



Chinese nationalism and its impact on brands

October 2008

If there is one sentiment that has paralleled China's relentless rise in the global stakes, it has been the rise in the Chinese citizens' confidence in their nation. There is plenty of good reason for this pride. China has emerged as a global economic force, within the lifetimes of its working population, and many of its political leaders. China's successful staging of the 2008 Olympic Games and its topping the gold medal tally is again a clear sign of the determination of its leaders and people alike to achieve domination – the 'soft power' for which President Hu Jintao would like the nation to be known for.

In the runup to the Olympics, the term 'Nationalism' has been a recurrent theme in political, social and business coverage of China. Nationalism refers to either to an ideology, a sentiment, a form of culture, or a social movement that focuses on the nation.¹ As an ideology, nationalism holds that 'the people' in the doctrine of popular sovereignty is the nation, and that as a result only nation-states founded on the principle of national self-determination are legitimate. Contrary to a popular belief, nationalism does not always lead to violence, however, and it plays an integral role in the daily lives of most people around the world. Flags on buildings, the singing of national anthems in schools and at public events, and cheering for national sports teams are all examples of everyday nationalism that is often unselfconscious. Industrialization, democratization, and support for economic redistribution have all been at least partly attributed to the shared social context and solidarity that nationalism provides.

2008 has been, in many ways, a watershed year for China. With the Olympics at the center-stage, the events in Tibet and the Sichuan earthquake have combined to unleash a nationalistic sentiment seen like never before in the contemporary world. For once, a potent combination of social, economic and political forces have buffeted the world of consumption and brands, the implications of which may last for a long, long time. Or will they? To find the answers, it would be worth the while to look back at a chain of events that unleashed a nationalistic fervour among China's people.

A chronology of events

The 2008 Tibetan unrest, also known as the 3/14 Riots in China, began with demonstrations on March 10, 2008 (Tibetan Uprising Day), the 49th anniversary of the failed 1959 Tibetan uprising against Beijing's rule. The protests and subsequent riots began when 300 monks demanded the release of other monks detained since last fall, but soon after, political demands surfaced and the protest turned violent. Tibetans attacked non-Tibetan ethnic groups. In European and US newspapers and TV, oppression of Tibetans was reported with inaccuracy and little independent cross-checking. Chinese newspaper *China Daily* reported that there was a bias in Western media's coverage of the rioting in Tibet, including deliberate

¹ <http://en.wikipedia.org/wiki/Nationalism>

misrepresentation of the situation. The newspaper pointed out that Western media sources such as *Washington Post* used pictures of baton-wielding Nepalese police in clashes with Tibetan protesters in Kathmandu, claiming that the officers were Chinese. Chinese netizens were angered by what they saw as biased and sometimes dishonest reportage by Western media. There was also criticism of CNN's use of a particular cropped picture, and it led to the creation of a very popular site www.anti-cnn.com, which staunchly defends China's position on Tibet.

For those outside China who wanted to raise the Tibet issue (and other pet peeves against China), the Olympic Torch relay provided them with just the opportunity. Starting from the torch lighting ceremony in Olympia, Greece on March 22, when a group of journalists from *Reporters Sans Frontieres* tried to interrupt the head of the Beijing Olympic organizing committee, Liu Qi's speech, to Paris, San Francisco, New Delhi ... anti-China protestors kept up a strident note of attack. This was all great news for the Western media.

China's citizens were outraged. The Olympics were the nation's coming out party, and it seemed that the rest of the world was doing its best to play spoilsport. Young people in China and outside worked themselves into a different form of righteous anger. In online forums and chat rooms, they blasted Beijing's leaders for not being tougher in Tibet. They agitated for boycotts against Western businesses based in nations that object to Beijing's policies, and they directed venomous fury against anyone critical of China. The anger spread to American college campuses, to Chinatown in San Francisco. In April, Chinese students at the University of Southern California blasted a visiting Tibetan monk with angry questions about Tibet's alleged history of slavery and other controversial topics. When the monk tried to respond, the students chanted, "Stop lying! Stop lying!" At the University of Washington, hundreds protested outside during a speech by the Dalai Lama, chanting, "Dalai, your smiles charm, your actions harm." When one Chinese student at Duke University tried to mediate between pro-China and pro-Tibet protesters, her photo, labeled 'traitor,' was posted on the Internet, and her contact information and her parents' address in China were listed for all to see.

Meanwhile, CNN continued to draw the ire of the Chinese. One of its program hosts, Jack Cafferty, said in the TV program *'The Situation Room'* that Chinese people were "basically the same bunch of goons and thugs they've been for the last 50 years" and called Chinese products "junk," triggering anger among Chinese worldwide. CNN's ham-handed explanation was that Cafferty's remarks were targeting the Chinese government, not the Chinese people, leading the central government and most Chinese to dismiss the explanation as insincere. Thousands of overseas Chinese protested in front of CNN's branch in Los Angeles demanding CNN fire Cafferty and apologize. CNN ultimately did, even though Jack Cafferty continues to be employed by them.

Within China, a different kind of payback was quickly unfolding. It started on April 10, 2008 with a post by a netizen named "Shui Ying." The post was titled "Boycott French

goods, let us start with Carrefour” and was initially posted to the MOP forum. Not taking it seriously enough, the management at Carrefour took a whole week to make their first public statement on April 16, 2008. This sort of indifference and nonchalance looked like arrogance and made the netizens even more determined to carry out the boycott. The next day, someone hacked into the Carrefour website and posted a ‘Boycott Carrefour’ sign. They began mustering up support for demonstrations outside Carrefour stores across China, and called for a boycott, “If we all don't go to Carrefour, then Carrefour will seriously recognize the strength of the Chinese consumers.” Protestors gathered, the local and international media covered them. Business dropped immediately – people stopped going to the hypermarket lest they invite the wrath of their fellow citizens. In fits and starts, the management at Carrefour defended their position, clarified that they did not support the pro-Tibet movement in any way, and finally, did the right thing – explained their stand through the Ministry of Commerce. Their spokesperson said, “Carrefour entered the China market in 1995. 95% of its products are manufactured in China, most of its employees are Chinese. We have noticed that the French government and companies have recently taken certain actions to improve and maintain bilateral relations. Carrefour and some companies have stated that they oppose Tibet independence and they support the Beijing Olympics. We welcome these statements.”

By then, the different events and opinions were merging, blending – all raising the stakes and a belief that the ‘world is out to get us’. Time magazine’s Beijing reporter Simon Elegant wrote, “It’s testament to the fever pitch of nationalism that even iconic figures can suddenly find themselves under attack. The Paralympic fencer Jin Jing became a national hero (dubbed “the wheelchair angel” by the Chinese media) for her attempts to protect the Olympic torch from pro-Tibet protesters in Paris. But after she questioned the wisdom of a call by some nationalists on the Internet to boycott the French retail giant Carrefour, Jin found herself the subject of Internet attacks branding her “unpatriotic” and a “traitor.”²



Netizens began to organize themselves in other ways. In the first week of April, as the torch relay (and China, by implication) was attacked, MSN users found this message when they opened their chatrooms: “Please add (Heart) China after your name on MSN, to show the unity of Chinese people around the world. Please send this message to your friends on MSN.” The word spread like wildfire; by April 18, 2008, about 2.3 million Chinese MSN users had added the pattern in order to show their unity and patriotism. MSN China spokesman Feng

Guangshun said he expected the number of participants of this spontaneous patriotic campaign by Chinese Internet users, to rise dramatically in the following few days; and it did.

² Simon Elegant: Why is China Burning Mad? Time Magazine, May 5 2008

In the afternoon of May 12 2008, an earthquake of magnitude 8.0 hit Sichuan province. Wenchuan county, at the epicenter of the quake, was wiped out. The losses are still being counted, but at least 69000 are known to be dead, and over 5 million have been left homeless. The government reaction to the quake was swift. The People's Army was airborne within twenty minutes, Premier Wen Jiabao arrived at the scene within two hours and took charge of the rescue effort personally. The floodgates of support opened up. US Army Cargo planes were allowed in; and international journalists given access to every part of the quake hit zone. The unexpected openness and swift actions diluted some of the international criticism of China that had occupied the media centre stage for some time.

The burning questions

Enough said about the politics and the social upheaval that contributed to the collective swelling of the Chinese chest, and the belief that the nation's pride was once again being attacked by a bunch of foreigners who knew little about wither history or current affairs. China was to stage the Olympics, and it believed that it could put on the grandest show ever. It also believed that it could displace the powerful United States from the top of the gold medals tally, though the leaders downplayed the expectation in the last couple of months before 08/08/08. At the same time, multinational companies such as adidas, Coca-Cola, Volkswagen, Nike, McDonalds and GE were shrugging off criticism in their home markets and urging 'Go China!' in their Olympic communications.

The questions we were asking were:

- How important a role would 'country of origin' play in the choice of brands that consumers made, given that some nations were seen to be 'more unfair' towards China than others?
- Would the feeling of nationalism translate into profits for Chinese companies?
- Was there anything at all that multinational companies could do when faced with an army of 25 million bloggers, eager to toss out an errant foreign brand at its slightest misstep?
- Was there a way to channelize a Chinese nationalism in their favour without alienating – their Western customers?

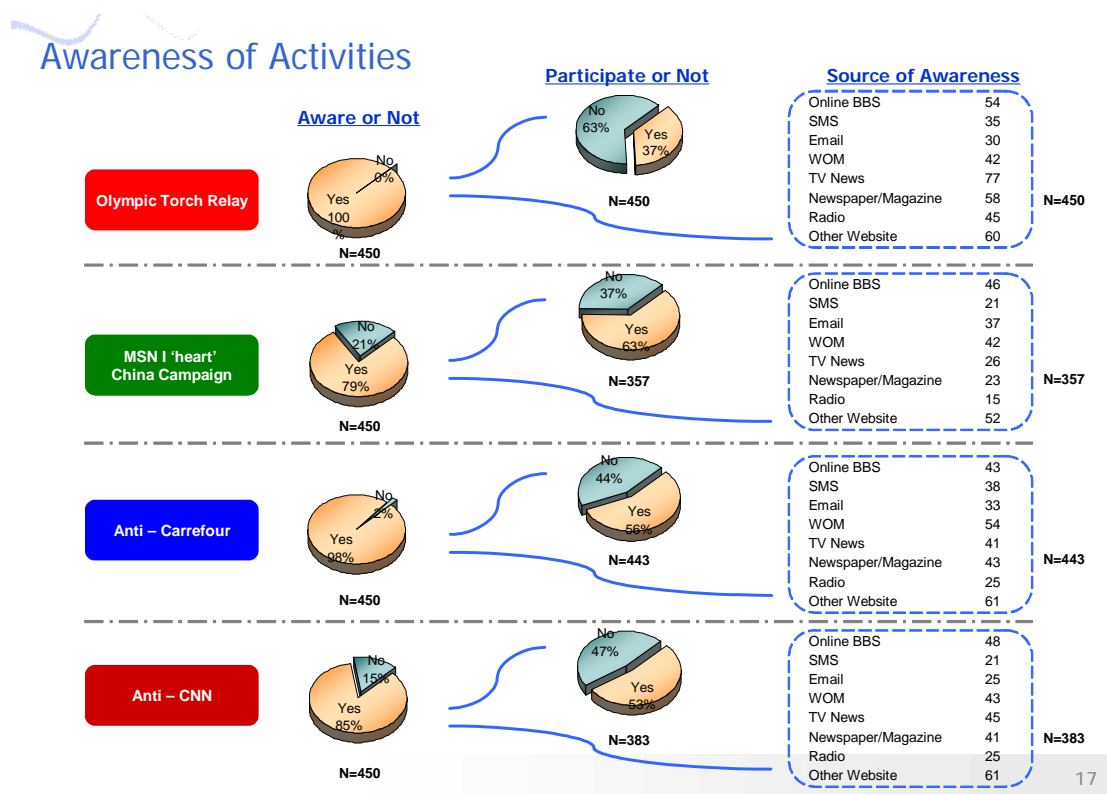
The Research

We conducted the quantitative study soon after the Wenchuan earthquake – between May 26 and June 6, 2008, using Lightspeed Research's (one of the world's leading providers of online research) online panel. The respondents were 900 Chinese citizens between the ages 16-45, distributed over nine tier one and tier two cities – Shanghai, Beijing, Guangzhou, Wuhan, Xi'an, Nanjing, Hefei, Hangzhou and Shenyang. A control – exposed group methodology was used to measure the impact of 'nationalistic' activities on brands; one group was prompted about the activities

such as the anti-Carrefour and anti-CNN movements, the other group was not. Simultaneously, we mined weblogs and BBSs (bulletin boards) to get a feeling of the sentiment that was being directed against mostly French brands. We chose a set of categories where both international and Chinese brands had a prominent presence: consumer electronics, skincare, automobiles, hypermarkets and luxury goods.

Findings

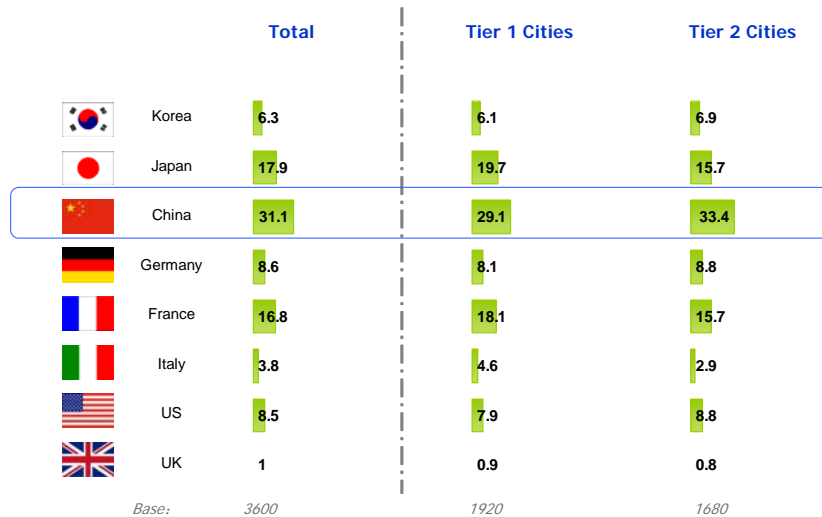
Our first question was a gauge of the **extent of awareness of and participation in the various events that triggered or were a response to the wave of nationalism**. Almost everyone knew about the anti-Carrefour activities, and awareness of the MSN I Heart China and anti-CNN campaigns were also high. Of course, everyone knew of the torch relay. What was interesting was that for the first three (mentioned above), the biggest source of awareness was online – which underscores the importance of the internet in spreading opinions and creating mass movements in China. The notable thing here is that the ease of participation on an online movement makes the gap between awareness and action much smaller – almost two-thirds of those who knew about the MSN I Heart China, for example, joined in.



So, how did this participation influence **brand provenance**? At the outset, it was clear that the respondents favoured Chinese brands over brands from other nations, with the preference being higher in lower tier cities.

Preferred Country – Across Categories

Overall, Chinese brands are quite preferred among the selected origins. And respondents from tier 2 cities shows a higher preference on Chinese goods comparing with those from tier 1 cities.



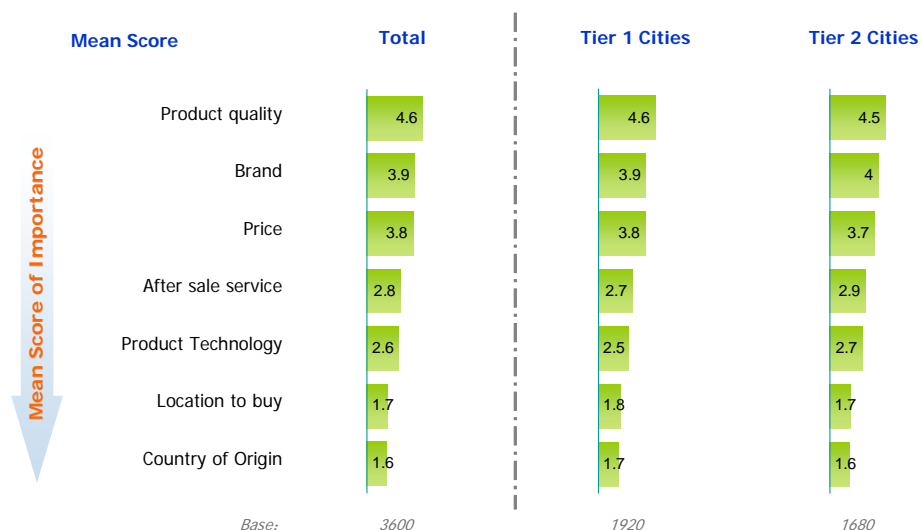
Q. If you want to buy a _____ (insert category name) product, what countries' brand would you be most interested in? (SA)

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However, when one looked deeper into which factors influenced purchase decision, the importance of country of origin dropped:

Stated Importance – Across Categories

Product quality is the most important factor on product choice across categories.



It was the quality of the product, the brand and the price which emerged as the most important factors, pretty much in consonance with other studies that have been done in the past or around the same time³. It reinforced our understanding that most

³ Foreign brands or Local Brands in China: Rationalism trumps Nationalism. Boston Consulting Group, June 2008.

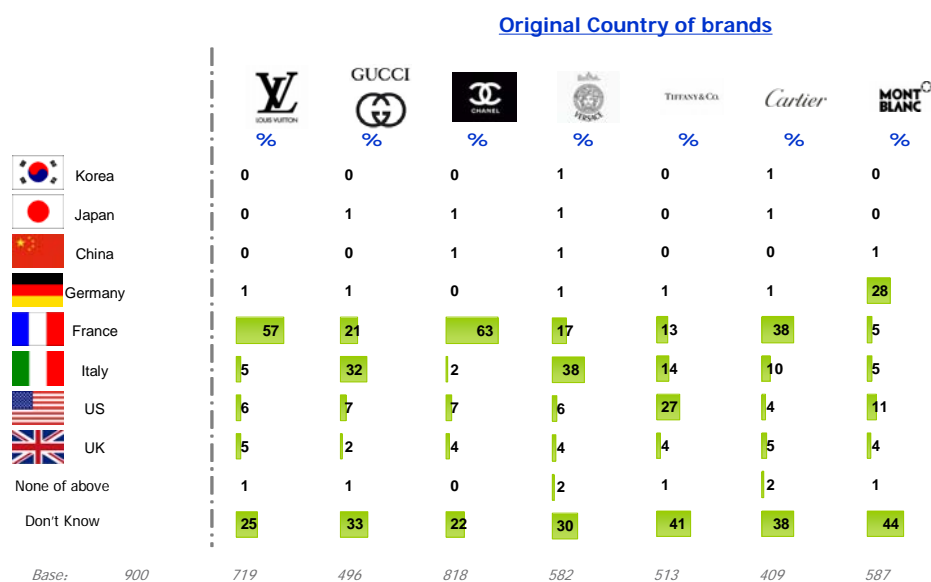
Chinese consumers approach the question of whether to purchase a local or a foreign brand with some initial biases, often paying lip service to the idea that purchasing local brands is the right thing to do. 84% of our respondents said that they would buy more Chinese brands from now on.

That said, **awareness of the country of origin of brands differed by product category**, and is often complicated by factors such as mergers, or a brand having being around for a reasonable length of time in China, and being successful at that.

- Tesco - who have taken over and are in the process of rebranding the local chain Trust Mart - is a good example of the former, with 23% of the respondents stating it was a Chinese brand, and 46% not knowing the country of origin.
- Ditto for Lotus Supermarkets, where 25% said it was a Chinese brand, and 34% did not know which country it came from.
- 26% of the respondents believed Olay was a Chinese brand, slightly lower than the number (32%) who identified the brand's provenance as being American.
- Fewer respondents (29%) correctly identified Nivea as a German brand than those who did not know where the brand came from (32%).

The provenance of luxury brands, apart from Louis Vuitton and Chanel, was also a bit diffused.

Country of Brand – Luxury



Q. Could you please indicate where these Luxury brands come from?

As the chart above shows, a majority of the respondents were not sure where most luxury brands came from.

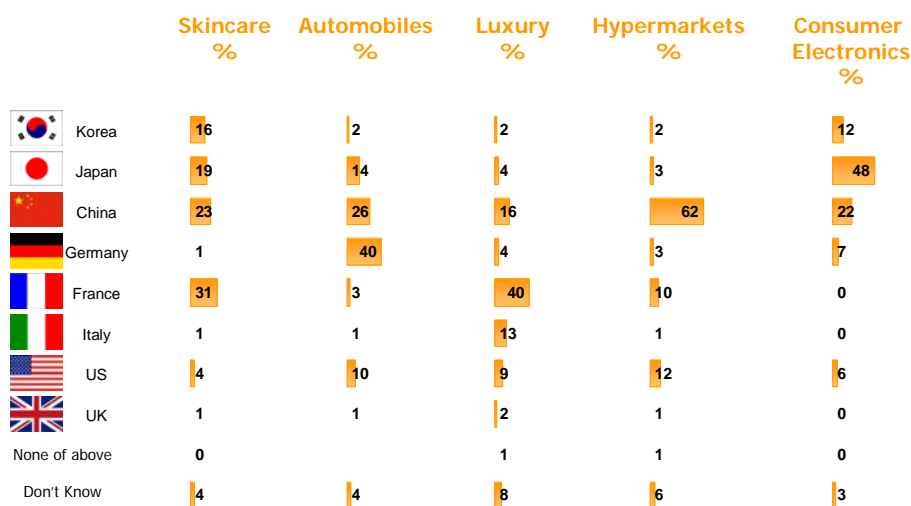
However, for product categories such as consumer electronics and automobiles, such confusion did not reign. By and large, respondents were correctly able to identify Samsung and LG as being South Korean, Siemens being German, Sony and

Panasonic as being Japanese and Lenovo and Haier being Chinese. In a similar vein, Hyundai was identified as being Korean, Renault and Citroen as being French, Buick as being American, Honda and Toyota as being Japanese. The only exception, to some extent was Volkswagen – the most successful auto brand in China, which 20% of the respondents stated as being Chinese, even as 70% identified it as a German brand.

Having correctly or incorrectly identified the country of origin, what role did that play in brand preference? The answer, quite simply, is this: **countries seem to set the standard, depending on the product category.**



Preferred Country



Base: 450

For skincare and luxury, France sets the standard; Germany for automobiles, and Japan for consumer electronics. A demand for local daily consumables means that Chinese hypermarkets are the preferred ones – though one might argue that since our study was conducted while the anti-Carrefour demonstrations were on, it might have triggered a reactionary preference in favour of Chinese hypermarkets. But more on that in a bit.

If we were to interpret the above, it is suggestive of the fact that it is brands which create perceptions about a country, rather than the other way around. A favourable opinion about Sony and Panasonic pushes Japan's score up in consumer electronics, that BMW and Mercedes come from Germany makes the nation the preferred one in the automobile category, the preference for Chanel, Louis Vuitton, L'Oreal and Lancome suggest that France is favoured in the skincare and luxury categories.

What the previous chart also indicates is that for higher priced brands, it is foreign brands that are preferred. This is consonant with the BCG study⁴ which shows that consumers who plan to trade up in a category are more likely to prefer foreign brands than consumers who said they did not plan to trade up.

It was at this point during the research that the prompt of nationalism was introduced for one half of the respondent sample – the ‘exposed’ group as we will refer to them. These respondents were asked which brands they were likely to purchase in the near future.

The only two brands that experienced a notable drop in purchase intention were Carrefour (37% to 30%) and Louis Vuitton (47% to 39%) – the brands against which the greatest online vitriol had been generated. On the flip side, the brands that saw a rise were the Chinese skincare brands T-Joy (23% to 30%) and Dabao (29% to 37%). Maybe this was indeed the opportunity for Chinese brands to take advantage of.

What was happening?



The first thing – it was impossible for people to ignore the anti-Carrefour, anti-LV sentiment. Drummed up on the internet, messages such as “Rise up, take off your LV”, “Mobilization order - boycott Carrefour in China on May 1” and “Let Carrefour be empty for 17 days, let Carrefour see the strength of the Chinese people, let them see the strength of our network” flooded cyberspace. Reasonable or not, people began to diffuse the message to boycott Carrefour and Louis Vuitton (LV). Boycott became synonymous with patriotism. Refusing to agree was tantamount to treason.

For the nationalists, these were easy, symbolic targets. Carrefour could serve as a big congregation point and draw the attention of local and international media. For all its luxe value, how many women carried LV bags? They could surely tuck it out of sight until the fervour died down. And skincare brands aren’t usually used in public, so it was easy to say that they would switch to Chinese brands. The purchase intention of automobile brands, the most conspicuous symbol of them all, was more or less unaffected by the prompt of nationalism.

For these companies, this was a crisis of perception that had to be handled right. If they tried to counter the feelings being stoked up (Carrefour management was at one time considering heavy discounts during the May holidays – when people were being urged to boycott, but wiser counsel within the company prevailed), the damage would perhaps be more long-term.

⁴ Ibid.

The aftermath and lessons to be learned

1. Nationalism's impact on brands is more likely to be short-term; but companies need to ensure that no long term damage is done.

Carrefour Asia's sales, of which China accounts for a large majority, grew by 16.4% over the previous year in the first half of 2008. Acknowledging the impact of the boycott, CEO Jose Luis Duran said sales in China were "strongly negative" in April and May, after the protests. "Customers have since returned and the company is sticking with expansion plans, which include the opening of 20 new hypermarkets this year", he said⁵. In a similar vein, Bernard Arnault, head of luxury goods firm Moët Hennessy Louis Vuitton, told French daily *Le Figaro* that calls for a boycott have had "no effect" on the firm so far. He also played down the future impact of Chinese frustrations on his brands, which include Louis Vuitton and Christian Dior. "They (the effects) would be much greater, I imagine, were we involved in public sector contracts," he went on. This is what an executive at a company listed on the CAC 40, France's index of leading firms, fears. "The Chinese have a long memory and they will make us pay for a long time," he says⁶, adding "Industries that rely on government contracts, such as transport and infrastructure, are likely to feel the most impact". Companies such as Airbus need to watch out. In a similar vein, during the anti-Japanese movement in 2003, a leading Japanese skincare company's direct-to-consumer sales weren't affected. But what did suffer a dip were sales in the gifting segment: the brand was one of the coveted gifts for people in the government, but in view of the popular sentiment, no one wanted to be seen presenting something that was Japanese.

Carrefour is undoubtedly better prepared for the future. But things don't stop at that, and they cannot afford to be complacent. To smooth ruffled feathers (and in deference to the entire French business community which was up in arms about the mayor of Paris conferring honorary citizenship upon the Dalai Lama), President Nicholas Sarkozy sent a personal emissary to Beijing. Bridges had to be rebuilt, and those relationships with the political leaders and consumers alike need time mending.

2. Chinese companies cannot assume that the nationalist fervour will turn out in their favour.

The fact that product quality emerges as the most important factor in determining brand choice is quite significant. This concern for quality predates the tainted milk scandal, which shook China a few months after the study was done, and is a good example of how consumers were let down by local companies. When Sanyuan, Yili and Mengniu, among the largest milk producers in China are found to be at fault, to

⁵ <http://www.aol.in/news-story/carrefour-profit-rises-in-1h-affirms-sales-target/2008082909470001317059/index.html>

⁶ Francophobia: French companies in China. *The Economist*, September 25 2008.

the extent of endangering (and taking) the lives of babies – and multinational brands such as Gain Plus, Similac and Dumex are found to be melamine-free, it severely tests the nationalists. None of the online fervour that swept China during the torch relay was seen when the melamine scandal broke. Consumers who were only a few weeks ago railing against multinationals now embraced them. Stocks of infant milk formula as well as milk brands such as Anchor and Country Goodness (international brands both) began to run low for a brief period as consumers hoarded. Instead, the people's ire was directed at the government as much as the domestic companies themselves for failing to ensure product quality standards.

A separate study points out that, as Chinese consumers become increasingly sophisticated, the role of nationalism decreases when they shop. The number of respondents who said they only trusted Chinese brands dropped from 44% in 2007 to 30% in 2008, and in the biggest cities only 13% expressed a clear preference for Chinese brands.⁷

What does this tell us? The lesson in this is that when consumers spend their hard-earned money on a brand, they are seeking a certain reassurance about its quality and performance. No company or brand, whether local or multinational cannot afford fall short on this count.

3. Reaction time is critical

In China, sometimes things happen with great speed. Contrast the reaction times of the government between Hurricane Katrina in the US and the Wenchuan earthquake in China. In the latter, the army was on its way within 45 minutes of the quake striking, Premier Wen Jiabao in an hour and half (he stayed on for nearly a month personally supervising the rescue and relief effort).

As for the government, so for corporations - quick reaction to an upsurge in nationalism is critical. While on paper, companies have plans to manage crises, most are ill equipped to deal with them. Carrefour dilly-dallied and suffered – even in terms of employee morale during the crisis. According to inside information, Carrefour did not have a consistent message when the media showed up. “The headquarters did not tell the various local public relations people what to say or respond.”⁸

On the flip side, when Sharon Stone flippantly remarked that the Wenchuan earthquake was the consequence of the bad karma that China had on account of the Tibetan ‘crackdown’, Christian Dior pulled her off its advertising in China. Immediately. Not just that, they released a statement in which Stone apologized, saying: “Due to my inappropriate words and acts during the interview, I feel deeply

⁷ Ian St. Maurice, Claudia Sussmuth-Dyckerhoff and Hsinhsin Tsai: What's new with the Chinese consumer. McKinsey Quarterly, October 2008.

⁸ http://zonaeuropa.com/20080428_1.htm

sorry and sad about hurting Chinese people. I am willing to take part in the relief work of China's earthquake, and wholly devote myself to helping affected Chinese people.”⁹

4. Nationalism as a positive force

Because multinational brands have often been at the receiving end of a nationalistic sentiment, it is often assumed that the sentiment is mostly used to attack – that people are unified when there is some kind of a common ‘enemy’. That is not true, again as the Wenchuan earthquake showed.

Twenty-two year old Zhang Qiyu, like many of her generation moved by the quake, says she is now more patriotic and concerned about China. “I have grown up because so many things have happened,” she says. “I used to look at events and think how they affected me. Now I consider whether they benefit my country.” She decided to take a break from her elite university in Beijing and volunteer at a refugee camp for survivors of the Wenchuan earthquake. Her generation, often criticized for being spoilt little emperors / empresses witnessed a kind of awakening through the earthquake. In their patriotism and contributions to the quake relief effort - they are being lauded by parents and grandparents. “My parents didn’t encourage me to volunteer for the Olympics because they wanted me to concentrate on my studies, but when I said I wanted to volunteer in the quake zone they just told me to take care. My dad said he would do the same if he was young,” says Zhang.¹⁰

Can companies find a way of channelizing this positive force? The Beijing Olympics showed that they perhaps could. For Coca Cola, the Games were a big bet – the company executives believe that China will surpass the US as its top market. A year before, Coke kicked off a campaign called “Year of the Shuang”, a Chinese word to stand a physical and emotional state of refreshment. In this year, “Coke looked for moments where the country had something to celebrate”, explained Andres Kiger, Coke’s senior director for integrated marketing in China¹¹. When the Olympic torch arrived in China – after its global trials and tribulations – Coke staged a celebration with singers and athletes and released a TV commercial showing people across China rolling out a red carpet for the torchbearers.

adidas's Olympics campaign aired primarily in China and featured Chinese athletes such as diver Hu Jia and basketball player Sui Feifei and had as its driving theme Chinese pride in hosting and winning the Games. In one TV commercial, computer-animated Chinese fans helped Chinese athletes, either in blocking a volleyball shot, flicking a pass to a basketball player or helping launch a diver into the air. In another spot, the Chinese women’s volleyball team talked about overcoming the heavy expectations from its countrymen to win a medal in the 2004

⁹ <http://www.iht.com/articles/2008/05/29/business/29lux.php>

¹⁰ <http://www.guardian.co.uk/world/2008/jun/10/chinaearthquake.china>

¹¹ http://www.ajc.com/business/content/business/coke/stories/2008/07/19/cokeolympics_0720.html

Olympic Games. adidas says it knew early on that focusing on Chinese pride would be the best way to use the Games to reach China's consumer market. "We found that this Olympics in China had a very high sense of nationalism and high sense of sport focused on the home team," said Paul Pi, vice president of marketing for adidas's Greater China region.¹²

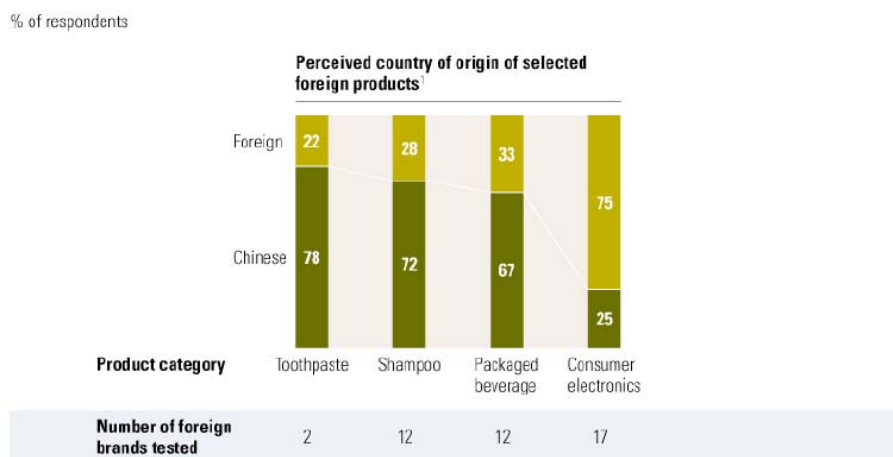
Among the Chinese companies, Yili Milk's Olympic efforts stood out. The Olympic sponsor company's campaign broke in November 2007 with the slogan, "Have Me, China Will Be Stronger." Riding on the pre-Olympic surge in patriotic feeling and national pride, it told the story of Yili providing nutrition and also drawing people to support China's teams, thereby making China a 'stronger nation'.

Coke, adidas and Yili have been cited as the winners among the many Olympic sponsors, and it was the feeling of nationalism that they stoked that unified their efforts. That Yili succumbed to the tainted-milk scandal is another story.

5. In relatively low-priced categories, emphasizing the country of origin offers no benefit.

Consumers typically do more planning when they buy higher priced products such as automobiles and consumer electronics, and this brings into attention the country of origin of the brands under consideration. Furthermore, these brands often highlight their brand provenance because foreign brands are often associated with better technology or design.

However, in the case of FMCGs (fast moving consumer goods), there is a huge amount of ambiguity about brand provenance, as our own skincare and hypermarket data reveals. This is also further ratified by the McKinsey study:



¹Toothpastes: Colgate, Crest; shampoos: Clear, Hazeline, Head & Shoulders, Kérastase, LaFang, L'Oréal, Lux, Pantene, Rejoice, Slek, VS Sassoon, and Yu Jie; packaged beverages: 7UP, Cha Yan Gong Fang, Coca-Cola, Dole, Fanta, Kirin, Miranda, Nestea, Pepsi, Sprite, Uni-President, and Wei Chuan; consumer electronics: Apple, Compaq, Dell, Dopod, Hitachi, HP, LG, Mitsubishi, Motorola, Nokia, Panasonic, Philips, Samsung, Siemens, Sony, Sony Ericsson, and Toshiba.

Source: 2008 McKinsey survey of Chinese consumers

¹² Stephanie Kang, adidas Ad Campaign Invokes Chinese Nationalism; The Wall Street Journal, July 3 2008

Multinational companies such as Procter & Gamble and Unilever have succeeded in making their brands relevant to consumers in China by blending into local culture, pricing them at par with local brands and making them widely available. It also allows them to tide over any potential threat from a rise in nationalism.

6. Investing in a corporate social responsibility program can help shield a corporation against nationalistic activity.

Thanks to its widespread presence in many Chinese cities, Kentucky Fried Chicken (KFC) has had to brave outbursts of nationalism, and food safety crises. Its investment in corporate social responsibility, couple with fast action in times of crises, has allowed the company to weather these storms.

In September 2002, China KFC together with the China Youth Development Foundation established the First Light Foundation. It is a 10-year program with a total donation of RMB 38 million for long term support of talented but financially deprived college students. This represents the largest and longest running disadvantaged youth financial aid initiative under the China Youth Development Foundation.

First Light Foundation's aim is to help students complete a four-year college education, to provide a ray of light as they start on the road of study, work and adult life. KFC also engenders in students who have received the Foundation's assistance the notion of contributing to the Foundation themselves once they have graduated and are in a position to do so, thus to develop a broader concept of philanthropy. Additionally, First Light requires its recipient students to set up work-study programs, allowing them early along to join the work force. They supplement their expenses this way at the same time that they increase survival skills. At present, First Light Foundation has financed 4100 students studying at 42 universities.

With this kind of investment in building public goodwill, in an adverse situation, in particular, highlighting the company's contribution to Chinese society as part of PR tactics not only help defuse the problem, but can help enhance brand publicity and change consumers' view of the brand. Companies can call upon their past activities to remind the general public and the agitators about their CSR credentials. In March 2005, two lots of red pepper powder delivered by the seasoning supplier to KFC Suzhou were found to contain the Sudan Red dye. Although there is no evidence that Sudan Red can cause great harm to humans, experiments proved that the red dye could increase the possibility of cancer in animals. The Suzhou health supervision authorities demanded that KFC Suzhou suspend the sale of relevant products in all its outlets. KFC immediately recalled all products containing this ingredient together with over 400 boxes of New Orleans seasonings, which was the suspected offender. Action was taken quickly, and the furor died down quickly. In a follow-up, Yum! Restaurants China, which manages KFC, Taco Bell, and Pizza Hut,

formally released its food safety white book in April 2008, and became one of the first food enterprises in China to release a food safety white book in the industry.

Asked if KFC might prove vulnerable to any kind of economic nationalism, Warren Liu, former member of KFC's Greater China executive committee and author of the book '*KFC, Secret Recipe for Success*' says, "KFC is still seen as a foreign brand, but it's a foreign brand with local characteristics."¹³

Political movements and brands

It is quite clear from our study, as well as others done around the same time in China, that politically inspired or motivated movements such as nationalism may not have a real impact on the consumer when they are making choices about brands. In many ways, the consumer is able to treat them as two separate sets of opinions – which are indicative of their sophistication in an emerging market like China.

That said, it does not in any way preclude the need to manage the swell of public opinion which may be triggered by politics. As we have found, companies, their reputations and their assets can become the easy targets for such public anger. From a corporate communications or crisis management point-of-view, it is important for companies to be prepared, based on different scenarios: when their governments take an anti-China stance, or when people in their home nations agitate against events or policies in China. Multinational companies have to learn to walk a delicate tightrope between managing the expectations of their home-country constituents and their profit demands, which call for their presence in China.

¹³ http://www.china.org.cn/business/2008-09/22/content_16515747.htm

Credits / further information / contacts

Ogilvy Public Relations' 360° Digital Influence Group and Millward Brown ACSR collaborated on this study, led by Ogilvy & Mather Greater China's consumer insights and trends unit Discovery.

The Discovery team unit has done large scale studies on:

- Consumers and branding in China's 2nd and 3rd Tier towns,
- The Value of Creativity in China,
- Perceptions of Chinese corporations and brands in the developed and developing economies (also in collaboration with Millward Brown),
- Ethnographic comparisons between the social influences on decision making among the middle class in India and China.
- China's Prosumers – determining the nature of online influence and how influencers can be engaged by brands and corporations
- Senior citizens, their role in Chinese society and their relevance for brands.

Ogilvy Discovery also brings out a monthly newsletter 'Cool Path' on leading edge trends in China.

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