes and desires of the women of Greater China. This market obviously offers a tremendous potential for sales to companies that understand the dynamics of consumption in the cosmetics sector. Among the more interesting of these studies was one conducted by Dove, which is amongst Unilever’s largest beauty brands. It was described in 2004 in *The Real Truth about Beauty: A Global Report* (Dove, 2004). The company commissioned this study to help them understand how women across cultures felt about their own beauty and wellbeing. Dove also looked into prevailing attitudes toward advertising. The study findings were based on data collected from a global study of 3,200 women, aged 18 to 64. They encouraged their informants to deconstruct and reconstruct their notions of beauty, and they recorded and analyzed the results, using rigorous quantitative research methodologies. The results were used to support regional advertising campaigns both in the mass media and on the Web (Dove, 2004).

Specifically, the study set about to determine to what extent women perceive and experience themselves as being beautiful. It began by assessing how comfortable women were with using the word “beautiful” to describe themselves. Researchers found that an overwhelming majority of women in Greater China are most comfortable using the words “natural” or “average” to describe their looks. Only a small percentage of women choose “beautiful.”

Table 5 How Women Describe their own Beauty in One Word (by country, in %)

Descriptor	Hong Kong	Taiwan	China	Singapore
Natural	52	41	24	42
Average	35	21	25	38
Cute	5	16	10	3
Pretty	1	4	1	1
Charming	2	7	0	2
Attractive	2	2	2	6
Beautiful	0	2	4	3
Feminine	2	2	6	3
Gorgeous	1	1	2	1
Sexy	0	4	1	1

Note: Data excluded “no answer” or “don’t know”.

Source: Dove (2004)

Data were also collected on women’s overall levels of satisfaction with various aspects of their lives. From these results one can conclude that, in Greater China, while personal beauty and physical appearance are important, they are not the primary drivers of women’s sense of wellbeing. Other factors like family relationships and friends and were more important. Interestingly, in Greater China beauty is considered a more important factor than health.

Table 6 How Satisfied Are Women with Important Aspects of their Lives?  
(by country, in %)

Aspect	Hong Kong	Taiwan	China	Singapore
Family relationships	83	78	89	82
Friends	91	79	81	81
Health	69	49	81	75
Romantic relationships	71	58	67	67
Body weight/shape	35	38	66	50
Beauty	83	78	89	83
Financial success	62	36	56	66

Note: Data included only extremely happy, very happy, and somewhat happy.

Source: Dove (2004)

Data on women's evaluation of the importance of beauty to the external society is also very interesting. When asked whether "physically attractive women are more valued by men", a majority of women agreed. However, 86% of Hong Kong women felt this was an important factor while the percentages in Taiwan, China, Singapore were considerably lower. When asked whether "beautiful women have greater opportunities in life", the overwhelming majority of women of Greater China agreed with Hong Kong women in feeling the strongest about this.

Table 7 Perceptions of How Beauty Is Interpreted by the Outside World  
(by country, in %)

	Hong Kong	Taiwan	China	Singapore
Physically attractive women are more valued by men	86	65	69	68
Women who are beautiful have greater opportunities in life	88	80	83	75

Note: On a 10 pt. scale includes the top 3 (strongly agree, agree and somewhat agree)

Source: Dove (2005)

Having assessed how women think about and evaluate their own beauty and appearance, the Dove study went on to ask women to speculate upon popular ideas about how beauty is portrayed in advertising and popular culture. The survey explored women's perspectives on the social cues about beauty that emerge from the mass media. The study explored the degree to which women feel that the mass media have a role to play in portraying and communicating their broader idea of beauty. The findings reveal that women feel the mass media do play a role in establishing a narrow, unattainable definition of beauty. This was borne out in their responses to statements about how they would like to see advertising and the media portray beauty.

Table 8 Do the Media Influence Perceptions of Beauty? (by country, in %)

	H.K.	Taiwan	China	Singapore
The media and advertising tend to set unrealistic standards of beauty	68	61	64	37
Media and advertising tend to portray women in cliché ways	71	59	45	46
Beauty ads are designed to encourage women to change their appearance	74	51	58	58
Beauty ads usually emphasize only problems, defects, and worries	83	76	63	72
The models in beauty ads are not good role models for young girls	39	36	59	62
I wish the media could give women more confidence in their looks and beauty	77	81	67	70

Note: The data include only strongly agree and somewhat agree

Source: Dove (2005)

Overall, Hong Kong women held the strongest feelings about the impact of media on creating unrealistic standards of beauty. But women in all four countries tended to strongly agree that beauty ads usually emphasize only on problems, defects and worries. Women in China did not hold as strong opinions as the others on the impact of media and this may be because the media in China are still much regulated, while there is less regulation in Taiwan, Hong Kong, and Singapore.

## Advertising Agencies in China

While advertising was never officially banned in China, it had a very low profile until around 1980. In the past two decades however, both domestic and foreign advertising has flourished. In China, advertising is now accepted as a valuable way to bring sellers and consumers together and billions of dollars are spent on media advertising with TV and print taking the lion's share.

Table 9 Advertising Expenditure across Media in Mainland China (2004)

Medium	Share of Ad Spend
TV	75%
Print	21%
Radio	1%
Outdoor	3%

Source: *ChinaKnowledge Press* (2005), p. 59.

Today, more than 660,000 employees work for around 80,000 advertising agencies in China, and every player has a presence (Anderlini, 2005). In line with agreements made when China's joined the World Trade Organization, the country's advertising sector will be fully opened to the outside world in December, 2005. This means that overseas advertising agencies will be able to set up wholly owned advertising companies. Prior to this, foreign agencies could only operate in China as joint ventures with a local partner ("China Advertising Market Surges", 2005). While foreign agencies are expected to eventually open wholly owned firms there remain many advantages to maintaining connections with their local partners. Local partners better understand the culture, and catering to local tastes seems to be a critical component for advertising success in the new China. The world's top 10 advertising agencies have all established joint ventures in China. For example, Ogilvy & Mather, one of the largest U.S. agencies teamed up with Shanghai Advertising Corporation, while McCann Erickson partnered with Guangming Daily Newspaper.

Currently, the business balance for most global marketing communication firms such as Saatchi and J. Walter Thompson is roughly 40% North America, 40% Europe, Middle East, and Africa; and 20% Asia. But many agencies hope to move to a 30-30-30 split in the next few years (Anderlini, 2005).

Table 10 Top 10 Advertising Agencies in Mainland China by Revenue (2003)

Rank	Agency
1	Beijing Dentsu
2	Saatchi & Saatchi Great Wall
3	Weilai Advertising Agency
4	Jiangsu Post Advertising
5	McCann-Erickson Guangming
6	Jiangsu Dahe International Group
7	J. Walter Thompson Zhongqiao Advertising
8	Kumming French Media
9	Shanghai Arts Designing Corp.
10	Beijing Public Transport Advertising Co.

Source: *ChinaKnowledge Press* (2005), p.168.

With the growing importance of the Chinese-speaking market to multinational companies, many advertising agencies have consolidated their operation by forming Greater China divisions and basing their operations in Hong Kong with brand offices on mainland and in Taiwan. Speaking at a conference in Beijing, Sir Martin Sorrell, chief executive of advertising giant WPP said he sees China becoming the world's second biggest advertising market by 2008. He predicts the China will soon account for almost 5% of WPP's worldwide sales. Sorrell estimated that in the next five to 10 years about 35% of WPP's total revenue would come from developing markets like China (Stanton, 2005).

This June, J. Walter Thompson announced that its China agency was one of its two fastest growing markets in Asia, the other being India. Much of J. Walter Thompson's growth in China was coming from the campaigns they ran for Chinese companies. They estimated that about 35% of their China revenue comes from domestic clients like PC maker Lenovo and China Mobile (Stanton, 2005).

Advertising spends across the 12 main Asia-Pacific markets reached an estimated US\$62 billion in 2004, according to Nielsen Media Research ("Double dating", 2005). China accounted for 42% of all ad spends in the region, followed by Taiwan, South Korea, and Hong Kong.

Table 11 Share of Media Spending in 12 Asian Markets  
(2004, US\$62 billion total)

Share (%)	Country
42	China
7	Hong Kong
6	Australia
4	India
4	Indonesia
3	Taiwan
3	Philippines
3	Thailand
2	Malaysia
2	Singapore

Source: "Double dating" (2005), p.14.

## The Hong Kong Shopping Revival

After suffering economic decline in the last few years, Hong Kong has made an amazing comeback. Since the start of its turnaround, Hong Kong has become a major shopping center for mainland consumers. Many attribute this to increased spending by consumers visiting from the mainland of China. In July 2003, China substantially eased its cross-border travel restrictions to allow millions more of its citizens to visit Hong Kong. Today, Chinese visitors number about one million per month, which is four times as many as in 1998. The program, the Individual Visitors Scheme, is currently being extended across China, allowing more than 150 million people in 32 cities the right to travel independently to Hong Kong.

Shopping centers across Hong Kong are evolving to meet the needs of this developing market. Many upscale shops now accept Chinese currency. The Hong Kong Tourist Board reports that 86% of visitors from China go shopping. Of the overall spending by visitors from the mainland, 68% is on "shopping".

The recent flood of Chinese shoppers has done more than just resuscitate Hong Kong's retail landscape: The influx has begun to fundamentally alter the structure of the

industry. Chinese shoppers wealthy enough to shop in Hong Kong favor designer labels. Their spending power has changed the retail mix in a number of major shopping malls such as Pacific Place, from whence Marks & Spencer—mostly because of its staid and unglamorous image—has been edged out after 15 years to make way for a number of smaller, trendier boutiques.

It is perhaps easy to think of Chinese shoppers as an undifferentiated group. However, a detailed study by the Hong Kong Tourism Board in 2004 divided shoppers into three different groups: those coming from the Pearl River Delta in the southern province of Guangdong, those visiting from the eastern Yangtze River Delta, which includes Shanghai, and those from the northern Bohai Rim, which includes Beijing. The study found very significant differences in spending patterns between the three. Pearl River Delta shoppers, for instance, tune into Hong Kong television and, with the introduction of the new border policy, visit nine times or more a year—often just for day trips. As a result, they tend to stay for shorter periods and generally spend less. However, their cumulative total spending over the course of a year is considerable. Visitors from the Bohai Rim have higher disposable incomes, and though they live too far away to visit regularly, of the three groups, they spend the most when they do visit. They particularly buy expensive designer items, and they like to combine their shopping trips with visits to international events staged in Hong Kong. Visitors from the Yangtze River Delta are drawn to Hong Kong because of its modern image and sophistication, the survey found. Wealthier Shanghai visitors often prefer going to Hong Kong over traveling to Europe as they believe Hong Kong to be a better source for designer labels.

Significantly, the survey also found that the profile of Chinese shoppers is changing. Whereas the core segment remains the middle-aged couples and families with young children, the most rapid growth is among young female office workers. Young male office workers, too, are starting to visit in increasing numbers.

So why shop in Hong Kong when increasing numbers of brand name shops are opening in Chinese cities? A spokeswoman for the Tourism Board says: “It is the variety and the range of the products that they can get in Hong Kong that impresses them. They know if they come to Hong Kong they will buy a genuine product.”

Another important factor is that Hong Kong has earned the reputation as the regional trendsetter, especially for international brands and the latest items. Many international brands, such as Louis Vuitton and Giorgio Armani, set up their regional

headquarters in Hong Kong. “Even visitors from Shanghai say that Hong Kong is the place that has the whole range—and they like to get value for money,” says Tourism Board spokeswoman.

According to David Riddiford, senior vice-president for merchandising at department store Lane Crawford, luxury goods are 25–30% cheaper in Hong Kong than in mainland China because of the lack of import duty and sales tax. He cautions against over-reliance on Chinese shoppers, however, saying it would leave Hong Kong vulnerable to shocks in the Chinese economy. Riddiford says that about 15% of his department store’s business comes from mainland shoppers compared to around 70% for some single-brand luxury designer goods shops. “I personally would not want to see too much dependence on the mainland,” he says. “If you look back at what happened in 1998, suddenly people stopped coming” (Parry, 2005). Most retailers believe that Hong Kong has at least one advantage over some of the world’s most glamorous shopping destinations. In Paris you can find everything, but in Hong Kong you can find it all within a small area. All the shops are close to each other whereas in Paris it might take half a day just to visit the Louis Vuitton store.

What happens in Hong Kong, as the experiment with the Chinese consumers continues, is becoming almost as interesting to retailers in Paris. After all, as China gets wealthier and its people travel further. Whatever happens in Hong Kong could occur in other shopping cities. Jasmine Abdellatif, spokeswoman for Louis Vuitton in Paris, says fashion houses around the world are keenly aware of the growing spending power of Chinese shoppers and see it as a trend that will gather momentum over the coming decade. Currently Chinese customers rank fourth behind Japanese, European, and American customers of Louis Vuitton products, but Abdellatif says: “We figure that in about 10 years, Chinese people will become our number one clientele for luxury goods” (Parry, 2005).

In an interesting development, several Hong Kong-based advertising companies have set up wholly-funded subsidiaries on the Chinese mainland. This was made possible under the Closer Economic Partnership Arrangement that came into effect in 2003. It seems that Hong Kong is poised to secure a slice of the mainland advertising pie, at least partly funded by revenue from a retail boom at home that is being fueled by visiting consumers from the mainland.

## Conclusion

China already has one-fifth of the world's consumers, and it has a rapidly growing middle-class, hungry for consumer goods. Thus, mainland China is growing into an enormous market for global products and services, and Chinese consumers are destined take center stage in the global bazaar.

In this paper, I have identified a number of issues of interest to advertising professionals and scholars who study the Chinese consumer. Important to a firmer grasp on what propels consumer behavior is an understanding of the nuances of Chinese culture and an appreciation of Chinese nationalism and the people's sense of pride in their many accomplishments. Other crucial issues that need to be taken into account are the growing importance of product quality and the emerging sense of consumer awareness in China and the growing economic impact of Chinese women as consumers of a range of personal care products and services.

I have also tried to enumerate some of the mistakes that foreign multinationals have made in China, particularly by underestimating the inherent market savvy of Chinese consumers who are rapidly becoming more discerning and of Chinese companies who are learning quickly how to compete. The pat formulas international brands have used in the past—prestige pricing and exclusive distribution systems—may not be working well for them in China. There are still numerous barriers to entry that may help local Chinese firms and hinder foreign firms in this market.

In terms of actual advertising strategy, recent research has given us interesting insights on how different cultures perceive the world. This research may dramatically alter the way that advertising messages are created for Greater China.

Advertising messages are predominantly visual. Yet up to now, the theory was that people viewed the world in much the same way. Recently, researchers at the University of Michigan, however, have tracked the eye movements of North American and mainland Chinese students to study how each group looks at a picture and how long they focus on a particular area. They concluded that each group was literally seeing the world differently ("In Asia, the eyes have it", 2005). When asked to describe what they saw in an underwater photograph, the Asian students gave 60% more information about the background and twice as much information about the relationship between objects in the background and foreground as the North Americans. When describing the underwater

picture, the Americans would concentrate mainly on the foreground, in this case, three swimming trout. The Chinese displayed more eye movement, especially on the background, and spent more time taking in the whole scene. When asked to describe what they saw the Chinese would first describe the green color of the water, the rocks on the bottom and only then would they mention the fish.

Interestingly, when Asians raised in North America were studied they were intermediate between native Chinese and European Americans. Thus, culture plays an important part in how we perceive the world and certainly what we see in advertising. Advertisers may have only begun to scratch the surface in learning how to persuade and appeal to the Chinese consumer. As has often happened in the past, pragmatic advertising researchers may be at the cutting edge of helping us understand how visual persuasion might differ in East and West and in helping us understand how different cultures perceive the world of objects, in this case, consumer goods.

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