

BRANDZ™

Most Valuable
Chinese Brands

TOP50 

BRAND VALUE INCREASE
Touches diverse categories

QUALITY, INNOVATION IMPROVE
As consumer sophistication grows

INTERNET, SOCIAL MEDIA
Drive nationwide brand awareness

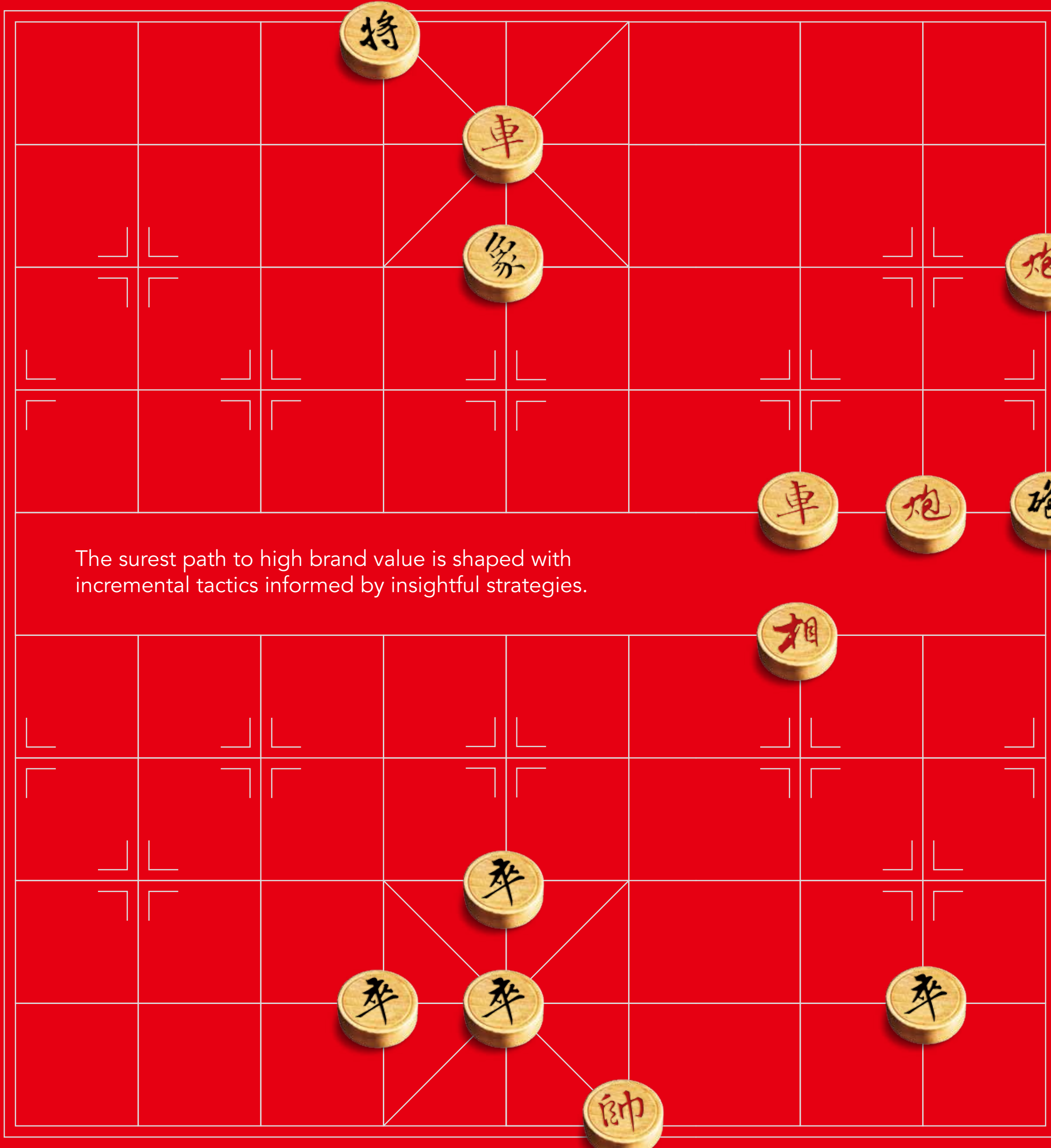


2012 Edition

Methodology and Valuation by

 MillwardBrown
Optimor

WPP



The surest path to high brand value is shaped with incremental tactics informed by insightful strategies.

Brands in China never have been more important.

Wide Internet penetration and commercial expansion beyond the major urban costal enclaves are among factors making households throughout China more value conscious and brand discerning.

Reaching and motivating them requires using all the tools of brand building.

Because of fierce competition from both domestic and overseas brands, it's imperative that responses are not merely tactical but strategic, like the well-considered moves of a chess grand master.

WELCOME



BRANDZ™ Most Valuable Chinese Brands TOP 50



Welcome to the second annual BrandZ™ Top 50 Most Valuable Chinese Brands.

Since our inaugural study, many of the nation's brands have grown at remarkable rates—by 244 percent in the case of a new technology leader. Driven by diverse factors, including the rapidly expanding middle class, this explosion of value suggests the enormous influence that Chinese brands exert and their potential impact on markets worldwide.

The shift from China as the world's factory to China as a brand creator and marketer, described in last year's study, is well underway. This year we dive deeper into how the nation is transforming and how its most valuable brands are devising strategies and tactics to win domestically and, increasingly, overseas.

What's happening and why? How can consumer and B2B brands best engage with the development of China to improve the welfare of its society and gain commercial benefit? We've marshaled WPP's considerable Chinese and global resources to seek and supply key insights.

Consider XiangQi, Chinese chess. XiangQi was developed more than 2,000 years ago not as a pastime, according to some accounts, but by a leading general of the Han Dynasty as a better way to train troops for battle planning. The ubiquity of XiangQi in modern China suggests that strategic thinking continues to inform many activities, including brand building.

To help plan effective strategies and insights for brand development in China today, we expanded the introduction section of this year's study to provide greater market context with summaries of product categories and important trends. We also described the leading brands in greater detail. "Factoids" scattered throughout the study serve as easy-to-read building blocks of market knowledge.

The BrandZ™ Top 50 Most Valuable Chinese Brands 2012 joins a growing family of WPP BrandZ™ studies about global brands, which provide invaluable information for succeeding in both developed and fast-growing markets. The studies include the definitive BrandZ™ Top 100 Most Valuable Global Brands, the Top 50 Most Valuable Brazilian Brands and the Top 20 Most Valuable Global Retail brands.



WPP's Millward Brown Optimor conducted the brand valuations based on BrandZ™ methodology. BrandZ™ is the world's largest and most reliable and comprehensive brand analytics and equity database. Many other WPP companies contributed specialized expertise on relevant topics. These companies and their contributions include:

Added Value: Reaching the large, lucrative and complicated youth market

Always Marketing Services: Outsourcing brand field marketing to achieve scale and build share in both cities and countryside

GroupM: Changing the advertising and marketing media mix to leverage the exponential growth of mobile

TNS and GroupM: Connecting with online consumers by understanding how and why they use the Internet

Millward Brown and CIC: Adopting social media best practices to make the maximum brand impact

Ogilvy & Mather: Reconsidering the impact of SOEs (state-owned enterprises) as new competition and less regulation focuses them on brand building

TNS: Exploring the unabated desire for luxury and the cultural forces that drive it

Wunderman: Expanding brand options for establishing a compelling presence in the rapidly evolving world of e-commerce

The BrandZ™ Top 50 Most Valuable Chinese Brands demonstrates the Chinese market knowledge that uniquely qualifies WPP, through our operating companies, to serve the full spectrum of client communication needs from insight to activation, including: research, advertising, marketing, digital, communications planning and media, PR, shopper marketing and retail.

WPP companies work with many of China's top brands and with multinational clients developing their presence in China. With 13,000 colleagues in China, WPP companies maintain offices across China in Beijing, Shanghai, Guangzhou among other major cities and provinces.

We place our unique WPP combination of global and local resources at your disposal to help you understand the vast potential of the Chinese market and maximize opportunities to develop valuable brands. We invite you to contact us to discuss your specific brand needs. Meanwhile, please accept this study with our compliments.

Best regards,

David Roth
WPP
droth@wpp.com

Market Facts | Population: China's population reached 1.34 billion in 2010. Almost half of the population now lives in urban areas, an increase of 13.5 percent since the 2000 census. (China National Bureau of Statistics)

Market Facts | Population: The seven eastern provinces along China's coast comprise 29 percent of the population and produce 37 percent of GDP. Government growth plans focus on developing western areas. (China Statistical Yearbook 2010)



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Major e-commerce opportunity Awaits brands that take action

China's e-commerce market is growing at an unprecedented pace. Total e-commerce sales increased to RMB 523 billion (\$79 billion) in 2010, a year-on-year increase of 109 percent, with growth expected to continue at a torrid pace.

The electronics, apparel, personal care, beauty and luxury categories are driving the growth. In fact, online transactions are soon expected to account for one-fifth of the total luxury goods sales in China. Predictably, the larger and wealthier coastal cities drove online spending, at least initially. E-commerce is swiftly moving to smaller cities where there are fewer branded stores but rising demand from shoppers with rising incomes.

Meanwhile, the e-commerce world is evolving in several ways. Until now, several large domestic multcategory e-commerce players dominated e-commerce. They include Taobao, 360Buy, Joyo (Amazon) and DangDang. However, some e-commerce category specialists, such as the apparel site Vancl, are growing at a very fast pace. In addition, some leading social media sites, such as Sina Weibo, are shifting toward social commerce by partnering with e-commerce vendors. At the same time, many e-commerce sites are adding social media features to increase stickiness and to drive traffic with positive word of mouth.

Brands face large opportunity, three options

For brands, it is not a matter of embracing e-commerce or not. Brands should start strategizing how to best capitalize e-commerce and which e-commerce model most suits them. In general, there are three options.

1. Own site: Brands can of course launch their own e-commerce sites or add an e-commerce section in their brand sites. This requires a lot of resources to build, to drive traffic and to deal with logistics and customer services. Most of the brands are not ready to do this.
2. Shopping mall site: The second model is to open a branded on-line shop inside an established online shopping mall such as Taobao Mall, which already has a large online shopper community. But brands still need to deal with payment, logistics, and other issues.
3. Distributor site: The third option is to just sell the goods to an e-commerce site which is like an online distributor.

Before deciding on an option, brands must understand the behavior of Chinese online shoppers. They are very price sensitive and influenced heavily by online opinions. They have little loyalty and prefer wide assortments, hard to get imported goods and local specialties. As fake items are everywhere in China, most consumers prefer to shop with a credible source, for instance, a certified online shop of a certain brand, in order to buy genuine items. Furthermore, the quality of delivery service and return policy are increasingly important to online shoppers as they have more choices and e-commerce sites try to differentiate themselves. Last but not least, the user experience in an e-commerce site is crucial. Consumers like to search quickly, be prompted with good offers and complete transactions easily.

New trends develop quickly

In general, e-commerce companies are trying to move away from competing on price alone, as Chinese consumers may even switch a shopping destination due to a RMB 10-cent difference if everything else is the same. Many e-commerce companies are introducing loyalty point systems, group buying incentives and other similar programs. Some sites have started to offer useful and interesting content, related to the goods they carry, that can help consumers to live better lives. Examples include skin care tips and fashion news.

One obvious trend is for brands to start creating owned-media in social media, such as branded and certified "V" Weibo in Sina Weibo, QQ Brand Zone, branded fan page in Xixin001 or RenRen. Brands should leverage these owned-media to mobilize their online communities of fans to buy their goods online. Brands also can participate in the e-commerce initiatives of the social media owners, for instance, the new addition of e-commerce features in Sina Weibo.

Online shoppers are heavily influenced by key opinion leaders such as editors and popular Weibo's who are nurtured to become brand ambassadors. Customer Relationship Management is suddenly becoming more affordable and more effective as brands that did not have direct consumer contacts can now communicate with their "actual" consumers directly via email, SMS, and social. Mobile apps could initially be leveraged as a promotion and CRM tool but eventually be extended to enrich the shopping experience by conducting transactions on mobile devices.



In addition to consumer contact data that enables CRM programs, e-Commerce also comes with a wealth of tracking data that enables brands to analyze user experience, shopping behavior and transactions. Such tracking and optimization must be "Always On" in order to improve business performance continuously. This analysis can potentially provide new insights for brands to improve their offline business as well as product development.

Time for brands to act

The marketing mix is also different from just running brand awareness online campaigns. Both paid search and search engine optimization become very important in e-commerce. Long-tail keywords in China are not as effective as in the Western world. Navigation sites, such as Hao123, are the main source of traffic to e-commerce sites as consumers in smaller cities heavily rely on these sites to browse the Chinese Internet.

Out-of-home advertisements are increasingly important, too, as they help reach new potential customers and can feature hero products that emphasize brand differentiation. In contrast, cost-per-sale networks are still very immature in China compared with their Western counterparts. The quality of traffic from these cost-per-sale networks, where advertisers pay for sales generated from an ad, has potential credibility issues.

In summary, China e-commerce is not a trend that brands can afford to ignore. In many ways it is easier to reach customers online with a consistent brand experience and message compared with the challenge of sustaining brand consistency throughout a large, far-flung network of physical stores.

Brands should start catching up with this e-commerce frenzy by adopting the most suitable e-commerce model, integrating with their existing owned online assets, investing in the right media mix that are unique to e-commerce, leveraging data to perform "Always On" optimization, and building a Customer Relationship Management program that brands may not have sufficient data to embark on previously. The last but the most important is to create a superb user experience during the entire shopping process to increase basket size and encourage repeat purchases.



Eric Ng

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Founded by Lester Wunderman, who coined the term "Direct Marketing," Wunderman is the first name in response-driven marketing that delivers measurable results. Advertising Age recognizes us as the industry leader worldwide, saying "Wunderman is among the best in the business... a hot shop that delivered some of the best work of the year."

With 50+ years of innovation, creativity and analytics, Wunderman transforms businesses—delivering digital, data and creative solutions through its network of 150+ offices in 60+ countries and 19 companies specializing in social, mobile, local and performance marketing. Wunderman's network is seamlessly linked by a common philosophy that helps transform the way our clients do business. Wunderman is a member of Young & Rubicam Group and WPP (NASDAQ: WPPGY).

For more information, visit www.wunderman.com.

Market Facts | Population: Almost 85 million individuals born after 1980 have left their rural villages to find employment and opportunity in China's cities. (New Generation Peasant Workers Study of the National Bureau of Statistics of China 2010)



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TNS is a global market insight and information group. Our strategic goal is to be recognised as the global leader in delivering value-added information and insights that help our clients to make more effective decisions. As industry thought leaders, our people deliver innovative thinking and excellent service to global organisations and local clients worldwide. We work in partnership with our clients, meeting their needs for high-quality information, analysis and foresight across our network of over 80 countries.

<http://blogs.tnsglobal.com/china/ashok-sethi.html>

Wealth, other factors Drive luxury growth

While the sinking finances of Western consumers prompted them to temporarily halt their indulgences during the recession, in 2009, Chinese consumers continued to march ahead on the gilded road of luxury and rewarded the luxury goods industry with 20 percent sales growth for the year. The boom continues with impressive new stores of Louis Vuitton, Coach and other luxury brands decorating the commercial streets of Shanghai.

The rapid economic growth and swelling ranks of the rich are definitely fueling the market, but there are also clear cultural factors that make the Chinese more attracted to luxury products than some other consumers. The old Chinese saying "yi jin huan xiang" (return home in golden robes) expresses the phenomenon of using visible symbols to reflect your success. Having succeeded, it is important to make sure that your achievement is noticed and applauded.

But at the same time, traditional Chinese values do not suggest sticking out or drawing undue attention to oneself through conspicuous consumption. This conclusion is suggested another saying, "qiang da chu tou niao" (the bird who sticks out his head gets shot!). Why are the Chinese consumers attracted to the expensive symbols of luxury? Apart from economic and cultural factors, I believe that at least four factors provide psychological fuel to the luxury market in China.



Market Facts | Population: There will be 200 million people over age 60 by 2015, which should drive the market for products and services aimed at seniors. (China National Bureau of Statistics)

1. Universality of ambition and shared standards of success

In China, there is near universality of ambition. Almost every person dreams of and strives for success. As compared to other societies, more based on social or economic class, with people blessed or cursed by advantages and disadvantages of coming from specific backgrounds or bloodlines, the relatively flat social structure and the fact that all money is "new money" puts everyone in China on a relatively equal footing in the effort to succeed.

In a similar vein, not many symbols of success or achievement are available to display as the absence of "background" provides little opportunity to display your success other than through the symbolism of whatever your new money can buy. Luxury goods provide easily recognizable symbols or markers of having reached certain milestones.

2. The simple perception of money in China

In China, the history of branding and quality goods is rather short. Over the last 20 years, Chinese consumers have discovered that money generally buys superior quality and hence they expect the expensively priced luxury goods to deliver matching value. Chinese attraction to luxury products, therefore, is driven by an expectation of high quality. For luxury goods manufacturers, it is as important to ensure and deliver product excellence and exquisite craftsmanship, as it is to project a luxurious and exclusive image.

3. Lack of inverted snobbery

Unlike Western society there is no inverted snobbery or "old money" looking down on the ostentatious behavior of the "new rich," which discourages the use of luxury products and in fact makes it fashionable to appear casual and use moderately priced products. This sentiment restricts the market of luxury goods in developed markets. But because of the relative homogeneity of the society (e.g. all money is new money) inverted snobbery does not appear to make a strong dent in China.

4. Absence of price anchors

Dan Ariely, in his book "Predictably Irrational," talks about the concept of arbitrary coherence. We tend to assess the value of goods and services in relation to certain anchor benchmarks or comparison standards (which sometimes can be quite arbitrary and irrational). In countries like India, which are also booming economies, but where there has been an historic continuity of consumption, the consumers have grown up with products and services that were very low priced and delivered acceptable quality. In relation to these historical anchors it is more difficult for Indian consumers to accept the high prices of luxury goods. But in China, where there was a long discontinuity in consumption of quality products, many consumers have no anchor for what a good quality bag, watch or a car should cost, making it easier for them to accept the high prices of luxury goods.

These factors, combined with China's rapid economic development and cultural factors, provide a potent mix, resulting in a resplendent display of luxury and a great market for purveyors of these pleasures.



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Added Value, provides consultancy on brand development and marketing insight for iconic brands, both big and small, around the world. They help solve clients' central marketing questions about market, equity, positioning, innovation and communications. Many clients are Fortune 500 companies, such as AT&T, Microsoft, Ford, HSBC, Allianz, and P&G, but they work with start-ups and challenger brands too. The company has 23 offices in 14 countries, yet their experience spreads across 150 markets worldwide and across all industry sectors. Added Value operates under the business names Added Value, Icon Added Value, Oracle Added Value, Cheskin Added Value, AV-Stratosfera and Added Value Saffron Hill.

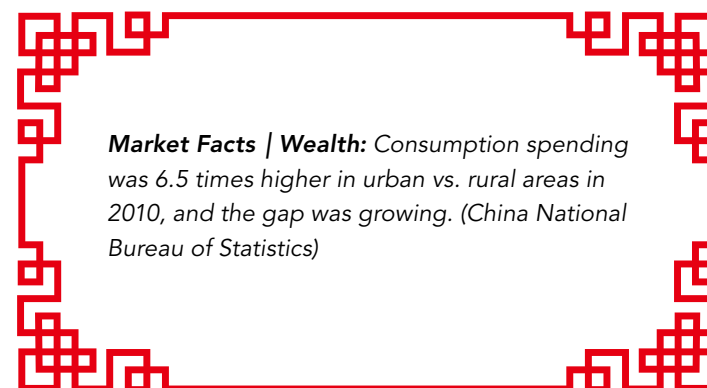
For more information visit: www.added-value.com

China's youth Represent vast, Diverse potential

It is hard to define youth anywhere. Young people grow up in different countries, families and cultures. Being exposed to a very different set of external influences, young people may mature at a very different pace.

Setting an age range for youth is often more complex than anticipated. For the sake of establishing a universe, let's look at two different age ranges. Age range 11-to-18 would include slightly above 155 million people in China. In comparison, 34 million young people comprise that age range in the US. If we were to define youth as ages 15-to-24, there would be 220 million consumers in China compared with 45 million in the US.

However we define youth, the Chinese youth population is enormous. It is important to understand that China's youth population is heterogeneous - and that when it comes to marketing communications, "one size" can't possibly fit all. Rather than trying to fit all, it would be far more cost-efficient to identify which segment of China's youth is most likely to find your brand most appealing. The following three layers should help with this assessment.



1. Regional and cultural differences

Differences at regional and a city level quite often trump age differences. The variation in the value system or simply taste preferences between different regions and cities has nothing to do with age. The spicy foods of Sichuan will not be as welcome to the sweeter tooth of the Shanghai diner whether he or she is 18 or 81. Conversely, people from Chengdu in Sichuan would describe the Shanghai cuisine as bland. As well as food and taste preferences, regional city differences impact many other aspects such as style, aesthetics, relationships or even aversion to risk taking.

2. The resource divide

Be it differences in income or education, the widening gap between those better off and those worse off impacts the youth as much as any other consumer. Young consumers on both sides of the divide experience a fundamentally different reality. A better education leading to a better white collar job; enough cash to buy prestigious brands; and staying up-to-date with latest fashion trends may be key concerns of the "haves." While the "less well offs" will be worrying about more practical things such as saving money for a first mobile phone or a thick winter coat; or trying to find the money to help a relative pay for a large medical bill.

3. Mindset and values

The third layer is the mindset and value system young Chinese are exposed to. While there is a correlation between income and tendency to be more edgy, it is important not to oversimplify. Even more resource-constrained young consumers may challenge their value system at any point. The girl coloring her hair lighter may be very edgy in a smaller city, while nobody would even notice this in Shanghai.

Strictly applying these three layers still will result in a view of Chinese youth that's too complex for effective brand management. In order to best focus one's efforts, it is important to set priorities regarding the three layers.

Are you a food brand? Maybe the regional layer is sufficient. Are you a luxury brand? Perhaps the second layer should be your starting point. Are you a fashion brand? The third layer may prove more useful. It is about finding the relevant discriminating element for your brand, and moving forward from that angle.

Points in common: Executing effectively

While what differentiates consumers helps us target them more efficiently, what unifies them helps us execute. China's youth simultaneously are diverse and share much in common.

Everybody faces extreme competition

Regardless of background or economic situation, most of China's young consumers face high degrees of pressure and competition. The stress can be caused by the intense competition for a place at the best university, the difficulties of meeting social expectations or standards or, for the lucky few, the late-delivery of the latest Ferrari. Stress levels are different across economic and social levels and tend to elevate the higher the city tier. It is also important to note that this stress and pressure does not mean people are ready for a hippie-style revolution. China's youth have no desire to rebel or violently change the system. They are too busy striving to climb up life's ladder and to overcome the many obstacles that stand in their way.

Everybody is online

The majority of the younger population is online, but the number of those connected far outnumbers the number of computers sold. For many, a computer would cost more than a couple of months' salary and so, instead of buying a personal computer, they flock to use the very public computers at their local Internet café. Being online and connecting has become an integral part of China's youth. The Internet provides a platform for relatively unsupervised expression and information. Micro blogging and viral video enables them to connect with millions of people all over China; more people than they would meet in their village, town, or city in a lifetime. For China's young people the Internet holds the same fascination it does for China's mature population—but exponentially more intense.

Everybody needs to find his or her way

Value systems are changing. China's younger generation sees itself confronted with social and environmental responsibilities. Of course, as with any society, there are those whose identities are forged by shallow attachment to brands. Most young consumers follow a different path. Many pursue volunteer activities, such as helping victims of the Sichuan earthquake or working at the Beijing Olympics or the Shanghai Expo. For many young people, this participation is less about doing things as part of a group, but rather doing things they believe in.

For young people in China, building their own identity is an exciting and strenuous journey. Young consumers welcome and embrace brands that show deep understanding of their needs and worries, but quickly condemn those that fail to pick up on the finer nuances.



Brands face a strategic Challenge and opportunity

Social media in China has boomed since 2009. There are an estimated 485 million Internet users in China and around 93 percent of them engage in some sort of social media, according to the latest statistics from the China Internet Network Information Center (CNNIC) and Netpop Research. On average, one user has three social media identities, and users are becoming increasingly active and finding a voice in social media to express appreciation or dissatisfaction with brands.

As Chinese brands begin to use social media in more and more sophisticated ways, social media strategic planning should be based on long-term brand objectives rather than thought of as a short-term promotional activity. To better equip brands to embrace the social media revolution, the business model of every enterprise and organization in China will eventually evolve to meet the "Age of Social Business."

The "Age of Social Business"

In the "Age of Social Business," organizations will be purposefully designed around social tools, social media and social networks, as a response to web 2.0's revamped technological space and its reshaped brand-consumer communication and business disciplines. Social media should no longer belong to a sole individual or a lone department. Rather it should be an important strategic element in the planning of a company's overall operation and management. Just as ERP (Enterprise Resource Planning) systems enable more effective management across the organization and CRM (Customer Relationship Management) systems enable more effective consumer relationships, a Social Business Support System enables more effective use of social intelligence across the organization.

A complex media landscape

Integrating social media into the organization is imperative but it can be difficult, particularly in China, which has the world's most fragmented and multi-faceted social media landscape (Please see diagram). Taking social networking sites as an example, Facebook is a clear leader overseas. However, in China, sites such as Renren, Kaixin, Qzone, and many more compete for social netizens' attention.

In addition to the growing popularity of social networking sites, the number of microblog users increased by more than 200 percent over the past year, with the leading microblog provider, Sina Weibo, reaching over 250 million registered users and 90 million daily posts by October 2011. Alongside this, viral videos have spread from video sites to other social media platforms, group purchase has been blossoming and location based service (LBS) sites have also increased in popularity.

Best practices emerge

This unique net culture and language present an ever-increasing challenge to business communication strategy. However, there are a number of pioneering brands, organizations and media corporations that have faced the challenge and found innovative and different ways to use social media platforms to engage with consumers. We analyzed the social media engagement of China's Top 50 most valuable brands to determine what brands enjoyed the greatest online presence. (Please see chart). We also identified several social media best practices that can support brand building (Please see best practices story).

These articles were written by Nicki Cunliffe, Associate Director, Millward Brown Optimor and Chris Maier, Director of Digital and Media Solutions for Greater China, Millward Brown, in consultation with Jackie Jin, Research Director, CIC.

Market Facts | Wealth: High income families in tier one cities, those earning at least 15,000 RMB (US\$2,360) per month, are working longer—42.3 hours per week in 2010 compared with 32.2 hours in 2008—and leisure spending has declined somewhat to 727 RMB (US\$114) per month.



China's Social Media Landscape 2011
As indicated by this media wheel, China's social media landscape is the most fragmented and multi-faceted in the world. Multiple providers offer online functions that in most other countries would be consolidated into only a few market leaders.
Source: CIC



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Millward Brown offer a wide range of media and digital solutions in China and throughout the AMAP region. Services include CrossMedia for multi-channel campaign learning, AdIndex for digital campaign effectiveness evaluation, FanIndex for social media fan page analysis and AdMonitor for digital campaign reach and frequency measurement.

For more information visit: www.millwardbrownacsr.com

CIC is China's leading social business intelligence provider, enabling businesses to fully leverage the power of social media and IWOM (Internet Word of Mouth) intelligence across the organization. Since 2004, CIC has pioneered the industry by providing social media research and consulting services, and technical dashboard and solutions. As the thought leader, CIC has continued providing Trend Watch and Whitepapers to make sense of Chinese social media, IWOM and best practices.

Social Media Best Practices

The study of China's Top Social Media Brands reveals several best practices that can inform the marketing of brands determined to make an impact in China. These best practices include:

1. Branding and Messaging

Make social media messaging consistent with the brand's ideal

An effectively planned and executed social media strategy can have tremendous impact on raising awareness and conveying a message, when it is in line with the brand's core idea and values. In 2010, Haier aligned with the World Wildlife Fund's Earth Hour initiative and urged employees and customers to participate.

Haier launched a promotional website (<http://earthhour.haier.com>) where visitors learned about the importance of power conservation. Haier spread awareness through integrated sharing links to social media websites, calling for the involvement of consumers around the world to care for the earth. The company also engaged consumers with activities on popular online forums and blogging platforms.

Haier's Earth Hour website received over 1.5 million visitors after only 10 days online, indicating the success of social media as a platform for Haier to spread its message of promoting a smarter life for a better planet. Importantly, the Earth Hour initiative is very much in line with Haier's renewed brand positioning as a developer of sustainable white goods solutions and producer of environmentally responsible and energy efficient appliances.



2. Customer Service

Leverage the microblog platform to engage with consumers in real time

The increase in popularity of the microblog has spurred most brands to launch an official microblog page. Brands most sophisticated in social media use these platforms to allow customers to voice their problems as soon as they arise. Then the brand responds with equal speed.

In January 2010, around 600 cabin crew associates from China Eastern Airlines 'Lingyan' group joined the microblog Sina Weibo. They wanted to better communicate with their customers, build customer loyalty and deal with any potential issues or crises that might arise. Just a month later, in February 2010, the famous Chinese actor Xu Zhen tweeted to his Sina Weibo that he misplaced his iPad on a flight and mobilized his followers to help him find it.

In just over an hour, a cabin crew member from Xu's flight identified herself and informed him that she had picked up his iPad and arranged for it to be returned to him. China Eastern Airlines' participation in social media has enabled the company to engage with customers on a personal level and provide responsive service.

3. Consumer Insight

Listen to consumers and co-create desired experiences

Social media provides an ideal opportunity for brands to listen more and develop a better understanding of what consumers want. In June 2010, Air China launched a social media campaign "My flight, I decide" via Sina Weibo, and recruited netizens to create their ideal flight, offering complete customization of route, in-flight service and food and beverage.

Air China used web portals and microblogs to spread the word, attracting over 5,000 netizens to participate and adding the term "wei hang ban" (custom-flight) to the Chinese online lexicon. Most importantly, Air China was able to gather important intelligence to enable the company to design the ideal flying experience from a customer perspective.

Market Facts | Population: There are 200 million children under age 12 in China. The market for baby and children products and services is expected to double to 2 trillion RMB by 2015 from 1 trillion in 2010. (China International Women and Children Industry Exhibition; Babies and Children Industry Research Center)



4. Social, Local and Mobile (SOLOMO)

Integrate social media with mobile marketing and location-based services

With the ever-increasing number of smart phone users getting hooked on social mobile apps like location based services (LBS), microblogs, social network sites and video sharing sites, mobile has become an increasingly important social media marketing platform.

China Mobile partnered with Tudou, one of China's leading video sharing websites specifically associated with netizen generated content, to create a campaign called "CMCC WIFI Hotspot Check-in." The campaign encouraged China Mobile users to discover and turn on WIFI hotspots via LBS check-in. The check-in activity automatically synced to a campaign site Tudou set up with a map of Shanghai detailing every time a netizen activated a WIFI hotspot.

To encourage the on-going upload of user generated content, netizens were also able to upload photos to the campaign site using location based SNS, Bedo. The campaign attracted more than 90,000 check-ins from mobile netizens. The success of China Mobile and Tudou's joint mobile marketing initiative demonstrates the innovative integration of social, local, and mobile (SOLOMO), which has proven to be very well received by young netizens in big cities.

5. Viral Video

Produce online video to give people something to talk about

By the middle of 2011, the number of online video users reached 301 million in China, according to a July 2011 survey by the China Internet Network Information Center (CNNIC). State-run websites, like CNTV, and private video sites, like Youku, Ku6 and Tudou, have become a big part of netizens' lives. As a result, many brands are using viral videos to create buzz and promote sales.

In 2011, Lenovo launched its "Boot or Bust" viral video, a product demo of the new Lenovo ThinkPad laptop equipped with a feature called RapidBoot. The demonstration was designed to dramatize how RapidBoot gives Lenovo computers the ability to boot up in just 10 seconds. In the video, a ThinkPad is tossed from a plane at 12,500 feet and powered on in midair by a skydiver. The falling computer then boots up quickly enough to trigger a parachute and sail to a safe landing.

The video created a lot of buzz, and the integration with social websites made the viral spread of the video content faster and wide reaching. There has been a lot of discussion about what makes something go "viral." Millward Brown and CIC findings indicate that creative, humorous, touching and exaggerated subjects are more likely to be shared.

6. Hot Buzz

Know and participate in hot topics to drive engagement

Brands should stay abreast of hot topics because the most popular stories and breaking news generate the most online buzz. The appearance of Chinese dairy company Yili in the Transformers 3 movie took many people by surprise, with a character in the movie asking, "May I finish my Shuhua milk?" Yili capitalized on the fact that Transformers 3 was the most buzzed about hot topic online and supplemented the product placement with an extensive social media campaign.

The official microblog fan page was launched before the movie opened, and a series of marketing activities were executed. These activities included encouraging netizens to enter competitions to win tickets to the premiere and Yili branded movie souvenirs. They also involved completing personal movie reviews after the movie was released.

The discussion about Yili Shuhua milk associated with Transformer 3 created a lot of buzz online, generating over 170,000 tweets during July 2011, on Sina Weibo alone. Leveraging the enthusiasm of consumers, Yili enhanced the effect of the product placement and attracted abundant re-tweets by bonding the brand with very relevant and topical discussion content.

Market Facts | Media: More than 42 million people had engaged in group-buying by mid-2011. Group-buying was expected to total 24 billion RMB (US\$3.76 billion) by the end of 2011. (CNNIC China Internet Development Report July 2011; China e-Commerce Research Center)

Social Media Brand Leaders

A new Social Media Ranking methodology identifies which of China's Top 50 most valuable brands enjoy the greatest online presence and "buzz." Developed by Millward Brown and CIC, the ranking also helps recognize emerging social media best practices (Please see best practices story). Among the key findings:

- Brands scoring highly in the Social Media Ranking tend to have a higher brand value.
- The average brand value of the top 20 brands in the Social Media Ranking is \$9.6 billion, compared to \$4.2 billion for the lower ranked brands.

To create the Social Media Ranking, Millward Brown first established a Social Media Index. Using BrandZ™, the world's most comprehensive, customer-focused brand analytics and equity database, Millward Brown calculated the Social Media Index for all the brands in the China Top 50 study. The Index comprises these three elements:

1. **FanZ:** The percent of consumers that claim to be a fan/follower of brands and keep up with the brands via social networks
2. **Digital Brand Presence:** The percent of consumers that have seen, heard or read about the brand online recently
3. **RecommendZ:** The percent of consumers likely to recommend a brand, based on social media enthusiasts who are also relevant category consumers for each brand.

CIC then validated the Social Media Ranking by looking across both social networking sites (Renren and Kaixin) and microblog platforms (Sina, Tencent, Sohu, Netease) to check each brand's fan following (number of followers) and passion for interacting with customers (number of tweets). The Social Media Ranking is based on a combined view of social media from both Millward Brown BrandZ™ consumer research and CIC social media research and observation.

The Top 15 Social Media Brands

Social Media Rank	Brand Name	Industry Sector	Brand Value US\$ Mil.	Brand Value Rank
1.	China Telecom	Communications	US\$10,860	11
2.	China Mobile	Communications	US\$53,607	1
3.	Haier	Appliances	US\$1,584	29
4.	Mengniu	Food & Dairy	US\$3,446	18
5.	China Southern Airlines	Airlines	US\$1,610	28
6.	Gome	Retailer	US\$1,232	33
7.	Suning	Retailer	US\$2,415	21
8.	Air China	Airlines	US\$4,731	16
9.	Ping An	Insurance	US\$9,715	12
10.	Lenovo	IT Hardware	US\$2,319	23
11.	China Unicom	Communications	US\$6,254	15
12.	Li-Ning	Apparel	US\$1,020	37
13.	China Eastern Airlines	Airlines	US\$2,245	24
14.	Hainan Airlines	Airlines	US\$427	46
15.	Yili	Food & Dairy	US\$2,403	22

CATEGORY SUMMARIES



AIRLINES



Driven by dramatic increases in air travel, China's airline industry is expected to grow by 13 percent annually from 2011 to 2015, according to the China Civil Aviation Bureau's twelfth five-year plan.

The market also is consolidating as the three major well-funded international carriers—Air China, China Southern Airlines and China Eastern Airlines—acquire smaller regional operators.

Meanwhile, medium-sized airlines are striving to differentiate themselves by sharpening operational strengths, introducing secondary routes and expanding into the cargo transportation business. The growth potential in china also is attracting international carriers.

In addition to the heated competition among airlines, the aviation industry faces a challenge from railroads as high-speed rail networks increasingly offer consumers an efficient and economical travel option, especially for medium-distance trips.

APPAREL

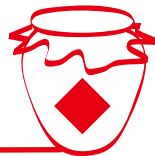


Apparel sales are growing sharply, fueled by the minimum wage increase in a number of provinces, new job creation and the increase in stores that comes with urbanization.

More consumers are gaining access to brands and an appreciation for the relationship between value and price, developments that will benefit well-positioned apparel brands.

While growth could slow somewhat, as retail prices rise to keep pace with higher raw material costs, brands with strong consumer bonding, innovative product and operational excellence should remain strong, even when the market enters an inevitable period of consolidation.

BAIJIU



Competition is heating up among the companies that produce Baijiu, the traditional clear, highly alcoholic Chinese liquor brewed from sorghum. The three long-time industry leaders—Moutai, Wu Liang Ye, and Jian Nan Chun—face challenges from three newcomers—Shui Jing Fang, National Cellar 1573, and Yang He.

The limited product range offered by most Baijiu producers makes differentiation difficult. While the established brands market their brand heritage, the recent entrants will need another focus, perhaps price. The distilleries often inflate prices during festival periods. A premium brand like 50-year-old Moutai can cost RMB 28,000 (\$4,500).

BANKS



The leading Chinese banks are rapidly evolving into full-service financial institutions offering a wide variety of products and services aimed at Chinese consumers and businesses in all segments of the economy. These offerings include wealth management advice for the affluent as well as additional branches, improved credit cards and online banking to better reach members of the country's rising middle class. Several of the banks also have entered the insurance business.

At the same time, the banks are becoming major global institutions commensurate in size and business scope with China's influence on the global economy. The 100-year-old Bank of China is the country's most international bank, reflecting the institution's 1928 designation as the government's first chartered international exchange bank.

Many banks continue to differentiate with specialties that go back to their establishment by the state. Agricultural Bank of China, for example, began as Agricultural Cooperative Bank serving farmers, and still focuses its attention on businesses and consumers in the rural areas of the country. Formerly state owned, China's banks today are publicly traded, although the government often retains substantial ownership.

BEER



The beer industry in China has experienced rapid development during the past 20 years and is now experiencing a period of intense expansion and competition as Chinese brands attempt to grow market share. Having modernized their production and distribution, the Chinese brands are also sharpening their branding.

Although China's beer market is the largest in the world by overall consumption, per capita consumption traditionally has been relatively low because of depressed income levels. However, beer sales are increasing because of rising personal income and an overall improvement in quality of life.

Consumers are becoming more discriminating in their taste for beer. At the same time, beer quality remains mixed overall with the exception of certain major national brands, such as Tsingtao, Yanjing Beer and Snow, which is part owned by the global brewer SABMiller.

CARS



Car ownership is rising in China. The number of cars reached 100 million in fall 2011, according to Chinese government figures, which also calculated that cars in China increased by about 10 million per year between 2006 and 2010.

Domestic brands are increasing in popularity. But the size of the market draws international competition. GM sold more cars in China than in the US in 2010. In 2011, GM announced plans to develop electric cars with a Chinese automaker. BYD, the Chinese brand, introduced electric cars to China in 2010, and plans to open dealerships in the US soon.

By a wide margin, Chinese consumers say the most important reason for owning a car is convenience. In contrast, only 8.4 percent say acquiring a success symbol motivates car ownership, according to the China National Resident Survey of Kantar Media's TGI. Newspapers and TV remain the main sources of information for potential car buyers, although outdoor ads and auto shows are gaining ground.

COOKING OIL



Consumer concern with personal health and food safety is driving innovation in the cooking oil category. These innovations include oils with properties aimed at projecting brain and cardiovascular health, for example. Health-related packaging changes have produced an ongoing 20-to-30 percent annual growth rate for small-package cooking oil.

Three national brands – Jinlongyu, Fulinmen and Luhua – dominate the category with a combined 80 percent market share. Market leader Jinlongyu launched and heavily promoted its 3A fish cooking oil for cardiovascular protection, in 2010. Number two brand, Fulinmen, grew sales by marketing a brand personality that evokes a mother's concern about her family's health.

Market Facts | Wealth: Rural living standards are improving. Per capita net income increased 139 percent between 2002 and 2010. (China National Bureau of Statistics)

CATEGORY SUMMARIES



DAIRY



The dairy industry continued its steady recovery from the tainted milk scandal of 2008, which shattered consumer confidence and sparked an intense focus on food safety. Meanwhile, tougher government regulations are forcing weaker players out of the market, increasing industry consolidation.

The quest for market share is shifting to smaller interior cities, as both national and international brands face heightened competition along the coast. Dairy brands are driving growth by introducing new products, such as yogurt varieties, that emphasize health and safety.

E-COMMERCE

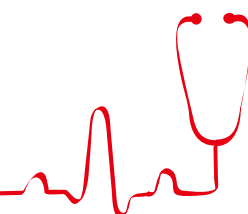


Some predict that China's e-commerce market, estimated at about \$75 billion today, will reach over \$300 billion by 2015, making it the world's largest. That status is not surprising, since the number of Internet users in China is approaching 500 million.

Small business and consumer-to-consumer transactions account for a lot of e-commerce activity, especially on auction and shopping center sites like Alibaba.com and Taobao.com. These factors also drive e-commerce growth: more retailers becoming multichannel; manufacturers developing their own sites to reach consumers directly; and global brands using the Internet to enter China.

Meanwhile, more secure Internet payment facilities increase consumer comfort purchasing online. The relatively young age of the online audience suggests strong prospects for long-term growth.

HEALTH CARE



The market for over-the-counter (OTC) medications is growing rapidly in China because of several factors, including: medical reform, the aging of the population and rising income. Per capita health care spending remains relatively low, suggesting great growth potential.

The expansion of the drug stores retailers also drives the sales increase in OTC, according to research by China Nonprescription Medicines Association. The data indicates that brand and reputation are critical to OTC purchasing decisions.

Chinese OTC suppliers can benefit from this growth trend by responding to the consumer need for product reliability and knowledge. The resulting customer loyalty will help efficiently and more economically extend product lines and secure competitive advantage.

Successful branding also will help Chinese suppliers compete with multinationals at home and accelerate expansion abroad.

Market Facts | Wealth: China's wealthiest individuals, those earning at least 10 million RMB (US\$1.6 million) annually, grew almost 10 percent in 2010. (GroupM Knowledge - Hurun Wealth Report 2011)

HOME APPLIANCES



The home appliances category, which historically sold merchandise through bricks and mortar stores, is feeling the impact of the Internet, with the emergence of exclusively online brands, like 360buy.com, and the growing e-commerce presence of Gome, Suning and other traditional retailers. Leading suppliers, like Haier and Hisense, also are selling online.

While continuing to spend on traditional advertising, the key players also are increasing online budgets for both sales promotions and brand communications. In addition, brands are developing cooperative marketing activities with social networking sites to build more direct relationships with consumers.

The rapid growth of the middle class is impacting product range. Haier and Midea have launched up-market brands to specifically target affluent consumers, suggesting opportunity at the premium end of the category.

INSURANCE

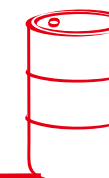


The insurance industry is expanding rapidly with the growth of private industry and the expansion of a middle class that has accumulated assets requiring protection. There are about 146 insurance companies in China today, compared with 93 five years ago, according to government figures. All types of insurance are available.

As is often the case in China, the largest private companies evolved from state-owned entities. International insurers entered China after the country became a member of the World Trade Organization, in 1991, and the market has become more competitive.

Many banks have added insurance products to their portfolios in an effort to become full-service financial institutions. Only one insurance company, state-operated, existed when the People's Republic of China was established in 1949.

OIL AND GAS



The key priority in the Chinese oil and gas industry is—and will continue to be—meeting the tremendous energy demand driven by the rapid growth of the Chinese economy.

At about nine billion barrels per day, China is second only to the US in oil consumption. Based on projected economic growth, China should lead the world in oil consumption within a couple of decades. Natural gas consumption also is expected to grow sharply.

Responding to this current and long-term demand, Chinese energy companies are expanding both domestically and globally to increase offshore capabilities and diversify international energy sources.

China's energy giants evolved from state-run monopolies that specialized either in the upstream (exploration and refining) or the downstream (distribution) functions of the business. While more diversified today, the focus of the national oil companies reflect their original specialty.

CATEGORY SUMMARIES



PROCESSED MEAT



China remains the world's largest meat producer. The country produced 29 percent of the world's supply of meat, or about 77 million metric tons, in 2009. Domestic and global demand, especially from fast-growing markets in Asia, drives sharp growth. Related factors include increasing population, urbanization, rising living standards and changing diets. Urban dwellers consume roughly double the amount of meat that people living in rural areas consume.

Several factors potentially moderate the category's strong growth rate. First, relatively small operators, rather than commercial food processing giants, dominate China's processed meat industry, and the difficulty of monitoring standards in such a fragmented industry creates food safety concerns. Second, grain cultivation to produce food for cattle results in potentially negative environmental impact.

RETAIL



Retailing continues to expand rapidly, benefiting from the growth of the middle class and more equitable distribution of wealth. As the coastal cities fill with the stores of both international and domestic competitors, retailers are turning their attention to the smaller cities and the countryside.

Increasingly retailers are becoming multichannel operators, experimenting with their online and in-store assortments, offering unique products that help differentiate from the competition.

Retailers, in addition, are opening multiple formats designed to more closely meet the preferences of increasingly discriminating customers. They also are introducing more private label merchandise to enhance margins.

SOFT DRINKS



The Chinese soft drink category has grown rapidly during the past 30 years, with offerings that included carbonated drinks, bottled water and more recently fruit drinks. The category is shifting to accommodate increasing consumer demand for beverages that are healthy and nutritious.

As a result, sales of 100 percent juices, juice drinks, tea and bottled water are growing at the expense of carbonated beverages, which are experiencing growth rate declines and market share erosion.

Huiyuan is the market leader in nectar and 100 percent juices. These drinks enjoy limited mass market appeal, however, because of relatively high price points compared with juice drinks, which are offered by brand leaders including Minute Maid, President and Kanshifu.

Market Facts | Consumption: Food safety is a major concern. In 2010, more than 58 percent of Chinese consumers said they would buy organic and green food even though it cost more. Only about a quarter of consumers feel the same way in the US and UK. (CNRS-TGI China, CTR.)

SPORTSWEAR



Sales of sportswear—sports footwear, apparel and equipment—are strong, fueled by income growth and ongoing creation of new jobs. The Chinese government's policies to spur domestic consumption also stimulate growth, as does the promotion of sportswear in conjunction with international events, such as the Olympics and Guangzhou Asian Games.

Product endorsements by major sports figures also drive sales. Li-Ning, Anta and other Chinese brands compete with global giants, such as Nike and Adidas, which established flagship stores in tier one cities, appealing to consumers willing to pay premium prices for technology and branding. Initially, Chinese brands employed a different strategy, controlling costs to compete on price in smaller, less affluent cities.

TECHNOLOGY



Technology is well represented among China's Top 50 most valuable brands. Many Chinese companies, having served as original equipment manufacturers (OEMs) for technology marketers, gained the knowhow to serve the enormous and increasingly technologically literate and affluent Chinese domestic market.

Some Chinese technology brands have rapidly developed an Internet presence in search and social media, similar to Google, Facebook and Twitter. These brands include Baidu, Tencent, and Sina.

Three of the newcomer brands to the Top 50 – Renren (social networking), Ctrip (travel) and Sohu (information portal) – are Internet sites. They reach China's domestic market and the Chinese community worldwide.

In addition, a few Chinese technology brands are becoming major international players. Lenovo is a leading maker of PCs, for example.

WINE



The Chinese wine market continues to grow rapidly. Both domestic and imported brands focus primarily on affluent consumers, particularly in the coastal cities. Prospects for future mid-market growth are strong. As more consumers with disposable income became accustomed to wine drinking, they likely will prefer reliable quality at an affordable price.

Although imported wines are increasingly popular, the winemaking sophistication and extensive marketing of the two leading domestic brands, ChangYu and Great Wall, limit their impact. With extensive expertise in international wine making techniques, ChangYu and Great Wall have created Chinese luxury wine brands and are beginning to export overseas.

Market Facts | Consumption: Around 57 percent of Chinese said they would purchase environmentally friendly products, and around 58 percent said they were prepared to make compromises to benefit the environment. (CNRS-TGI China 2010, CTR.)



Consumer demand and brand Knowledge drive value growth

Led by the technology and fast moving consumer goods (FMCG) categories, China's 50 most valuable brands increased 16 percent in value to \$325.36 billion.

Technology and FMCG brands also rated highest in Brand Contribution, which measures the proportion of value driven purely by brand rather than by financials or other factors.

The technology brand, Sina, a social network, increased in value a remarkable 244 percent. Search engine Baidu rose 67 percent in value. Sohu, an Internet portal for news and entertainment, the online travel site Ctrip, and Renren, a social networking site, appeared in the Top 50 ranking for the first time.

Consumer brands comprise 42 percent the Top 50 brands, but still only 12 percent of the value. In contrast, the financial brands comprise 18 percent of the brands, but account for 45 percent of the value. Banks grew by just 5 percent in value, however, and insurance brands declined 6 percent.

These results reflect the growing importance of brands in China and the tremendous influence of Chinese consumers as they become much more informed and discerning about brands. Consumers understand and seek value. Factors, such as rising income account for this change.

Internet accelerates expectations

The Internet is especially important. An estimated 485 million people in China use the Internet, according to the China Internet Network Information Center (CNNIC), and most also engage in social media. The Internet accelerates consumer access to:

- Brands throughout the country, in small cities and rural areas as well as in the giant urban conurbations along the coast;
- Enormous product range and the possibility of finding a bargain, especially on e-commerce shopping mall sites; and
- Word-of-mouth assessments of brands and products.

Although consumers worldwide are familiar with these Internet dynamics, they may be more intensely experienced in China where the population is enormous, dispersed and less accustomed to unrestrained communication.

Manufacturers paying attention can respond with what Chinese consumers seem to be requesting: products that combine innovation and trust, that make life easier or better while performing safely and reliably.

Chinese products until recently suffered from a perceived deficit of innovation and trust. Remediating that deficit is an important part of China's transition from being considered the world's factory to becoming a resource for branded products. It moves the nation closer to its rebranding aspiration, to replacing the locution "Made in China" with "Created in China."

Brand increasingly helps determine consumer choice

Among brands that appeared in the 2010 Top 50, 16 notched up one level in Brand Contribution in 2011, and none declined.

Brand Contribution uses an index of 1 to 5 (5 being the highest) to indicate the extent to which brand apart from other factors is responsible for earnings. (Please see page 100 for full methodology details). Seven brands this year received scores of 5 compared with just one brand in 2010.

The results reveal that the proportion of earnings being driven by brand and consumer preference is edging upward. This shift is especially true in the FMCG sector. The FMCG brands score higher in Brand Contribution, averaging a score of nearly 4 out of 5. And 11 FMCG brands increased their Brand Contribution scores. In contrast, the technology/telecom brands average a score of 3, while financial and industrial infrastructure brands score lowest with an average of 2.

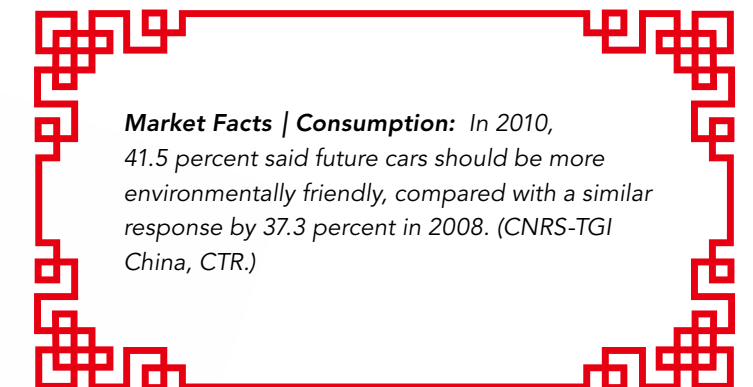
Values rise as brands respond to consumer concerns

Many Chinese brands are expressing greater commitment to worker and environmental protection. Their approach sometimes seems more integrated into corporate philosophy than the CSR window dressing of some Western companies. A shared commitment to societal welfare seems to fit more naturally with China's communal culture.

Greater social concern also is grounded in recent tragic events, including several natural disasters that highlighted the fragility of the environment, and the tainted dairy product scandal of 2008, which called attention to the need for greater corporate responsibility.

Responding to consumer concern about food safety, many brands now emphasize the healthiness of their offering. Brand value of the two food and dairy leaders, Mengniu and Yili, appreciated 66 percent and 36 percent, respectively. Consumers often are willing to pay more for a brand they trust and they're increasingly spending on products that promise to promote health and help prevent illness.

Fulinmen, a producer of edible oil and rice, advertises a brand personality that evokes the protective concern of a mother for her family. Even Moutai, a leading brand of baijiu, an alcoholic drink distilled from sorghum and other grains, promotes its healthiness.



Market Facts | Consumption: In 2010, 41.5 percent said future cars should be more environmentally friendly, compared with a similar response by 37.3 percent in 2008. (CNRS-TGI China, CTR.)

TOP 50 OVERVIEW



Heritage enhances appeal

Moutai's brand value rose 58 percent, and not simply because the drink is perceived as healthy. Other factors include Chinese heritage. Moutai relies on liquor production techniques developed in China more than 2,000 years ago. Tong Ren Tang, the Chinese medicine producer established in 1669, grew 89 percent in brand value.

The brand value of ChangYu wine, founded over 100 years ago, appreciated 77 percent. The 1902 discovery of the medicinal properties of baiyao, a white powder, led to the establishment of Yunnan Baiyao, a Chinese medicine manufacturer whose brand value increased 49 percent.

The brand value increase accrues not just from heritage, but also from the differentiation that heritage confers. Brands that genuinely can claim a long and unique history enjoy immunity from imitation.

Maintaining contemporary relevance

The most successful brands match heritage with the contemporary relevance of their products and marketing. Tsingtao, China's oldest beer, reaches new customers with marketing that included sponsorship of Shanghai Expo in 2010. Brand value grew 29 percent.

The contemporary appeal of alcohol consumption flows in part from cultural changes in a wealthier China. While drinking in private continues, alcohol also assumes a role as social lubricant and status marker at public occasions. Similarly, beer drinking outside the home, and from cans rather than from bottles, increased following the 2008 Beijing Olympics.

The need to remain contemporary and reach new audiences presented the Li-Ning sportswear brand with special challenges. Li Ning, hero of the 1984 Olympics, founded the brand that trades off his famous name. Unfortunately for a business that depends on youth appeal, Li-Ning is better known to parents than to their children.

Li-Ning introduced an urban sportswear brand, and enrolled popular celebrity endorsers, in part to compete with the Nike and Adidas. But some consumers seemed willing to pay a premium for the competition, while others may have been confused by the shift in the Li-Ning message, and brand value slipped.

Pursuing overseas opportunities

Li-Ning also embarked on overseas expansion, signing a long-term arrangement with the Finnish L-Fashion Group, in 2011, to establish the Li-Ning brand in Europe. The company is already present in North America. Similarly, Moutai is sold worldwide. ChangYu wine is available in around 30 countries, including important wine producers, such as France, Germany and Italy. Tsingtao just introduced its beer in India.

These examples suggest that the desirability of Chinese brands crosses product sectors and national borders. While some Chinese beers, wines and traditional medicines have long enjoyed a presence outside of China, particularly in other parts of Asia and in ex-pat Chinese communities, brands like Haier and Lenovo more recently proved that there is an overseas market for Chinese electric appliances and technology.

While Lenovo's brand value remained flat, probably because of the difficulties facing PC businesses, Haier's value rose 27 percent. Through an acquisition in 2011, it increased its Asian distribution. BYD, the electric car manufacturer, also intends to build its brand at home and abroad, but a steep decline in brand value suggests that, like many innovations, the vision is worthwhile but its success may take time.

Market Facts | Consumption: Chinese medicine products are entering consumable goods categories. Toothpastes based on Chinese medicine accounted for almost one-third of the toothpaste market in 2010, compared with 28.7 percent in 2008. (CNRS-TGI China, CTR.)

Top risers reflect Diverse growth trends

The Top 10 Risers reflect several diverse trends driving the growing value of Chinese brands. These trends include: increased disposable income; the explosion of technology and the Internet; concern with personal health and product safety; respect for Chinese heritage; and China's development as a product marketer as well as producer.

Sina's enormous 244 percent rise in brand value reveals the continuing impact of technology in general, and specifically the popularity of social networking on websites like Sina Weibo, a micro blogging facility similar to Twitter. Baidu, the second largest search engine in the world after Google, dominates in China, especially with the departure of Google over censorship issues.

Three of the Top 10 Risers are alcoholic beverages. These include ChangYu wine; Wu Liang Ye, a grain alcohol; and Moutai, a baijiu made from sorghum and other grains. The presence of these brands suggests more discretionary spending. It also indicates ongoing regard for Chinese heritage.

ChangYu is more than 100 years old. Moutai, considered a national drink, is based on 2,000-year-old distillation techniques. Heritage also drives the popularity of two traditional Chinese medicine brands, Tong Ren Tang, which was created in 1669, the early years of the Qing Dynasty, and Yunnan Baiyao, formed more than a century ago.

Fulinmen emphasized its commitment to making healthy and safe food products. Mengniu has established itself as a national brand for safe dairy products. Its sharp rise in value follows only three years after the tainted milk scandal of 2008, which generated consumer distrust for the entire dairy industry. Gree, among the world's largest air conditioner brands, exemplifies China's attention to brand building.

The Top 10 Risers

	Brand Name	Brand Value Growth	Industry Sector	Brand Value US\$ Mil.	Brand Value Rank
1.	Sina	244%	Portals/e-commerce	US\$1,905	25
2.	Fulinmen	138%	Cooking Oil	US\$380	47
3.	Tong Ren Tang	89%	Pharma	US\$1,026	36
4.	ChangYu	77%	Alcohol	US\$3,223	20
5.	Baidu	67%	Portals/e-commerce	US\$16,256	6
6.	Mengniu	66%	Food & Dairy	US\$3,446	18
7.	Wu Liang Ye	65%	Alcohol	US\$4,037	17
8.	Gree	58%	IT Hardware	US\$1,632	27
9.	Moutai	58%	Alcohol	US\$9,129	13
10.	Yunnan Baiyao	49%	Pharma	US\$1,897	26

TOP 50 OVERVIEW



An expanding presence

Many of China's financial institutions are aggressively developing as multinationals. Brand building may not be a top priority at home for these brands because they're often formerly State Owned Enterprises (SOEs), now publicly traded with the state retaining majority ownership. Brand becomes immensely important, however, when building overseas presence, whether cultivating consumers in other countries or pursuing contracts with businesses and governments.

For Chinese brands contemplating overseas expansion, reputation may precede physical presence, as China's brands rapidly are becoming some of the world's most valuable. Twelve Chinese brands ranked in the BrandZ™ Top 100 Most Valuable Global Brands in 2011, compared with just one Chinese brand, China Mobile, in 2006.

The expanding presence of Chinese brands abroad will be an indicator that Chinese brands are sufficiently imbued with innovation and trust. It will signify that the phrase "Brand China" evokes an act of creation rather than exclusively the process of manufacturing, and that Chinese provenance has become a non-issue or even an asset.

Market Facts | Consumption: More people believe that it is important to dress well and spend money on clothes. In 2010, almost one-third of consumers thought spending on clothes was important, compared with about 27 percent in 2008. (CNRS-TGI China, CTR.)



Six newcomer brands Enter the Top 50



These brands, which appear for the first time this year in the annual BrandZ™ China Top 50, point to two consumer preoccupations in a changing and more affluent China—technology and travel. One of the newcomers also illustrates how China is adding marketing expertise to its core manufacturing credentials.

The newcomer technology brands, Renren and Sohu.com, respectively, are a social networking site and an Internet portal for information and instant messaging. Their popularity provides insight about how the people of China increasingly communicate and form communities.

Chinese consumers rely on technology for utilitarian reasons, too, as indicated by the presence of Ctrip, a travel site for booking reservations online. The appearance of three newcomer travel brands—Ctrip and two airlines, Hainan and China Eastern—suggests that travel is a growing option for spending leisure time and disposable income.

Hainan operates throughout China and added more European destinations during 2011. The airline also is attempting to differentiate by emphasizing customer service. China Eastern recently expanded its global reach when it joined the SkyTeam Alliance.

Septwolves, an apparel manufacturer, built its business as a supplier of merchandise marketed under other brands. Today, with a design team of 50, Septwolves also markets clothing for men, women and children under its own label.

The Top Newcomers

	Brand Name	Industry Sector	Brand Value US\$ Mil.	Brand Value Rank
1.	China Eastern	Airlines	US\$2,245	24
2.	Renren	Technology	US\$1,090	35
3.	Ctrip	Travel	US\$804	40
4.	Septwolves	Apparel	US\$453	45
5.	Hainan Airlines	Airline	US\$427	46
6.	Sohu	Portals/e-commerce	US\$326	49

TOP 50 OVERVIEW



Brand contribution leaders Cross product categories

Brand Contribution measures the portion of earnings that can be attributed to brand alone rather than to other factors, including financial performance. It is calculated as a percentage of earnings and then displayed as an index of 1 to 5, five being the highest.

Certain brand-driven, heavily marketed categories, such as spirits, wine and beer, typically score high in Brand Contribution. Four alcoholic beverages—three beers (Yanjing Beer, Tsingtao and Snow) and a wine (ChangYu)—dominate the Top 10 Brand Contribution ranking.

Less typically, the dairy category is represented with three brands. Yili is China's largest dairy producer. Mengniu and Bright are large operations based in the Mongolian dairy lands. Somewhat more regional, Bright is particularly strong around Shanghai.

Baidu and Tencent, are among the best known technology brands in China. Baidu is a search engine similar to Google. TencentQQ is Tencent's Instant Messenger.

The brand 999 is a popular over-the-counter cold and stomach reliever produced by Sanjiu Pharmaceuticals.

Market Facts | Consumption: The 2010 World Cup impacted beer drinking habits. While bottled beer retained dominant market share, the number of people who consumed canned beer outside the home increased to 27.7 percent of all people who had consumed a beer, up from 21.2 percent in 2009. (CNRS-TGI China, CTR.)

The Top 10 in Brand Contribution

	Brand Name	Brand Contribution	Industry Sector	Brand Value US\$ Mil.	Brand Value Rank
1.	Baidu	5	Portals/e-Commerce	US\$16,256	6
2.	Mengniu	5	Food & Dairy	US\$3,446	18
3.	Bright	5	Food & Dairy	US\$534	43
4.	Yanjing Beer	5	Beer	US\$591	42
5.	Tsingtao	5	Beer	US\$1,118	34
6.	Yili	5	Food & Dairy	US\$2,403	22
7.	ChangYu	5	Alcohol	US\$3,223	20
8.	Snow	4	Beer	US\$921	39
9.	Tencent	4	Portals/e-Commerce	US\$12,624	10
10.	CRSanjiu	4	Pharma	US\$485	44



The increasing sophistication of the Chinese consumer challenges all brands to remain relevant. Every brand has its own story. To watch short individual brand videos containing unique content about China, and to learn more about the **BrandZ™ Top 50 Most Valuable Chinese Brands 2012**, please scan this QR code, or go to <http://thestorewpp.tv/china50>.

TOP 50 MOST VALUABLE CHINESE BRANDS



Ranking	Brand	Brand Value (USD millions)	Year on Year Change	Brand Contribution	Ranking	Brand	Brand Value (USD millions)	Year on Year Change	Brand Contribution
1	中国移动通信 CHINA MOBILE Telecommunications Operator	53,607	-4%	4	14	招商銀行 CHINA MERCHANTS BANK Financial institution	8,498	23%	2
2	ICBC 中国工商银行 Financial institution	43,910	15%	3	15	China unicom 中国联通 Telecommunications Operator	6,254	N/A**	2
3	中国建设银行 China Construction Bank Financial institution	21,981	1%	2	16	AIR CHINA 中国国际航空公司 Airline	4,731	-15%	3
4	中国銀行 BANK OF CHINA Financial institution	18,643	-17%	2	17	五糧液 Wu Liang Ye Liquor Producer	4,037	65%	3
5	中国农业銀行 AGRICULTURAL BANK OF CHINA Financial institution	17,329	5%	2	18	蒙牛 Mengniu Dairy Manufacturer & distributor	3,446	66%	5
6	Bai du 百度 Search Engine	16,256	67%	5	19	太平洋保險 CPIC Insurance Provider	3,434	-3%	2
7	中国人寿 CHINA LIFE Insurance Provider	15,253	-17%	3	20	CHANGYU Wine Producer & Retailer	3,223	77%	5
8	Sinopec Oil & Gas Producer and Distributor	13,791	N/A*	1	21	SUNING 苏宁电器 Consumer Electronics Retailer	2,415	10%	2
9	PetroChina Oil & Gas Producer and Distributor	13,755	-3%	1	22	伊利 Yili Dairy Manufacturer & distributor	2,403	36%	5
10	Tencent 腾讯 Internet Service Portal	12,624	3%	4	23	lenovo Computer Hardware Manufacturer	2,319	0%	3
11	中国电信 CHINA TELECOM Telecommunications Operator	10,860	N/A**	4	24	中國東方航空 CHINA EASTERN Airline	2,245	N/A	3
12	中国平安 PING AN Insurance	9,715	15%	3	25	sina 新浪網 sina.com.cn Web Portal	1,905	244%	3
13	五加皮 Alcohol	9,129	58%	3	26	Yunnan Baiyao Herbal Remedy Producer	1,897	49%	4



Ranking	Brand	Brand Value (USD millions)	Year on Year Change	Brand Contribution	Ranking	Brand	Brand Value (USD millions)	Year on Year Change	Brand Contribution
27	GREE Air Conditioning Manufacturer and Retailer	1,632	58%	2	40	ctrip 携程旅行網 e-Commerce	804	N/A	2
28	中国南方航空 CHINA SOUTHERN Airline	1,610	-16%	3	41	ANTA Sportswear Manufacturer	627	35%	2
29	Haier 海尔 Household Appliance Manufacturer	1,584	27%	4	42	燕京啤酒 YANJING BEER Beer Producer	591	-23%	5
30	Metersbonwe Casual Wear Producer And Retailer	1,525	38%	3	43	光明乳业 BRIGHT DAIRY Dairy Manufacturer & distributor	534	2%	5
31	美的 Midea Household Appliance Manufacturer	1,450	3%	3	44	999 爱, 在你左右 Pharmaceutical Manufacturer	485	-28%	4
32	双汇集团 SHINWAY GROUP Meat Processor	1,286	-8%	3	45	SEPTWOLVES 七匹狼男装 Apparel	453	N/A	3
33	GOME 国美电器 Consumer Electronics Retailer	1,232	-16%	3	46	海南航空 HAINAN AIRLINES Airline	427	N/A	2
34	TSINGTAO 青島啤酒 Beer Producer	1,118	29%	5	47	福臨門 Fulinmen Cooking Oil and Rice Producer	380	138%	4
35	人人网 renren.com Internet Service Portal	1,090	N/A	3	48	BYD Car Manufacturer	353	-83%	1
36	Tong Ren Tang Herbal Remedy Producer	1,026	89%	3	49	搜狐 sohu.com News, Information and Search	326	N/A	2
37	LI-NING Sportswear Manufacturer	1,020	-29%	3	50	361° Sportswear Manufacturer	303	-6%	3
38	华夏銀行 HUAXIA BANK Financial institution	932	42%	2					
39	SNOW 雪花啤酒 Beer Producer	921	48%	4					

Source: Millward Brown Optimor (including data from BrandZ, Datamonitor and Bloomberg)

* Value not comparable, as we included the upstream business this year, to bring it in line with the global Top 100 methodology

** Value not comparable as we included all telecommunications services this year, not just the Wireless portion of the business

*** Last year's value had to be restated as a result of more robust financial data



PLACE: Shanghai **NAME:** Gui Ping **STORY:** I was born in 1961, in Shanghai. I live with my husband and daughter and work in a decorating company. I'm a designer. I hope I can raise my daughter to become an intelligent and happy woman.



PLACE: Shanghai **NAME:** Ren Qing **STORY:** I am not a local. I was born in a rural area of Anhui Province, in 1982. My family had little money to support my university education. I struggled to finish my undergraduate study and came to Shanghai right after graduation. I have been working in an international company for several years. I'm mainly involved with sales. I'm now manage my department. I hope to can get another promotion.



China Mobile

COMPANY: China Mobile Ltd.
BRAND VALUE: US \$53.6 Billion
YEAR ON YEAR CHANGE: -4%
HEADQUARTER CITY: Hong Kong
INDUSTRY: Telecommunications Operator
YEAR FORMED: 1997

China Mobile is the world's largest telecommunications provider, with over 600 million customers using its services, in 2011.

While the company leverages this scale to maintain leadership, it also faces increasing competition from other Chinese carriers seeking to gain share of 3G customers. The influence of the Internet, requiring constant innovation in both voice and data transmission, also presents challenges.

The company has developed initiatives for both consumer and business customers. To increase its share of consumer wireless data transmission, China Mobile developed an app store it calls

Mobile Market. The company also is advancing what it terms the "Internet of Things," wireless transmission for commercial use, such as operating transportation systems.

At the same time, China Mobile is working to improve customer service by speeding up in-store transactions and simplifying bill payment. The customer base continues to grow as China Mobile expands its network to reach rural areas.

China Mobile was listed on the New York and Hong Kong Stock Exchanges in 1997.



ICBC

COMPANY: Industrial and Commercial Bank of China Ltd.
BRAND VALUE: US \$43.9 Billion
YEAR ON YEAR CHANGE: 15%
HEADQUARTER CITY: Beijing
INDUSTRY: Financial Institution
YEAR FORMED: 1984

ICBC is the world's largest bank in market capitalization, customers' deposits and profitability. Market capitalization in 2010 reached \$240 billion (RMB 1,534 billion).

The bank offers personal and corporate banking products and services. With more than 16,000 branches in China and 203 overseas, ICBC serves over 4 million corporate customers and 259 million personal banking customers. ICBC also handles overseas business through its relationships with more than 1,500 correspondent banks. And it offers extensive online services.

When the company was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, in October 2006, it set a record as the world's largest IPO with a value of \$21.9 billion (RMB

140 billion). The listing transformed ICBC from a state-owned commercial bank to a publicly trade company. The Chinese government holds a 70 percent stake in the bank.

In May 2011, ICBC received a license to open a branch in Mumbai, and it recently opened offices in Karachi and Islamabad and in Canada. These initiatives reflect the bank's intention to develop as a major global financial institution. It is specifically focused on Russia, Vietnam, Pakistan and the Middle East and also intends to establish a presence in Peru and Brazil.

Industrial and Commercial Bank of China Ltd., was established in 1984.



PLACE: Shanghai **NAME:** Ma Min **STORY:** My name is Ma Min and I am from Chongqing. I currently have a freelance job, but my dream is to open my own clothing store.



PLACE: Harbin **NAME:** Shao Xiaojing **STORY:** I was born in 1990, and I'm local. I live with my husband and son. I got married quite early compared with the other youth. I didn't attend university, but I studied haircutting at a special school. Since graduation, I have worked in various barbershops as a hairdresser. I hope one day I can open a shop of my own.



China Construction Bank

COMPANY: China Construction Bank
BRAND VALUE: US \$22.0 Billion
YEAR ON YEAR CHANGE: 1%
HEADQUARTER CITY: Beijing
INDUSTRY: Financial Institution
YEAR FORMED: 1954

One of China's four largest banks, China Construction Bank traditionally has differentiated itself by providing loans to Chinese industrial corporations in oil and gas, power, telecommunications and infrastructure.

That focus reflects the history of the bank, which was founded in 1954, as the People's Construction Bank of China, a state-owned institution for financing initiatives of the government's economic plan. With the emergence of Chinese entrepreneurs and the growth of China's middle class, China Construction Bank has been expanding its business to include small-and-mid-size companies, multinationals and consumers.

The bank is active in corporate and personal banking and treasury operations. It specializes in a category called the "three rurals," which includes agricultural companies, farmers and residents of rural communities. China Construction Bank operates a network of more than 13,600 branches in China and is also present in Hong Kong, Singapore, Tokyo, Seoul, Ho Chi Minh City, Sidney, Frankfurt, Johannesburg and New York.

The China Construction Bank Corporation was formed as a joint-stock company in 2004. It was listed on the Hong Kong Stock Exchange in 2005, and on the Shanghai Stock Exchange in 2007.



Bank of China

COMPANY: Bank of China Ltd.
BRAND VALUE: US \$18.6 Billion
YEAR ON YEAR CHANGE: -17%
HEADQUARTER CITY: Beijing
INDUSTRY: Financial Institution
YEAR FORMED: 1912

Bank of China is the country's most international and diversified bank. Its core businesses include corporate banking, personal banking and financial market services. The bank also is in the insurance business.

It serves the financial needs of customers throughout China, with about 10,000 branches, and maintains almost 1,000 branches in Hong Kong, Macau and Taiwan. The bank is present in about 30 countries overseas.

Bank of China expanded its credit card business, during 2010, with several innovative card options, especially the Great Wall card, which the bank positioned as a card that can be used for all transactions. The bank has over 20 million credit cards in circulation.

Bank of China was established in 1912, with the fall of the Qing Dynasty, from the Da Qing Bank, at the direction of Dr. Sun Yatsen's provisional government. The bank became the first government-chartered international exchange bank in 1928, and served as the nation's central bank until 1949. Then, with the establishment of the Peoples Republic of China, it became a specialized foreign exchange bank.

Bank of China became a state-owned commercial bank in 1994, and publicly traded after an IPO in 2006, when it was listed on the Hong Kong and Shanghai Stock Exchanges.



PLACE: Harbin **NAME:** Sun Shaoli **STORY:** I was born in 1972. My husband works in a factory making televisions. My son is in junior high. He doesn't like to study very much. Instead, he likes playing football. We can manage life, although we don't live well. I am planning to open a shop, so I don't need to stand outside everyday. It can be very terrible when the weather is bad. My dream is that my son can be admitted by a good senior high school.



PLACE: An internet café, Shanghai **NAME:** Zhang Ning **STORY:** I was born in 1983. I'm currently unemployed. I hope I can find a satisfying job soon. I usually come here to play games with my friends, since it is very convenient. If I stay at home I can only play games alone, which is boring.



Agricultural Bank of China

COMPANY: Agricultural Bank of China
BRAND VALUE: US \$17.3 Billion
YEAR ON YEAR CHANGE: 5%
HEADQUARTER CITY: Beijing
INDUSTRY: Financial Institution
YEAR FORMED: 1951

Agricultural Bank of China is one of the country's largest commercial banks. Reflecting its roots as an Agricultural Cooperative Bank, serving farmers in rural China, the bank today specializes in providing financial products and services to agricultural, industrial and other business in rural China.

Originally state-owned, the bank, in 2009, became a joint-stock limited liability company. The following year it completed a tremendously successful IPO, raising over \$22 billion, and was listed on the Shanghai and Hong Kong Stock Exchanges.

Agricultural Bank of China operates about 31,000 branches and offices throughout China. Aspiring to become a global financial

institution, it already is present in Hong Kong, Singapore, Tokyo, London and New York.

The bank also is determined to diversify and offers an integrated portfolio of financial products. It partnered with Crédit Agricole to create a fund management entity. By purchasing a majority stake of Jiahe Life Insurance Company, the bank entered the insurance business.

In several marketing campaigns, Agricultural Bank of China aimed to strengthen its retail business by emphasizing its electronic banking capability.



Baidu

COMPANY: Baidu On-line Network Technology Company, Ltd.
BRAND VALUE: US \$16.3 Billion
YEAR ON YEAR CHANGE: 67%
HEADQUARTER CITY: Beijing
INDUSTRY: Search Engine
YEAR FORMED: 2000

Baidu is the largest search engine in China and second only to Google worldwide.

Google's departure from China, in 2010, over censorship issues, left Baidu virtually unchallenged.

Along with its ubiquity in China, the brand owes its popularity to deep familiarity with the subtleties of Chinese language and culture, which enable it to understand and respond to the nuances of search requests.

In addition to its search engine, Baidu offers other online knowledge-based products and services, including community platforms (Baidu PostBar and Baidu Knows), the user-created

Chinese language Baidu Encyclopedia, as well as e-commerce and entertainment applications.

As competition for China's booming Internet market intensifies, Baidu continues to broaden its offering. During 2011, it announced plans to invest in an online travel site. Baidu also operates a Japanese language site. The company derives revenue from selling ad and marketing space adjacent to relevant content.

The name Baidu literally means "hundreds of times," and was derived from an old Chinese poem about a man's persistent search for his lover. The company was founded in 2000. Listed on the NASDAQ Stock Exchange in 2005, Baidu became the first Chinese company listed in the NASDAQ-100 Index.



PLACE: Ping'an Village **NAME:** Wu yuxuan **STORY:** I'm from Jiangyu, Zhejiang Province. I'm now in my fourth year of primary school. My father sells cars and my mother works in a bank. I came here today because my mother's bank organized this tour. I like traveling very much.



PLACE: Harbin **NAME:** Meng Fanyou **STORY:** I was born in 1956, in Harbin. I have been a motorbike driver for three years, since I lost my job. Driving a bike can be hard, especially in winter when the temperature drops well below freezing. I have a daughter and I have to support her schooling. I hope I can find a stable job and earn more money.



China Life

COMPANY: China Life Insurance Company Ltd.
BRAND VALUE: US \$15.3 Billion
YEAR ON YEAR CHANGE: -17%
HEADQUARTER CITY: Beijing
INDUSTRY: Insurance Provider
YEAR FORMED: 2003

China Life is the country's largest insurance company. It is part of China Life Insurance (Group) Company, a state-owned organization that was spun off in 1996 from its predecessor, People's Insurance Company of China (PICC), which was founded in 1949 with the establishment of the People's Republic of China.

In 2003, China Life was listed on both the New York and Hong Kong Stock Exchanges. It was the year's largest IPO. In 2007, China Life was listed on the Shanghai Stock Exchange. The company has been featured on the Fortune 500 Global list for nine consecutive years, rising to position 113 in 2011.

With businesses including life insurance, property and casualty insurance, pension plans, asset management and industrial investment, China Life and its subsidiaries constitute the largest commercial insurance group in Mainland China. The company is one of China's largest institutional investors. It is the only domestic insurance group with assets exceeding 1 trillion RMB (\$150 Billion).

The company operates China's most extensive insurance service network with more than 700,000 exclusive agents, supplemented by other representatives. In 2010, China Life became the official sponsor of the 2010 China Open tennis tournament.



Sinopec

COMPANY: Sinopec Group
BRAND VALUE: US \$13.8 Billion
YEAR ON YEAR CHANGE: N/A
HEADQUARTER CITY: Beijing
INDUSTRY: Oil & Gas Producer and Distributor
YEAR FORMED: 1998

Sinopec, often called China Petrochemical Corporation, is a state-owned supplier of petroleum and petrochemical products.

It operates China's largest network of service stations, which sell gasoline and other petroleum products and often feature convenience stores. The company manufactures industrial products, such as lubricants, and is engaged "upstream" in oil exploration and refinement.

Like other National Oil Companies (NOCs), Sinopec enjoys high brand awareness because of service stations and substantial media attention, usually about pricing, safety standards and overseas expansion.

During the past few years, NOCs, including Sinopec, have enhanced brand communications to emphasize how oil companies contribute to society's welfare. They also have embraced major sponsorships, which for Sinopec has included the 2008 Beijing Olympics and Formula One racing.

These efforts are aimed at two brand challenges: overcoming the image of being state owned and part of the monolithic apparatus of government, and differentiating from the competition.



PLACE: On the way to Ping'an Village **NAME:** Hu Xinsheng **STORY:** I am from Henan Province, but I have been a migrant worker in Guilin for almost 10 years. I have a daughter and a son, both of whom are studying in a high school in Guilin. My wife also works here. We rent a house. The only person living in my hometown is my mother. I seldom go back except during the Spring Festival.



PLACE: Harbin **NAME:** Huang Ting **STORY:** This is my older sister. We are from the suburban area of Harbin. My sister and I work in a clothing factory and my brother attends college. I seldom chat with my boyfriend online unless he is not in Harbin for a long time. We often call or send text messages to each other. Since we have a rather big family, we never feel lonely, instead we feel very happy to live in this family.



PetroChina

COMPANY: PetroChina Company Ltd.
 BRAND VALUE: US \$13.8 Billion
 YEAR ON YEAR CHANGE: -3%
 HEADQUARTER CITY: Beijing
 INDUSTRY: Oil & Gas Producer and Distributor
 YEAR FORMED: 1999

PetroChina is China's largest oil and gas producer and one of the nation's leading companies in revenue. Along with exploring for crude oil and natural gas, the company also refines and markets related products, such as plastics, rubbers and fertilizers.

The fast pace of domestic economic expansion drives annual increases in oil and gas consumption and the company's growth. PetroChina operates extensive pipeline networks to distribute oil and gas throughout China and to connect with Central Asia and Russia. It operates 26 refineries and 13 chemical plants.

The company continues to evolve into a leading international energy company, recently with ventures that increase its presence in Australia and Canada, where political and economic stability help assure continuous supply. The company also has interests in Russia, Venezuela, the Middle East and Central Asia.

PetroChina serves 17,000 gas stations in China, which produces high brand awareness. The company increased communications activities in recent years to include sponsorship of major sporting events. The key challenge remains building brand equity around a strong proposition that will help to make such a large, state owned entity more accessible.

PetroChina was formed in 1999 from the restructuring of the government enterprise China National Petroleum Corporation (CNPC), which emerged, in 1988, from the Ministry of the Petroleum Industry. CNPC holds a controlling stake in PetroChina. The company was listed on the New York Stock and Hong Kong Stock Exchanges in 2000 and on the Shanghai Stock Exchange in 2007.



Tencent

COMPANY: Tencent Holdings Ltd.
 BRAND VALUE: US \$12.6 Billion
 YEAR ON YEAR CHANGE: 3%
 HEADQUARTER CITY: Shenzhen
 INDUSTRY: Internet Service Portal
 YEAR FORMED: 1998

Tencent, China's largest Internet portal, is best known for its instant messaging service called QQ, which it launched in 1999. Its claim of more than 700 million active users makes the audience for QQ larger than Facebook's.

Along with QQ, the company operates other brands that provide online products and services including news and entertainment (QQ.com), search (soso.com), gaming (G.QQ.com), e-commerce (paipai.com), online payment (tenpay.com), and mobile phone (3g.qq.com). Tencent also derives revenue from online advertising.

In a major strategic shift, Tencent also announced that it would adopt an open platform business model. In an early example

of this new approach, Tencent entered into a partnership with Zynga, the US game maker best known for games, like FarmVille, which it created for Facebook. And Tencent purchased a stake in ELong, China's second-largest online travel site.

The open platform approach may in part be in response to heated competition, such as the Twitter-like micro-blogging service, or Weibo, introduced by Sina, a Tencent competitor, in 2009. Leveraging its enormous reach, Tencent launched its own Weibo the following year.

In 2004, Tencent Holdings Ltd., was listed on the Hong Kong Stock Exchange.



Lucy Zhang

Futures Director
GroupM Knowledge, China

GroupM is the leading global media investment management operation. It serves as the parent company to WPP media agencies including Maxus, MEC, MediaCom, and Mindshare. Our primary purpose is to maximize the performance of WPP's media communications agencies on behalf of our clients, our stakeholders and our people by operating as a parent and collaborator in performance-enhancing activities such as trading, content creation, sports, digital, finance, proprietary tool development and other business-critical capabilities.

Mobile, Internet Reshape media But TV still Dominates

Marketing and advertising dynamics in China are much the same as in the North America, Europe and other major economies—but on a grand scale.

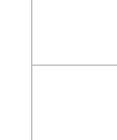
Micro-blogging is popular and consumers increasingly communicate and shop with mobile devices. Because of trends like these, and sustained annual GDP growth of almost 10 percent, ad spending is expected to grow at a substantial 15.2 percent in 2011 and 16.9 percent in 2012.

Brand marketers who want to reach Chinese consumers need to understand how they interact with media. GroupM's media forecast offers some important insights.

Mobile moving quickly

The number of mobile phone users in China reached 880 million in February 2011, according to government figures. That number represents a year-on-year increase of over 17 percent, with no slowdown anticipated because of the expansion of 3G networks.

In absolute numbers, mobile ad revenue of about RMB 1.74 billion (\$268 million) remains relatively small, but the rate of growth—over 93 percent year-on-year—is startling. And 2012 may be the year when mobile advertising takes off in China. By 2013, 280 million people are expected to watch TV on their mobile phones.



TV remains dominant, but challenged

TV spending is expected to grow 13 percent this year and 14 percent in 2012. Although diminishing in influence relative to other advertising media, TV still receives the largest share of ad spending, 58 percent, or an estimated RMB 201 billion in 2011 (\$31.1 billion).

The key categories of TV advertising, with spending on each exceeding \$1 billion, are toiletries, business and services, beverages, pharmaceuticals, food and leisure. Not surprisingly perhaps, given the explosion in personal disposal income, leisure is experiencing the strongest growth with a year-on-year gain of 30 percent in 2010.

TV is changing rapidly, however, especially in response to the government's plans to accelerate its "Tri-Play" agenda, which proposes cooperation between TV and telecoms to integrate the provision of voice, data and TV services. One immediate consequence is the ability cable provides to offer more options, including Internet access and other entertainment and information programming.

Shopping, blogging drive Internet growth

Internet spending represents tremendous growth with an increase of 46 percent in 2011 and 44 percent predicted for 2012. China had 485 million Internet users by the end of June 2011, and Internet penetration reached 36 percent. Online group-buying and micro-blogs drove much of this Internet advertising investment.

By the end of June 2011, there were more than 42 million users of group-buying, an increase of 125 percent compared with the end of 2010, as the trend spread to smaller cities. By June 2011, the number of micro-blog users in China had tripled since the end of 2010, with 195 million users.

Outdoor goes digital

Meanwhile, the digital trend also influenced outdoor advertising revenues, which grew by 17 percent in 2010. Digital Out of Home (OOH) advertising revenue grew by over 30 percent in 2010, three times the growth rate of non-digital OOH. That trend is expected to continue as more advertisers increase outdoor spending and expand their investments in smaller cities.

These rapid emerging media trends, particularly the surge in Internet activity and micro-blogging, suggest that brands need to reevaluate their communication strategies to assure that marketing budgets are invested most effectively.

Market Facts | Media: Consumers are rapidly turning to the Internet for information. When asked about the first place they look when they need information, almost 46 percent answered the Internet, in 2010, compared with about 36 percent in 2006. (CNRS-TGI China, CTR.)

Market Facts | Media: Internet penetration in rural areas increased to 125 million users in 2010, from 19 million in 2005. (CNNIC – China Internet Development Report January 2011)



PLACE: Harbin **NAME:** Wang Shuang **STORY:** I am from Harbin. I come to this park with my family and my friend. Since I opened a small decorating company together with my friend, I can spend my time relatively freely. I often come out with my family to let them enjoy themselves. I hope I can earn more money so that my family can live a much better life.



PLACE: Ping'an Village **NAME:** Mr. Liao **STORY:** I'm more than 60 years old. I have several children, all of whom are work in this village, where many buildings are under construction. My job is to move stone or wood. After a day's work, my legs and back ache. I hope we can live a peaceful life forever as the name of our village suggests.



China Telecom

COMPANY: China Telecoms Corporation Ltd.
BRAND VALUE: US \$10.9 Billion
YEAR ON YEAR CHANGE: N/A
HEADQUARTER CITY: Beijing
INDUSTRY: Telecommunications Operator
YEAR FORMED: 2002

China Telecom is a predominately state-owned business that provides both fixed-line and mobile service along with Internet connections.

Having developed as a state-owned telephone company, China Telecom operates the world's largest fixed-line network, much of it made up of fiber optic cable. The company expanded from its core telecom operation to an integrated services provider in 2004.

It received government approval to offer 3G service in 2009, and now provides 3G to urban areas throughout the country. It owns Chinanet, the national data communications network.

China Telecom operates through two holding companies that were listed on the New York Stock Exchange in 2002, and the Hong Kong Stock Exchange in 2006.



Ping An

COMPANY: Ping An Insurance (Group) Company of China, Ltd.
BRAND VALUE: US \$9.7 Billion
YEAR ON YEAR CHANGE: 15%
HEADQUARTER CITY: Shekou
INDUSTRY: Insurance Provider
YEAR FORMED: 1988

Ping An is an integrated financial services conglomerate engaged in insurance, banking, and investment.

The company, which began, in 1988 as a property and casualty specialist, attempts to serve all the financial needs of its roughly 60 million customers with a seamless and diversified range of products and services offered by its three core businesses.

The insurance offering includes Ping An Life, Ping An Property and Casualty, Ping An Annuity, Ping An Health and Ping An Insurance (Hong Kong). Banking needs are served by Ping An Bank and Shenzhen Development Bank, in which Ping An is the largest shareholder.

The investment business includes Ping An Trust, Ping An Securities and Ping An Asset Management, Ping An Overseas Holdings, Ping An Asset Management (Hong Kong) and Ping An UOB Fund, created from a joint venture with United Overseas Bank Ltd, Singapore.

Ping An seeks efficiencies and synergies by linking the back office systems and operations of its three core businesses. The interconnection also is intended to enhance brand awareness and customer loyalty.

The organization has more than 450,000 sales agents and over 4,400 branch offices, located mostly in the cities of Eastern and Central China. Ping An was listed on the Hong Kong Stock Exchange in 2004, and on the Shanghai Stock Exchange in 2007.



PLACE: Harbin **NAME:** Zhou Xiuli **STORY:** I was born in 1962, in Harbin. Since I think a child can be a burden, we have not started a family. I change my job quite often. I hope I can live a freer life. Recently, I've worked as a salesman for Moutai.



PLACE: Shenyang **NAME:** Bao Xueyan **STORY:** I was born in 1993, in Shenyang. Since I was very young, my parents have been abroad, so I have been living with my grandparents. I'm now a second year student in high school. I hope one day I can study in Hong Kong.



Moutai

COMPANY: Kweichow Moutai Company, Ltd.
BRAND VALUE: US \$9.1 Billion
YEAR ON YEAR CHANGE: 58%
HEADQUARTER CITY: Beijing
INDUSTRY: Alcohol
YEAR FORMED: 1915

Moutai is a sorghum based-liquor produced in China for more than 2,000 years. It became popular during the Qing Dynasty, which began in the seventeenth century and ended in 1911.

This rich heritage has deeply rooted the brand in Chinese culture. It also results in the brand's most compelling challenge, seeming contemporary and appealing to younger drinkers.

While continuing to emphasize Moutai's singular place as China's "national drink," the brand recently has tried to broaden its appeal, positioning Moutai as "green," meaning it is healthy, and also emphasizing its quality as distilled liquor.

In a complicated effort to leverage the brand's strength, the company launched a multi-brand strategy, introducing liquors aimed more at the middle and low end of the market. This attempt threatened the distinctive image of Moutai and ultimately failed. The liquor enjoys a particular niche outside of China and is distributed worldwide.

In 1951, the Chinese government combined several Moutai producers into a single state-owned venture. That company was restructured into the current corporate entity in 1997. Listing on the Shanghai Stock Exchange followed in 2001.



China Merchants Bank

COMPANY: China Merchants Bank Company, Ltd.
BRAND VALUE: US \$8.5 Billion
YEAR ON YEAR CHANGE: 23%
HEADQUARTER CITY: Beijing
INDUSTRY: Financial Institution
YEAR FORMED: 1987

With over 800 locations in around 90 cities, China Merchants Bank primarily focuses on the domestic market, especially the urban areas along the coast and larger inland cities.

The bank also operates two wholly owned subsidiaries in Hong Kong and maintains offices in Taipei, London and New York. China Merchants Bank derives about 60 percent of its income from corporate banking, over one-third from retail banking and the balance from treasury activities.

More than 57 million customers use the China Merchants Bank card, one of the most popular in the country, and indicative of the institution's attempts to provide customers with easy access innovations that also include telephone and online banking, as well as smartphone applications.

China Merchants Bank was the first Chinese joint-stock commercial bank to provide private banking service, along with other products aimed at wealthy customers. In a recent marketing message, "We are here just for you," the bank promised to continue providing customers with services that simplify banking.

Established in 1987, in the Shenzhen Special Economic Zone, China Merchants Bank was an early example of banking industry reform and the shift to private ownership. It was listed on the Shanghai Stock Exchange in 2002, and on the Hong Kong Stock Exchange in 2006.



PLACE: Ping'an Village **NAME:** Yang Qing **STORY:** I'm a member of the Dong minority. We are similar to the Han people in many aspects. But we usually eat sour and salty food. I have an older brother. He and I are managing a restaurant together. The busiest time is during the lunch and dinner hours. For the rest of the time I can chat or play cards with my friends.



PLACE: Flight from Shanghai to Guilin **NAME:** Wang Yifeng **STORY:** I was born in 1990. I also have an old brother. I graduated from a university in Changzhou, where my hometown is located. My major was mechanics, and I'm working in a company specialized in electrical engineering. My parents work in a factory in my hometown. I'm on my way to Guilin for business.



China Unicom

COMPANY: China Unicom (Hong Kong) Ltd.
 BRAND VALUE: US \$6.3 Billion
 YEAR ON YEAR CHANGE: N/A
 HEADQUARTER CITY: Beijing
 INDUSTRY: Telecommunications Operator
 YEAR FORMED: 2000

A state-controlled company, China Unicom is the country's third largest fixed-line and mobile phone provider after China Telecom and China Mobile, respectively.

The company received government approval to operate 3G business in 2009, and today the mobile portion of the business exceeds fixed-line revenue and is experiencing significant growth, with the number of subscribers reaching almost 182 million by mid-2011, a year-on-year increase of close to 16 percent.

To leverage the convergence of its fixed-line, mobile and broadband businesses, China Unicom introduced the WO brand. The company intends to reach consumers with products branded

WO Family and business customers with products branded WO Business.

China Unicom was incorporated early in 2000, and listed on the New York and Hong Kong Stock Exchanges in an IPO later in the same year. In 2002, China Unicom was listed on the Shanghai Stock Exchange.

China Unicom is a subsidiary of Unicom Group, which was established in 1994. Telefónica Internacional holds about 9 percent of China Unicom and public shareholders own about 20 percent.



Air China

COMPANY: Air China Ltd.
 BRAND VALUE: US \$4.7 Billion
 YEAR ON YEAR CHANGE: -15%
 HEADQUARTER CITY: Beijing
 INDUSTRY: Airline
 YEAR FORMED: 1988

Air China is one of the country's three leading airlines and among the Top 10 airlines worldwide in number of destinations served. The airline operates around 170 domestic routes and 69 international routes reaching 28 countries.

It was formed in 1988, when the Chinese government divided the operating divisions of the Civil Aviation Administration of China into multiple airlines. Air China's strong international presence grew out its assigned responsibility for developing intercontinental flights.

In 2002, a new Air China formed by combining with China National Aviation Corporation and China Southwest Airlines. The new company was listed on the Hong Kong and London Stock Exchanges in 2004, and subsequently on the Shanghai Stock Exchange.

In recent years, Air China has expanded domestically to better round out its service offering and to provide increased convenience to consumers. Air China became a member of the Star Alliance in 2007, and served as the airline partner of the 2008 Beijing Olympics.

Air China's mission and customer philosophy is embodied in its phoenix logo, derived from the ancient Chinese collection of mythological stories called 'Shan Hai Jing.' In this myth, the phoenix comes from Asia and flies over oceans, bringing peace to all its destinations. Air China's phoenix symbol has been adapted to reference the letters VIP and suggest a commitment to high-level service for all passengers.



PLACE: Guilin **NAME:** Liu Guoqi **STORY:** We come from Shandong Province. All of us work at a petro corporation. Our employer organizes this travel. I used to work in a different factory, but I didn't like it. I resigned and came to this company. My job now isn't too stressful and the salary is quite satisfactory. I have a daughter who is in university. I hope she can work in my company.



PLACE: Guilin **NAME:** Guo Lihong **STORY:** I'm from Qinzhou, in Guangxi Province. I graduated from a university in Nanning, where I met my boyfriend. Now both of us are working at China Mobile in Guilin.



Wu Liang Ye

COMPANY: Wu Liang Ye Group Co., Ltd.
BRAND VALUE: US \$4.0 Billion
YEAR ON YEAR CHANGE: 65%
HEADQUARTER CITY: Yibin
INDUSTRY: Liquor Producer
YEAR FORMED: 1959

Wu Liang Ye is China's leading distiller of traditional liquor produced from grain alcohol.

Along with the Wu Liang Ye brand, the company markets sub-brands that together serve most segments of the liquor market. While driving additional revenue, the multi-brand strategy yields problems of cannibalized sales and uneven quality.

At the same time, in response to fierce competition, Wu Liang Ye is attempting to broaden its brand proposition from a focus exclusively on liquor, captured in the phrase "China's liquor king," to become a brand that stands for an affluent lifestyle across many product categories.

The company is based in Yibin, along the Minjiang River in an area of southwest China known for more than 2,000 years of liquor culture. Wu Liang Ye Group Co., Ltd. was formed from Sichuan Yibin Distillery, China Monopoly Company, which was jointly founded in the early 1950s by several historical distilleries.

The Wu Liang Ye Group is an industrial conglomerate that, in addition to its liquor business, manufactures precision plastic products and injection molds. The Group also is engaged in pharmaceuticals, printing, packaging, electronics and logistics.



Mengniu

COMPANY: Inner Mongolian Mengniu Dairy (Group) Company, Ltd.
BRAND VALUE: US \$3.4 Billion
YEAR ON YEAR CHANGE: 66%
HEADQUARTER CITY: Inner Mongolia
INDUSTRY: Dairy Manufacturer & Distributor
YEAR FORMED: 1999

Mengniu is China's leading producer of dairy products.

Based in the dairy land of Inner Mongolia, the company operates production facilities throughout China to make its key products—liquid and powdered milk, yogurt, ice cream and cheese.

The company is still recovering from the tainted milk scandal of 2008, when its powdered milk was among the products recalled. Mengniu now promotes the safety of its products, but other dairy producers make similar claims. And some competitors support their safety claims by emphasizing their local sourcing.

When the chairman of Mengniu stepped down in spring 2011 he was replaced by the chairman of COFCO, China's large food

conglomerate, suggesting that the company could benefit from COFCO's supply chain efficiency. COFCO has a large financial stake in Mengniu.

The company gained prominence and sales with a series of campaigns in the late 1990s and early 2000s that connected the importance of consuming dairy products with the strength of the Chinese people. One of the more memorable campaigns, "Special milk for China's cosmonaut," publicized the selection of Mengniu as the exclusive milk supplier to China's space pioneers.

Mengniu was listed on the Hong Kong Stock Exchange in 2004.



PLACE: Harbin **NAME:** Mao Feng **STORY:** I am 25 years old. I'm a barber in Harbin. I have a girlfriend and we love each other very much. We plan to get married next year, so I have to work hard to earn money. I may look for higher paying work, but it will be difficult to find. I came here today to attend my friend's wedding. We have been classmates since high school.



PLACE: Gullin **NAME:** Guo Xiaoyan **STORY:** I was born in 1987, in Henan Province. I attended university in Xi'an and went to Shanghai for graduate study. During the summer I had a part-time job that required travel. This is why I'm now in this city. I have a brother and a sister. Both of them do well in their studies. My sister studies art in a local university and my brother is still a high school student. I hope my family can live a happy life.



CPIC

COMPANY: China Pacific Insurance (Group) Company Ltd.
BRAND VALUE: US \$3.4 Billion
YEAR ON YEAR CHANGE: -3%
HEADQUARTER CITY: Shanghai
INDUSTRY: Insurance Provider
YEAR FORMED: 1991

China Pacific is one of China's largest insurers, with a diversified portfolio of life, property and casualty insurance products, along with substantial investments. Serving 56 million individual clients and 3.3 million corporate clients, the company maintains a network of 300,000 agents and 5,700 branches.

The company recently adopted a customer-focused approach that promises greater attention to clients, from insight through implementation, with related improvements in infrastructure and branding. The company intends to increase cross selling among its various businesses.

China Pacific subsidiaries include China Pacific Property Insurance Company, Ltd., China Pacific Life Insurance Company, Ltd., Pacific Asset Management Company, Ltd. and Changliang Pension Insurance Company Ltd.

The company was established in 1991. China Pacific was listed on the Shanghai Stock Exchange in 2007, and on the Hong Kong Stock Exchange in 2009.



ChangYu

COMPANY: Yantai Changyu Pioneer Wine Company, Ltd.
BRAND VALUE: US \$3.2 Billion
YEAR ON YEAR CHANGE: 77%
HEADQUARTER CITY: Yantai
INDUSTRY: Wine Producer & Retailer
YEAR FORMED: 1892

ChangYu is a leader in china's wine business. Founded more than 100 years ago in Yantai, a costal city of Eastern China, the company today has achieved international recognition for its extensive offering of wine and its wine making heritage.

Leveraging this heritage, ChangYu focuses the brand image on the more up-market end of the line, such as its Chateaux Alifei, which is grown at the company's European-style wine growing estate, and ChangYu ice wine, a dessert wine made from frozen grapes.

The company also produces a wide variety of white and red wines, brandies and specialty wines. It distributes throughout China and to around 30 countries, including important wine producers, such as France, Germany and Italy.



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Digital China A major but Different opportunity

Not only does China practice socialism with "Chinese characteristics," it is widely acknowledged that the Internet in China also has become uniquely Chinese.

This uniqueness poses a formidable challenge to international companies that feel daunted by China's unfamiliar terrain but unavoidably attracted to the country's size and potential.

Internet users in China, for example, are highly engaged. They use the Internet as a platform for expression and purchasing. While e-commerce is widespread, the overall value currently is relatively low. Chinese users also have developed a unique language to communicate with each other and to express their emotions.

China's high level of Internet involvement, which includes both communication and e-commerce, contrasts with some Western markets where people may purchase online but otherwise remain relatively unengaged with the Internet. Of course, the high level of Chinese involvement challenges marketers to reach Internet users in relevant ways that seem compelling and not intrusive.

Market Facts | Media: Roughly 173 million people shopped online by mid-2011, a year-on-year increase of almost 36 percent. (CNNIC – China Internet Development Report July 2011)



China is the same, but different

While it is always critical to match the tone of online communication with the consumer's expectations, China presents some particular challenges. Pre-purchase browsing gives consumers in Eastern Europe a feeling of being knowledgeable and informed. In the Middle East, pre-purchase browsing is about being in touch and feeling confident about making the right choice.

In China, however, the experience is mostly about about having fun. Understanding this consumer attitude possibly has contributed to the success of Taobao and other e-commerce websites that have created online malls that draw shoppers looking both to purchase and to have a good time.

Recent research helps us better understand these shoppers. In all markets around the world, certain consumers are more likely to comment—positively or negatively—about their experience with the brand. We recently conducted research to help identify these individuals. And we segmented the audience and identified two key groups.

At one end of the spectrum we identified "Influencers," people who spend a lot of their time on the Internet and are emotionally drawn to the medium. These consumers have a strong point of view, and demand to be heard. These are important people for brands as they can magnify what you communicate, and generate a strong word of mouth. Only somewhat less critical are the "communicators," those driven simply by the need to communicate, not necessarily to influence. They also can be important for a brand, but relatively difficult to recruit as fans. We discovered that both of these groups are particularly active in China.

Voicing opinions online

The need to communicate becomes especially apparent when comparing blogs and microblogs. More open and public, microblogs, such as Weibo, the microblog from Sina, have become hugely popular in China. They are the major springboard of gossip as well as more serious comments. Content receives wide circulation in a short period of time and hence the platform is good for creating awareness and buzz.

Marketers are excited about social media because of the possibility of engineering positive conversations about their brands. However, there are few short cuts. The major trigger for positive word of mouth is a high degree of consumer satisfaction. Consumers want to share their happiness from consuming wonderful products, or relish their gratifying experiences. So the best way to make them talk is to delight them. Another interesting trigger is the possibility that either a new brand or its advertising catches consumer attention.

So every time marketing has something new to talk about, there is an opportunity. Hence triggering positive word of mouth only can be based on a sound foundation of solid product performance and genuine newness—it cannot emerge out of nothing. In this sense, China differs little from the rest of the world.

Market Facts | Media: Time spent on the Internet almost doubled since 2005, while time spent reading newspapers declined 19 percent. (CNRS-TGI China 2005 vs. 2010, CTR)



PLACE: Shenyang **NAME:** Guo Xiaoyan **STORY:** I was born in a central province. I am now a graduate student at a university located in Shanghai, but I finished my undergraduate study in Xi'an, an ancient city. I have a sister and a brother. My sister is now studying painting in a local university. And my brother is only 16 years old, almost 10 years younger than I. I hope that we three brothers and sisters and our parents can stay together when we find jobs.



PLACE: Shenyang **NAME:** Niu Libo **STORY:** I was born in 1981. I come from Heilongjiang Province. Since this is the summer holiday, the travelling season, I brought my daughter. I'm a teacher and my husband is a doctor. He is very busy and has little time to accompany us. I think I live quite a happy life. I mainly take care of the family as well as teach. Though a little bit tired, I make the whole family united and harmonious. I hope my daughter can study well and my family is happy.



Suning

COMPANY: Suning Corporation
BRAND VALUE: US \$2.4 Billion
YEAR ON YEAR CHANGE: 10%
HEADQUARTER CITY: Nanjing
INDUSTRY: Consumer Electronics Retailer
YEAR FORMED: 1990

China's largest consumer electronics retailer, Suning added 408 stores in 2010, ending the year with a total of 1,342.

The aggressive growth is part of an effort to sustain leadership in the face of increasing competition from other Chinese appliance chains, appliance manufacturers opening bricks and mortar locations and international retailers expanding in China.

Suning has developed a portfolio of stores to compete effectively in diverse Chinese markets. The stores range from the 100,000 sq. ft. Expo super flagship stores, with a roughly 50,000 SKUs, to the country town stores, which vary in size. In an effort to broaden its appeal and increase customer traffic, Suning, in 2010, signed a

cooperative agreement with China Unicom, authorizing Suning to sell 3G, 2G, broadband access, fixed phone and other products.

Suning began in 1990, when an entrepreneur named Zhang Jindong opened a small shop selling air conditioners in Nanjing, where he had attended university. In 2000, Suning began expanding into a chain operation. In 2003, Suning broadened its strategy to become a "3C" retailer, meaning it offers a full range of consumer appliances, computer and communication products. After a successful public offering, the company was listed on the Shenzhen Stock Exchange, in 2004.



Yili

COMPANY: Inner Mongolia Yili Industrial Group Company, Ltd.
BRAND VALUE: US \$2.4 Billion
YEAR ON YEAR CHANGE: 36%
HEADQUARTER CITY: Hohhot
INDUSTRY: Dairy Manufacturer & Distributor
YEAR FORMED: 1997

Yili is China's largest manufacturer of dairy products.

The group's four businesses—liquid milk, powdered milk, ice cream and yogurt—market over 1,000 dairy products.

In 2010, the brand introduced a new logo as part of a broad brand repositioning to emphasize health and nutrition. Along with the company's focus on food safety and environmental responsibility, the rebranding in part reflects an ongoing response to the tainted milk scandal of 2008, which touched most brands, including Yili.

The company served as dairy products supplier to the 2008 Beijing Olympics and the Shanghai Expo in 2010. The Yili Industrial Group was established in 1993 from Hohhot Muslim Dairy Food General Factory. It was listed on the Shanghai Stock Exchange in 1996.



PLACE: Ping'an Village **NAME:** Liao Feng **STORY:** We are members of the Zhuang minority. We manage a shop selling some minority cloth and decorations. My husband, son and I live in this shop. Before we opened the shop, we lived in the field. Life has improved a lot, but at the same time we are becoming more and more like Han people.



PLACE: Shanghai Hongqiao Airport **NAME:** Yao Lin **STORY:** This is my twin sister and we are five years old. We just returned from traveling. We are from Jiangsu Province. Since my father works in a bank, he is very busy even during our holiday. My mother and my aunt usually take us out for traveling during the summer holiday. I like traveling because I like mountains. I hope next time my mom can take us to Hangzhou. I also like taking the plane instead of the train, because it is fast and comfortable.



Lenovo

COMPANY: Lenovo Group Ltd.
 BRAND VALUE: US \$2.3 Billion
 YEAR ON YEAR CHANGE: 0%
 HEADQUARTER CITY: Beijing
 INDUSTRY: Computer Hardware Manufacturer
 YEAR FORMED: 1984

Lenovo is one of the world's largest producers of PCs and other personal technology products.

Established as Legend Group Holdings Co., a small electronics supplier, in 1984, the company formed a subsidiary that began making PCs in 1990. The subsidiary, Legend Holdings went public in 1994, and soon became China's leading PC producer. The company launched the Lenovo brand in 2003, and acquired IBM's Personal Computing Division, in 2005.

Lenovo inherited the IBM ThinkPad™ notebook, introduced in 1992, and expanded the brand into related products, such as ThinkServer™, aimed at small and medium business customers. Today's branding strategy divides the company into the Think Product Group for corporate business and the Idea Group, serving consumers and small businesses.

The IBM acquisition strengthened the company's ability to understand global markets and compete effectively. The brand's multinational sensibility is reflected in its preference for operating from regional centers rather than a global headquarters. Lenovo maintains key offices in Beijing, Singapore and Morrisville, North Carolina, and operates research and marketing facilities worldwide.

Responding to the global economic downturn, Lenovo restructured the business into two parts, mature markets and emerging markets. In an effort to grow sales in Europe, Lenovo acquired a majority stake in the German computer marketer Medion AG, in 2011.

Legend Holdings, a state-controlled organization, owns almost half of Lenovo, which is traded on the Hong Kong Stock Exchange.



China Eastern

COMPANY: China Eastern Airlines Corporation Ltd.
 BRAND VALUE: US \$2.2 Billion
 YEAR ON YEAR CHANGE: N/A
 HEADQUARTER CITY: Shanghai
 INDUSTRY: Airline
 YEAR FORMED: 1988

China Eastern is one of China's three major airlines and among the world's 20 largest in passenger capacity. It operates both domestic and international routes, with an emphasis on Asia, North America and Australia.

Established in 1988, the airline grew steadily through a series of acquisitions, culminating in 2009 with a merger with competitor Shanghai Airlines, now a China Eastern subsidiary. China Eastern is publicly traded, although the Chinese government owns a majority stake through CEA Holding.

As the partner and transportation carrier of the Shanghai World Expo in 2010, China Eastern dramatically increased its business during this period. In 2010, it also acquired a majority stake in Great Wall Airlines.

The airline joined SkyTeam Alliance in 2011. The arrangement enabled China Eastern to expand its destination offering and improve its service and IT systems. The airline has focused on developing e-commerce and telemarketing platforms to reduce costs, and is also developing its cargo business.



PLACE: Harbin **NAME:** Cheng Qianwei **STORY:** I was born in 1972, in Harbin. This is my partner. We have been tourist guides for several years. Our guests are Russian. Neither of us learned language in school. We stayed in Russia for five years, and during that period we learned the language by ourselves. When we came back, we began to work in a tourist company. I think being immersed in a language is very important if you really want to learn it well. My dream is that I can go to the Nordic countries some day.



PLACE: Harbin **NAME:** Li Yezhen **STORY:** I am local. My husband and I have a daughter. He and I run a small clothing shop. I often take our daughter out for fun, especially during the holidays.



Sina

COMPANY: Sina Corporation
 BRAND VALUE: US \$1.9 Billion
 YEAR ON YEAR CHANGE: 244%
 HEADQUARTER CITY: Shanghai
 INDUSTRY: Web Portal
 YEAR FORMED: 1988

Sina is an online media company primarily known for its Chinese-language information and entertainment Web portal, Sina.com.

The website, and its local variations, serve China as well as Hong Kong, Taipei, North America and other regions with large Chinese communities. The brand also operates an English-language site. International companies with business in China drive advertising revenue.

In addition, Sina launched a micro blogging site called Weibo, in 2009, and also operates in the business of mobile value added services, offering ring tones, games and other applications.

In 2010, Sina announced a strategic partnership with Microsoft's MSN to explore ways to integrate their online services. Sina is traded on the NASDAQ Stock Exchange.



Yunnan Baiyao

COMPANY: Yunnan Baiyao
 BRAND VALUE: US \$1.9 Billion
 YEAR ON YEAR CHANGE: 49%
 HEADQUARTER CITY: Kun Ming
 INDUSTRY: Herbal Remedy Producer
 YEAR FORMED: 1902

Yunnan Baiyao is a manufacturer of Chinese medicine best known for baiyao, a white powder derived from ginseng and other roots that is used to stop bleeding.

In 2005, the company launched a two-part strategy aimed at extending the Baiyao range and leveraging the brand strength to include baiyao as an ingredient in other first-aid and daily health products.

The brand-stretch initiatives succeeded, resulting in strong sales for products such as bandages, toothpaste and skin care creams containing baiyao.

Yunnan Baiyao was founded in 1902, after the medicinal properties of baiyao were discovered in Yunnan Province, in South Western China.



PLACE: Ping'an, Village **NAME:** Mrs. Liao **STORY:** I am almost 90 years old. My son manages this restaurant. I also have two granddaughters. One teaches in a high school in Guilin and the other runs a small shop in this village. Compared with 10 years ago, before tourists discovered the village, local life has improved a lot. I hope I can live another 10 years.



PLACE: Guilin Airport **NAME:** Huang Ting **STORY:** I come from Wuhu, Jiangsu Province. I am 25 years old. I am working at a company in Wuhu. Usually we travel by ourselves, but this time our company organized the trip, which happens occasionally. When we travel, the travel agency helps us book flights.



Gree

COMPANY: Gree Electric Appliances Inc.
BRAND VALUE: US \$1.6 Billion
YEAR ON YEAR CHANGE: 58%
HEADQUARTER CITY: Zhuhai
INDUSTRY: Air Conditioning Manufacturer and Retailer
YEAR FORMED: 1991

Gree is one of the world's largest manufacturers and marketers of air conditioners, with an annual production capacity of 27 million residential and two million commercial units.

The company positions itself as a technology innovator whose products are "created in China" in contrast to "made in China." Gree innovations include advancements in energy savings and noise reduction. In fact, many of its products are made in China, but Gree also manufactures abroad in Brazil, Pakistan and Vietnam.

The brand's message about creating world-class technology products has been delivered recently by its celebrity spokesperson,

actor Jackie Chan. Gree also gained publicity by winning air-conditioning contracts for certain facilities at the 2008 Beijing Olympics and the 2010 World Cup in South Africa.

Gree was established in 1991 by the merger of two small enterprises in Zhuhai, a southern coastal city now known as a center for hi-tech industries. It is a subsidiary of Zhuhai Gree Group Corporation, also based in Zhuhai, whose holdings also include petrochemicals and real estate.



China Southern Airlines

COMPANY: China Southern Airlines Company Ltd.
BRAND VALUE: US \$1.6 Billion
YEAR ON YEAR CHANGE: -16%
HEADQUARTER CITY: Guangzhou
INDUSTRY: Airline
YEAR FORMED: 1991

One of China's three major airlines, China Southern serves roughly 150 domestic and 30 international destinations, primarily in the Asia-Pacific region.

The airline has expanded its international reach since joining SkyTeam in 2007. In 2011, it added three new overseas destinations with flights from Guangzhou to Auckland, Amsterdam and Vancouver.

China Southern Airlines is the cornerstone of the China Southern Air Holding Company, which was formed through the merger of China Southern Airlines, China Northern Airlines and Xinjiang Air as part of the government effort to restructure China's airline industry.

The environmentally conscious airline strives to lower the carbon impact of its flights, evidenced by their planned purchase of a

fleet of more energy efficient and less pollutant air carriers, A380 "Green Giants."

China Southern Airlines also focuses on numerous corporate social responsibility programs, including evacuation of Chinese living abroad in disaster zones or in countries experiencing political instability.

In 1997, China Southern was listed on the New York and Hong Kong Stock Exchanges. In 2003, it was listed on the Shanghai Stock Exchange. The Chinese government owns about a 50 percent share of China Southern through China Southern Air Holding Company.



PLACE: Shenyang **NAME:** Tian Yi **STORY:** I was born in 1988, in Shenyang. I now work as a mechanic. Since I did not attend university, it was very hard for me to find a good job. At first, it was OK to work here, but since the financial crisis it has become more difficult. I hope one day I can go to a technical school to improve myself so that I can find a better job and get married.



PLACE: Harbin **NAME:** Liu Jinfeng **STORY:** I was born in 1964. My husband runs a small clothing factory. My son is a high school student. I think we live quite a happy life, although we are not wealthy. I hope one day I can open a shop selling famous brands.



Haier

COMPANY: The Haier Group
BRAND VALUE: US \$1.6 Billion
YEAR ON YEAR CHANGE: 27%
HEADQUARTER CITY: Qingdao
INDUSTRY: Household Appliance Manufacturer
YEAR FORMED: 1984

The Haier Group is China's largest home appliance brand and one of the world's market share leaders in white goods.

Best known for its refrigerators, air conditioners, washing machines and driers, Haier also produces televisions and other consumer electronics. Its products are sold in more than 100 countries and are available in the leading mass-market general merchandise and home improvement stores in the US and Europe.

The company significantly advanced its international expansion strategy in 2011, with the acquisition of large and small appliance businesses from Sanyo, the Japanese manufacturer, in Japan, Indonesia, Malaysia, the Philippines and Vietnam.

Haier has grown through acquisition before, especially during the mid-1990s, when it purchased its Chinese competitor, Red Star Electric Appliance Factory and then Huangshan Electronics Group, a television manufacturer.

Established as Qingdao Refrigerator Company, in 1984, in the coastal city of Qingdao, Haier was the successor to an old factory that, since 1949, had been run as a state enterprise. The company was renamed and transformed into a modern technology leader by managing director, Zhang Ruimin with guidance from German partner Liebherr, a refrigeration specialist. Haier is traded on the Hong Kong Stock Exchange.



Metersbonwe

COMPANY: Shanghai Metersbonwe Fashion and Accessories Company, Ltd.
BRAND VALUE: US \$1.5 Billion
YEAR ON YEAR CHANGE: 38%
HEADQUARTER CITY: Wenzhou
INDUSTRY: Casual Wear Producer and Retailer
YEAR FORMED: 1995

A leading casual apparel wholesaler and retailer, Metersbonwe markets its merchandise under the Metersbonwe and Me&City brands.

The Metersbonwe brand is aimed at a young fashion-forward audience, while Me&City is designed for new urban dwellers seeking a sophisticated look.

Metersbonwe's association with 'Transformers', which includes product placement in the movie series and licensing the Transformers brand for their apparel lines, has been hugely

popular. However, the brand faces strong competition from fast fashion retailers and online brands.

The company distributes its apparel through a combination of roughly 3,500 company-owned and franchised outlets. Although the brand was launched in 1933, its first store did not open until 1995, in Wenzhou. The company was listed on the Shenzhen Stock Exchange in 2008.



Mickey Chak

Chief Planning Officer
Ogilvy & Mather China

Ogilvy & Mather is one of the largest marketing communications companies in the world. Through its specialty units, the company provides a comprehensive range of marketing services including: advertising; public relations and public affairs; branding and identity; shopper and retail marketing; healthcare communications; direct, digital, promotion and relationship marketing. Ogilvy & Mather services Fortune Global 500 companies as well as local businesses through its network of more than 450 offices in 120 countries.

For more information, visit www.ogilvy.com or www.ogilvy.com.cn

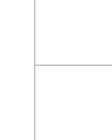
State Owned Enterprises Face next wave: brand building

Looking at a list of the Hong Kong Stock Exchange's most actively traded stocks on any given trading day you would not be surprised to see that eight of the top 10 are Chinese companies. Among them, at least six would be State-Owned Enterprises (SOEs), which include the likes of China Mobile, Bank of China and Sinopec (China Petroleum & Chemical Corporation) - the same names that rank high in Millward Brown's BrandZ Top 50 Most Valuable Chinese Brands.

China's SOEs have taken full advantage of the country's favorable regulatory environment and access to abundant resources to build some of the largest businesses in their respective sectors. These SOEs often supersede their international counterparts in the sheer size of their market share and revenue. Such dominance has made them darlings of investors in capital markets.

But there is an old Chinese saying: "Good times will not last forever."

While this originally referred to one's own fortune, SOE leaders should take this message to heart as it applies to their businesses, too. In fact, many forces of change already are having an impact on SOE growth and expansion plans. Most important among these is that the shield of government protectionism is starting to wear thin.



Meanwhile, international pressure to liberalize the marketplace has only grown stronger, particularly in sectors such as banking and retail, creating a more competitive environment for SOEs where they will need to battle opposition on two fronts. First, privately owned Chinese enterprises are more nimble and can respond faster to market changes. Second, many multinational competitors bring strong category expertise, global networks and experience.

At the same time, consumers are also becoming increasingly demanding and vocal about their expectations of brands. As a result of the burgeoning Internet and social media scene, the balance of power is rapidly shifting from corporations to consumers. SOEs often embrace a supply-centric, bureaucratic mentality. This approach tends to keep consumers at arm's length, thereby making the brand more susceptible to consumer attack. As the government earmarks resources to stimulate consumer demand, it's now more important than ever for SOEs to win consumers' hearts.

Brand building defines "Third Wave" of change

During the past 30 years SOEs have become accustomed to reform and restructuring. The labor reforms of the late 1980's and early 90's are often regarded as the "First Wave," while the capital and ownership reforms of the past 10 years have been dubbed the "Second Wave." We believe the next decade, or the "Third Wave," will be about brand building and connecting with consumers. Looking at the ranking of the BrandZ Top 50 Most Valuable Chinese Brands, it is clear that SOE brands have a long way to go before they catch up with international branding standards and best practices.

Market Facts | Media: The proportion of the audience that looks exclusively at either magazines or the Internet is roughly the same, about 32 percent. However, the exclusive magazine readership is declining, while the exclusive Internet readership is increasing. The overlapping audience also is increasing and reached 28 percent in 2010, compared with 22 percent in 2005. (CNRS-TGI China, CTR.)

So what can SOE brands do to break away from the pack? We propose two ideas:

1. View brand as a core strategic function for growth

In most SOEs, marketing departments play a complementary role to sales and manufacturing. Marketing staffs are typically dispersed in different business units and are seldom integrated with other related functions such as advertising and PR. The disappointing results include not only an inefficient use of marketing resources but also vague brand-building strategies that lack clear focus and direction. SOE brands need to organize and behave in a more nimble, efficient and market-oriented way, much like their private enterprise or joint venture counterparts.

They need to establish proper marketing departments that are given mandates to cut through internal red tape and inertia so that they can respond quickly and effectively to fast changing market situations. Creating a senior executive position overseeing all marketing functions of all business units, much like the CMOs of most multinational companies, is a good place to start.

2. Build both consumer and corporate brands

Many SOE brands often make the mistake of focusing too much on their public image while spending too little time connecting with their paying customers. Only a handful of SOEs have found success in balancing their corporate and consumer brand building efforts. One example is COFCO, a food manufacturing SOE, which successfully defined its corporate brand vision for the business community while simultaneously building several top consumer brands in various categories. COFCO's Fulinmen cooking oil is ranked among BrandZ's Top 50 Most Valuable Chinese Brands. The company's Great Wall wine ranks close to the Top 50.

As markets become increasingly complex and competitive, SOEs will need to develop strong consumer and customer segmentation strategies in order to stay relevant and close to consumers' needs. Chinese SOEs also should think long and hard about shifting from the more traditional models of development that focus on capital and infrastructure to models that focus on talent and innovation. Their long-term success and growth prospects will depend on it.

When we look back 10 years from now on the Third Wave of reforms, we will see that being the biggest will no longer have been enough. To succeed in the next decade Chinese SOEs also must be the best and brightest brand builders.



PLACE: Harbin **NAME:** Bai Qingyu **STORY:** I was born in 1971. There are three members in my family. I'm now the manager of this electronics store. I have been in this shop for almost five years. My husband also works for Midea, but in a different shop. I hope to continue making career achievements until I retire.



PLACE: Shenyang **NAME:** Zhang Ye **STORY:** I was born in 1984, in Shenyang. I'm now a tourist guide mainly in the northeastern provinces. My English is poor, so my guests are Chinese. I'm now studying English, and I hope one day I can guide foreigners and travel around the world.



Midea

COMPANY: GD Midea Holding Company, Ltd.
BRAND VALUE: US \$1.5 Billion
YEAR ON YEAR CHANGE: 3%
HEADQUARTER CITY: Foshan City
INDUSTRY: Household Appliance Manufacturer
YEAR FORMED: 1968

Midea manufactures and exports a full range of household appliances.

It is the largest part of the Midea Holding Company, a conglomerate with interests in real estate and logistics. The company uses the Midea brand for its entire household product range, which includes residential and commercial air conditioners, refrigerators, washing machines, dishwashers, water heaters, vacuum cleaners, and an extensive range of microwaves and small kitchen appliances.

With 15 production facilities throughout China, Midea opened its first overseas manufacturing site in Vietnam, in 2007, and acquired an interest in a facility in Egypt. The company's sales presence in China includes 10,000 shops that exclusively sell Midea brand products. Midea also operates sales offices in the US, Germany, Japan, Hong Kong, South Korea and Russia.

In 2010, Midea integrated its air conditioning and appliance businesses to gain efficiencies, strengthen the brand and to more effectively communicate its core message: that the company's products and services make the lives of consumers more comfortable and easier.

The company increased marketing investment, focusing especially on TV and on partnerships with FINA, the international association for aquatic sports. As part of its effort to be environmentally responsible, Midea promoted the "green" aspects of these events.

The Midea business started in 1968, in Beijiao, in south China, making plastic bottle tops. It entered the household appliance business in 1980, with the production of electric fans. The company is listed on the Shenzhen Stock Exchange.



Shuanghui

COMPANY: Henan Shuanghui Investment and Development Company, Ltd.
BRAND VALUE: US \$1.3 Billion
YEAR ON YEAR CHANGE: -8%
HEADQUARTER CITY: Luohe
INDUSTRY: Meat Processor
YEAR FORMED: 1958

Shuanghui is one of China's largest meat processors. The company operates factories and distribution centers across China and sales offices throughout Asia. Its main products, including fresh and frozen beef, poultry and pork are exported worldwide.

Henan Shuanghui Investment and Development Company, Ltd., was established in 1998 and listed on the Shenzhen Stock Exchange. Goldman Sachs acquired the company in 2007. It is a subsidiary of Shuanghui Group, which was founded in 1958, and originally operated as a cold storage warehouse, entering the meat packing business in 1969.

The brand was negatively impacted when a subsidiary was involved in a food safety scandal about unsafe chemical additives, early in 2011.



PLACE: Shanghai **NAME:** Yan Guangming **STORY:** I am now 53 years old. I work on the third floor of this building selling furniture. I opened the store together with my wife.



PLACE: Ping'an Village **NAME:** Mr Liao **STORY:** I'm 55 years old and have two daughters, both of whom are married. I run a small shop in this village. In this mountainous area, transport mainly relies on this donkey. He is very familiar with the road. Since the discovery of this village as a tourist destination, I have been very busy each day. Of course, I can make more profit than before. I hope I can live peacefully for the next half of my life.



Gome

COMPANY: Gome Electrical Appliances Holding Ltd.
BRAND VALUE: US \$1.23 Billion
YEAR ON YEAR CHANGE: -16%
HEADQUARTER CITY: Beijing
INDUSTRY: Consumer Electronics Retailer
YEAR FORMED: 1987

Gome is a major retailer of home appliances and consumer electronics that attempts to differentiate from the competition with a high sales turnover business model based on service, selection and price.

The company operates almost 1,000 stores under the Gome brand, primarily in large- and medium-sized cities. The stores average about 35,000 sq. ft. in size. Included in the store total are about 100 flagship outlets aimed at wealthier customers. In addition, the organization operates another roughly 500 stores not under the brand name.

Gome is in the process of accelerating new store growth, particularly in second tier markets, and enhancing operating efficiency with new

regional logistics centers. The Group also launched an e-commerce platform to strengthen its position as a multichannel retailer.

Working with strategic partner suppliers, Gome intends to introduce more exclusive products into its assortment. It also plans to expand the product range overall, particularly with higher margin items.

Gome was formed in 1987, and listed on the Hong Kong Stock Exchange in 2004. A series of acquisitions produced steady growth until 2008, when the chairman at the time was accused of insider trading and other financial crimes. Following this disruption, and a management change, the company seems back on course.



Tsingtao

COMPANY: Tsingtao Brewery Co., Ltd.
BRAND VALUE: US \$1.1 Billion
YEAR ON YEAR CHANGE: 29%
HEADQUARTER CITY: Qingdao
INDUSTRY: Beer Producer
YEAR FORMED: 1903

Tsingtao is China's best-known beer and second largest in total consumption.

In an effort to overtake the consumption leader, Snow, Tsingtao recently completed several substantial acquisitions including the purchase of a brewery in Shangdong. The purchase vaulted Tsingtao's share of the market in China's largest beer consuming province to 55 percent.

Scale is important in China because of the immense size of the country and the difficulty in differentiating beers as the brands use similar brewing technology. Marketing, pricing and local political support become the key levers for establishing market position. However, Tsingtao enjoys at least two differentiating advantages.

First, Tsingtao claims to have a unique flavor. It results from the brand's access to the Laoshan Spring in Shangdong, where the brand was established. Second, Tsingtao benefits from its heritage as China's oldest beer brand, established more than one hundred years ago by German and British brewers.

While emphasizing its history, Tsingtao also cultivates new youthful customers with targeted marketing including its sponsorship of the Shanghai Expo in 2010. The company also seeks growth outside of China and recently launched the Tsingtao brand in India.

Tsingtao Brewery was listed on the Hong Kong and Shanghai Stock Exchanges in 1993.



PLACE: Starbucks, Shanghai **NAME:** Liu Lixiang **STORY:** I'm a high school student. Since I'm in the third year and soon will take the university entrance exam, I feel that I'm under great pressure. I have just finished my class, so before I return home I'd like to sit here with a cup of coffee, surf the Internet and relax. I hope to be accepted by a good university.



PLACE: Harbin **NAME:** Mrs. Sun **STORY:** I'm now more than 80 years old. This is my daughter. I have three daughters, all of whom are very kind to me. My husband died very early, and I have been paralyzed for 15 years. My daughters take turns looking after me, although they have to go to work. I'm very lucky and happy to have these three daughters.



Renren

COMPANY: Renren Inc.
 BRAND VALUE: US \$1.1 Billion
 YEAR ON YEAR CHANGE: N/A
 HEADQUARTER CITY: Beijing
 INDUSTRY: Internet Service Portal
 YEAR FORMED: 2005

Renren is one of China's leading social networking sites. The Renren platform offers gaming (game.renren.com), social commerce (nuomi.com) and a B2B social networking site (jingwei.com). Online advertising, fees from merchants and other services, such as online games, generate revenue.

The word renren means "everyone." The brand differentiates itself as a real name site, meaning that users are clearly identified, which potentially makes the site more appealing to marketers. The site had around 124.2 million users by mid-2011.

The company was formed in 2005, under the name Xiaonei. Similar to Facebook, it was aimed at students at elite colleges. An Internet operation called Oak Pacific Interactive acquired the company in 2006, and in 2009 the name became Renren. The company completed an IPO on the New York Stock Exchange during 2011.



Tong Ren Tang

COMPANY: Beijing Tong Ren Tang Company, Ltd.
 BRAND VALUE: US \$1.0 Billion
 YEAR ON YEAR CHANGE: 89%
 HEADQUARTER CITY: Beijing
 INDUSTRY: Herbal Remedy Producer
 YEAR FORMED: 1669

Tong Ren Tang manufactures and sells Chinese medicine, both domestically and worldwide.

The company was established as Tong Ren Tang in 1669, the eighth year of the reign of Emperor Kangxi, at the beginning of the Qing Dynasty.

Combining more than 340 years of experience in traditional Chinese medicine with contemporary practices, Tong Ren Tang today is present in three sectors: modern pharmacy, retail and medical services. It operates 800 stores in China and sells its products worldwide through joint ventures and subsidiaries.

For many Chinese consumers, the long heritage of TRT has made the brand synonymous with traditional herbal remedies. But success has its problems. And the use of the Tong Ren Tang brand name across a wide range of products potentially dilutes its power.



PLACE: Shenyang **NAME:** Wang Zhihuan **STORY:** I am 10 years old. I was born in Shenyang, and I like this city very much. I like playing sports very much. I hope I eventually can become an astronaut and travel around the world. Now, I hope to study successfully, so that when I grow up I can attend Harvard University or Cambridge University.



PLACE: Harbin **NAME:** Miao Qifeng **STORY:** My name is Miao Qifeng and I was born in 1989, in Harbin. I'm a student and attend university in another city, which is far away from my home. Every year I come back once. Now I'm trying to find a part-time job to support myself. I hope to find a good job when I graduate.



Li-Ning

COMPANY: Li Ning Company, Ltd.
 BRAND VALUE: US \$1.0 Billion
 YEAR ON YEAR CHANGE: -29%
 HEADQUARTER CITY: Sanshui
 INDUSTRY: Sportswear Manufacturer
 YEAR FORMED: 1990

Li-Ning is a well-known sportswear brand named after its founder and audacious promoter, Li Ning, the Olympic gymnast who catapulted to fame in the 1984 Summer Olympics.

Relying on his personal fame and the athletic prowess he represents, Li Ning built his brand across China, particularly in cities away from the prosperous eastern coast. The brand is present in 8,000 outlets. Intending to aggressively expand overseas, Li-Ning, in 2011, signed a long-term deal with the Finnish L-Fashion Group to establish the brand throughout much of Europe. L-Ning already is present in the US.

Meanwhile, Li-Ning, which derives most of its revenue in China, is attempting sustain its bond with traditional customers while

increasing the brand's appeal to young people. They do not experience the burst of national pride their parents feel remembering Li Ning's performance in the first Olympic games in which China competed.

As part of the effort to rejuvenate the brand, Li-Ning unveiled a new slogan, "Make a Change," which replaced "Anything is Possible." He memorably lit the torch of the 2008 Beijing Olympics after circling the stadium, as if running in mid-air, suspended by cables.

The company was listed on the Hong Kong Stock Exchange in 2004.



Hua Xia Bank

COMPANY: Hua Xia Bank
 BRAND VALUE: US \$932 Million
 YEAR ON YEAR CHANGE: 42%
 HEADQUARTER CITY: Shanghai
 INDUSTRY: Financial institution
 YEAR FORMED: 1992

Hua Xia is a medium-size commercial bank with just over 300 branches across China. It provides essential banking services including loan-making.

The bank is also involved in other financial activities, such as foreign exchange trading. It works with almost 1,300 correspondent banks worldwide. And it offers insurance products. The bank is engaged in several initiatives to help sustain a high level of customer service.

Formed as a state entity in 1992, Hua Xia bank was listed on the Shanghai Stock Exchange in 2003. The key shareholders include Shougang Corporation, a manufacturing and construction company; State Grid Corporation, a government-owned power company; and Deutsche Bank.



PLACE: Shenyang **NAME:** Zou Weiming **STORY:** I was born in March, 1956, in Shenyang. I have a son who is now a running small business with his friend. My wife and I are self-employed selling fruits. I hope I can earn enough money and buy a house for my son. Only in this way can he get married.



PLACE: Shanghai Hongqiao Airport **NAME:** Li Sheng **STORY:** I was born in 1970, in Shanghai. I drove a taxi for five years. Now I'm driving for a foreign company. Except for picking up the boss everyday, I pick up visitors from other countries. Since I usually haven't met them before, I write down their names. At first I couldn't speak one word of English. Now I can communicate with my passengers using a combination of poor English and gestures. I quite enjoy my job now. I have a daughter and I hope she can be admitted to a good high school next year.



Snow

COMPANY: China Resources Breweries Company, Ltd.
BRAND VALUE: US \$921 Million
YEAR ON YEAR CHANGE: 48%
HEADQUARTER CITY: Beijing
INDUSTRY: Beer Producer
YEAR FORMED: 1994

Snow beer is the best-selling beer brand in the world, although it is little known outside of China. In 2010, Snow beer sales reached 8.42 billion liters.

It is produced by the joint venture partnership of China Resources Breweries Company, Ltd., and SABMiller, one of the world's largest beer marketers.

Currently, CR Snow produces Snow and 30 local brands from more than 70 breweries it operates in China. Snow continued its single-minded focus on China with the acquisition of Henan Aoke Beer Industry Company, Ltd., in 2011.

The deal quickly followed Snow's 2010 purchase of Henan Zhumadian Yuequan beer. These transactions strengthen the brand's presence in Henan Province in China's central plains.

Since 2005, a marketing campaign called "Globe Trekker," has associated the Snow brand with a spirit of exploration and adventure. As part of the program, selected volunteers have explored Brahmaputra Canyon in Tibet and the source of the Yangtze River, for example.

China Resources Enterprise Ltd. is listed on the Hong Kong Stock Exchange. Along with beer brewing and other beverages, the company operates in retail and food.



Ctrip

COMPANY: Ctrip.com International Ltd.
BRAND VALUE: US \$804 Million
YEAR ON YEAR CHANGE: N/A
HEADQUARTER CITY: Shanghai
INDUSTRY: e-Commerce
YEAR FORMED: 1999

One of China's best-known travel brands, Ctrip offers a comprehensive menu of consumer travel services including hotel reservations, flight ticketing and package tours. It provides corporate travel management as well.

Ctrip operates primarily online, but it also maintains offices throughout China in both major and smaller cities. The company staffs a 24/7 call center with a capacity of 12,000 employees.

Since its formation in 1999, the company has grown rapidly as members of China's expanding middle class increasingly spend disposable income on travel. Although primarily focused on China, Ctrip is developing operations in Hong Kong, Macau and Taiwan.

The company was listed on the NASDAQ Exchange in 2003. It books over 30 million air tickets annually, representing more than 50 percent of the online travel market share in China.

In 2010, Ctrip launched Ctrip wireless, a mobile phone website, offering an express e-ticketing service. Around the same time, the company introduced Lvping.com, a social networking site that provides a platform for members to share travel tips, photos, travel stories and reviews of destinations, attractions and hotels.

The company entered into a strategic alliance with Dining Secretary Ltd., a free service for arranging restaurant reservations, in an attempt to enter the dining reservation market.



Field Marketing Outsourcing The smarter way to Drive sales

As business owners and marketers, we all grapple with the issue of outsourcing. Should we farm out the task or is it cheaper and more effective to keep it in-house?

It's a daunting decision. The right answer can vary depending on the function and responsibilities involved. That's why it's good to have evidence to support decision-making. In the case of field marketing, the evidence is clear.

Recent studies show that large and mid-sized companies that outsource sales and field marketing have a competitive advantage over those retaining these functions in-house. Many companies outsource non-core functions such as logistics and retail management, while some companies are taking a different approach by outsourcing functions which can be done more effectively and efficiently by their outsourcing service partners.

The bottom line is that the vast physical size of China, the scale and complexity of its retail sector, aggressive in-store marketing and fickle in-store consumer behavior make outsourcing of qualified sales and field marketers just about mandatory for sustained success.

Market Facts | Media: Micro blogging attracted 195 million users by the first half of 2011, compared with 63 million at the end of 2010. (CNNIC-China Internet Development Report July 2011)

Managing scale in China

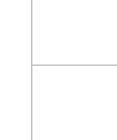
Take one example: Coke. The brand is available in close to 3 million of China's retail outlets, which number almost 3.5 million, according to some estimates. Imagine how many staff members are needed to distribute and list the brand in these retail outlets, and to push the brand to shoppers. The normal processes—"sell in to the trade customers" and "sell out to the end consumers"—can involve thousands of people if the brand is of national scale. And how many layers of management are needed to supervise the huge field sales and promotional force?

And if the job doesn't sound massive yet, consider this fact: Only about 4 percent of China's retail sector is considered organized modern trade. However, almost half of all sales go through that 4 percent, illustrating how concentrated and intense the competition is in the last mile. Marketers in China are spending huge sums of money on the "sell-in" to their retail customers and conducting comprehensive merchandizing to ensure their products are listed and properly displayed in the modern trade at the right time, in the right place, and at the right price point.

Making this job even more complicated is the consumers' purchase behavior. Research findings show that over 60 percent of consumers in China often change their brand choice at the point of purchase, and 40 percent of those brand choices are driven by in-store promoters. Marketers are therefore investing incredible sums to employ vast numbers of in-store promoters to actively engage with consumers. The ultimate objective: attract consumers to pick their brand, place it in the shopping cart and pay for it at the cashier counter.

Retail is the final battlefield

Consider the wide array of retail formats in China: department stores, hypermarkets, supermarkets, convenience stores, specialty stores, and discount stores. Now realize that there are more than 30,000 stock keeping units (SKUs) in over 70 product categories in a hypermarket in a tier one city. On an average weekend, more than 200 promoters and 100 merchandisers work for various brands in that hypermarket. They share one goal—winning their share of the shoppers' wallets.



To give another example, one of the leading mobile phone brands will employ more than 12,000 additional promoters during the peak-selling "National Day Golden Weeks". This is how fierce competition is at retail. Of course, the road to consumers is not easy. There are many hurdles before marketers arrive at the end prize of delivering a fantastic promotion, made more difficult by the unique complexities characterizing the Chinese market. In China, the final battlefield for brands is in the store. To win in this battlefield, brands have to be at their best. Given the size and complexity of China's retail environment, ensuring the delivery of a consistent brand experience in retail across China is a tough challenge.

Collaborating for mutual success

More and more companies are now turning to field marketing services agencies, like Always Marketing Services, for a total solution in field force management. These services include recruitment, contracting, HR administration, training, deployment, field execution coaching, supervision, management, measurement, tracking, sales data collection, competitive information gathering and reporting. This is a one-stop solution to the field force management problem. Companies no longer have to worry about the HR risks or management of a huge field force. Best of all, the sales team can focus on what they should be doing—selling!

Usually, marketers will engage with preferred outsourced service providers to provide total field force management services and develop long-term partnerships. Sales targets are set and broken down by region, by city, and by store. Those targets are then co-owned by the company and their field force management partner, and each party contributes their specialization to successfully deliver the KPI goals together. This "total outsourcing" model develops real partnerships that add value to the business with the following benefits:

- No HR liability and risks
- Total Compliance and transparency in all work
- Timely and accurate reporting, utilizing online, real time systems.
- Rapid deployment to meet seasonality and other strategic business demands
- Consistency in execution nationwide
- Economies of scale in offices, warehouses and logistics
- Extensive databases and resources to recruit, train, and deploy



Barry Leung

Managing Director
Always Marketing Services

Always Marketing Services is the largest field marketing agency in China offering total field marketing solutions to clients like Unilever, Kraft, Nokia, Intel, Nestle and Microsoft. With five hub regional offices and 75 branch offices, Always covers over 600 cities in China with 17,000 full-time field staff executing more than 4,000 field activations in China every day.

Enjoying the benefits of experience

In addition, companies enjoy better utilization of their resources and improved synergy between business units and brand teams, coupled with more efficient and effective measurement and accountability via online reporting systems built into the retail activation programs.

Outsourcing has given clients viable choices for better control of resources to help them with the continuing challenges in the marketplace. It allows clients to focus on their core business, rather than diversifying into operations that sit outside their core competencies.

As the outsourcing trend continues in the retail space, there is no finish line. Continuous improvement will be demanded of all marketers and outsourced service providers as they strive to keep pace with the demands of consumers. As outsourcing takes on a much more strategic role, it will continue to provide opportunities for marketers and retailers.



PLACE: Shanghai **NAME:** Xu Kangda **STORY:** I was born in 1987, in Shanghai. I'm now working in Hongqiao Airport. I'm mainly in charge of repairing some parts of the planes. I did not attend university. Instead, after high school I went to study in a technical school. After graduation, my family helped me find this job. I like it. Sometimes I work overtime, which is tiring. Fortunately, I can play basketball with friends. That enriches my life. I hope I can earn more money in the future to support the family.



PLACE: Harbin **NAME:** Wang Gang **STORY:** We belong to a manufacturing company. Our company runs very well, so we can come out and enjoy ourselves two or three times a year. When we work, however, we are very stressed and have little time for fun.



ANTA

COMPANY: ANTA Sports Products Ltd.
BRAND VALUE: US \$627 Million
YEAR ON YEAR CHANGE: 35%
HEADQUARTER CITY: Jinjiang
INDUSTRY: Sportswear Manufacturer
YEAR FORMED: 1994

One of China's leading branded sportswear enterprises, ANTA Sports Products Ltd. designs, manufactures and markets footwear, apparel and accessories across the country, in every province, through more than 7,500 stores.

The company manages a portfolio of products designed for Chinese consumers who enjoy increasing disposable income and are willing to buy domestically. ANTA markets with a combination of traditional advertising, event sponsorships, endorsements by accomplished athletes and social media. It also emphasizes the appeal of its stores and strives for brand consistency among its distributors and franchisees.

The company focuses its marketing investment on basketball, tennis and running. In 2010, it launched the "Road to Glory" inter-cities tour of Beijing, Harbin, Shanghai, Nanjing and Guangzhou to promote

basketball. During the tour, NBA star Luis Scola, coached young players on basketball skills.

ANTA Sports added basketball superstar Kevin Garnett as a spokesperson in late 2010. Tennis player Jelena Jankovic also endorses the brand. ANTA maintains a partnership with the China Olympic Committee and is the official uniform supplier for Olympic events through 2012.

China's heated competition in the sportswear category drives the extensive brand-building effort. ANTA acquired the rights to Italy's Fila brand in China, in 1999. Fila should help ANTA appeal to the high-end of the market and compete effectively with multinational brands.

ANTA was founded in Fujian Province, in Southeast China, in 1994. The company was listed on the Hong Kong Stock Exchange in 2007.



Yanjing Beer

COMPANY: Beijing Yanjing Beer Co., Ltd.
BRAND VALUE: US \$591 Million
YEAR ON YEAR CHANGE: -23%
HEADQUARTER CITY: Beijing
INDUSTRY: Beer Producer
YEAR FORMED: 1980

Yanjing Beer is attempting to grow in a competitive market by both expanding beer consumption, in China and abroad, and entering new product categories.

Yanjing Beer increased its marketing investment to strengthen its position as a "green" brand, emphasizing the food purity and safety benefits of producing beer with mineral water from the Yanshang Mountains in Northern China.

Differentiation is especially important in the consolidated Chinese beer industry where, following a recent period of mergers and acquisitions, the top five brands control almost three-quarters of the market. Strength often is regional, reflecting brand origins.

Yanjing Beer is particularly strong in Beijing, where it was established. Prior to the fifteenth century, in fact, Beijing was called Yanjing. The brand also is strong in Guangxi, Hunan and Inner Mongolia. To further strengthen its position in Inner Mongolia, Yanjing Beer is planning to acquire a local brand called Jinchuan.

The company currently operates 21 breweries throughout China, producing roughly 5 billion liters of beer annually. Yanjing Beer was an official sponsor of the 2008 Beijing Olympics and is the only beer served in the Great Hall of the People.

In part because of the beer category's traditionally low margins in China, Yanjing Beer is leveraging its national prominence to stretch the brand beyond beer into non-alcoholic beverages and food.



PLACE: Ping'an Village **NAME:** Liao Xianglan **STORY:** I'm a member of the Zhuang minority. I'm more than 60 years old. I have three daughters, all of whom are carrying luggage up to the mountain for the tourists. So I have to take care of one of my daughter's son. At the same time, I can earn some money by selling vegetables. I live a happy life now.



PLACE: Rong Lake, Guilin **NAME:** Mrs. Wu **STORY:** My hometown is in Qingdao, Shandong Province. I have been here for almost 30 years, since my husband, a soldier, was stationed in this area. I have a daughter and a son, both of whom work in Guilin. I worked in a kindergarten, but now I have retired. I'm suffering from high blood pressure and this has done harm to my eyes.



Bright

COMPANY: Shanghai Bright Dairy & Food Co., Ltd.
 BRAND VALUE: US \$534 Million
 YEAR ON YEAR CHANGE: 2%
 HEADQUARTER CITY: Shanghai
 INDUSTRY: Dairy Manufacturer & Distributor
 YEAR FORMED: 1996

Bright is one of China's largest dairy products suppliers.

Shanghai Bright Dairy & Food Co., Ltd. was organized in 1996 from Shanghai Dairy Company and Shanghai Industrial Holding Ltd. of Hong Kong. Bright became a nationally known brand in just a few years and a publicly traded company in 2002.

Bright is respected, especially in Shanghai, for the quality of its yogurt and milk, which is sterilized using a low-temperature process. The brand continues to differentiate by emphasizing high standards for

food freshness and safety. It achieves these standards by sourcing from local pastures and by investing in new technology. The company also owns a large research and development center and the brand is highly regarded for introducing innovative, new products.

During the 2008 Chinese milk scandal, Bright's decisive response and quick apology, which was markedly different from some rivals, enabled the company to recover relatively quickly and lessen the impact on its sales and brand equity.



CRSanjiu

COMPANY: China Resource Sanjiu Medical and Pharmaceutical Co., Ltd.
 BRAND VALUE: US \$485 Million
 YEAR ON YEAR CHANGE: -28%
 HEADQUARTER CITY: Shenzhen
 INDUSTRY: Pharmaceutical Manufacturer
 YEAR FORMED: 1999

CRSanjiu Pharmaceuticals produces over-the-counter (OTC) drugs, Chinese remedies, and prescription drugs, such as antibiotics, under the brand name CRSanjiu. An OTC leader in China, the company is particularly well known for producing the country's leading cold remedy—CRSanjiu Ganmaoling.

The company is controlled by Sanjiu Enterprise Group, a state-owned company. The Group oversees the distribution of the 999 brand worldwide through another subsidiary.

Although pharmaceuticals is the core business of China Resource Sanjiu Medical and Pharmaceutical Co. Ltd., the company also is engaged in printing, food processing and real estate development.

When CRSanjiu experienced problems resulting from over diversification and excessive debt several years ago it received an investment infusion from China Resources, the large diversified conglomerate, which holds a large interest.



PLACE: Shanghai **NAME:** LV Gang **STORY:** I was born in 1978, and my hometown is in Anhui. I came to Shanghai after graduating from university and currently work in East Nanjing Road as a salesman. I recently got married but we haven't started a family yet. We're still renting a house and hope to purchase one as soon as possible.



PLACE: Shanghai Hongqiao Airport **NAME:** Li Hongying **STORY:** We are not local people. We are a big family from Suzhou, Jiangsu Province, and we are traveling to Guilin. We travel a lot, usually by plane, but we don't choose the airline company by ourselves. The tour company usually makes the decision.



Septwolves

COMPANY: Fujian Septwolves Industry Company, Ltd.
 BRAND VALUE: US \$453 Million
 YEAR ON YEAR CHANGE: N/A
 HEADQUARTER CITY: Jinjiang
 INDUSTRY: Apparel
 YEAR FORMED: 1990

Septwolves primarily manufactures menswear, both casual and business, but it also produces clothing for women and children.

With more than 3,000 workers, including a design team of 50, Septwolves markets under its own brand and also supplies other international brands with merchandise as an Original Equipment Manufacturer/Original Design Manufacturer (OEM/ODM).

Under the Septwolves label, the company designs garments that integrate international and Chinese styles. The company divides

its business into these segments: international designer, business, leisure, jeans, women's wear and children's wear. It operates or franchises over 3,500 stores, including a flagship outlet in Xiamen, on the southeast coast.

Septwolves sponsors major sporting events to associate the brand with characteristics like teamwork and passion. It supplied clothing for Real Madrid when the Spanish soccer team toured China, for example. The company was listed on the Shenzhen Stock Exchange in 2004.



Hainan Airlines

COMPANY: Hainan Airlines Company, Ltd.
 BRAND VALUE: US \$427 Million
 YEAR ON YEAR CHANGE: N/A
 HEADQUARTER CITY: Haikou
 INDUSTRY: Airline
 YEAR FORMED: 1989

Hainan Airlines is one of China's major airlines, with roughly 500 flights per week to 100 domestic and international destinations in Africa, Asia, Europe, the Middle East, North America and, as of 2011, Australia.

During 2011, Hainan also added Zurich and Istanbul to its European destinations, which include Budapest, Brussels and Berlin. The airline's most-traveled routes are between Beijing and cities in Russia. It operates a fleet of around 100 planes.

Hainan flies from cities throughout China, but Beijing, in the north and Haikou, on the island province of Hainan in the South China

Sea, are the primary operations centers. Hainan Airlines attempts to differentiate the brand with an emphasis on customer service and received a five-star rating from the airline review site Skytrax.

Hainan Airlines is part of the HNA Group, a conglomerate with holdings in tourism, retail, industry, real estate and other areas. The Group was formed in 1993 from the Hainan Provincial Airlines Company. The name eventually was changed to Hainan Airlines Company Ltd. (HNA).

The airline was listed on the Shanghai Stock Exchange in 1997. The Hainan Provincial Government is the largest stakeholder.



PLACE: Ping'an Village **NAME:** Mr. Liao **STORY:** I'm a member of the Zhuang minority. I'm more than 60 years old. I have three daughters. They opened a restaurant together. Usually I work in the field, but I help them when they are very busy. Since my hometown became a tourist destination, life has changed a lot for us. I hope we can benefit from the tourism.



PLACE: Guilin **NAME:** Zhao Xuesong **STORY:** I was born in 1970, and I'm not local. I came to this city as a migrant worker, from a rural area in another province close to here. I have been working here for several years. But most of my jobs are in construction. Although I'm a little bit tired, I still enjoy the work, and the money I earn meets my family's living expenses. I hope one day I can earn enough to buy a house in this city.



Fulinmen

COMPANY: COFCO
 BRAND VALUE: US \$380 Million
 YEAR ON YEAR CHANGE: 138%
 HEADQUARTER CITY: Beijing
 INDUSTRY: Cooking Oil and Rice Producer
 YEAR FORMED: 1993

Fulinmen is a leading producer of edible oil. The brand has effectively distinguished itself from competitors by emphasizing food health and safety, which are particularly important issues in China.

Recent product introductions reflect this positioning. Fulinmen introduced a new generation of corn oil in 2011. Sourced from the world's second largest gold corn belt, in North Eastern China, the product is advertised as rich in key nutrients.

Fulinmen advertising reinforces the point, creating a personality for the Fulinmen brand that suggests the protective attitude a concerned and wise mother would have for her family.

The brand also conducted a series of events, demonstrating its commitment to health and safety with factory tours and community education programs. The clear and consistent message accounts in part for strong sales increases.

Fulinmen is owned by COFCO, one of China's largest food manufacturers.



BYD

COMPANY: BYD Company, Ltd.
 BRAND VALUE: US \$353 Million
 YEAR ON YEAR CHANGE: -83%
 HEADQUARTER CITY: Shenzhen
 INDUSTRY: Car Manufacturer
 YEAR FORMED: 1995

The leading producer of electric cars in China, BYD is well positioned to benefit from the country's explosive growth in automobile ownership and government clean energy policies.

The company produces 800,000 cars annually in about a dozen models, including sedans and minivans. But BYD did not start as a car manufacturer. BYD started as a rechargeable battery manufacturer and remains the leading supplier of rechargeable batteries to Apple, Nokia, Motorola and Samsung. The company was listed on the Hong Kong Stock Exchange in 2002. The shift to cars began in 2003, with the acquisitions of Xi'an Qinchuan Auto Company, Ltd, and Beijing Jichi Auto Mould Company, Ltd. In 2008, BYD acquired Ningbo Zhongwei, a semi-conductor manufacturer.

BYD has since built four manufacturing facilities, in Xi'an, Beijing, Shenzhen and Shanghai. The capacity enables the company to serve domestic consumer demand and pursue commercial opportunities. In 2010, it began supplying Shenzhen with a limited number of taxis; the first time 100 percent electric vehicles were put into the taxi market in a large quantity worldwide.

The company received a \$230 million (RMB1,470 million) vote of confidence when Warren Buffet's Berkshire Hathaway purchased a 10 percent stake, in 2008. BYD formed a partnership with Germany's Daimler in 2010. It is also organizing its export program, especially to North America, where it could introduce its plug-in hybrid.



PLACE: Book store, Shanghai **NAME:** Zhang Naike **STORY:** I was born in 1983. I graduated from a technical school in Shanghai. But I'm unemployed. It is very hard for me to find an appropriate job. I'm very worried about this. I hope I can find a full-time job soon.



PLACE: Harbin **NAME:** Li Qian **STORY:** I was born in 1981. We are not local, actually. We are a family from Inner Mongolia. You may think we are very rich to afford the travel. The fact is we are only farmers. We live quite a simple life so that we can save enough money to travel around. Though it is not so easy to earn money as a farmer. I hope we can travel to other places next holiday.



Sohu

COMPANY: Sohu.com, Inc.
 BRAND VALUE: US \$326 Million
 YEAR ON YEAR CHANGE: N/A
 HEADQUARTER CITY: Beijing
 INDUSTRY: News, Information and Search
 YEAR FORMED: 1996

Sohu is a leading Internet portal for news, sports, business, entertainment and other information. The site also provides email and instant messaging services.

The company operates related online businesses including: search (sogou.com), alumni networks (chinaren.com), gaming community (17173.com), real estate (focus.cn), wireless applications, such as ringtones (goodfeel.com), and mapping (go2map.com).

Sohu derives revenue both from businesses and consumers. Online sponsored search and advertising generates most of the revenue from businesses. The sponsored search business includes Sogou.com, a search engine; Sogou Pinyin software for word recognition; and Sogou Browser.

Gaming, entertainment and messaging drives revenue from consumers. Most of the gaming revenue comes from the company's majority-owned subsidiary, Changyou, a leading developer of online games. Its best known game, Tian long Ba Bu, combines martial arts themes with aspects of games based around community-building.

The company was formed in 1996 as Internet Technologies China Inc., and became Sohu.com, Inc. in 1999. The company introduced an IPO in 2000, and is listed on the NASDAQ Stock Exchange.



361°

COMPANY: 361 Degrees International Ltd.
 BRAND VALUE: US \$303 Million
 YEAR ON YEAR CHANGE: -6%
 HEADQUARTER CITY: Xiamen
 INDUSTRY: Sportswear Manufacturer
 YEAR FORMED: 2003

One of China's fastest-growing sportswear companies, adding 600-to-800 outlets annually, 361° is vertically integrated from design through manufacturing to brand management. Consumers generally associate 361° products with high performance, innovation and cutting-edge style.

The company sells its merchandise through a network of roughly 30 exclusive distributors who sell to 3,500 dealers that operate more than 7,000 shops nationwide. To communicate the brand at retail, the company is developing a flagship prototype called 361° Town.

Although 361° has avoided big-name athlete endorsements to date, it has raised the brand profile with sponsorship activity, including the Chinese curling team at the 2009 Winter Olympics, and the Asian Games in Guangzhou, in 2010. It also supplies apparel to China national teams in several sports.

The company was listed on the Hong Kong Stock Exchange in 2009.

TAKE AWAYS



Summary thoughts on creating and Sustaining valuable brands in China

Brands rise in value and significance...

- 1. Brand value increases.** Chinese brands continue to steadily increase in value. The rise results from more innovation and better marketing and image building, as well as from economic factors that include rising income and growing demand.
- 2. New levers drive value.** Standard drivers of brand value in China, such as fame and celebrity, remain important. But they are no longer enough. Successful brands keep pace with rapidly changing consumer expectations for improved products and services.
- 3. Diverse categories benefit.** Rising expectations and income spur interest in many categories, including: alcohol, apparel, travel and even insurance as members of expanding middle class acquire more assets worth protecting.
- 4. Personal identity expressed.** Greater disposable income enables consumers to develop and express a more multifaceted personal identity that goes beyond their connection to family or local roots.
- 5. Luxury shines.** Luxury brands continue to draw Chinese shoppers, for many reasons, but most especially because ambitious people have few symbols available—other than luxury items—to demonstrate their success.

- 6. Brands expand overseas.** The growing stature of Chinese brands is reflected in their international presence in categories as diverse as alcohol, apparel, appliances, finance, pharmaceuticals and technology.
- 7. Competition inspires brand building.** Even the large State Owned Enterprises (SOEs) are more brand-focused because of increased competition at home.
- 8. Brands facilitate expansion.** Brands ease the way, as both domestic and foreign brands seek growth opportunities in smaller cities and rural locations, away from the saturated markets of coastal China.
- 9. Smaller cities hold large opportunities.** Tier three and four cities, the official designations for China's smaller urban centers, include over 160 million households. To connect, it is important to localize the brand message. At the same time, it also can be useful to downplay the hierarchical implications of "tiers," as consumers will welcome brands that make them feel confident and an important part of the changing China.

... Improve in quality and reliability...

- 10. Consumer sophistication grows.** Educated by their increased exposure to both overseas and domestic brands, Chinese consumers are becoming more demanding and discerning in their brand expectations. These expectations provide brands with great potential to surprise and satisfy consumers.
- 11. Health and safety.** Health and safety are increasingly important considerations, as indicated by the growing popularity of fruit drinks and the emphasis on food safety by the dairy industry.
- 12. Innovation and trust.** Consumers are looking for brands that combine innovation and trust, qualities increasingly found in Chinese products as the country begins to market as well as manufacture brands.
- 13. Renewal and relevance.** While Chinese heritage remains a strong brand advantage, consumers expect brand history to be updated with contemporary relevance.
- 14. Youthful opportunity.** China's young people are avid consumers and eager to obtain greater material success than their parents' generation. But they're not a monolithic purely materialistic group. With growing affluence many feel a greater sense of social responsibility.

... And develop an extensive presence online

- 15. Wired to purchase.** Chinese consumers are among the world's most wired. They spend time online for self-expression or entertainment and to connect with friends.
- 16. Exposure to brands.** The Internet exposes consumers to myriad brands and accelerates the introduction of brands throughout the country.
- 17. Networking to e-commerce.** The information and shopping functions of the Internet are rapidly converging to meet the needs of consumers who may want to network with friends on a shopping platform or shop on a networking platform.
- 18. Consumers are listening.** The market is cluttered with media options—traditional, online and, increasingly, out-of-home. Breaking through the clutter is challenging. But Chinese consumers are eager to learn about new brands, products and services.
- 19. Social media opportunity.** The Internet is more fragmented in China than in most countries. Where Facebook or Twitter may dominate their sectors in certain countries, in China several different brands will offer the equivalent services. Reaching consumers requires knowing they can be found in many places.
- 20. Mobile exploding.** Mobile is quickly becoming the preferred way many Chinese people, particularly the young, access information. But people still spend a lot of time with traditional media, such as TV, which can't be ignored.

Market Facts | Media: The number of mobile Internet users is expected to surpass the number of PC Internet users by 2013. (CNNIC, DCCI)

Market Facts | Media: People who use social networking sites (SNS) tend to shop more online. Almost 36 percent of SNS users said they often shop online compared with roughly 26 percent of all online users. (CNRS-TGI China, CTR.)



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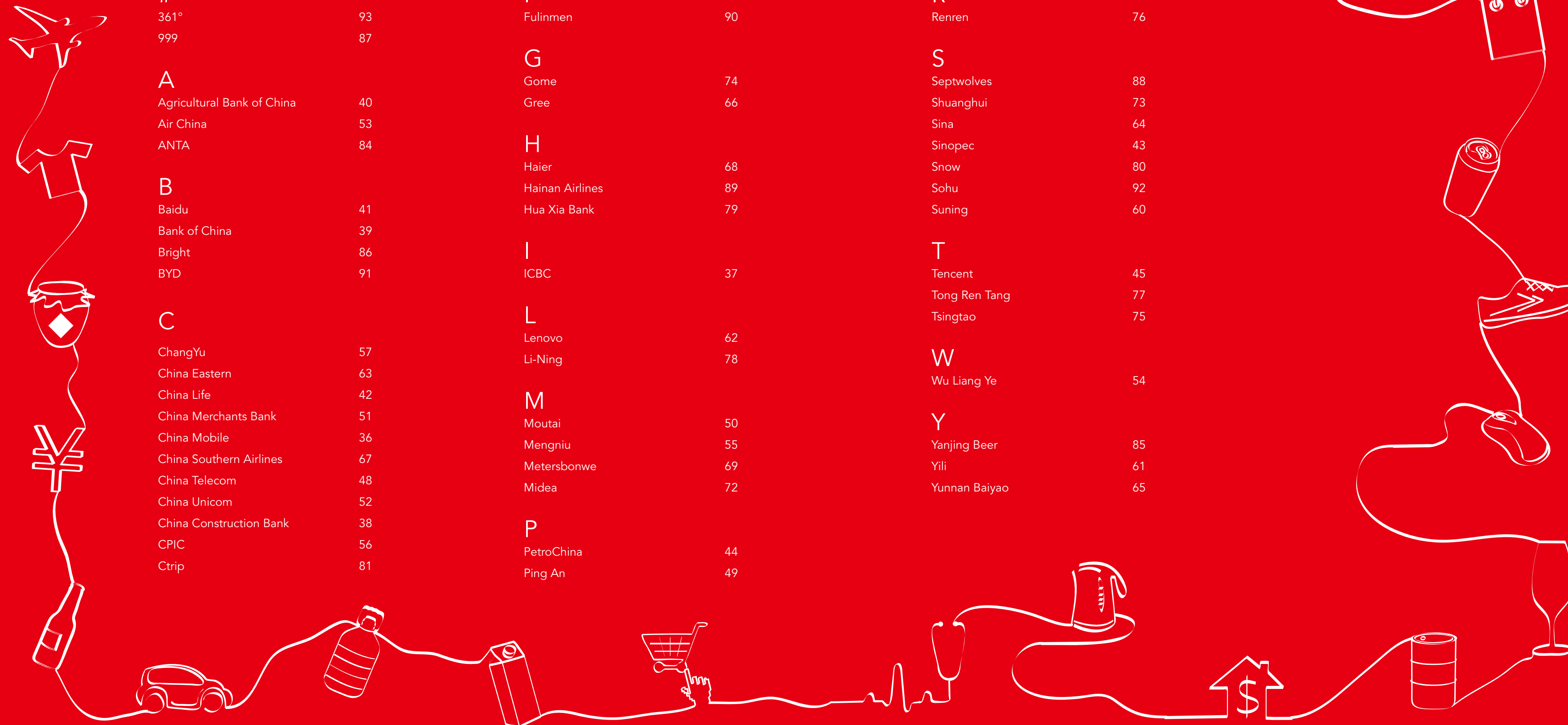
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The BrandZ™
 Top 50 Most Valuable Chinese Brands
 is available free on
 your smart phone or tablet.

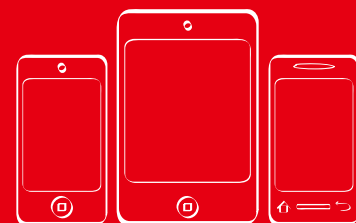
The China Top 50 is part of a growing library of brand and country market studies powered by BrandZ™, the world's largest and most reliable and comprehensive brand analytics and equity database. All the studies are available free on mobile devices. They include:

The Top 100 Most Valuable Global Brands 2011: Valuations and analysis of top brands with insights into worldwide market dynamics across 15 product categories. ▶

To see if your device is supported simply enter the following link into your mobile browser: <http://app.brandz.com>.

IconMobile developed the mobile applications for all the BrandZ™ studies. To find out more about Iconmobile visit website: www.iconmobile.com

For iPhone, iPad & Andriod Devices



The BrandZ™ studies are available from the iTunes store (for Apple devices) and the Marketplace (for Android devices). Simply search for brandz. The size of the download is over 1MB so you will need to be connected to a WiFi network.

BRANDZ™
Top 100
 Most valuable
 global brands

2011

Valuation and Methodology by
 MillwardBrown
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The Top 20 Most Valuable Global Retail Brands 2011

Digital reshapes retail

The new customer journey

Brand performance measures

Forward insights & implications

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Brand valuations by MillwardBrown Optima

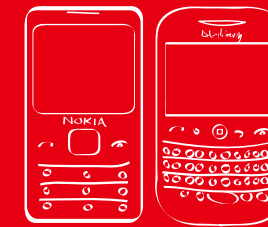
Brand analysis by KANTAR RETAIL

Commentary by WPP Companies



◀ **The Top 20 Most Valuable Retail Brands 2011:**
Performance and strategies of the leading retail brands with a special focus on how digital is reshaping the industry.

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The application can be downloaded directly from your handset by simply entering the following link into your mobile browser: <http://app.brandz.com>. The size of the download is under 1MB, which will be charged at your network operator's rates. Please see your operator data plan for more information.

METHODOLOGY



How brand value is calculated

Millward Brown Optimor applies an economic use approach to brand valuation, using a methodology similar to that employed by analysts and accountants.

The brand value published is based on the intrinsic value of the brand – derived from its ability to generate demand. The dollar value of each brand in the ranking is the sum of all future earnings that brand is forecast to generate, discounted to a present-day value. Given the high volatility of financial markets over the past two years, the brand value is in some cases high relative to current market capitalization, reflecting true value rather than current market swings.

First, we identify the portion of total company earnings generated by each business that carries the brand. For example, in the case of Coca-Cola, some earnings are not branded Coca-Cola, but come from Fanta, Sprite, or Minute Maid. From these branded earnings, we subtract capital charges. This ensures that we only capture value above and beyond what investors would require any investment in the brand to earn – the value the brand adds to the business. This provides a bottom-up view of the earnings of the branded business.

Brand Contribution

How much of these branded earnings are generated due to the brand's close bond with its customers?

Only a portion of these earnings can be considered as driven by brand equity. This is the "Brand Contribution," the measure that describes the degree to which brand plays a role in generating earnings. This is established through analysis of country, market, and brand-specific customer research from the BrandZ™ database.

This guarantees that the Brand Contribution is rooted in real-life customer perceptions and behavior, not spurious "expert opinion." The Brand Contribution allows us to capture differences in the importance of brands by category and by country, the role of brand versus other factors such as price and location, and changing customer priorities.

In some categories, such as luxury goods, cars, or beer, brand is particularly important. Over the past five years, the importance of brand has risen. Brand Contribution is calculated as a percentage, but displayed as an index from 1 to 5 (5 being the highest).

Brand Multiple

What is the growth potential of the brand-driven earnings?

In the final step, the growth potential of these branded earnings is taken into account. Both financial projections and consumer data are used. This provides an earnings multiple aligned with the methods used by the analyst community. It also takes into account brand-specific growth opportunities and barriers.

The Brand Momentum™ metric that indicates each brand's growth is based on this evaluation. It is presented as an indexed figure that ranges from 1 to 10 (10 being the highest).

For further information on brand valuations contact:

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Millward Brown Optimor
Cristiana.Pearson@millwardbrown.com

The data sources

Brand Equity

Insights into customer behavior and brand perceptions come from WPP's BrandZ™, an annual quantitative brand equity study in which consumers and business customers familiar with a category evaluate brands. Since the inception of BrandZ™ 14 years ago, over two million consumers and business-to-business customers across more than 30 countries have shared their opinions about thousands of brands. It is the most comprehensive, global, and consistent study of brand equity.

Financial Performance

Financial data is sourced from Bloomberg, analyst reports, Kantar Worldpanel, and company filings with regulatory bodies. A team of Millward Brown Optimor analysts then prepares financial models for each brand that link brand perceptions to company revenues, earnings, and ultimately shareholder and brand value.

The valuation process

The brand value is calculated in three steps:

Intangible Branded Earnings

What proportion of a company's earnings is generated "under the banner of the brand"?

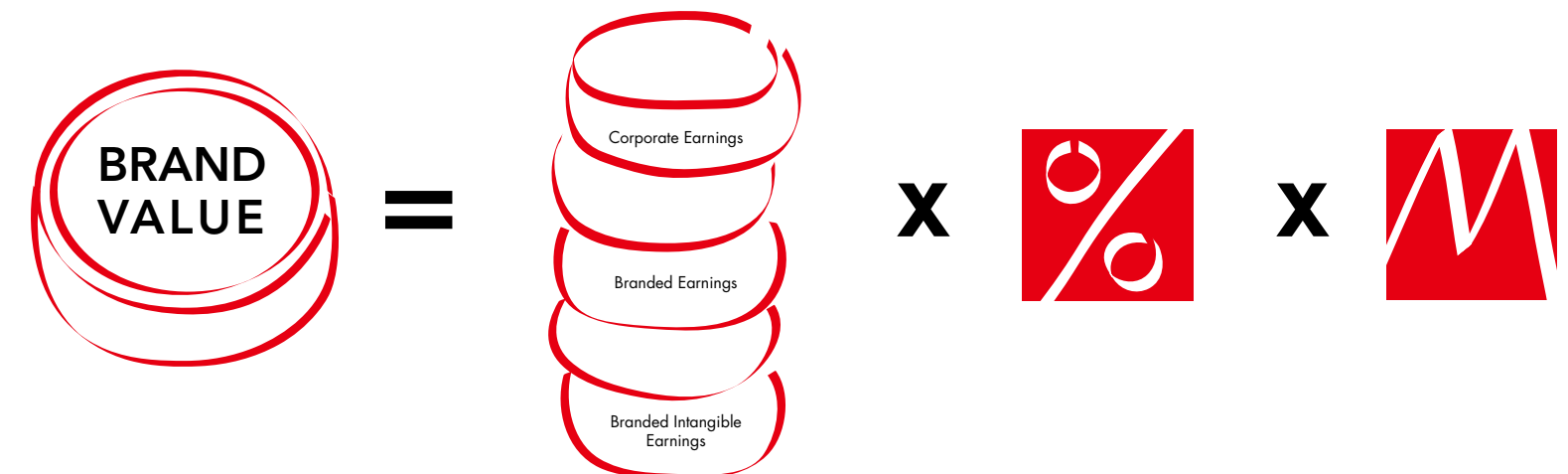


Along with high value, the brands ranked in the China Top 50 study also meet these criteria: They are publicly traded, report positive earnings, and were formed by a China mainland enterprise. In addition:

In valuing financial institutions, we included only banks that obtain at least 20 percent of their earnings from retail banking.

In valuing telecoms, we included landline, wireless, cable and Internet businesses to reflect the convergence happening in the category.

Finally, the availability of more data each year helps improve each successive annual ranking.



Step 1.

Intangible Earnings
Intangible corporate earnings allocated to each brand by country, based on company and analyst reports, industry studies, revenue estimates, etc

Data Sources

Bloomberg

KANTAR WORLD PANEL

Bloomberg, analyst reports, company annual reports and Kantar Worldpanel data

Step 2.

Brand Contribution
Portion of intangible earnings attributable to brand.

Directly driven by BrandDynamics™ Loyalty Pyramid and Category Segmentation collected within the BrandZ™ study

Data Sources

BRANDZ™

Step 3.

Brand Multiple
Brand earnings multiple.

Calculated based on market valuations, brand growth potential and Voltage™ as measured by BrandDynamics™

Data Sources

Bloomberg BRANDZ™

WPP RESOURCES



WPP is a world leader in marketing communications

WPP companies, which include some of the most eminent agencies in the business, provide global, multinational and local clients with:

Advertising

Media Investment Management

Consumer Insight

Public Relations & Public Affairs

Branding & Identity

Healthcare Communications

Direct, Digital, Promotion & Relationship Marketing

Specialist Communications

Collectively, WPP employs over 153,000 people (including associates) out of almost 2,400 offices in 107 countries. Clients include 336 of the Fortune Global 500, 60 of the NASDAQ 100 and 32 of the Fortune e-50.

WPP in China

WPP and WPP companies have offices in Beijing, Shanghai, Guangzhou and many other major cities and provinces of Greater China. The Group's Chinese operations are well established in the areas of Advertising; Media Investment Management; Information, Insight & Consultancy; Public Relations; Branding & Identity; Direct, Internet and Interactive. The Group currently employs 13,000 people (including associates) across Greater China.

WPP companies work with many of the country's top brands, as well as multinational clients wishing to develop their presence in China.

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A complete list of WPP companies and a searchable directory is available at

<http://www.wpp.com/wpp/companies/>

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BANNER

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J W T INSIDE

KANTARoperations

burrows

ROBINSON LERER & MONTGOMERY STRATEGIC COMMUNICATIONS

The Brand Union

IPAN Public Relations & Public Affairs

ADK

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studiocom

wunderman

argonauten

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Ogilvy CommonHealth Worldwide

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PACE

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actis wunderman

Headcount

Burson-Marsteller

KASSIUS

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SUDLER HENNESSEY

the futures company

gci health

KBM GROUP

Grey Healthcare Group

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TAPSA

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CHIME COMMUNICATIONS PLC

247 REALMEDIA

J W T

CHI&Partners

IEG

REDWORKS

THE STORE

kinetic

y&R

everystone

WPP Digital

SMOLLAN GROUP

technology building brands

PUBLIC STRATEGIES INC

OgilvyOne worldwide

Buchanan

ICONMOBILE

IEG

REDWORKS

THE STORE

kinetic

y&R

everystone

WPP Digital

OgilvyAction

designkitchen

heathwallace

Mando

OgilvyInteractive worldwide

H-art

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cohn&wolfe

IMRB International

MINDSHARE

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clarion

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PBN

metro

PENN SCHOEN BERLAND

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VML

Lambie-Nairn

FITCH

KANTAR

THE PARTNERS

EWA Bespoke Communications

spafax

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PENN SCHOEN BERLAND

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Ogilvy Public Relations Worldwide

kinetic

y&R

everystone

WPP Digital

cohn&wolfe

IMRB International

MINDSHARE

COLEY PORTER BELL

MINDSHARE

MINDSHARE

[BRANDBUZZ]

groupm

mec: Active Engagement

ALLIANCE

KANTAR

THE PARTNERS

WITH THANKS



BRANDZ™

BrandZ™ is the world's largest and most reliable and comprehensive customer-focused brand analytics and equity database. It forms the basis of many studies, such as this one on Chinese brands, as well as the definitive Top 100 Most Valuable Global Brands. Commissioned by WPP and conducted annually by Millward Brown, the global study measures the brand equity of thousands of consumer-facing and business-to-business brands. It is based on interviews with over 2 million consumers worldwide.

www.brandz.com



Millward Brown Optimor is the global brand strategy and financial consultancy of Millward Brown. The organization helps companies maximize the financial returns on their brand and marketing investments. Millward Brown Optimor developed the methodology and performs the valuations for the BrandZ™ most valuable rankings, including the Global Top 100, the most comprehensive annual ranking of brand value, and the China Top 50.

www.millwardbrown.com



Kantar Worldpanel is the world leader in consumer knowledge and insights based on continuous consumer panels. Its High Definition Inspiration™ approach combines market monitoring, advanced analytics and tailored market research solutions to deliver both the big picture and the fine detail that inspire successful actions by its clients.

www.kantarworldpanel.com

Bloomberg

The Bloomberg Professional service is the source of real-time and historical financial news and information for central banks, investment institutions, commercial banks, government offices and agencies, law firms, corporations and news organizations in over 150 countries.

www.bloomberg.com

Many of the Market Facts included throughout this study were provided by other WPP companies, including CTR in association with Kantar Media's Target Group Index (TGI).

CTR and Kantar Media TGI

CNRS-TGI China, delivered by CTR in association with Kantar Media's TGI, is the largest true single-source continuous survey of consumer usage habits, lifestyles, media exposure and attitudes in China. Established in 1999, the survey, recently expanded to cover 60 tier one to tier five cities representing over 120 million Chinese consumers, provides accurate and independent marketing information on adults aged 15 to 69.

www.ctrchina.com.cn

For further information about the BrandZ™ Top 50 Most Valuable Chinese Brands 2012, please contact:

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WRITING AND PHOTOGRAPHY

David Roth is the CEO of The Store WPP, for EMEA and Asia and leads the BrandZ™ worldwide project. He has been associated with China for the past 15 years and advises many companies and retailers on their China entry strategy, and the changing Chinese consumer. Prior to joining WPP David was a main board Director of the international retailer B&Q.



Ken Schept is a professional writer specializing in articles and reports about retailing and marketing. He began his career as a reporter and editor for a leading US publisher of retailing journals and developed international publications, research, conferences and retail study tours before starting his own business.



Cecilie Østergren is a professional photojournalist whose extensive travels in China resulted in two in-depth photo series, one on Mongolian Coalminers and one on the roots of Kung Fu. She has collaborated with Danish book publisher Politikens Forlag on three occasions, producing travel books across India, Greece and Denmark, her native country.



