

2019
Ogilvy China

GLOBALIZING IN A NEW ECONOMIC REALITY

Making
Chinese Brands
Matter Globally

China CMO Study

Ogilvy

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INTRODUCTION

The world has changed dramatically over the past two years. We moved from an open world that largely welcomed Chinese companies and the investment that came with them, to an economic reality of protectionism. Many countries now prioritize domestic growth agendas and economists believe that global free trade is a thing of the past and that new alliances will need to be formed.

At the same time, domestic growth rates in China have declined and three decades of hypergrowth have come to an end. Obviously, China is still a massive domestic market, and many companies and segments still enjoy healthy growth, but growth has to be earned much harder than in the past.

Over the past decade, Chinese companies have become household names in China and started their global expansion on the back of strong domestic performance.

In this report, we seek to answer the following questions: How will Chinese companies continue to succeed in their global expansion? What do they need to prioritize and how can they blend the success factors that turn them into household names in China with best practices in building global businesses?

We believe that in uncertain times a strong brand is a key asset that Chinese companies have previously underleveraged.

So, what does it take? Is there a Chinese way of going global? What can Chinese companies learn from their global peers? Will we see Chinese brands dominate in the future?

Chinese brands punch far below their weight on the global stage. Of the 24 Chinese companies ranked in the Fortune 100,¹ only 6 made it into BrandZ's Top 100 Most Valuable Global Brands list.¹¹ This begs the question: Why aren't there more globally dominant Chinese brands?

2019 Fortune Global 500 TOP 100

Based on annual revenue

24 Companies from China

- 02 / Sinopec Group
- 04 / China National Petroleum
- 05 / State Grid
- 21 / China State Construction Engineering
- 23 / Hon Hai Precision Industry
- 26 / **Industrial & Commercial Bank of China***
- 29 / **Ping An Insurance***
- 31 / **China Construction Bank***
- 36 / **Agricultural Bank of China***
- 39 / SAIC Motor
- 44 / Bank of China
- 51 / China Life Insurance
- 55 / China Railway Engineering Group
- 56 / **China Mobile Communications***
- 59 / China Railway Construction
- 61 / **Huawei Investment & Holding***
- 63 / China National Offshore Oil
- 67 / China Development Bank
- 80 / China Resources
- 82 / Dongfeng Motor
- 87 / China FAW Group
- 88 / Sinochem Group
- 93 / China Communications Construction
- 97 / Pacific Construction Group

2019 BrandZ Most Valuable Global Brands TOP 100

Based on the brand value, combining the financial performance with brand contribution index derived from consumer data

16 Brands from China

- 07 / Alibaba
- 08 / Tencent
- 27 / **China Mobile***
- 29 / **Industrial & Commercial Bank of China***
- 35 / Moutai
- 40 / **Ping An***
- 47 / **Huawei***
- 59 / **China Construction Bank***
- 63 / Baidu
- 66 / JD
- 71 / Didi
- 74 / Xiaomi
- 78 / Meituan
- 82 / **Agricultural Bank of China***
- 89 / Haier
- 90 / AIA

*The highlighted companies/brands are listed in both rankings

It is easy to forget that China embraced market reforms – and with it brands – only four decades ago. Chinese business leaders focused on process, manufacturing, logistics, and costs. Only over time did they start to appreciate the value of branding.

Our founder David Ogilvy saw brands as “a set of expectations, memories, stories, and relationships that, taken together, account for a customer’s decision to choose one product or service over another.” Most Chinese companies are still learning the value of branding, how to design the right strategy, and where to deploy the right tactics. We believe that to compete globally, Chinese companies must become more brand-centric.

Although extensive research has been conducted on the trend of Chinese outbound investment, little has been written about the challenges and opportunities specific to outbound marketing.

Borrowing from our experience working with some of China’s strongest brands, we undertook this study to better understand the state of brand building among China’s outbound companies. Over the course of five months, we spoke to forty C-level executives from leading Chinese brands spanning a broad range of size and industries and at different stages of global expansion. The result is this report, in which we survey the reasons and methods for going global, identify the main trends in Chinese outbound marketing, and offer recommendations to overcome pitfalls and accelerate success.

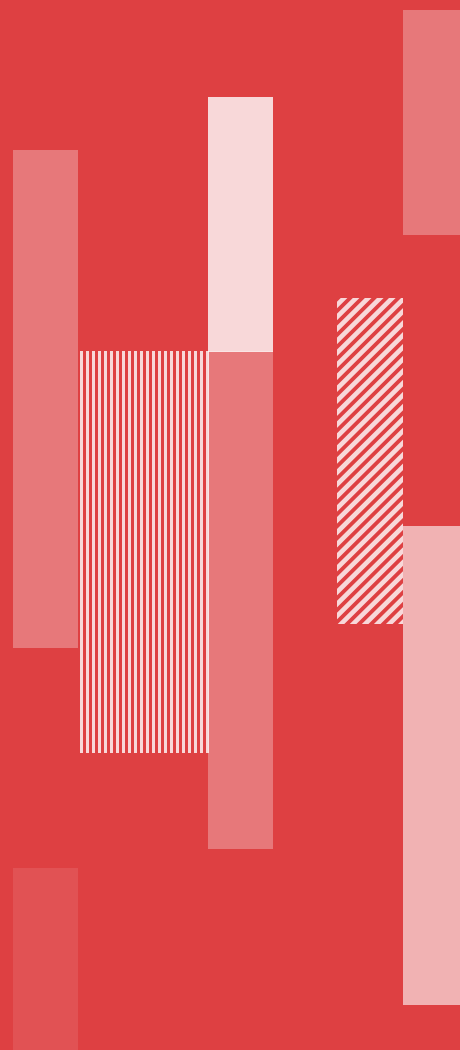
In the course of our research, we discovered that despite lagging behind western competitors, Chinese brands have unique strengths to leverage and lessons to offer the world. They lead the world in digital innovations. New apps like TikTok are blurring the lines between social media and commerce and upending the way brands communicate with their customers. The entrepreneurial spirit cultivated at the number one global white goods brand Haier and ecommerce giant Alibaba are changing the way companies interact with consumers all over the world. And the execution power of Chinese companies – supported by sophisticated logistics and top-notch infrastructure – will give Chinese brands a leg up as they expand overseas.

This is just the beginning of understanding this group of companies. In the following pages we share seven key findings from our research. Chinese brands certainly have ambition, but from brand management to employer branding and trust building, there is much progress to be made.

KEY FINDINGS

Ambition to Go Global

01



FINDING #1

Ambition to Go Global

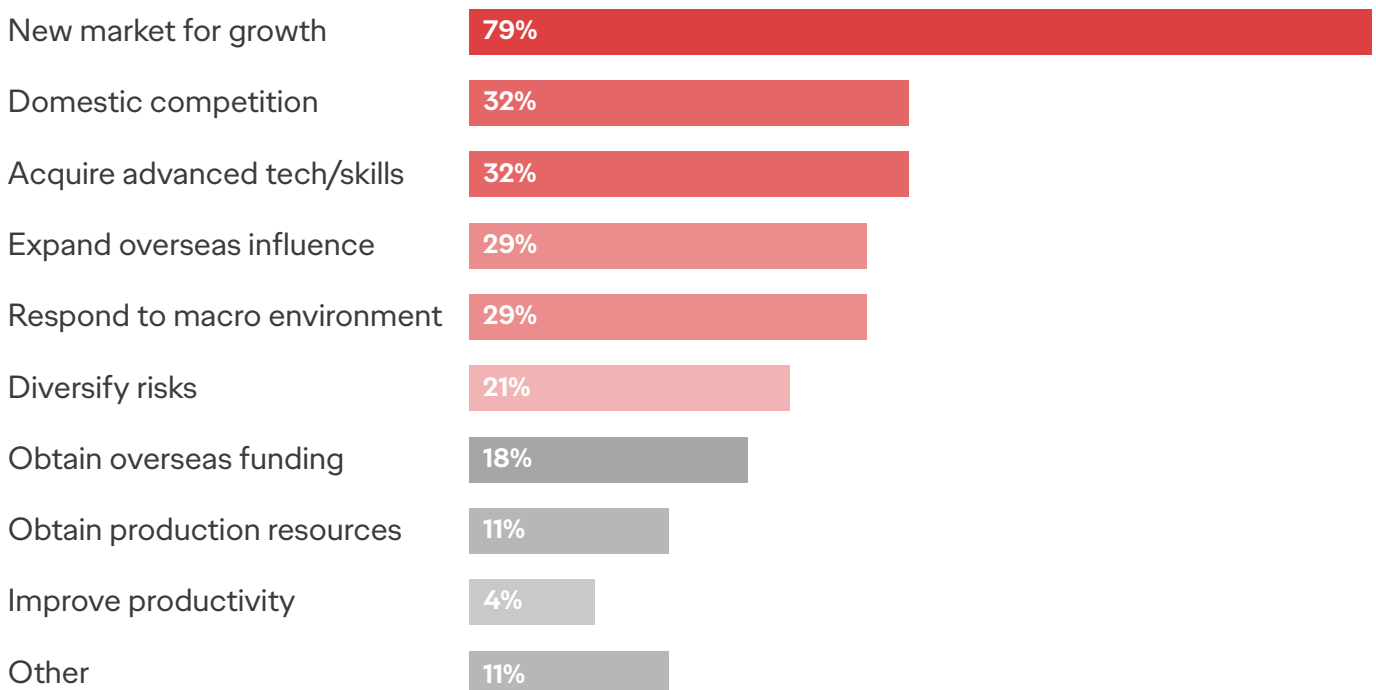
Like all major companies, Chinese businesses have great ambition to build globally successful operations. The main motivation to expand overseas is familiar to all business leaders: growth. About four out of five executives interviewed cited “new markets for growth” as the primary motivation for entering foreign markets (Chart #1). In just a decade, Chinese companies’ non-financial overseas direct investment tripled from \$43.3 billion in 2009 to \$120.5 billion in 2018.^{III} These ambitious companies want to expand their international footprint, serve global customers, provide jobs for local economies, and make a positive difference in the world.

Xiaomi is one such company. According to founder Lei Jun, Xiaomi’s ambition is to serve 70% of the world’s population.^{IV} China is a major market, home to one-fifth of the world’s consumers; however, that means four-fifths of global consumers are outside of China.^V To achieve their ambition, Chinese companies must expand abroad.

CHART#1

What are your primary motivations or growth opportunities for entering foreign markets?

Multiple Choice N=40

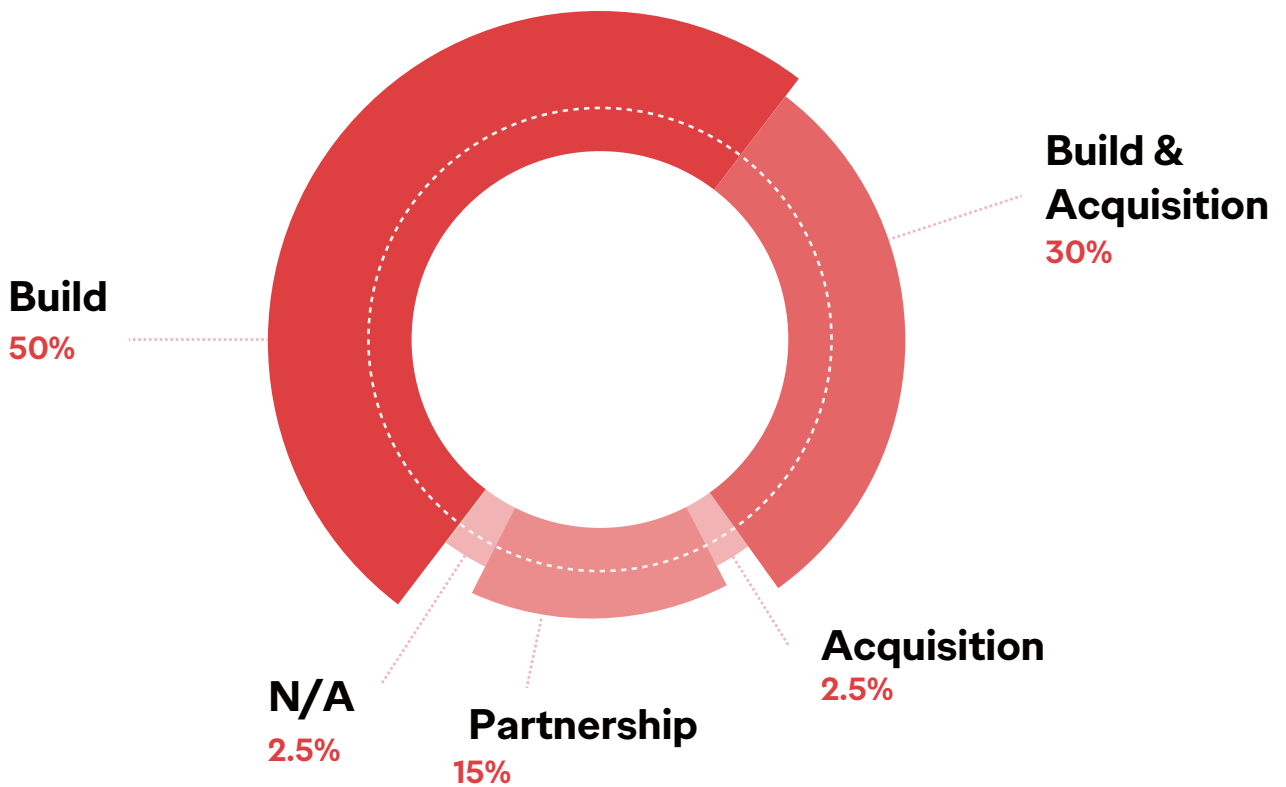


How are companies going about pursuing this ambition? Our findings were somewhat surprising. Though we tend to hear mostly about big ticket acquisitions and controversial mergers, about half the companies we interviewed prefer to build a new presence from scratch rather than acquire an existing brand, while 30% choose a combination of both methods (Chart #2)

CHART#2

How do you go-to-market?

N=40



Mergers and acquisitions (M&A) are generally viewed as a faster and easier path to overseas expansion. It can take decades to build a new brand from scratch whereas the M&A shortcut provides Chinese brands with immediate access to new markets and the reputation of an established brand, making it easier to grow their customer base. However, this is not the preferred way of going to a foreign market for the companies we spoke with. Building from scratch in a foreign country shows the company's long-term commitment to the market and demonstrates that it has something valuable to offer. Growing the overseas business from the ground up, rather than through acquisition, brings substantial benefits to local markets.

Companies seeking to expand overseas that already have some level of brand awareness have an easier time entering new markets. Before American and Japanese companies entered China, they already had an existing level of brand awareness, making it much easier to communicate their mission, sell their products, and capture market share. For example, Honda grabbed the attention of Chinese consumers years before entering the market. By the time Honda started selling cars in China, it was already a well-known and admired company.

A strong brand that very early on is managed with an eye on being global possesses tremendous advantages – from building trust with stakeholders in overseas markets, to recruiting top talent, to creating strong local demand, there is no substitute for global branding.

KEY FINDINGS

Brand as Platform

02



FINDING #2

Brand as Platform

Chinese outbound investment is a relatively new phenomenon. Even though China's Outbound Direct Investment (ODI) tripled over the last decade, data from China's Ministry of Commerce (MOFCOM) shows that Chinese ODI fell 9.6% in 2018, the second successive drop after many years of breakneck growth.^{VI} Despite the downward trend, China remains the world's second largest overseas investor behind Japan. While many Chinese companies experimented with overseas expansion in the past, we now increasingly see these efforts being given serious consideration, endorsed and mandated by these companies' top leadership.

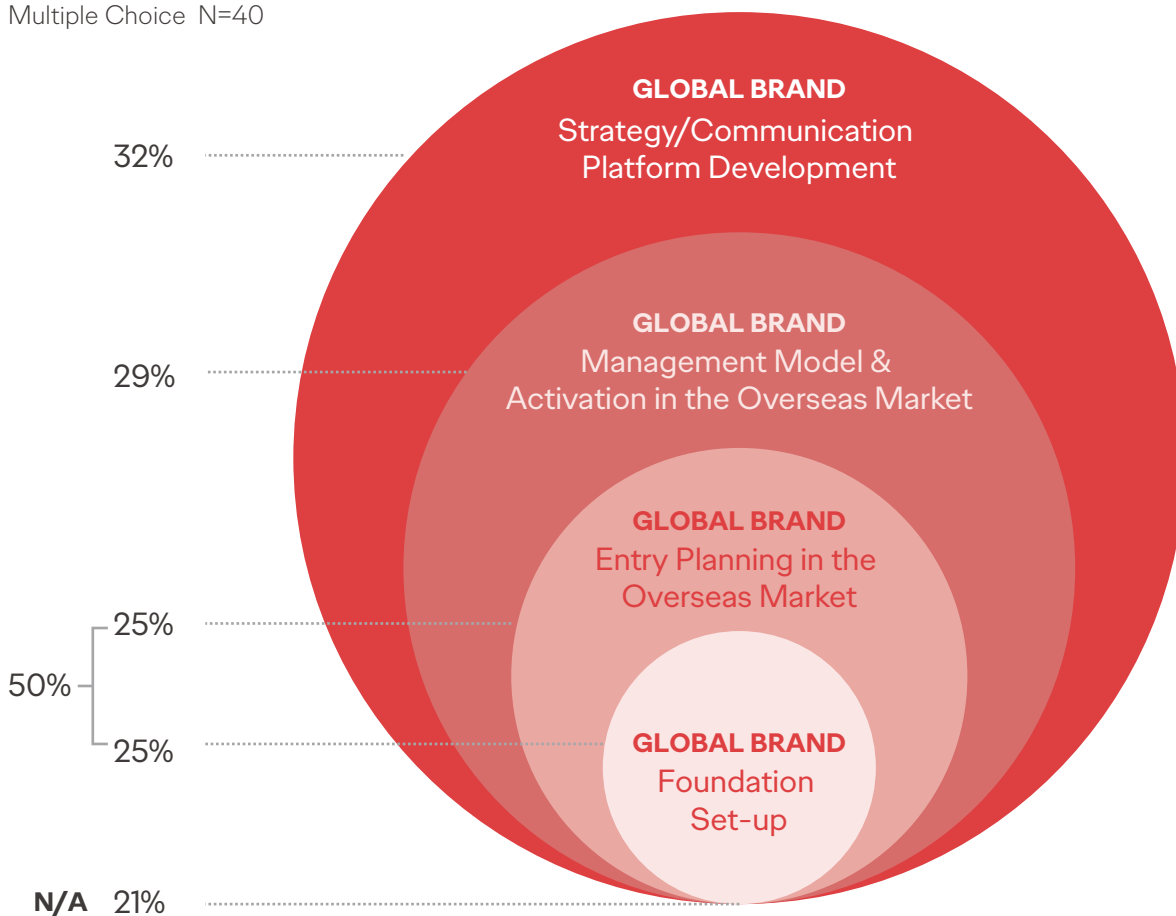
The learning curve for overseas expansion is steep. Stepping out of its home market to venture out internationally is a major, yet underestimated, leap in terms of cultural and business impact. Companies must get the financing right, establish local operations and sales networks, hire staff, navigate local rules and regulations and adapt to a foreign culture, all while competing with long established domestic players.

For most of the Chinese companies going global, branding is an afterthought to these considerations. However, we believe that an early focus on branding and a clear understanding of its impact on various parts of a business is key to success. A strong brand does not only help to attract consumers or customers, it also paves the way for better government and media relations, helps to attract talent in local markets and helps to forge partnerships with distributors and suppliers. There is still a huge misperception on what constitutes a brand; advertising and brand building are often conflated. While the basic concept of creating a strong brand is still often misunderstood at home, bringing this concept to global markets is even more challenging.

Only one-third of the companies we spoke to said that their overseas branding work is part of a global strategy, whereas half are either in the foundation set-up or planning phase (Chart #3). The upshot is that although brand building has lagged behind other business goals, outbound Chinese companies are recognizing the importance of branding and beginning to put the pieces in place for effective overseas branding work.

CHART#3 Brand Development Phase

Multiple Choice N=40



Half of the companies we spoke to said they are either in the foundation set-up or planning phase.

If they want to achieve their ambition of becoming global powerhouses, Chinese companies can no longer just show up. “A brand is not an ad campaign,” says Chris Reitermann, Chief Executive of Ogilvy Asia and Greater China, “but a principle that guides everything a company does and how it behaves.” The brand must be crafted carefully, should resonate across all stakeholders and position the company as the embodiment of a set of values. It also should deeply affect how a company operates: a strong brand is not just defined by a top-down vision. Rather, it is about how this vision permeates the organization as a whole and brings the brand to life through its products, services and people.

It all starts with a strong global brand platform, says Reitermann, and companies must:

1. Serve a larger purpose: Companies need to answer these questions: What do we bring to the world that matters? How do employees, customers and governments benefit from what we do? How can we stand for something bigger than the products we sell? This needs to be more than a lofty ambition, but a belief that is tied to the overall business goal. Most importantly, it must be differentiating and believable.

Nike’s mission statement reads “Bring inspiration and innovation to every athlete in the world [...] by creating groundbreaking sport innovations, by making our products more sustainably, by building a creative and diverse global team and by making a positive impact in communities where we live and work”. The line that sums this all up is “Just Do It”. Everything that Nike does every day needs to be in line with this mission. It affects everything from its product strategy, the athletes the brand supports, the supply chain and staff all the way to its CEO.

2. Own the narrative: Once a purpose is created and articulated, companies need to own the narrative and bring their story to their stakeholders in an authentic way. In foreign markets, Chinese companies need to open up and engage in conversations early with transparency, humility, and compassion. We all too often see this happening only once a crisis arises. How can you ensure that consumers in foreign markets trust you? The whole purpose of owning a narrative is to avoid crises in the first place and to bounce back faster if negative issues do arise. A strong brand is a shield in times of crisis.

3. Invest for the long term: Building a global brand requires commitment, both in terms of finance and resources. Multinationals spent hundreds of millions in branding efforts when they entered China. Chinese brands going global are following the same path. There is no shortcut to building a global brand. It requires time, focus, ambition, clear C-level commitment, and a global marketing or brand team supported by strong marketing operations locally.

4. Elevate the brand strategy: The most successful brands are more than an element of marketing and communications – they act as a central organizing principle. Aligned alongside the business strategy, the brand strategy drives experience, culture, performance, and action across the entire company.

BRAND STRATEGY ACTS AS A CENTRAL ORGANIZING PRINCIPLE

From this...



To this...



Ogilvy's Brand Operating System is a helpful tool that we use to establish and operate global brands. We look at three horizons: a Platform level defining the brand's purpose and architecture for the long term, a Program level for driving mid-term brand impact and sales, and a Pulse level to connect with communities and consumers on a daily basis in their environments. Companies can start with the Platform at the core and work their way outward to the Pulse.

OGILVY'S BRAND OPERATING SYSTEM

BRAND STRATEGY & PLATFORM

Making the brand matter for years

PROGRAM

Making the brand matter each quarter

PULSE

Making the brand matter right now



The brand strategy and platform

Define the brand strategy, mission/vision and brand agenda. The brand platform and narrative are brought to life through the company's behaviors, culture and master brand communications and experiences.

What does the brand offer?

At the Program level, the brand communicates about the value that its products or services can bring to key audiences.

How does the brand pop up in the audience's world?

"Pulses" insert the brand into external events, topical conversations and cultural moments. These tend to be short-term initiatives and experiences.

Before establishing the brand platform, the “brand architecture” model is often used to organize the brand assets clearly. IBM sets a great example on how to leverage purpose-led brand platforms on a global scale. Since 1996 with the global launch of “Solutions for a Small Planet,” IBM has consistently led the narrative on the future of technology and its impact on business.^{vi} Their now famous “Smarter Planet” platform is one of the strongest in the world. More than just a customer-facing campaign, it is a platform unifying the image of the entire company around the world. IBM is one of the strongest brands in the world, with a current brand value of \$86 million according to the 2019 BrandZ Top 100 Most Valuable Global Brands ranking.^{vi}

BRAND ARCHITECTURE



Many Chinese companies have invested in their brand domestically and have well-established missions, visions and brand platforms. However, we still see two major challenges for them to replicate their domestic success overseas. First, these elements are not being fully embraced as a unifying strategy across the entire organization (all too often it is just a line that the company doesn't live up to or that is not sufficiently accepted by product groups or business divisions). Second, companies don't have the ability to translate these into globally coherent and activated platforms that are being consistently managed across the globe.

Huawei has a clearly articulated brand vision: "Building a Fully Connected, Intelligent World". It clearly directs the top-level brand strategy for corporate communications, as well as product and service offerings covering various business groups. This platform guides all marketing initiatives and ensures that the brand speaks and acts to all stakeholders globally in a consistent and integrated way. It has taken several years for the strategy to be fully embraced and for a global operating model to be developed that now enables Huawei to manage its brand in a globally consistent way.

KEY FINDINGS

Talent and Culture

03



FINDING #3

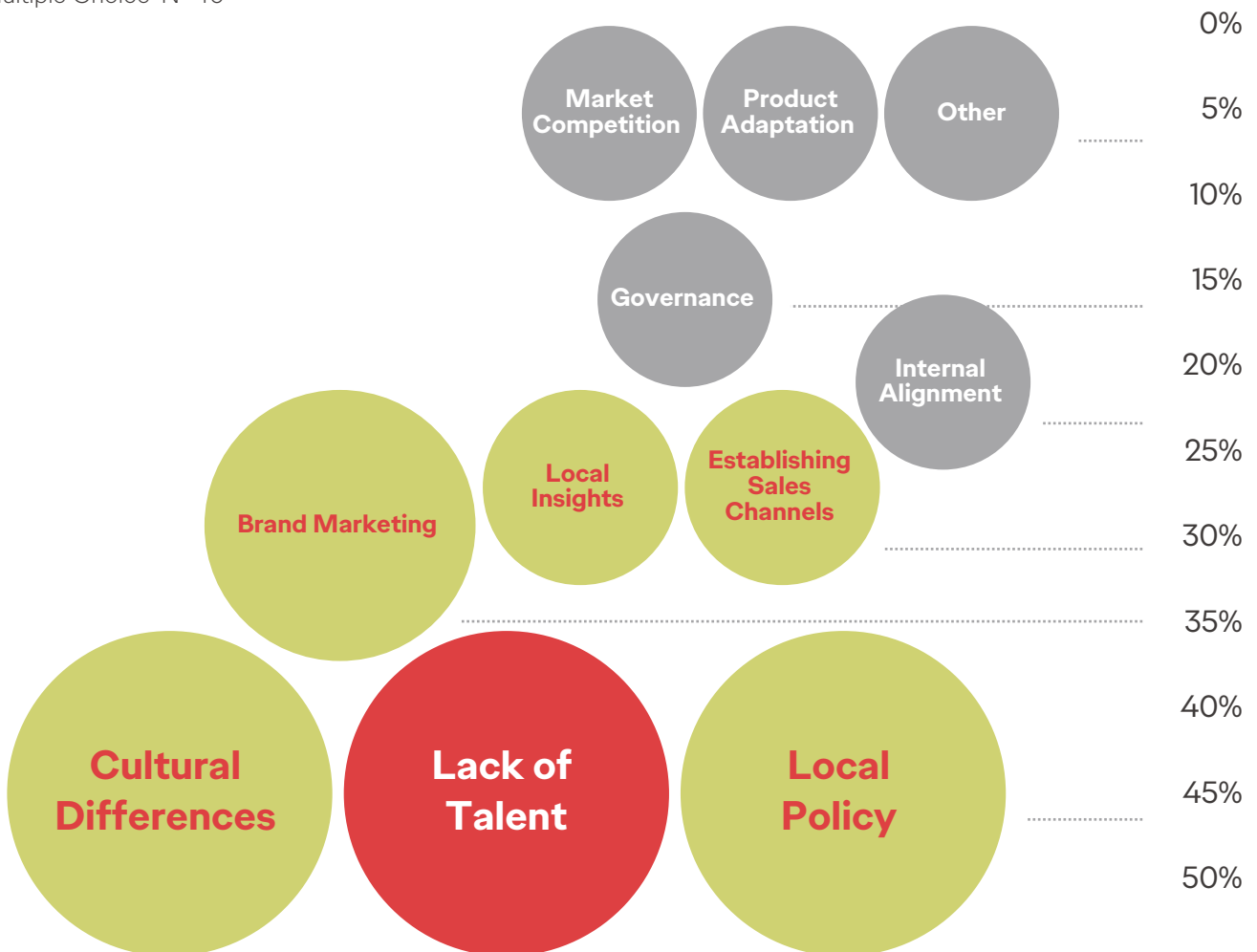
Talent and Culture

All globalizing companies struggle to get the talent equation right. Chinese companies are no different. Along with local policy, cultural differences and lack of talent were the top three challenges faced by companies on their overseas expansion journey (Chart #4).

CHART#4

What are the main challenges facing your overseas business?

Multiple Choice N=40

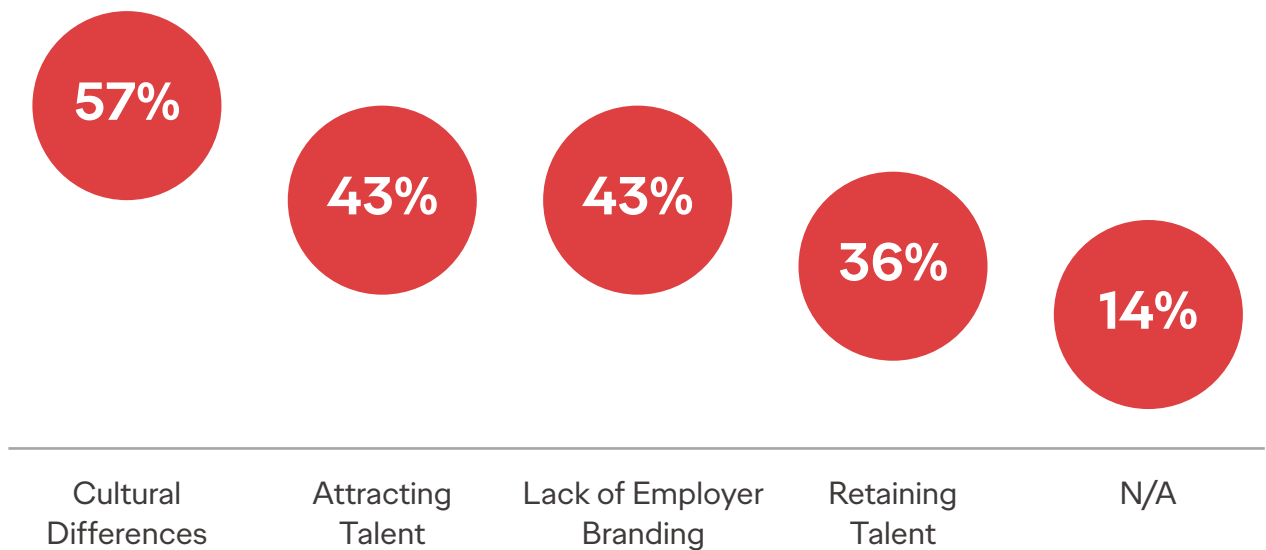


When we asked about specific talent challenges, 57% of respondents highlighted cultural differences, while many also struggle with talent attraction and retention (Chart #5). Lack of employer branding is another major challenge. Most of the companies we interviewed recognize the importance of having a strong corporate brand in the local market but struggle to build awareness. The CMO of a Chinese technology company told us that even though their business is well-known in China, they are relatively unknown in new markets. Attracting top talent is no easy task, even with competitive remuneration packages.

CHART#5

What types of challenges does your brand face in overseas markets in terms of talent?

Multiple Choice N=40



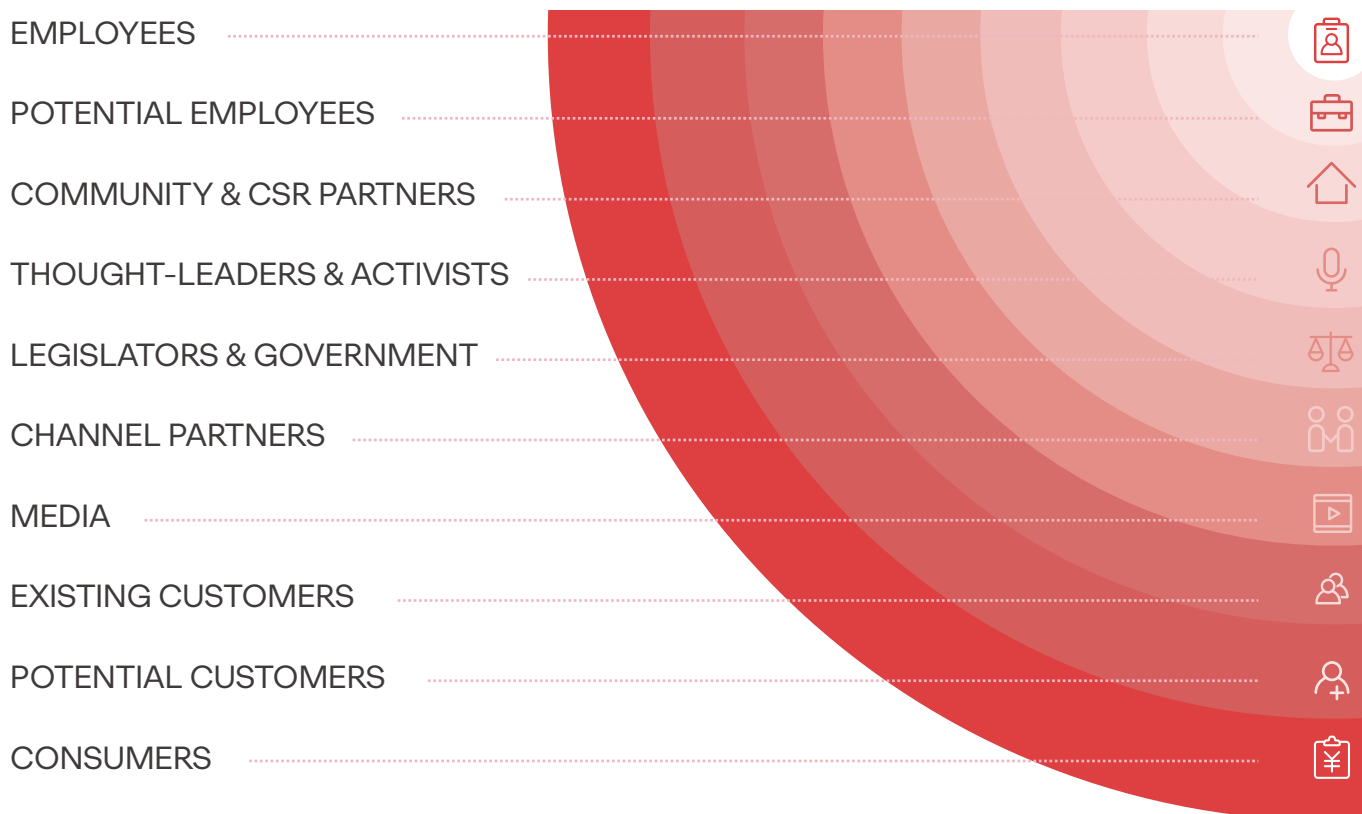
Talent is arguably the single most important factor for building a leading global company. People make or break business success, and a strong corporate brand is critical to attract and retain the best talent. This is particularly true for millennial hires; young people want to know they are working for an organization with a clear and meaningful purpose.

Peter Cappelli, Professor at the Wharton Business School, told us that the best way to overcome cultural differences and build a strong employer brand is to hire right from the start. This begins with leadership. Companies should hire overseas brand leaders with experience in multiple markets, who understand multiple cultures, and communicate proactively and openly to overcome differences. Our research noted that such individuals are rare, but in high demand for global Chinese companies. These employees help forge a strong culture and over time contribute to building an employer brand admired by staff, new recruits, and the public at large. A few CMOs told us how hard it is to find global talent that meets all their needs: multiple language skills, knowledge of the industry, and international trade expertise.

Company leaders – both in market and at HQ – must cultivate an inclusive and attractive culture. This includes everything from the decision-making process to what communication style is preferred within the office. In one instance, a Chinese company struggled to foster an inclusive culture overseas because many employees spoke Chinese in the office, alienating the local staff. Dr. Huiyao Wang, Founder & President, Center for China and Globalization (CCG) commented that to go global, Chinese companies must move away from relying solely on Chinese employees. Chinese companies with global ambitions must recognize international talent as a key driving force for sustainable overseas business growth.

Ogilvy believes employer brand building is the first step to overcoming these talent challenges, and a critical component to cultivating the overall brand image. It not only shows the company's best self in front of employees and potential hires, but at the same time serves to reiterate core brand values to a wider audience of stakeholders. Similarly, the value of effective employee branding is tremendous: it allows the company to turn employees into powerful brand ambassadors, increase staff motivation and retention, and supports the talent hiring strategy.

STAKEHOLDER AUDIENCE MAP



In all marketing and communications activities, brands need to think about how the essence of their organization is conveyed to current and potential employees. The company’s mission should resonate with staff and be reflected in all corporate marketing collateral. This requires clear messaging that speaks to what talent cares most about and can be bolstered by both external and internal communications.

Today, leading technology brands like Alibaba and Tencent have become household names in China. But as employers their brand is associated with the unappealing “996” (9am to 9pm, 6 days a week) working hours.^{ix} On the other hand, their American counterparts in Silicon Valley are celebrated as flexible and fun employers, a global brand image that brings a multitude of benefits, not least facilitating talent recruitment. Chinese internet company ByteDance has recognized the importance of employer branding – by showcasing life at the company through its signature TikTok app, they’ve been able to attract top talent in many markets. This is the kind of innovative approach to employer branding that inspires staff, attracts talent, and amplifies the brand message to countless other stakeholders throughout society.

KEY FINDINGS

Trust and Reputation

04



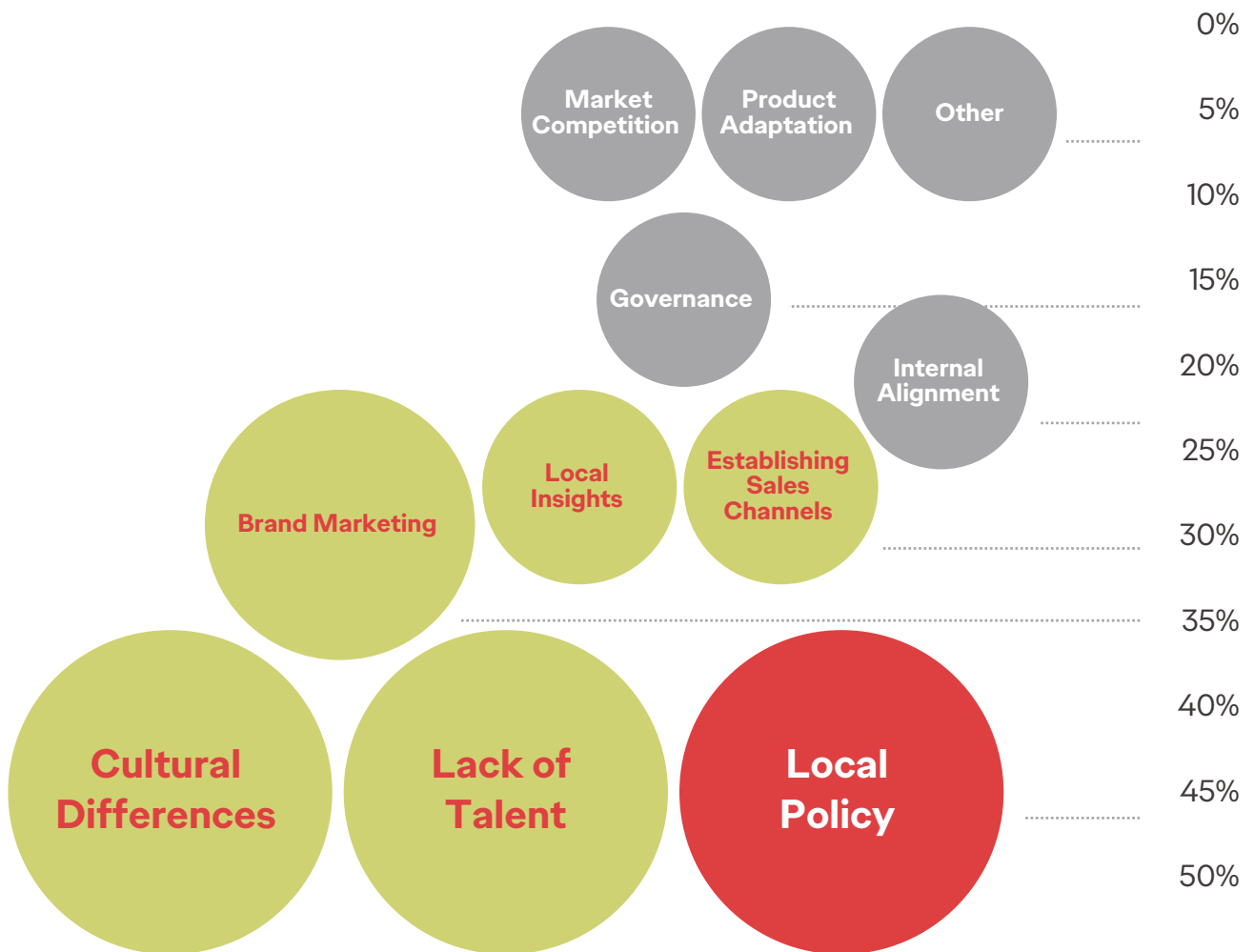
FINDING #4

Trust and Reputation

Naturally, the first step for companies entering a new market is getting license to operate. Chinese companies cited local policy as the number one challenge facing their overseas operations (Chart #4). This is not surprising. Different legal structures, compliance requirements, and political issues make navigating local regulations particularly challenging for newcomers.

CHART#4 What are the main challenges facing your overseas business?

Multiple Choice N=40



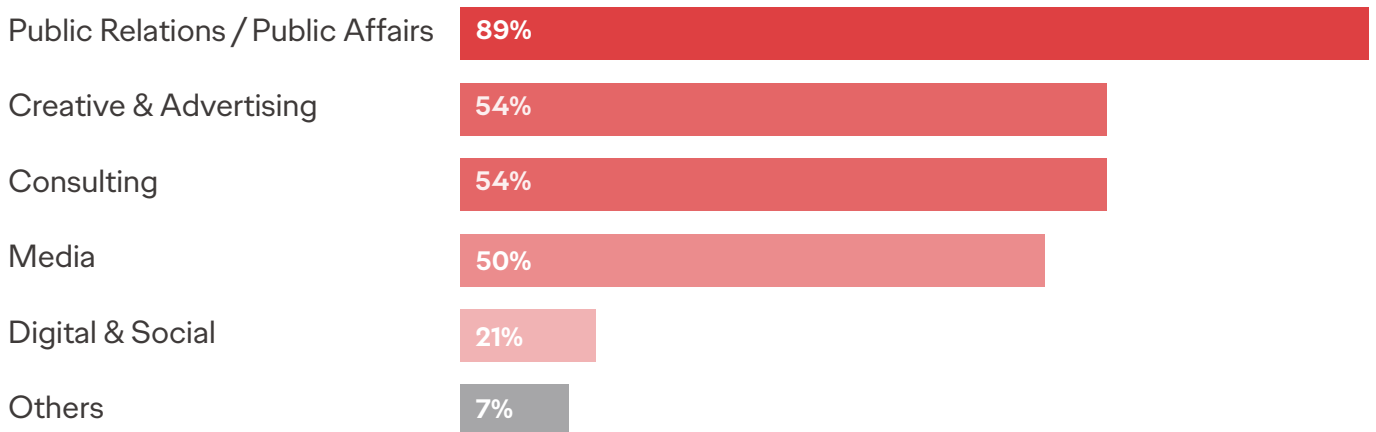
At Ogilvy, we define license to operate as much more than just clearing the legal requirements to operate a business. Scott Kronick, Chief Executive of PR and Influence at Ogilvy Asia says, "before a brand can exercise influence, before any relationship can form between a company and an audience, before stakeholders can be engaged, companies must establish trust." This trust, according to Kronick, is not built through physical presence, nor financial dealings, but from an intimate understanding of culture, history and communication. Trust is what gives brands full license to operate and it serves as a shield, helping companies navigate political tensions and unforeseen crises. The moment it is needed, it may be too late to build.

Globalizing Chinese companies are learning the value public relations professionals provide in building a trustworthy brand. PR specialists are the most popular marketing partners in overseas business with nine out of ten companies working with PR firms (Chart #6).

CHART#6

What types of marketing partners have you worked with for your overseas business?

Multiple Choice N=40



Though China is transitioning from the world's factory to a technology leader, much of the world still views Chinese brands as copycats and Made in China as an unenviable label. As China asserts its power around the world, foreign audiences have responded with fear and distrust. In this environment, it is more important than ever for Chinese brands to focus on trust and reputation. They must go to extraordinary lengths to communicate their unique and independent identity, especially in the highly competitive and skeptical markets of North America and Europe.

Building trust is critical for business success and includes everything from working with regulators and earning opinion leaders' admiration to attracting top talent and appealing to customers. According to Kronick, brands must do the following to earn license to operate:

1. Understand the context: How is the brand perceived? Who shapes opinion and what do they care about? This will differ from market to market and across stakeholder groups, including regulators, customers, staff, media, and civil society. Understanding local norms, nuance, and context helps avoid embarrassing and unnecessary crises.

2. Develop a story that resonates: Messaging should speak to local concerns. Be authentic. Emphasize corporate contributions on issues that matter most to your audience groups – this could be CSR programs, job creation, or long-term growth plans.

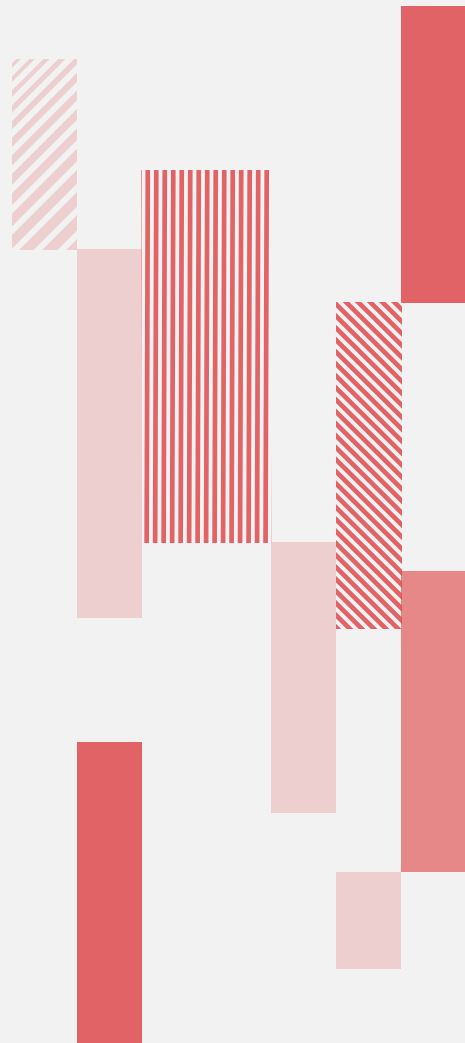
3. Localize the brand: Work with local advisers and hire in-market experts. Build partnerships, platforms, and consortia with local government, industry, and media. Position the brand as a local citizen and trusted partner.

Trust is not built overnight. Chinese companies are accustomed to a fast pace and quick results. To build trust and reputation in foreign and unfamiliar markets, brands need to be patient and proactive. Smart brands should monitor opportunities to engage and build trust – this reflects consistency and authenticity and cultivates supporters and goodwill. When Wenchuan was hit by a major earthquake in 2008, Coca-Cola reacted quickly, sending bottled water to the affected area.^X Sustained over time, these local engagement actions inspire local stakeholders to support a brand's mission, leading to long-term business success. Globalizing companies would be wise to harness the power of trust and reputation.

KEY FINDINGS

Brand Management Model

05



FINDING #5

Brand Management Model

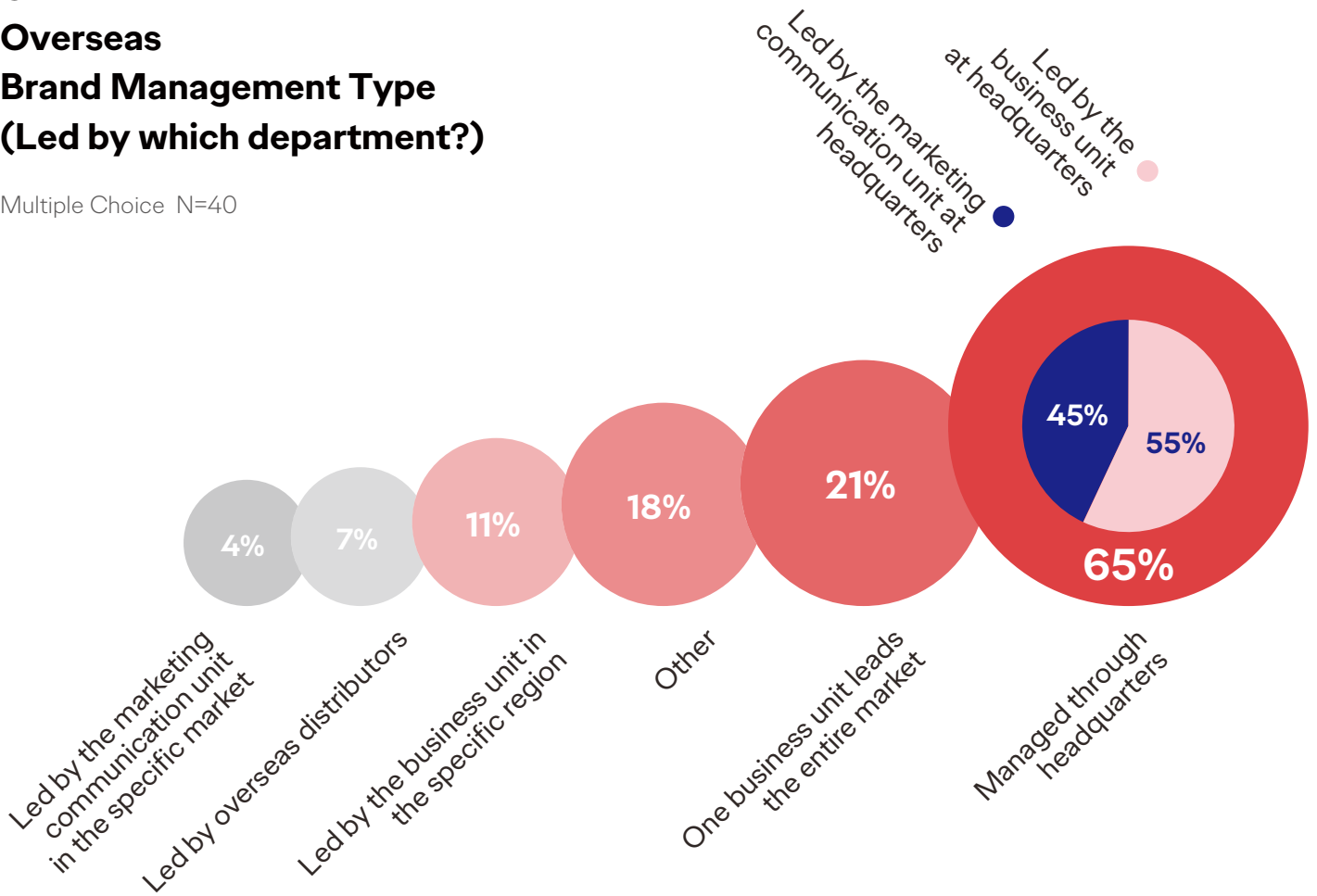
Learning the value of brand building takes time. While some marketing managers realize its importance, senior executives may be focused elsewhere. That's why it is so important to get the right management model in place and provide the right resources. Without proper resources, branding efforts will forever struggle to get off the ground. Total investment in overseas branding and marketing among the companies we spoke with is low. Only 14% of the companies we interviewed spend more than 20% of their total marketing budget overseas. For companies serious about their ambition to become leading global brands, this must change. Chinese companies should realize that overseas branding and marketing is not a cost, but an investment that will help their business growth and long-term brand building.

Equipped with sufficient resources, companies must deploy the right management model and empower their brand management teams to make decisions. Our study revealed that about two-thirds (65%) of overseas brand management is handled through headquarters – either at the BU level or by a global CMO (Chart #7).

CHART #7

Overseas Brand Management Type (Led by which department?)

Multiple Choice N=40



This highly centralized model places decision makers far away from local insights, leading to inefficiency and missed opportunities. UBTECH, a fast-growing robotics and AI company headquartered in Shenzhen, found a successful model that balances the global and local perspectives. Their cross-functional and cross-market brand management committee meets regularly to share insights and integrate decision-making at the global level.

Arthur Yu, Managing Director of Global Brands at Ogilvy China, knows that getting the brand management architecture right is one of the biggest challenges brands face when going global. Different models will work best for different brands at various stages of growth he says, but to stay on track, brands must do three things:

1. Communicate consistently: Global brands must establish a system for marketing and communications teams from all markets to share information and resources. A clear process both strengthens the global brand, ensures consistency and prevents conflicting messages.

2. Integrate global strategy: Brand teams must unite everyone with an integrated go-to market plan. Roles and responsibilities need to be clearly defined, and local campaigns should align with and contribute to overall brand and business objectives.

3. Localize, localize, localize: Ogilvy recommends one of three management models. Whether adopting the “Command and Control”, “Strong Hubs, Strong Spokes”, or “Local Autonomy” model, the decision should reflect an understanding and respect of local culture and values.

Striking the right balance of global and local input in brand management is a common struggle for globalizing Chinese brands. Staffing, decision-making, and budgeting all require careful consideration. The principles on the following page provide a useful guide, but there is no single solution – companies should adopt the model that works best for their circumstances.



1. COMMAND CONTROL



2. STRONG HUBS, STRONG SPOKES



3. LOCAL AUTONOMY

| | | | |
|-------------|--|--|--|
| PROs | <ul style="list-style-type: none"> • BUDGET SAVINGS • COMMUNICATION CONSISTENCY • CLEAR CONTROL | <ul style="list-style-type: none"> • BALANCES LOCAL INPUT WITH CENTRAL DIRECTION • HIGH LEVELS OF CONSISTENCY • FLEXIBLE FOR LOCAL ADAPTATION | <ul style="list-style-type: none"> • SPEED AND FLEXIBILITY WITHIN THE LOCAL MARKET • QUICK AND SIMPLE DECISION-MAKING • STRONG LOCAL MARKET RELEVANCE |
| CONs | <ul style="list-style-type: none"> • SLOW TO MARKET DEMANDS • INFLEXIBILITY IN LOCAL ADAPTATION | <ul style="list-style-type: none"> • LACK OF COMMUNICATION BETWEEN THE DEVELOPMENT AND EXECUTION TEAMS • INTERNAL POLITICS CAN EMERGE | <ul style="list-style-type: none"> • COSTS FROM INHERENT DUPLICATION • POTENTIAL DAMAGE TO BRAND COHERENCE |

In the previous section, we discussed how IBM claimed leadership in the technology sector. All their global brand campaigns are meticulously choreographed with what they call a “One Voice” campaign strategy.^{XI} It is highly centralized and structured so that the central theme is consistently communicated globally in literally one voice. At the same time, they recognize the need for flexibility in local markets to provide for business and cultural relevancy.

Another case is Coca-Cola. The brand understood early on that a one-size-fits-all model wouldn’t work when expanding into new markets. Instead, it leveraged local consumer insights to develop experiences that are both catered to market preferences and aligned with Coca-Cola’s global overarching brand platform and signature story. Earlier this year, Coca-Cola launched its widely-acclaimed “Turn Food into a Meal” campaign, which accurately identified local dining practices while ensuring consistent brand value at a global scale. Adopting a global+local management model can help brands replicate Coca-Cola’s international success and win the heart of local consumers.

KEY FINDINGS

Content Creation in the Digital World

06



FINDING #6

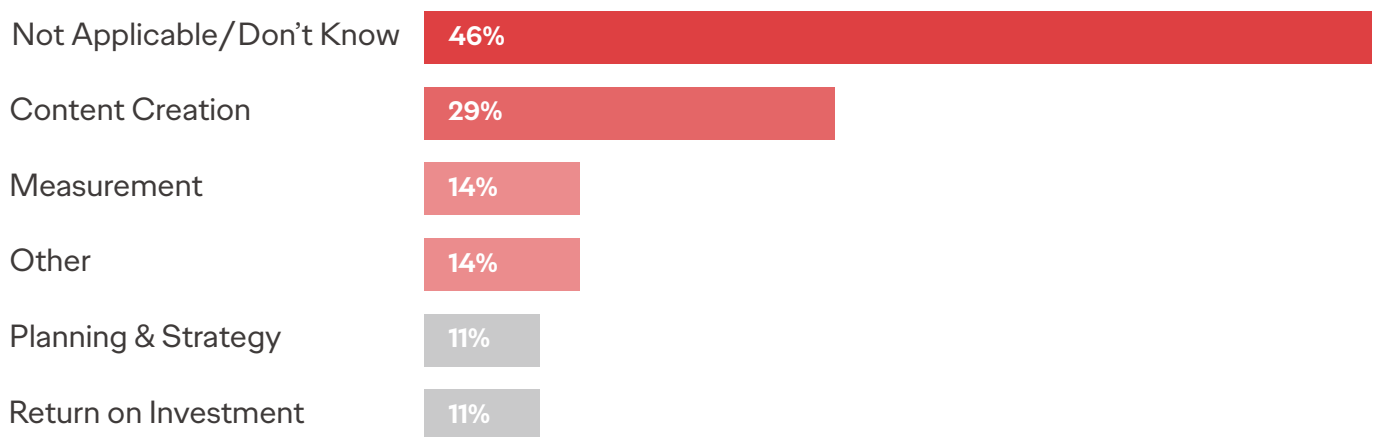
Content Creation in the Digital World

Chinese companies are at the cutting edge of digital branding. Digital media in China now accounts for 57% of consumers' total media time - higher than other major markets.^{xI} Despite this experience advantage, creating digital content that works for international audiences is a challenge for many Chinese brands looking to grow their business overseas (Chart #8). Many companies we spoke with are not yet leveraging digital media in their overseas marketing – a gap that could be costing them potential growth.

CHART#8

What are the top challenges you face leveraging digital media to grow your overseas brand?

Multiple Choice N=40



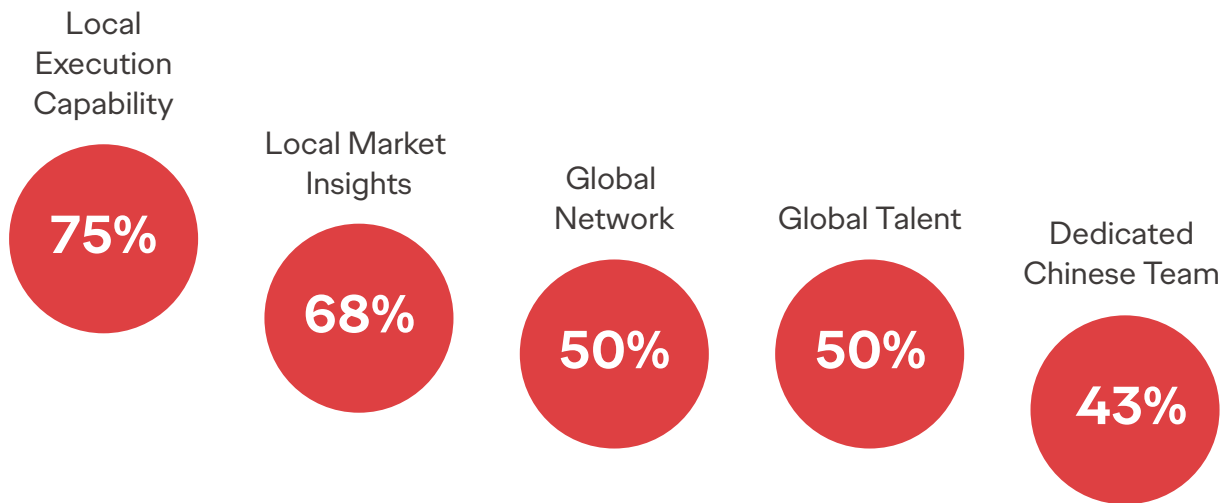
Allen Xu, Managing Director of Ogilvy Consulting in Shanghai says, “To lead in the digital world, brands must adopt a digital strategy consistent with the brand’s identity, differentiate with a strong digital experience design, and integrate globally with a central command force.” Many Chinese companies already excel at this in the domestic market; China is the birthplace of some of the world’s most innovative digital brands. However, success in overseas markets requires a deep understanding of the major global digital platforms like Facebook, Google and Twitter, as well as local market characteristics.

Of the companies we surveyed, 75% reported local execution as the most important quality when it comes to choosing a marketing agency (Chart #9). Respondents also valued local market insights and global network size as key criteria to select a marketing agency. Through our conversations with marketing executives, we found that their priority is to understand the overseas digital ecosystem. While popular overseas digital platforms are still foreign to most Chinese companies, they are nevertheless critical to their success.

CHART#9

What qualities do you value most in a marketing communication agency?

Multiple Choice N=40



There are several essential elements to consider when exporting a brand overseas in global digital platforms. Sheilen Rathod, President of Customer Engagement, Commerce & MarTech at Ogilvy China and Asia shares some keys to success:

1. Establish a social platform: Social media is one of the most effective and efficient ways to reach customers in new markets. To maintain control and create efficiencies, consider a centralized social model with headquarters developing the core strategy and social assets, along with playbooks, to be supplied to the overseas markets who then largely focus on localization.

2. Adopt a MarTech platform: Consider utilizing a Marketing Technology solution that can effectively inform and manage all customer-facing communications across different markets. Adobe Marketing Cloud is one such platform that delivers digital brand experiences across geographies and channels. While distributing assets, these unified digital platforms collect data and track performance, as well as sales and customer service metrics.

3. Establish a centralized command team with local execution: Consider a digital brand management model that features a centralized leadership team that drives strategic planning and core content creation, supported by local teams that lead localization and implementation.

4. Cultivate a digital culture: Implement a digital-first corporate mindset by building a culture rooted in innovation and learning. Integrate brand development and customer experience into product development and research & development.

5. Differentiate with a strong digital experience design: Digital experience is far more than the user interface or look-and-feel. Brands must differentiate by thinking about the customer experience holistically – the physical, emotional, and virtual experiences combine to enable the brand to be seen, heard and felt in overseas markets.

KEY FINDINGS
Measurement

07



FINDING #7

Measurement

Management guru Peter Drucker was right when he wrote “what gets measured gets managed.” It is obvious in the modern corporation that measurement is essential to success, however measuring success in branding can be a challenging endeavor. We found this to be especially true for overseas Chinese companies. Our research revealed that most companies use sales as their goal for measuring overseas branding success. While these companies increasingly recognize the need to build brand awareness, few have a systematic way of measuring and tracking it.

A few companies we spoke to have more sophisticated measurement systems than merely tracking revenue. Some track global brand rankings, reputation, innovation capabilities, or number of partners. Others look at output metrics like the number of trade shows hosted or number of Twitter followers. But none of these metrics go very far to inform branding work.

It is important to distinguish the difference between output and outcome. Outputs are things like the number of followers or likes, but they don't tell us about brand awareness or how the brand is adding value to business metrics like sales or brand equity. Outcome metrics, instead, measure how the brand contributes to business.

Along with Ogilvy's Brand Operating System, mentioned previously, we use a holistic brand tracking measurement system that evaluates the effectiveness and efficiency of branding efforts from the following metrics:

Business value in the long term: To reflect how the brand is perceived by a broader audience of stakeholders and if the result supported the planned business strategy and growth.

Commercial value in the medium term: To measure if marketing efforts led to a lower cost of acquisition per customer, and if marketing data was extensively used in an ongoing manner to define the campaign effectiveness. This is where the brand contributes in a financially tangible way.

Social & cultural value in the short term: To monitor the sentiment and traffic of digital and social media platforms, how the brand interacts with its audience, how it lives in their worlds, how it is perceived and received.

OGILVY BRAND OPERATING SYSTEM BRAND TRACKING & MEASUREMENT

Long-term
Mattering
for years

Medium-term
Mattering
each quarter

Short-term
Mattering
right now



Business Value

- Brand funnel
- Brand drivers
- Brand value
- Share price

Commercial Value

- Customer experience/satisfaction
- Sales & margin growth market share
- Customer loyalty
- Brand contribution to purchase
- Campaign awareness

Social & Cultural Value

- Buzz
- Sentiment
- Trial
- Web traffic
- Influencer

To maximize and accelerate progress in overseas markets, Chinese companies should prepare a global brand tracking scorecard with input from all local markets. It should be aggregated and shared not only across marketing teams, but also management teams.

Effective measurement is critical to long term branding success. Without clear outcome data, executives can't make optimized decisions, brand managers can't build on, copy, or iterate proven success, and local marketers can't harness insight to overcome obstacles and capture hidden opportunities. In the age of big data, companies that fail to implement effective measurement systems will fall behind.

CONCLUSION

In over 40 years of economic reform, China has nurtured many corporations that possess world-leading qualities, be it in their sheer scale of operations or their manufacturing and innovation capabilities. Yet, Chinese brands with genuine global influence are few and far between.

This study makes clear that while many Chinese companies aspire to go global, they struggle to translate their tangible strengths into soft power in the global market.

Based on the combined insights of over 40 top marketing leaders in China, and Ogilvy's extensive experience helping Chinese brands expand overseas, we believe there are seven key takeaways for Chinese Global Brand Builders:

- Clearly define the global ambition with a strategic roadmap and empower the marketing function to take the lead across the entire organization
- Build a brand platform that serves a purpose and entails long-term commitments
- Set up a sustainable brand management and organization structure
- Adopt a global mindset and foster a cultural identity that attracts and retains global talent
- Develop trust and reputation among key stakeholders globally, including local communities in key markets overseas
- Utilize global digital platforms with tailored content that resonates with a global audience
- Devise a systematic and consistent way to measure progress and inform strategic adjustments

We believe that these best practices are must-haves for all companies who want to build global brands, regardless of their national origin. We also believe that Chinese companies possess their own unique strengths, including:

1. Technological innovation commercialization know-how

2. Entrepreneurial spirit that embraces both vision and pragmatism

3. Power to execute with speed and flexibility

By fusing global best practices with these unique strengths, we believe that Chinese companies can chart a new path towards building global brands.

An organizational structure should be set up to support the adoption of best practices without losing Chinese companies' unique strengths. The hybrid "glocal" approach allows global headquarters to create a global brand strategy, manage global marketing assets and provide centralized guidance. Local markets are given entrepreneurial flexibility to activate and improvise while harnessing local market insights.

We believe that a stronger focus on brand building will help Chinese companies tremendously in their global ambitions, especially in the current economic climate. Chinese brands have the opportunity to rewrite the rules of global branding, adopting global best practices while leveraging their unique domestic strengths and digital first approach.

APPENDIX



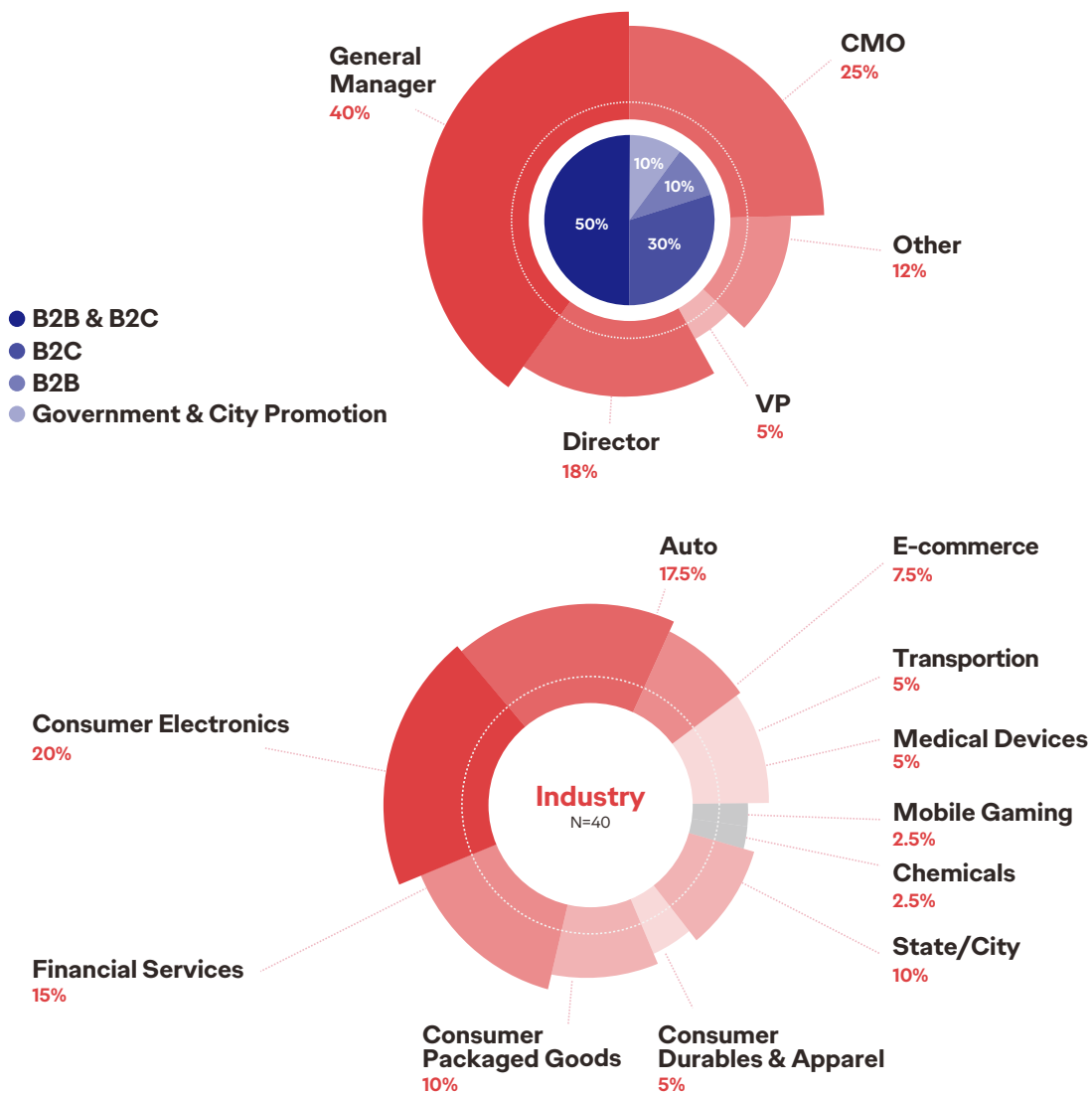
RESEARCH METHODOLOGY

This report is based on research conducted between April and August 2019. Primary research included one-on-one 90-minute interviews with 40 senior executives from a broad range of Chinese companies of different sizes, operating across 11 industry sectors and with various levels of overseas business experience. Please refer to the following charts for details. We also conducted secondary research and additional one-on-one interviews with subject-matter experts and leading academic scholars.

Respondents Title & Overseas Business Type

N=40

Many Chinese companies do not have a CMO position and use other titles to refer to senior marketing professionals with equivalent responsibilities.



ACKNOWLEDGEMENTS

We would like to acknowledge and thank the following individuals for their significant support and contributions to this report:

All interviewees, who are currently leaders of Chinese companies from various industries. Without them, our project could not have happened. More importantly, they are the ones leading the new era of Chinese companies going global and building China's global brands.

Professor Peter Cappelli from the Wharton Business School, University of Pennsylvania and Dr. Huiyao Wang from the Center for China and Globalization.

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ABOUT OGILVY

Ogilvy has been producing iconic, culture-changing marketing campaigns since the day its founder David Ogilvy opened up shop in 1948. Today, Ogilvy is an award-winning integrated creative network that makes brands matter for Fortune Global 500 companies as well as local businesses across 131 offices in 83 countries. The company creates experiences, design and communications that shape every aspect of a brand's needs through six core capabilities: Brand Strategy, Advertising, Customer Engagement and Commerce, PR and Influence, Digital Transformation, and Partnerships. For more information, please visit www.ogilvy.com

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