Ipsos Flair Collection

China 2012: 中國巨龍的堅守 the resolute spirit of the Loong.

NOBODY'S UNPREDICTABLE

China 2012:
the resolute spirit
of the Loong.

Ipsos editions
July 2012

[Guide]

Ipsos Flair: understand to anticipate

Flair is about instinct and intuition. It's an ability to capture the mood, to perceive the right direction, to know when to act…

To give our readers this advantage, Ipsos Flair *presents Ipsos' vision of a country and its people. Launched in France in 2006, and in Italy since 2011, the Ipsos Flair collection has now gone beyond Europe – to China.*

By encapsulating our expert perspective on consumers, Ipsos Flair *can drive winning strategies at an operational level. But our readers will also benefit from another view – one that considers the results of surveys to be sociological 'symptoms', indicating the real relationship between consumers and brands, advertising and media...*

Ipsos is uniquely positioned around six major specializations: advertising; marketing; customer & employee satisfaction; media; public opinion research; and survey management. By bringing together these diverse, yet complementary, perspectives, we can explore the many different facets of an individual, be it a consumer, a citizen, a spectator, or an employee.

Every day, Ipsos products collect thousands of pieces of data from quantitative and qualitative surveys. These support our insights and recommendations – but they also reveal an 'image' of a society, of a country, its culture and values.

We believe that the shift in people's attitudes, behaviors and opinions are the result, the product, of various phenomena, including: the general situation of the country; their feelings about their lives; their confidence in the future; the role of technology; and their access to communication.

Ipsos has verified this in both France and Italy through the mapping of trends and the emerging structural drivers of attitudes in these countries.

In Europe, more than forty years were needed to develop brands, advertising, the Internet, etc. One followed the other, in a long drawn-out rhythm. Not so in China. Here, everything happened fast, even simultaneously. It is as though the decade 2000-2010 was – in a highly concentrated cocktail – the quintessence of forty years in Europe!

And now, Ipsos Flair China 2012

2012 is the Year of the Dragon, a major symbol and myth within Chinese civilization that signifies strength and power – and how very apt this is.

After the 2008 Beijing Olympics Games, the 2010 Shanghai World Expo (with its 73 million visitors) and growth of 10.3% in 2010, the Dragon took flight with confidence, despite some turbulence. In 2011, China grew by 9.2% and expects another 8% at the end of 2012.

In October 2012, the Republic of China also celebrates its 63rd birthday – with 1,364 million inhabitants as at June 2012 (versus 1,295 million in the previous census, ten years before) which is more than double the 594 million recorded in the first national census of 1953.

2000 saw the introduction of Ipsos in China. Twelve years later, following the acquisition of Synovate by the Ipsos group, Ipsos in China is the largest market research company in the country – with offices in Shanghai, Beijing, Guangzhou, Hangzhou, Chengdu, Wuhan, Shenzhen, Hong Kong, and Taipei. Today, Ipsos in China conducts more 2,500,000 interviews and manages 3,000 projects that involve more than 20,000 groups each year.

It is on this, the 12th anniversary of Ipsos in Greater China, that we are honored to share with you our vision and the analysis of our experts.

We know that China is no longer an emerging country, but a country emerged, while other parts of the world are sinking. We understand that this is not an awakening, but a renaissance: until the early eighteenth century, China was the most powerful country in the world. We know too that, at this stage in its development, China will have to manage the structural consequences of its growth on a global scale.

It is now time to invite you to discover the current and projected life stages of Chinese society, its rhythms and expectations – in other words, the major issues that will determine the strategies of advertisers and companies.

As the Chinese proverb says, ***"A fool looks at the finger when the wise point at the moon."*** *Ipsos will accompany you in pointing at the bright moon!*

Enjoy!

Jean-Marc Lech
Co-Chairman of Ipsos

[Editorial]

Public opinion is always shaped by a myriad of factors: the history of the country; the pronouncements of authorities and opinion leaders; the convictions of the media; the suggestions of advertisers… Different stimuli come together to create the local 'mood'.

In Europe, for many years now, words and phrases such as 'crisis', 'austerity', 'gloom, 'debt', 'dysfunction', 'unemployment', 'reduced purchasing power' *and* 'new taxes' *have created a climate of concern about the future and distrust towards politicians. However, this has not prevented brands from invoking contrasting concepts such as desire, fulfillment and optimism: Ikea's slogan,* ***"Njut"*** *tells us to* ***"Make the most"****; Hyundai inspires with* ***"New thinking, New possibilities"****; Danone encourages Lu biscuit-buyers to* ***"Enter the field of possibilities"****.*

For this reason, sociologists and analysts talk about "opinion schizophrenia" *in Europe. This is particularly evident in France – the world's most pessimistic country at a collective level, yet the most certain of its happiness on a personal level. Here, research shows that a households' morale is inversely proportionate to the equipment in the home, as if the more Smartphones, PCs, TVs, consumption and leisure goods people have, the more they feel the need to complain!*

In China, by sharp contrast, the talk is of convergence and consistency; commonly-used words include 'renaissance', 'trust', 'boom', 'success', 'pro-activity' and 'conquests', *which all have an uplifting effect on public opinion – even this year, against the particularly complex backdrop of the financial crises in Europe and the USA.*

Here, 2012 is a year of transition – from the trends initiated over 10 years ago to the global economic crisis slowing down their diffusion into the whole of Chinese society. In particular, we are witnessing:

- *The urge to get access to consumption in all its different forms;*
- *The urge to choose and to receive diversity in offers, brand names, products, etc;*
- *The urge to affirm and maintain its intimacy and uniqueness.*

This has implications for all parties in the consumption society. Brands and advertisers, both local and international, must innovate, create and move forward. Why?

- *Because they are operating in a country that has no limits whatsoever - human, industrial, economical or other - and which sees itself as part of the future.*

- *Because they are targeting a public / audience with no complex about money; indeed, they consider money to be the key to accessing everything from luxury to real estate, tourism to education, personal success to well-being.*

China is in real contrast to Europe, which seems to shrink against the challenges of adjusting the different countries into a harmonious whole, of creating cohesion between generations and balancing nostalgia and perspectives.

This first issue of Ipsos Flair in China is dedicated to the energy of the Chinese people, their desires and convictions. Both collective and personal, this energy is strong enough to empower an entire population.

Yves Bardon
Prospective Director

[China in a nutshell]

The vision of Lifeng Liu – CEO of Ipsos Asia-Pacific Region

This is the first time that we have analysed China from the combined perspectives of social, cultural, market and advertising theories. What do you think our customers need to do to gain a profound understanding of the current market situation in China?

"You know, since China is such an extensive country, its geographic and demographic scale is nothing short of enormous.

On the one hand, the 2008 Beijing Olympic Games and the Shanghai Expo resulted in the substantial development of China's infrastructure. These structures represent the best of China, the 'first world' of China, with their very modern look, their luxury and creativity.

On the other hand, Chinese rural areas are developing at a much slower speed, still struggling in the 'third world'. Between these two extremes, there is the 'second world' of China: regions that have achieved some development but still have a long way to go before they could enter the first world. We can see from this situation that China as a whole has a long way to go before it can become a first-world country, because it is still a developing country that is full of diversity.

In other words, China is a combination of different worlds and different markets. That said, even in its third-tier cities, China is far more advanced than other developing countries, e.g., African countries and India."

What do you think are the major developments and changes in the Chinese market?

"The world is constantly changing. In the 1990s, China was still a country that could barely provide its people with enough food and clothes and it lacked basic infrastructure and products. After it began to reform and opened itself to the outside world, China was finally able to produce consumption products. Although some of these products do not have a reputation for good quality, it must be admitted that at least people have something to buy to maintain their living.

A decade later, at the beginning of this century, it had already become the fashion among Chinese people to chase famous brands – because they began to link brands with producers' promises of quality. Field observation and experience in developed countries also drew the attention of Chinese marketers to the effect the brand has and the important role it plays. This new tendency was not limited to luxury markets.

The food quality crises that frequently occur in China today have also forced Chinese people to consider the importance of the brand. Some of these foods were produced through improper processes or in an unsanitary environment, whereas had they been sold under a credible brand name, such quality crises may never have been allowed to happen. Today, food scarcity is no longer a problem for Chinese people – and only at this stage can the brand really begin to mean something.

Post-2010, there has appeared a large group of consumers in China who can afford luxuries. This really is something new and it's an important change because China is a big country, having one of the biggest consumption markets in the world. It means that if there are only 10% of Chinese people who can afford luxuries, it would still be 130 million luxury consumers - equal to the combined population of France and UK."

Extensive consumption is mainstream in today's society. In other words, brand names appeal to the middle class. What do you think of the 'middle class' as a target consumer?

"Actually, I think it is the mainstream class of China, accounting for the majority of Chinese people – a market covering as much as 40-50% of the Chinese population, or at least 400-500 million consumers. They are the witnesses to major economic change in China. In the past, they did not have enough food and clothing; now, they have enough money to buy brand-name products, e.g., branded cell phones, clothing, etc.

They are moving closer to what we call "middle class living standards. It is a little lower than its equivalent in Europe and higher compared to Africa and Southeast Asia, including Indonesia and India.

At the same time, they are beginning to worry about educational expenditure for their kids, the possibility of owning a house, and their living after retirement. Then, there are extra things for them to worry about: food quality, the environment, the quality of the air they breathe and the water they drink, etc.

In sum, whilst they enjoy every benefit that comes with the unparalleled social development of China, this group of people is experiencing all the difficulties inevitable in the development process, including food quality, surging real estate prices and the cost of education."

Consumers' lives have become more complex and consumers have become more critical, thanks to a number of factors: access to the Internet, the influence of different social media, the availability of information, the possibility of learning about and comparing different brands, and the overwhelming information about abundant products and their prices. What do you think about the relationship between China's fast development and the development of new technologies?

"I think it's the same as in Europe, because the development of the Internet and the development of the Chinese economy complement one another.

In today's China, the 600 million people living in cities - together with about another 1 million living in the rural areas of Eastern and Southern China - can easily access the Internet with their computers, cell phones, and even in their cars.

Along with the development of the Internet and social networks, e.g., BBS, the moment a consumer wants to buy something, he or she could immediately search online for information about it and verify such information.

As a result, if, for example, a consumer living in Beijing recounts his/her experiences on the Internet about a product, another consumer living in Guangzhou seeking the same product might read the post and come to some conclusions based on it. That is to say, in an Internet era, word of mouth has become something very important.

There is nothing beyond people's reach' anymore. In addition, different online communities are energetically expanding – for example, the QQ-phone, which is a gigantic mobile community in which subscribers or users can easily find all the information they need.

Chinese consumers tend to place more trust in the Internet than in other media. So, I think the Internet will have a greater and greater influence on people's decision-making processes."

Another recent world phenomenon is the transformation of the consumer purchase. Whilst making a purchase, more and more people are already considering the possibility of re-selling it on Ebay or another auction website. What about China?

"Of course, we have Ebay. Moreover, we have sites opened by Chinese for Chinese. There are many products available online at a price lower than in a supermarket or shopping mall.

The meaning of online shopping is not limited to the economic factor, namely lower prices – it also includes:

- *Credibility: rank the credibility of a buyer or seller through Ebay or Taobao;*
- *Credit points and bonuses granted after each transaction;*
- *Diversified rankings and referrals that traditional shops or supermarkets are unable to provide;*
- *A witness of the communication between three parties, i.e. a brand with customers, a customer with brands, and the communication between different customers;*
- *The development of Internet-based communication of information that originates from the consumer and spreads through public media; this leads to the following three results:*
- *Faster communication;*
- *Development of audio and visual information in social media;*

- Provision of resources and additional ways to undertake risk management."

The vision of the world and its future is different in Europe and China; the Chinese are much more positive. How do you explain that?

"First, China is one of the countries in the world that actually benefits from globalization. China has a population of nearly 1.5 billion, a well-functioning educational system and a hard-working labour force, although the pay for labour is low. Chinese products are popular in both domestic and international markets. Compared with the situation 30 years ago, China has achieved great development and more advantages and strengths. That's why Chinese people are so confident about their future.

Second, let's compare today with yesterday. Chinese people used to be poor. They didn't even have enough money to provide their kids with education. Now, it's apparent that they have a lot of money, not only enough for their kids to receive a good education but also enough to enjoy vacations in foreign resorts themselves. This is a kind of dual progress: at both national and personal levels, they are a part of globalization. They are benefiting from it. Because of globalization, the individual, the family and the state are all making progress.

China has chosen the right direction. That's why the country is getting stronger and people's living conditions are getting better and better.

Third, the government tries to maintain the high economic growth rate and let people feel that they have a bright future in their hands, and that their country will play an even more important role in the world.

That's why Chinese people are expecting an even better life in future.

Of course, there is still a group of people in China that worries about its living. They don't have enough money to buy a house, pay for their medical care or meet educational costs for their children. They benefit little from globalization, reform and current economic development. They are in a gloomy mood. Don't forget that there are 20-30% of Chinese people living on a very low income. The first thing they worry about is meeting the basic needs of food and clothing.

This brings us back to what we talked about earlier: China is a combination of people, regions and situations that are not all going at the same speed but they are moving in the same direction."

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[User's guide]

"China is a horse and the world, an idea"

[China's image]

The external perspective: opportunity & threat

Before we come to how Chinese people think and feel about their own country, it is meaningful for us to understand what foreigners think of China – their attitudes towards China and their difficulties in understanding it.

Let's first quote some words from Alain Peyrefitte, a French politician who was active in the 1970s. His words can help us better understand what Westerners think of China.

As early as 1973, in his well-known book, ***Quand la Chine s'éveillera... le monde tremblera (When China Wakes up... the World Shall Tremble),*** Peyrefitte already predicted what is happening today in China: fascination, threat, extraordinary development, unlimited potential, new markets, various challenges, world factory, source of creation, etc.

Since then, as China has developed, the media and public opinion have been influencing one another in different ways.

To entrepreneurs and investors, China is an auspicious land full of opportunities and the promise of success. A good example of this is China's 11.1% Foreign Direct Investment Growth Rate; in the first eight months of 2011, China absorbed as much as USD 77.6 billion in foreign investments, up 17.7% on 2010. To others, China is a new entrant that upsets the world and changes the distribution of roles to the detriment of Europe and the United States, only benefitting Asian countries, Russia, India and Brazil.

Many countries are swinging between their desire for overseas investment opportunities and their fear of losing their traditional strength that reminds them of their good old days. They are struggling to reposition themselves vis à vis China, a country that is quickly growing into one of the new magnetic poles of the world.

Under the influence of such confused feelings, some rigid prejudices find fertile land. For example, the victory of Na Li over Francesca Schiavone, the defending champion, in the French Open tennis final in June 2011, could be seen as a demonstration of China's hegemonic temptation - simply because this was the first time a Chinese player had won a Grand Slam singles title.

It has become an increasing phenomenon that any event involving China is quickly surrounded by the same suspicions.

For example, in France, when it became known that Hsueh Sheng Wang, CEO of Eurasia, was trying to buy a 40,000 m^2 warehouse in Le Havre, it soon became "The Chinese are planning to buy out this port."

Actually, his real intention was merely to build an exhibition hall for Chinese products in a 1,600,000 m^2 deserted industrial area in this 144,000,000 m^2 port.

Another fact that should be highlighted is that 60% of vessels passing through the Le Havre port are from or bound for Asia, and half of those are from or bound for China.

On September 14th 2011, Premier Wen Jiabao asserted during the 2011 Summer Davos Forum, ***"We (China) believe that the European economy stands a good chance to rebound. China is ready to make more investment in Europe. But this is on condition that Europe must officially recognize China as a Market Economy (before 2016)"***. Italy responded to this with scepticism. And when Premier Wen urged Western countries to ***"take responsibility, straighten financial order and put an end to the restriction on China's export to and investment in Europe"***, the same questioning attitude arose again.

Similarly, the acquisition deal in which a Chinese company offered USD 2.2 billion to bid for Daylight Energy Ltd. triggered a similar scenario. Daylight Energy has 69 oil and gas assets in Alberta and British Columbia provinces, in Canada.

This list could go on and on. But it is little wonder when you consider the fact that 81% of French people think it's better to adopt a suspicious attitude towards others, that only 16% of the French think that things are going in the right direction (versus 71% in China), and that only 51% say that globalization is a good thing for their country (versus 87% in China).

Consequently, when we talk about China, it is reassuring to regard China as a developing country that is experiencing fast economic development, an area in the world that is reviving, and an important presence in the world order.

The internal perspective: a Renaissance

During the reign of Emperor Wu (140 BC to 87 BC), China was considered to be the strongest state with the greatest dominion over the world. Moreover, it was experiencing a creative surge that saw many great inventions - paper and printing, the compass, the gunpowder manufacturing technique used in the military (guns and matches), fireworks…

Over time, there was also the water mill, the drill, the seismograph (in the 1st century AD), the axial wheel barrow and porcelain (with a history of 8,000 years), to name just a few. The inventions for everyday life, too, cannot be forgotten – such as the umbrella, white wine and beer!

The Han Dynasty (206 BC – 220 AD) could be considered in terms of the Roman Empire; it expanded more than 6 million square kilometres, with 55 million inhabitants. Its political and cultural influence spread to Korea, Japan, Mongolia, Vietnam and Central Asia.

In the 19th century, the repeated defeats and the unequal treaties imposed unilaterally by the United Kingdom, France, the Netherlands, Germany, Russia, the United States and Portugal accelerated the decline of China, which began at the end of the 18th century.

These countries founded territorial enclaves in China by force. They sought variously to establish branches in line with their own laws, to be able to import and export freely in China, to engage in free trade (especially of opium), to monopolize the market, and to gain extraterritoriality.

More than one hundred years later, from December 1978, the economic opening initiated by Deng Xiaoping led to a 'socialist market economy' in China, associated with the world economy and the market economy and in parallel with social development.

From 1980 to 2007, China's GDP increased at a rate of 12.7% per annum, and in 2001, mainland China joined the WTO; this created new opportunities with the phenomenon known as "globalization".

For twenty years, China's average economic growth rate of 10% has had direct consequences for people's living standards and wealth. For example, according to Artprice, the number of Chinese billionaires increases by 20% each year.

So, it is not just that China woke up, but that it rediscovered its power from so long ago. Despite its creativity appearing to sleep for over a century and a half, and rarely being mentioned in schools outside of China, inventiveness is part of the foundation of Chinese society. It is these conditions of greatness that have helped return China to its leading position.

Today, China owns 40% of the world's currencies (over USD 3 trillion), whilst the G7 countries have only USD 1.24 trillion in reserve - not including bonds held by China (of which, EUR 10,000 billion is a national debt of the European Union, and 11,000 billion that of the USA).

David Lee, *Marketing / Qualitative Research Director*

"The Chinese are very proud of the achievements of the country to date, particularly in 2010, which was a successful year that saw the Olympics, the Shanghai World Expo, and the passage to the second world power after the USA but ahead of Japan. Though 2011 did not have as many new equivalents, it created a real sense of pride. Ming Yao just finished his career in basketball and Na Li won at Roland Garros tennis. Sporting successes are very encouraging for many Chinese people and the sport is a national pride."

Daisy Zhu, *Research Director of Ipsos Greater China,*

considers the developments that determined the perception that Chinese society has of itself, its party-holders and its future:

"The Chinese feel confident about their future, with economic growth that can be compared to that of the United States, even though the Renminbi has appreciated against the US dollar. The convergence of media, newspapers, magazines and television abroad reinforces the idea that China is experiencing a strong momentum of development.

With the development of the middle class, the process of urbanization is an important factor in this economic growth.

30% of the population used to live in urban areas and 70% in rural areas. Now, the population structure is changing and completely reversed: today, it is 50/50, and with the development of large cities like Beijing, Shanghai and Guangzhou, tomorrow it will be 70% in urban areas and 30% in rural areas.

Meanwhile, those born in the early 1960s or 1970s have become the "middle class" in China. They work hard and move to the cities for a higher standard of living. Their life is better than the generation of the 1940s or 1950s, who lived through the Cultural Revolution.

Everyone can see from their own family perspective the progress of the country, the changes in the lives of those in rural areas, the rising incomes, and the improved working environments.

For example, the installation of multinational companies created opportunities for university students and graduates, as well as prospects of employment and the opportunity to succeed.

All is not perfect, and obviously, property prices in China are still very high. On this, the Government tries to control housing prices against the backdrop of strong demand. But it is a shared perception that China is the growth leader."

The internal situation: a desire for fresh impetus

The prospect of growth stabilizing, or a drop in inflation, represents a new phase. This could create the impression that the authorities have gained some credit and can be trusted.

Another factor is the Purchasing Managers Index (PMI), released by the China Federation of Logistics and Purchasing: this has continued to increase and reached 51.2% in September, versus 50.9% in August the same year (2011). According to the Federation, this 0.3% increase marks two consecutive monthly rises in the PMI, showing an increase in the services sector.

What would boost optimism when the Purchasing Managers' Index of HSBC suggested a contraction in manufacturing activity?

If we assume such information is important, which is only the hypothesis of Ipsos Flair, the issue of trust is the thread that connects the different attitudes of the same individual: employee, citizen, consumer, etc.

This has been observed unambiguously in France, Italy and Europe: the lack of growth, the lack of prospects and unemployment all create a lack of trust and absolute detachment towards the Government, political parties and trade unions.

- Typically in France, the rise of individualism has reached the point where brands deploy more and more empty words to flatter and woo their customers: *"It's good because it's you", "Come as you Are", "What can we do for you today?", "Definitely for you", "Bravo me. My banker, it's me!", "Doing more for you"* (*Casino, McDonald's, Monoprix, SFR, B4B and Bouygues Telecom,* respectively).

- In Greece, Spain, Italy, Israel, USA, etc., we see the rise of the "Outraged" – that is, people who denounce the excesses of capitalism, but reject the austerity measures and economic or social policies of their governments. In Greece, in particular, citizens are confronted with an austere and rigorous policy, with an unemployment rate that probably exceeds 22%.

In Spain, overall unemployment reached 24.4% at the end of the first half of 2012, and 49% among those under 25. This is the highest within the European Union and the 27 OECD countries. Evictions of indebted homeowners are increasingly frequent, and this forms another focus for the "Outraged".

This is not so in China. If wealth is the result of progress, and if it is possible that wealth develops gradually, the benefits are clear for all parties of the virtuous circle: trust in institutions, desire for brands, and pleasure in demonstrating success.

Indra Chow, *Research Director of Ipsos Greater China,*

believes that it is easy to externalize personal success, and that this is an engine of growth for many brands.

This creates a gap between lower quality brands that cater to the needs of daily life and those that reflect access to higher standards of living:

"Consumers prefer brands that reflect their purchasing power. They are very aware of what constitutes a particular brand, and that brands are a means to showcase their financial resources. People know very well the price of things and can quickly assess the capabilities of the professor who wears a particular brand. Obviously, for daily brands and CPG, the image is less individualistic in this system."

Sheng Ye, *Ipsos Greater China Auto Research Director,*

makes the connection between innovation, foreign brands, unconventional aspirations and national pride:

"After years of pressure, people will try everything to break with old systems and tackle the new. Today's Chinese consumers are willing to buy any products as long as they are foreign - from France, USA, Thailand…

There is something very different about the Chinese versus other nationalities. The Chinese are very sensitive to figures showing economic and industrial growth and they understand concepts such as GDP, CPI, PPM, indices, etc. They have a culture of numbers that is not found in Europe, for example. Westerners seem much less concerned about their place in the world, the situation of foreign trade, etc.

Money is consistent with this culture: to love the numbers is tantamount to loving money! We must show we are rich, and it's important for this to be recognized. So, young people come with an iPhone4 representing two months' salary, whilst other more affluent people want the latest Rolex, to drive a Ferrari, to go abroad for holidays twice a year. Luxury brands are a national dream because everyone wants what the rich have!"

[2012, a year of transition]

2012: new situations

Faced with the complex and challenging international environment, new situations and trends have emerged within China's domestic economic position. Overall, the economy is progressing whilst maintaining stability.

According to the preliminary estimates of the Chinese National Bureau of Statistics, China's GDP in the first quarter of 2012 totalled CNY 10,799 trillion - up 8.1% when calculated at comparable prices. In terms of industry, the primary industry saw an increase of CNY 692.2 billion (up 3.8%), the secondary industry, CNY 5,145 trillion (up 9.1%), and the tertiary industry, CNY 4,962 trillion (a year-on-year increase of 7.5%). The GDP of China in the first quarter of 2012 realized quarter-on-quarter growth of 1.8%.

The food production situation is fairly positive, and livestock production maintains steady growth. Industrial production grows steadily, whilst corporate profits decline. In the first quarter of 2012, the industrial added value of enterprises above designated size grew by 11.6% calculated at constant prices. In January and February, industrial enterprises above designated size realized profits of CNY 606 billion, down 5.2%. Investment in fixed assets (excluding farmers) was CNY 4,786 trillion, or a year-on-year nominal growth of 20.9% (the actual increase being 18.2% after deducting price factors), and the growth rate was down 2.9 percentage points from last year.

The total retail sales of social consumer goods was CNY 4,932 trillion, or a year-on-year nominal growth of 14.8% (the actual increase being 10.9% after deducting price factors).

In the first quarter, total imports and exports amounted to USD 859.37 billion (up 7.3%), in which exports realized USD 430.02 billion (up 7.6%) and imports realized USD 429,35 billion (up 6.9%) – hence a surplus of USD 670 million.

Urban and rural incomes have increased rapidly, and the income of rural residents grew faster than that of residents in cities and towns. In the first quarter of the year, the average per capita income of urban residents was CNY 7,382, within which the disposable per capita income of urban residents was CNY 6,796. This represents a nominal growth of 14.0% when compared with the same period last year, and the actual increase was 9.8% after deducting price factors. In the first quarter, rural migrant labour forces numbered approximately 163.71 million, an increase of 3.4% on the same period last year. The monthly average income of migrant workers was CNY 2,173, an increase of 16.6% compared with the same period last year. In the first quarter, the median disposable income of urban residents was CNY 5,658 (up 14.2% year on year) and the median per capita cash income of rural residents was CNY 1,872 (an increase of 20.3% on the same period last year).

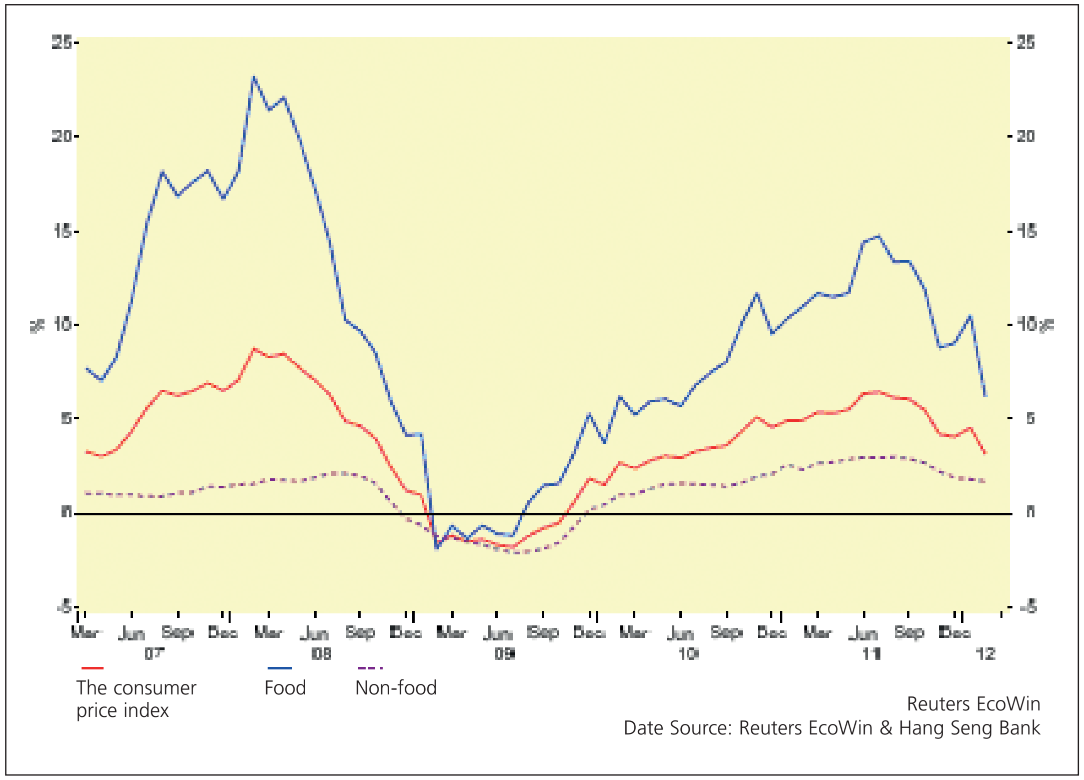
Urban development in the mainland will also support the growth of consumption. At the end of 2011, the number of urban residents in the mainland surpassed the rural population for the first time. It is expected that this number will continue to increase in the coming decades. Given the higher level of consumption in urban areas, it is expected to lift consumer spending overall, thereby stimulating economic growth. In addition, as inflation slows down, more and more social security housing projects are being completed and a number of policies are being introduced by the Government; these include raising personal income tax allowance, home appliance purchase subsidy in rural areas, and subsidies for small energy-saving car buyers. All if this will further boost consumer spending.

Despite domestic demand, global economic uncertainty means that the mainland's exports will still be weak. Exports to the Euro zone are likely to reduce further, although exports to the USA are relatively buoyant. The new export orders index of the official PMI in February and March showed that exports would continue in surplus. However, we expect that the trade surplus will only amount to USD 83.5 billion, equivalent to 1% of GDP (which is lower than last year) regardless of the amount or relative proportion of GDP.

Further slowdown in inflation and housing prices

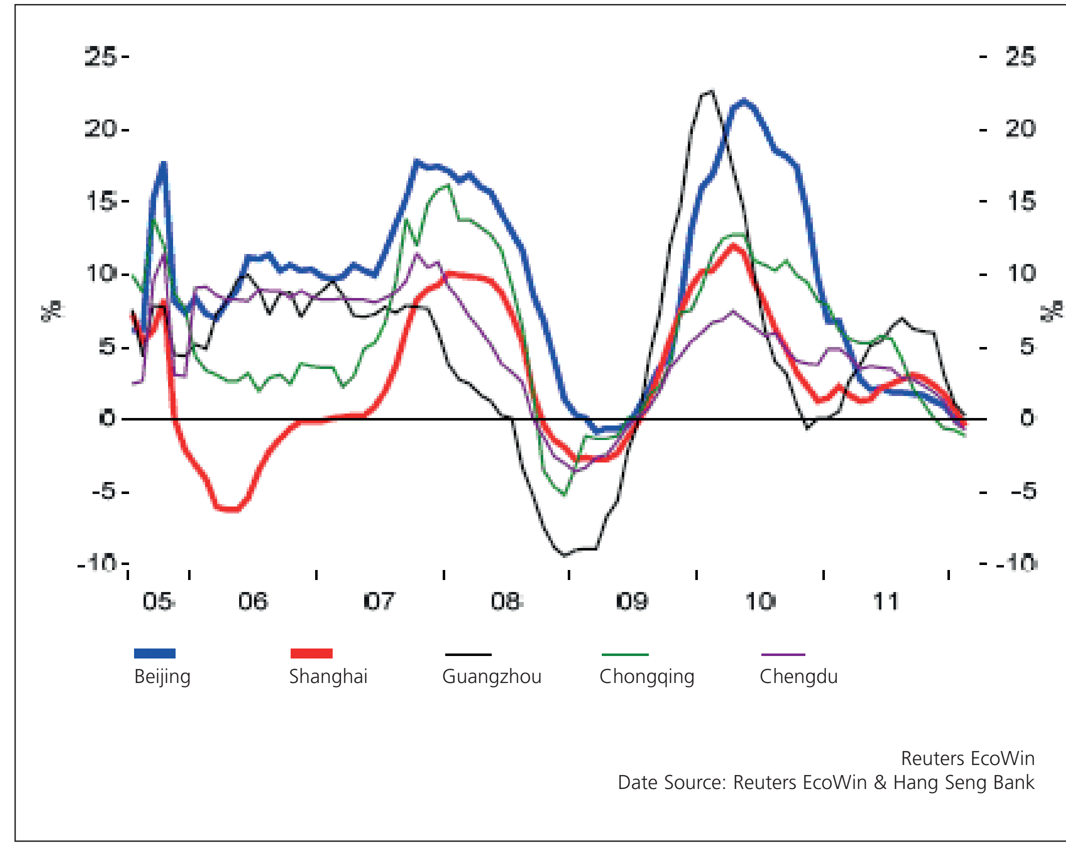
As food prices and service costs went down in the first two months of 2012, the average consumer price inflation fell to 3.9%. In March, inflation hovered at around 3.5%, and the annual average may drop to 3.0%.

Inflation on the mainland China



In February, under the influence of real estate control measures, housing prices in 70 cities fell further. In this year's Government report, Premier Jiabao Wen committed to reducing housing prices to a reasonable level. It is worth noting that Premier Wen also stressed that the central Government would not relax its austerity measures on real estate. Of the 70 cities monitored by the National Bureau of Statistics, prices fell in 27 in February (as against the previous year), whilst in January the number was only 15.

New housing price growth in major cities



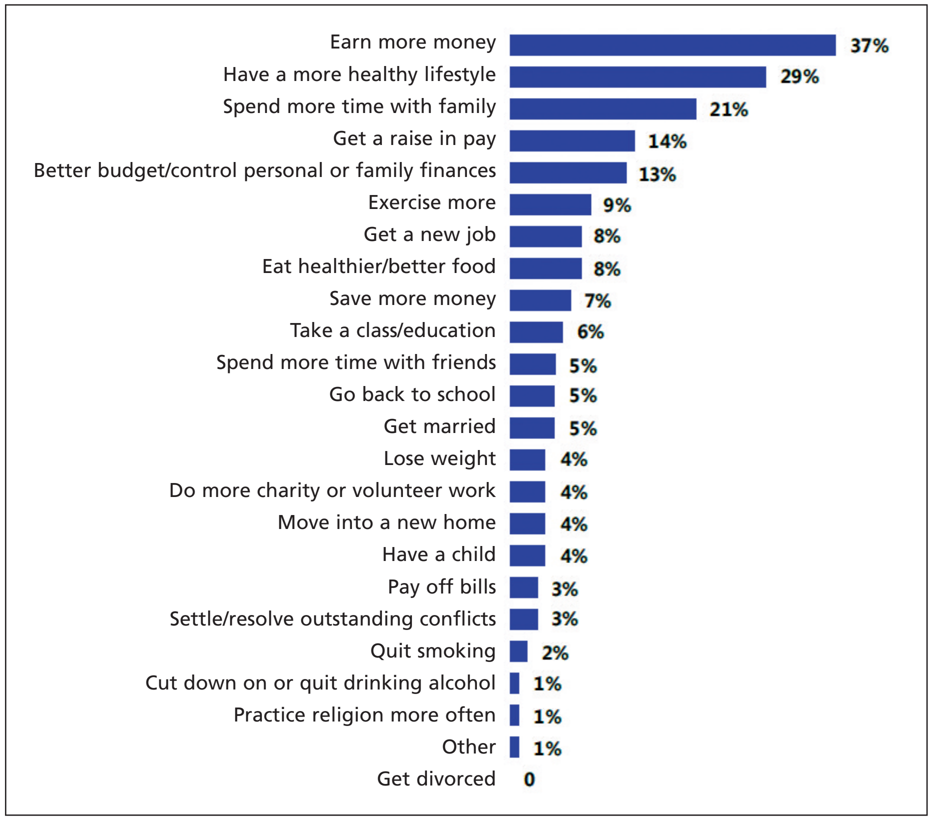
Yuanchun Liu, Associate Dean of Economics of Renmin University of China (Beijing), held that this decline was the result of control measures by the Government implemented from early 2010 – including curbing price increases through monetary tightening, reducing demand to buy, raising interest rates on bank loans, collecting property tax, increasing the amount of social security housing and other measures.

Ipsos findings

To achieve the results of the survey presented below, Ipsos interviewed an international sample of 18,676 adults aged 16-64 (18-64 in the USA). Approximately 1,000+ individuals participated on a country by country basis via the Ipsos Online Panel, with the exception of Argentina, Belgium, Indonesia, Mexico, Poland, Saudi

Arabia, South Africa, South Korea, Sweden and Turkey. One of the most enlightening questions was, *"Now you said you would make some personal resolutions to do some specific things for yourself or others. Please tell us what your top one or two will be."*

Personal resolutions to do things for yourself and others (results of a survey conducted y internationally by Ipsos Online Panel)



It is interesting to connect this figure with the analysis of Daisy Zhu, Research Director of Ipsos Greater China, on the values of young Chinese people:

"The generation of the 1980s just wants to become rich, to be big bosses, buy houses and luxury cars, etc. The important thing is that they do not know how to become rich! The generation born in the 1990s is more realistic, more secular; they want to succeed first in school, and then career. They are more conscious of the value of things and that they should care for the elderly. Nevertheless, all these things do not hinder their pursuit of iPods, iPads, and other brands or fashion products targeted specifically at young people. Of course, they cost money..."

People's incomes and living standards continue to progress, but with different kinds of feelings around access to consumption goods. Chinese consumers believe they are now under greater pressures in their daily lives thanks to constant inflation and slow salary rises, as is happening in Europe.

However, the Ipsos survey, *"Chinese Consumers' Confidence in the Economy and Personal Consumption Investment Behaviour"* shows that more than half of Chinese consumers are optimistic about the economic forecast for 2012. They plan to decrease social and recreational activities and transfer their savings from banks to stocks and insurance.

This reaction - along with consumer goods choices in favour of luxury and anything that can differentiate themselves - is comparable to the attitudes of the Europeans or Americans. It is as though Chinese consumers have adopted in five years the behaviour that others have taken more than thirty years to demonstrate.

The basics of the formula

Cohabitation

Regional differences

Regional and cultural differences in China are decisive. As *Kathy Cui* points out, *"China is a huge 'collection' that contains a variety of different levels."*

In this country, there are vast disparities between purchasing power, geographical background, business environment, sources of information, consumers, brands and innovative products. In fact, there are 3 distinct levels:

"The first level corresponds to the most developed cities, where the richest people live, work in the most modern companies and commercial organizations, and have comfortable offices and working environments."

This group, completely assimilated into the consumer society, is accustomed to the Internet, new technology, mobile phones and international tourism. This is the group most open to change. They also have the ability to buy expensive, branded, high-quality products, and usually purchase them online.

This consumer group's targets are foreign brands and local brands with very high added value.

At the second level:

"The income of China's second level is relatively low. Although they may work in the same cities as China's first-level groups, their way of life is not exactly the same; or they live in smaller cities".

It is true that the second level groups have something in common with the first-level groups; they also like the brands that highlight social status and create a social image that demonstrates success, but often they have no way of acquiring them.

The third level is comprised of moderately sized urban areas and rural areas. The residents here are relatively older, have low income, and live in quite a traditional way. Many young people here go to second-tier cities to look for development, employment and financial opportunities.

Hence, there are two current social directions:
- To control the risk of polarization, whereby the rich get richer and the poor get poorer
- To encourage the middle class, which envisages itself becoming wealthier and fully exposed to world brands, with access to the mass consumption society

The middle class is the most receptive to modern fashion and novelty products. However, if they feel it impossible or difficult to achieve their dreams, this optimism could be easily dashed.

Cultural differences

Ipsos Greater China Research Director, Katherine Zhou, re-examines the diversity of regions in terms of culture, geography and climate - overlaid by economic data from these regions.

A simplistic perspective will view China as a single market; in fact, it is multi-layered, as she highlights here:

"From both an international and domestic standpoint, China is a huge market abundant with opportunities. However, it is necessary for those involved or interested in China to understand its internal diversities before developing strategic blueprints."

Region, level (1/2/3) and purchasing power all have a direct impact on residents' level of brand awareness and degree of brand association, for both international and domestic brands. These factors also influence whether they choose original or counterfeit products.

In the third level and less developed regions, brand-name manufacturers are more willing to offer a variety of prices, seeking to attract consumers by being more competitive, to establish a good relationship with them, and to seize future opportunities in the market.

This is exactly what Katherine Zhou alludes to:

"International, well-known brands such as Coca-Cola, Pepsi, Procter & Gamble and Unilever innovate and penetrate the markets of small cities and rural areas. They make changes to product efficacy, taste, and even the price according to the differences in consumer needs, attitudes and behaviours in big cities and small rural areas."

This approach includes market-testing options:

"A lot of retail consumer goods brands would choose Shanghai as a test market because the people of Shanghai are the most open to trends and innovations. We all know that residents of Beijing are relatively conservative, whilst Guangzhou residents are generally under the influence of Hong Kong."

The circulation of goods in China is directly affected by regional levels and cultural differences. The development of business in first-tier regions goes hand in hand with the development of luxury goods. Second-tier regions are characterized by large shopping malls, whilst third-tier areas have just one or two centre markets. Fourth-tier areas are characterized by small and medium-sized supermarkets.

As is pointed out by David Lee, competitive strategies have emerged between local and international brands:

"Local brands in the third and fourth-tier areas can compete with brands such as Procter & Gamble, Unilever and Coca Cola; they better fit the purchasing power and habits of consumers, and the products can be sold to the terminal points of sale. So, they dominate the local areas. By contrast, in the first and more second-tier areas where the circulation is much more concentrated, international brands lead the way. Moreover, there is a great deal of competition, which requires international companies to conduct highly accurate studies."

Crystal Xue re-examines the dialectical opposition of brand reputation and affordability, which is related to advertising communications, brand presence (or absence) and real purchasing power:

"Rural and urban consumers know about international brands and want to buy them, but they cannot afford them. Either that, or the brand's penetration rate is too low and it cannot be found in the local mall. Less developed areas have the largest number of consumers buying local brands – they have no choice. But, whenever possible, they will buy an international brand-name product; this can be seen in physical care and shampoo product consumption. Procter & Gamble and Unilever products are becoming increasingly popular in urban and rural areas, because these companies are trying to improve their penetration in North and South China. However, the same cannot be said of the food or catering industry, except for Coca-Cola. Undoubtedly, in the first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen, there is no such problem, because you can find everything here! In Shanghai or Beijing where there exists the most consumer potential, we find the most open, active and confident consumers."

Associate Director of Ipsos Hong Kong, Queeny Wui, has noticed from advertising research experience that clients will develop their own strategies based on the level of urban development:

"Over the years, our clients are mainly from Shanghai, Beijing, Shenzhen and Guangzhou. However, we have found that, in the last two years, international customers are worried about the small and medium-sized cities. These second and third-tier cities have enormous commercial potential, and play an increasingly important role in sales volume. Therefore, Ipsos allocates more resources for business in these second and third-tier cities."

Another concern is the differences required in advertising content and tone for these different levels. Queeny Wui holds that:

"In Shanghai, Beijing, Shenzhen and Guangzhou, solely conveying the functional benefits may not be enough to attract consumers, and ads that combine the functional with the emotional will be more successful. In fact, consumers are more sensitive to the emotional aspects than the functional ones. It is just the opposite in the second and third-tier cities; here, ads must be straightforward and the basics of the product, namely, its practical, operational and functional

benefits, cannot be ignored - although emotional ads are gradually emerging."

Xiaohong Wang, Co-GM of ASI of Ipsos Greater China, concludes:

"China is a vast population with diverse values and attitudes. Differences in factors such as surfing habits, access to shopping centres, access to new technologies, economic growth and family situation should be taken into account when advertising to a rural audience versus an urban one. There are general cultural standards, but with different interpretations. Some Chinese residents are very fond of showing off - in Shanghai, for example - as they feel under pressure to demonstrate their success and standard of living. Elsewhere, it is the opposite; others are cautious and keep a low profile, which is consistent with their economic strength. Advertising must take this into account when allocating roles, directors and scenes. Advertising and marketing channels must be developed to be adaptable for different people.

Now, we do see some groups that have a common culture, such as teenagers who share the same values, like the same brands and have the same tastes. Geographical or regional level makes no difference in this regard. Motorcycles, entertainment, chewing gum, video games, fashion, instant noodles, alcoholic beverages and soft drinks, for instance, are products that appeal to the young generation all around the world, not just in China. Therefore, it is quite easy to develop effective national advertising channels. As we all know, the elderly prefer to watch television, but young people like the Internet, so television programs are a cross-cutting issue.

Thus, it is our experience that clients are very interested in conducting studies to identify the right solution. Through these programs, they will be able to identify the feelings of the consumer toward a brand and their access to communication means, and therefore assess the potential of the target market. With a precise understanding of hereditary value and cultural systems, brands can attract customers' interest and loyalty. Any successful brand should take care to do this. They are not recommended to approach consumers with excessive affectation or exaggerated colours, let alone stars and celebrities far away from their daily life. L'Oréal, for example, is experienced in this regard; it uses Chinese celebrities that are familiar and well-known to ordinary people, even in its high-end products, to good effect."

However, regional differences (although marked) are not destined to exist forever - they do not support the vision of a harmonious development either. As is indicated in its most recent five-year plan, the objective of the Chinese authorities is to reduce and eliminate these regional disparities.

Indeed, the urbanization of fourth-tier areas includes very specific activities. For example, improvements in water access and quality will involve significant technology and so urbanization will lead to the rapid development of the home appliance industry.

David Lee stresses the fact that each reform associated with local development will produce a mini-market, a completely different system, and the reallocation of local and international interests of the stakeholders:

"In first and second-tier areas, competition is already saturated, and it is difficult to find effective means to gain market share. However, in other places, they are catching up with the high-level regions in an increasingly fierce competition. Brands need to constantly adapt to changes in the living conditions of residents, respond promptly and take into account the life changes of the residents. For example, people may have had no running water a few years ago. Then, they had running water but the pressure of it could not meet the requirements of washing machines. Finally, the water pressure was acceptable for washing machines. So, when will a person here buy a washing machine? What brand will be chosen? What are the functions they expect? To answer these questions, we must better understand their current lifestyle, forecast changes to their lifestyle, and the possible results."

[What about Hong Kong?]

Given the differences between the cities of mainland China, Hong Kong is indeed one of the most direct example of these disparities.

Queeny Wui points out a key characteristic of consumers in Hong Kong: in terms of marketing and advertising, levels of awareness and criticism are higher than the average. But this also has its advantages, enabling us to anticipate the attitudes of those highly educated consumers:

"Categories of many products in the Hong Kong market are already mature and close to saturation, so it is more difficult for a brand to expand by relying on the introduction of new products. In order to successfully sell the product of a certain brand, it must be 'differentiated', but also connected to consumers. The life cycle of 'a brand' is extremely short here, therefore, the brand is always trying to stimulate the consumption of Hong Kong consumers."

In terms of working culture, the new generation is particularly impatient. They live within the fast-paced world of the Internet, video games, new technology and other international trends and so find it hard to tolerate its constraints:

"In contrast to previous generations, young people cannot accept pressure, fatigue, the concept of 'hard work' and time-consuming and laborious activities. For business owners, it is difficult to find staff ready to work in one profession for a long period of time. We can see this in the recruitment process."

Chief Research Officer of Ipsos Greater China, Larry Wu, elaborates on the uniqueness of and the changes within Hong Kong: for the residents of mainland China, here is the best place to buy luxury goods!

"For more than a decade, the mentality of consumers in Hong Kong has been quite stable. Changes occur in the mainland, with Chinese people flocking to Hong Kong for shopping in the upscale shops of Chanel, Cartier and Louis Vuitton. Not only do the rich enjoy these travels, but the middle class and even lower-income people will come too. They buy cosmetics, luxury products or electronic products with great gusto. They also have their own reasons to believe that the products purchased in Hong Kong are of a better quality and model than those available in mainland China. It has to do with product quality problems perplexing the mainland Chinese, such as milk."

At the same time, the purchasing power of Hong Kong residents is declining:

"Hong Kong residents are very concerned about brand image and its social value. They are fond of comparing their luxury goods with those of others. But, their purchasing power has declined because, in recent years, prices have increased considerably. Hong Kong residents no longer spend as much on luxury or quality goods as they did before; rather, they give priority to the repayment of housing loans. Nevertheless, they remain highly sensitive to the rising prices of their beloved brands.

This is connected to the international culture in Hong Kong. Hong Kong is a cosmopolitan city that enjoys much earlier access to brands compared with mainland China. Consumers understand the brand's history, its connotations and the associated social status.

But for Hong Kong residents with many choices, as well as luxury products, new technology is also very important. The penetration of laptops, iPads, and iPhones is highest in Hong Kong. On public transport, we see people using them to play games or watch movies.

Young people are more inclined to buy new technology products. They are chasing after new trends and must have the latest models, such as the iPad. In Hong Kong, products are replaced with incredible speed."

We can observe a shopping polarization:

"I have noticed two phenomena: one is the polarization of consumers in their consumption choices, and the other is the polarization of consumption in the richest strata and other strata. In one hand, consumers save money and continue to buy expensive brand-name products, new technology products,

luxury goods, watches, computers and mobile phones, because these are representative of social value. In the other hand, consumers seek to purchase the cheapest products for their daily necessities."

The growing influence of online networks and social media cannot be denied:

"The impact of social media is increasingly important. Many people use Facebook, and traditional media, advertising and word of mouth are no longer the preferred sources of information. Online media, such as Facebook and forums, etc., are proving to be the winner. Imagine you want to buy a TV, you can see the views of others if you want to know what kind of style is the best. It is the same for a new table or a new car.

This complements the development of online shopping. It is surprising because, in Hong Kong, it is very convenient to buy anything you want on the street. But online shopping represents more choice and the possibility of more cost-effective products. The same products can be much more expensive in mainland China, or in an imported Korean clothing store. In this way, changes occur to the consumer decision-making process and their actual shopping approach. This is a universal attitude and there is little difference between men and women."

With purchasing power declining and the Internet still developing at speed, consumer behaviour will also change. This is what Larry Wu notes in a new consumer phenomenon: group-buying (which also has its counterparts in Italy, France, etc…).

"First of all, more and more Hong Kong consumers choose online shopping. Secondly, instead of individual shopping, they prefer to purchase something in a group for the discount. Thirdly, cross-border shopping has become a common phenomenon, as consumers seek to find the country where the products they want are the cheapest. For example, if the shipment of a product from South Korea is very expensive, consumers will form a 50-person purchasing group to order the same product. This may mean that they can buy the product at its wholesale rather than retail price, and save a lot of money."

Another important factor is the increased exchange between Hong Kong and mainland China; Larry Wu outlines his view of the situation:

"Enterprises in Hong Kong interact more and more with mainland China. Many companies choose to develop in Shanghai. The flow of the working population is much larger than before, and there are an increasing number of Hong Kong residents in Shanghai. As the Chinese market has entered a period of rapid development, more and more people are flocking to China."

Indra Chow summarizes that:

"Hong Kong is part of China, but it has different currencies, judicial systems and lifestyles from other cities. At the same time, since China has recovered its sovereignty over Hong Kong, its connection to the mainland is even closer. From a commodities point of view, as more and more mainland Chinese tourists go shopping in Hong Kong, Hong Kong stores stock goods that can better meet their preferences."

As more mainland tourists travel to Hong Kong, the number of Hong Kong residents travelling to the mainland will also gradually increase for the following reasons: mainland China offers more accessible prices for real estate, entertainment and even short-term stays. Of all the mainland cities, Shenzhen is favoured by Hong Kong residents for all these reasons.

Increasing traffic and travels are contributing to the reduction of differences between Hong Kong and mainland China. According to Larry Wu, part of the uniqueness of Hong Kong is being erased and disparities are less visible today than before:

"Hong Kong has long been a cosmopolitan city. People would mistake it for New York or London when shopping there because they see the same shops, the same luxury and new technology products. In addition to that, typical Chinese elements can be found. The mixture of Eastern and Western cultures is the soul of Hong Kong. Under British administration, the educational institutions and enterprises were established according to the principles of the United Kingdom and the Western World. But because we are Chinese, our values are also Chinese, such as family values.

Today, consumers' behaviour in Shanghai and Hong Kong is getting closer and closer. Cultural differences are gradually reducing with the rising interaction."

As is pointed out by Indra Chow, there is a reason for the loss of Hong Kong's uniqueness:

"For me, the school curriculum post 1997 is quite different from when Hong Kong was under the British colonial rule. Given the international openness of the economic history, we are citizens of the world. Hong Kong plays a very important role in China's advance. This is a phase of development that started 150 years ago and will continue in the future."

The two examples given by Queeny Wui show the allegiance of Hong Kong residents to local traditions; they raise objections when, to meet the rapid development of the city, an old building has to be demolished for new one. Meanwhile, old furniture and articles are sold through "Goods of Desire." The introduction of the G.O.D. website is a strong indicator of this sentiment.

The Chinese grid

By Helen Lee, Managing Director, Ipsos Greater China

Over the past decade, urban and rural incomes in China have experienced rapid growth. There are more diversified income sources, the revenue structure is greatly optimized, and the residents are more affluent. The consumer content is richer, consumption quality is comprehensively enhanced, and the living standards of China's urban and rural residents have significantly improved.

The average per capita disposable income of urban households over the past decade has grown by 10.1% annually. The per capita consumption expenditure increased from CNY 5,309 in 2001 to CNY 9,997 in 2007, whilst the Engel coefficient dropped from 8.2% in 2001 to 36.3% in 2007.

The average annual increase of per capita net income of rural households over the past decade is 6.2%. The per capita consumption expenditure increased from CNY 1,741 in 2001 to CNY 3,224 in 2007, whilst the Engel coefficient dropped from 47.7% in 2001 to 43.1% in 2007.

In the developed cities of East China, young people also face the pressures of city life: competition in the workplace, uncertainty of employment, mortgages, and increases in the cost of living due to inflation. They have to learn English from kindergarten, and parents, schools, and work places emphasize the need for English language skills. Despite the prevalence of Western culture and lifestyle, studies of ancient Chinese civilization are in vogue and mainstream media are starting to pay attention to the return of traditional Chinese culture (though the stress is on form rather than essence). Both refined art (such as opera) and traditional folk culture (such as cross stalk markets) are flourishing.

Many young people like to read through electronic media; they (or at least some) concern themselves with social hot spots and express their opinions through online forums, blogs, and Weibo; some even participate in a variety of media talent shows. However, young people rely primarily on the Internet, films and Karaoke!

Whilst males prefer entertainment through the Internet, females are more inclined towards beauty and fitness; the middle-aged and elderly focus on various types of diets, which are also hyped by the media and the market.

In Western underdeveloped cities and small towns, urbanization and rural industrialization are gradually advancing, with residents' cultural preferences converging with those of small and medium-sized cities. When young people go to work in the cities, the elderly and children are left behind. In 2008, the "Cultural Anti-poverty Project" was launched to provide poverty-stricken areas of China with information, education and cultural support.

On the whole, governments at all levels, mainstream media and the general public are increasingly concerned about traditional culture, but to some extent this is more a formality, and down to political and economic pragmatism. Preservation of these traditions not only needs guidance and time, but also the continued development of the economy, a fair distribution system, and social and public services. Religious beliefs and moral and other personal constraints also need to be considered.

To conclude: in 1978, China still had 250 million people (accounting for nearly one fifth of the world's poor) living below the poverty line. Since the reform and opening up, we've seen rapid economic development, vigorous attraction of foreign investment, the application of advanced science and technology, exemption of agricultural taxes, the implementation of food subsidies and a series of other measures. As a result, China's urban and rural living standards have experienced three consecutive steps: from basic elimination of poverty, adequate food and clothing, to overall well being and, finally, forging ahead as a moderately prosperous society. According to World Bank annual income levels in 2010, China is a middle-upper income country.

Luxury: the mark of success

The continued expansion of luxury

A study in August 2011 provided a comprehensive understanding of the values and expectations of the Chinese towards luxury. (328 people were interviewed: 232 males, 96 females, aged 25-55, residents of first-tier [n = 98] and second-tier [n = 230] cities in China.) The results revealed that:

Cars (55%), watches (39%) and wine (34%) are the top three categories of luxury item ownership in China.

On average, each individual owns, approximately, at least three items in different categories.

As would be expected, males own luxury cars (67%), luxury watches (47%) and high-end wine (44%).

Females are attracted by branded handbags (47%), clothing (54%), jewellery (61%) and fragrances (50%).

Interest in cars (36%) and wine (36%) are highest amongst tier 1 city consumers, whilst cars (43%) and real estate (37%) catch the eye of tier 2 city consumers.

Regarding the automotive sector, the brand is the primary factor of consideration when it comes to vehicle purchase, especially amongst tier 2 city consumers. As such, Mercedes Benz, BMW and Audi vehicles are the most-owned brands. Currently, ownership of Sedans is the greatest (80%), but there is growing interest in sports cars as the 'next to buy' (25%). Amongst those who indicate intention to purchase a vehicle in the next six months, a Ferrari sports car is at the top of the consideration list.

Concerning real estate, surroundings (environment and facilities) are the most important consideration factor when purchasing property. A clubhouse near a residential area is deemed to be highly desirable. Tier 1 city consumers own, on average, 2.6 pieces of property more than tier 2 city consumers. Ownership of residential type properties is most common: luxury apartments (72%) and standalone homes (50%). Property ownership is scattered geographically across China, but intent to purchase property within the next 12 months is concentrated in Beijing, Hangzhou and Hainan.

Moving on to jewellery, design is the highest consideration factor in jewellery selection. Bulgari is the top favoured brand amongst tier 1 city consumers (26%) and Cartier is the favourite brand amongst tier 2 city consumers (27%). Necklaces (77%) and earrings (53%) adorned with diamonds (58%) or jade (30%), used as an accessory to an outfit (72%), are the most popular amongst this group of consumers.

In the specific market of clothing, although no one brand clearly dominates in terms of preference, Chanel was the most frequently purchased brand of clothing in the past three months. For males, Armani T-shirts are the most popular. Chanel and skirts are the most favoured amongst females. When shopping for branded clothing, consumers generally visit a single branded store for purchases, perhaps due to the perceived trustworthiness of the store.

Wine is a very important topic as it demonstrates financial power and a sophisticated lifestyle. Almost 50% of consumers indicate that wine selection is based on mouth-feel. Preference for red wine is the highest (39%), followed closely by Chinese liquor (36%) and Whisky (29%). For those who consume red/white wine, the strongest preference is towards French wine, though there is a growing demand for wine from Australia as well. Having a personal wine collection (ranging from 10-100 bottles) is common, and the most frequently used storage methods are wine walls (36%) and wine refrigerators (31%).

Cars: the crystallization of personal success

It is definitely worth highlighting the automotive industry here:

Price Waterhouse Coopers (PWC) forecasts that worldwide automobile manufacturing production will accelerate in 2012 thanks to Asian countries, with China as the leader, where the expected growth rate of car production is expected to account for more than half of all Asian countries.

According to PWC, after car production reached its expected growth rate of 6.3% over 2011, the production of the worldwide automotive industry will grow by 8.8 percent in 2012. In 2013, it will owe 60% of its expected growth (with 6.7 million as the unit, the total production being 82.7 million) to the rapid economic growth of Asia's developing countries. In 2011, this figure was only 44%.

In other words, **"This is the first time in history that the market of (developing) countries with rapid economic growth should produce more vehicles than the mature markets."**

In fact, PWC estimates that between 2010 and 2017, 57% of world vehicle production will come from the Asia-Pacific region, of which 38.6% will come from China. This transformation will continue to be a theme of the automotive industry in the future.

Compared to 40 vehicles per thousand people and the world's 16 vehicles per thousand people, the average car ownership in the EU is 500 to 600 per thousand people. Following the positive growth rate of 1.1% this year, in 2011 it will be 0.1% and above in the European numbers.

Qi Jiang, Senior Vice President of Ipsos Greater China, offers the following view of the Chinese market:

"The Chinese market is attractive to foreign brands. International brands know very quickly how to target Chinese culture and its characteristics in order to facilitate their own development. Firstly, they can attract consumers without localization because Chinese consumers prefer international brands to domestic brands. Chinese consumers are looking to highlight their image and their own identity with brands like Audi, for example. The car is still a luxury product for Chinese consumers.

However, brands must take into account the differences in the levels of living, because the Chinese market is clearly divided: international brands are popular among consumers living in the first and second-tier cities because they think the design level of these cars is more advanced, and that the quality is better. However, consumers from the third and fourth-tier cities are more concerned with price and size of car.

The fact is that the decision for brands such as Mercedes-Benz to produce cars and build engine plants in China may *change their image somewhat. Of course, joint venture companies have long been in China. Many parts of big brand vehicles are made in China; only a small portion is imported. However, we all know that Chinese people don't think domestic cars are upscale.*

These issues affect car purchase decision-making factors, which are relatively simple: budget and price, brand, design and configuration.

There is no doubt that, unlike for consumers of third and fourth-tier cities, car prices are not that important for consumers of first and second-tier cities.

We also find that there are huge differences between men and women, single young people and families. For example, the Chinese people in general like small, elegant cars. Young people prefer cars with a strong driving force, whilst older people prefer more traditional vehicles.

However, most cars today are for household use. In China, there is still no market segmentation according to type and age difference. Only some manufacturers are trying to get clarity on their male versus female consumers in the Chinese market.

Unlike BMW Mini and BMW Faw and other car models, the local brands do not have these expectations. This explains why the Chinese auto market is not dominated by Chinese brands themselves, but by new models launched by foreign manufacturers.

Undoubtedly, this is a market of great expansion, but there are huge differences and diversity in customer style, design preferences, requirements and other factors.

Another stage of development among the most important consumer groups is greater purchasing power and more automotive knowledge. Most people want vehicles that are first class or the latest version; only a small number of people want to buy a second-grade car. How will technology and mobile (electrical intelligence) design follow and anticipate and meet consumers' demands and different expectations? These are challenges the local and foreign manufacturers must address."

Sheng Ye considers the embodiment of development and growth of the automotive industry:

"In order to better understand it, sometimes one needs to look to the future. In contrast to China 30 years ago, China today has many features:

- *For three decades, China's GDP and all-round development have made it the world's second largest economy, only after the United States.*
- *Economic growth is the key task of the nation and the individual - to reach the material improvement required by the reform and opening up policy 30 years ago and the joining of the WTO.*
- *Globalization is a specific phenomenon; in China, wherever you go, there are McDonald's, Starbucks, and so on.*
- *In the past, people were forced to hide their own aspirations, and the 'collective' was always higher than the 'individual'. This phenomenon has undergone a profound change. People are now eager to express their individuality, whilst seeking to be respected by the 'collective'.*
- *Urbanization is another driving force for sustained economic development. The continued migration of mainland residents to coastal areas is gradually reducing the consumption gap and differences in consumption patterns. In the next 10 to 15 years, the core economic region will still be the coastal areas. Young people migrate to coastal areas with the dream of making more money in order to live and work better. This trend will not change over a short period of time.*

If we make a cross-analysis of these economic, demographic and attitudinal data, we will understand how people's outlook has changed with the opening-up policy. The import of foreign products and culture is accompanied by changes in business regulations. At the same time, the relationship between people, including business relationships, has gradually become more equal. People have more opportunity to express themselves.

Now, the popularity of the car is testament to the fact that it has become one of the symbols of national and personal economic growth. However, there is a huge difference between brand and grade. For example, France is best known in China for luxury goods such as wine and clothing. Consumers *believe these brands are more sophisticated, more beautiful and more fashionable. But in the automotive industry, this is not the case: French cars are considered to be second-rate products. First-class cars are what we call the ABB car brands (Audi, Mercedes-Benz and BMW); second grade consists of Peugeot, Citroen, Toyota and Nissan; third-grade cars are local brands, such as Chery, Great Wall and Geely. The image of French car-makers in China is ordinary because, in the last 10 years, they have failed to grasp the trends or offer many models that met the needs and expectations of Chinese consumers. This situation is expected to change gradually with the manufacture of the Citroen DS in China. This is a sports car that competes on positioning with BMW. The French automobile industry will achieve development in China in future, but word of mouth is still a big problem. Automotive design is also a key issue, because Chinese people like the visual feast.*

Based on the analysis of Qi Jiang, I will add two important criteria:

- *Innovation, new products, creativity and new features*
- *Size of the car.*

Asians like new technology and big cars; this is the symbol of dual success. They like to:

- *Enjoy the new technology that others can never afford, such as the large screen of the GPS system, night vision systems, 360 ° parking equipment and so on.*

- *Show to others a large car that demonstrates a superior lifestyle and a place in the trend of social development.*

Certain brands cannot achieve the above two points, and Volvo is considered too simple to be a fashionable brand. By contrast, Buick is well received for streamlined design, engineering design, ideas, materials and colours. This shows holistic thinking - attracting customers through special points. One can see the importance of colour and internal quality, such as leather, touch, and so on.

In particular, don't forget that the middle class is the most critical in each of these areas."

With economic development, people's ideology and psychology changes. Ecology, renewable energy, green technology and environmental protection have all become more important, and society's focus on the environment is supported by central government policy. At present, there are already 100 million electric cars in China.

[New ingredients to improve the formula]

[New ingredients: to be integrated into the recipe]

Family values meet individualism

The personal values of the Chinese people are largely reflected in two co-existing areas of priority: the first is a network of relationships, such as the relationship of family members, children, brothers and sisters. The second is about success, innovation and independence. The balance between loyalty to the traditional values and individualism has evolved over time.

The impact of China's family planning policy, adopted since 1979, has been gradually revealed by:

- Aging of the population: in 2007, the population of those over 65 years old was more than 153 million in China; it is expected to reach 248 million in 2020 and 435 million in 2050 (or about one third of the total population).

- Cultural barriers between the current and previous generations: this can be seen in behavioural differences, a rising divorce rate in first-tier cities (the divorce rate in Beijing in 2009 was six times that of 2001) and a greater desire for wealth amongst today's generation.

- Self-orientation: with purchasing power today greater than it has been in generations, the new generation believes they are unparalleled in the world. This is a "self-centered generation". They are the most inclined to buy brand-name goods, and there is no sign that they'll scrimp and save. Eyleen Shen puts it this way:

"The new generation is one that admires individualism, because in a typical Chinese family there is only one child, his/her parents, and then grandparents. The child is the centre of the lives of the six other family members, who would like to devote whatever they have to this child. In this scenario, the child can do whatever he/she wants, and easily gets all that he/she wants. The child knows clearly that their parents and grandparents are there totally for them, unlike in Europe, where there are generally two or three kids in each family".

It's safe to say that, in China, this indulgent environment can easily create individualism and self-centeredness as the only child has no need to share and nobody to share with. This is why the group aged 25 and over cares so much about themselves. It is a group that is used to being cared about. They show little interest in group activities and are increasingly individualistic, which means our clients need to learn to turn from mass marketing to personal marketing.

Kevin Zhou also notices a trend towards criticizing and complaining among the "self-centered generation":

"They hope to be different, and that the brand caters to their taste. They are quick to complain. They are longing for new products, such as men's health products and cosmetics, and they hope to see young celebrities in ads."

The cultivation of customer satisfaction

Price and brand image are important variables in boosting competitiveness. With the expectations that come with rising standards of living, consumer satisfaction has become a decisive issue. The first task is to meet people's basic needs (food security, comfortable living, etc.). This is the first focus of local or international brands when making decisions about price and connection with the brand.

But, as people's income levels improve and they become increasingly familiar with the brand, they get pickier and expect to receive more attention. Prices are still very important, but subjective and intangible criteria carry more weight than price when these customers make decisions.

China has gone through all these phases in its transformation from poverty to wealth. This evolution has generated a variety of questions, which have prompted a rise in market research – specifically, the study of consumer needs and expectations, the selection of feedback from customers (on concepts, products, packaging and promotion of the image), and follow-up surveys on consumer satisfaction and loyalty (after-sales service, times of window shopping, etc.).

Ipsos experts stress the importance of the role of satisfaction research in communicating with customers:

"China Mobile is a good commercial example. It has conducted more and more satisfaction research and developed more important criteria than its two major competitors - China Unicom and China Telecom. To establish the satisfaction criteria, a competitive system is first and foremost. However, given China's vast territory, the concept of 'satisfaction' is not the same for everyone! Some people are more 'polite' and tolerant, and prefer to give higher points. Other groups are pickier, but that does not mean they are not satisfied.

This difference can be seen between North and South China. For example, residents in the North are more candid and tolerant. In a 'very good' / 'good' / 'so so' / 'poor' / 'bad' evaluation form, they would choose 'very good' or 'good'. Residents in South China, on the contrary, are more cautious and discerning; they would choose 'good' or 'so so' if they think it is good. However, 'so so' is generally classified as 'not so good'. In the current assessment of the principle, 'so-so' is equivalent to 'poor' and will get penalty points. Under these conditions, the market testing results of a brand are more pessimistic in the South than in the North.

A methodological guide can be found to determine, fairly, the position of China Mobile, China Unicom and China Telecom - but this is not the only difficulty... Other factors are determined by the level of city and region, including urban development and facility level, network quality, and type of product promotion (fixed telephone, mobile phone, 3G). In the past, one of the reasons for choosing China Mobile was that it was known in the second and third-tier cities that China Mobile had a greater share in the first tier cities than China Unicom - bestowing upon it a sense of superiority. However, if China Unicom's 3G network is better than China Mobile's, then it is possible that people will use China Unicom. Therefore, the new model of first-tier cities will have a significant impact on the second and third-tier cities, but not necessarily vice versa.

In France, there is also competition between the monopolistic-image companies (Orange, the former French state-owned communication company) and other competitors (SFR, Bouygues Telecom and Free), but the monopoly has to help its competitors out of trouble. In China, China Unicom, China Telecom and China Mobile are all state-owned enterprises. This is the other criteria.

Satisfaction research has become very important to large state-owned enterprises (banks, telecommunications, etc.); they are increasingly concerned about their services and hope that the negative loyalty of consumers (no choice, monopolies, the inertia of thinking, etc.) can be changed into active loyalty (preferences and suggestions)."

Consumer satisfaction research for other brands (except for the luxury ones which have other standards) is also essential given the intricate context in which they operate:

- Defrauding of the private sector (fake, inferior, counterfeit logo) or suspicion and dissatisfaction arising from food quality issues;
- Unscrupulous companies fooling consumers due to the difficulties of regulatory bodies actually conducting inspections, despite the severe punitive measures;
- Ultra-fast competition between Internet participants and other brands, prompting consumers to frequently replace and betray brands (special offers, attraction to new products, promotions, etc.);
- Short product life cycles (especially online) – e.g. after lightning success in obtaining tens of millions of users, joining forces with a website dedicated to online group buying and providing services as a third-party platform only.
- Convenience: with the help of this website, consumers are like butterflies flying between different websites and brands in order to search for the best price and the best social networking and entertainment information.

Innovation is not the only answer when it comes to attracting consumers. Once the temptation of new products disappears, other factors begin to play a continuing role jn the customer relationship:

"Many businesses believe that to attract consumers, they need to introduce new products. Small and medium-sized enterprises fight first for their own short-term survival, and then their long-term development. Typically, they do not have to worry about customer satisfaction and loyalty, as the market is too influential. Only large-scale, state-owned and

private enterprises can do all these things: research, innovation, tracking satisfaction, supporting customers…

In short, customer satisfaction research is a tool to help small and medium-sized enterprises to improve customer loyalty; it is also helpful for large enterprises, especially large state-owned enterprises whose advertising promotion is supported by data, so that they can confirm the research results over the long-term and benefit from their own behaviour. From this perspective, China Mobile, which always keeps in mind customer satisfaction and loyalty, is a good example of such an enterprise."

The need to self-adapt

The values and image that the latest international brands reflect are just like the lifestyle they present. Nevertheless people will not forget the traditional foundation of Chinese society.

Kevin Zhou reminds us of an important trend:

"There is such a phenomenon that foreign brands, like some household or personal care products, always gain rapid development by overcoming regional particularities. However, the demand for drinks and, especially, food is closely connected to regional differences. Consumers in North China like to eat salty foods, consumers in West China prefer spicy, whilst in the South, people like food that is light in taste. Nevertheless, when people from all these areas begin their life in a big city, these differences become less distinctive."

This reality means that brands need to be adaptable. Consumers will not change (or at least not immediately) so it is the brand that needs to make the change.

In fact, to introduce the 'prescription' of Western countries directly and without any modification will make it hard to achieve the desired effect, just as in the example given by Kevin Zhou:

"Prior to a market testing, one of our clients introduced a product, a non-alcoholic beer, from the USA to China. The client had no idea that the Chinese people love beer with alcohol; they enjoy the feeling the alcohol generates. Another unrealistic idea of the client was to use more environmentally-friendly packaging, not realising that for the Chinese people, especially those in third and fourth-tier cities, it is not a source of concern at present, though it will be in the long run.

Transforming R&D can generate rapid development and results. In less than 10 years, foreign brands have developed their own 'prescriptions', because previous ones were not suitable for the local Chinese consumers. In fact, over seven or eight years, a number of fast moving consumer goods manufacturers, such as Unilever, Kraft, L'Oreal, etc., have established their R&D centres in Shanghai or Beijing. Their goal is to develop a 'recipe' compatible with Chinese consumers' tastes and preferences. In the last couple of years, these R&D centres have developed recipes for the entire Asian market. It is safe to say that, currently, their regional R&D centres in China are founded for the Asia-Pacific markets: China, India and South-East Asia."

Kathy Cui advocates specific strategies for brands whose products are not yet well-known. The introduction of a new food product, such as chocolate, potato chips or bacon, usually has little to do with the image or social status of the consumer. Here, the consumer will accept or reject the product out of experience, where the taste, shape, color and flavor, etc., of the product will come into play:

"A brand must be self-adaptive at all times based on customer response. For example, spicy crunchy potato chips are customized for the Chinese market, whilst in markets outside of China it is mostly impossible for them to achieve the same success, even when it's a global brand."

Similarly, Eyleen Shen says that McDonald's competitor, KFC, has improved its formula:

"Many brands that are aimed at China's market have customized services. The best example is KFC's localization strategy in China. In addition to its classic hamburger / chicken wings series, KFC also introduced rice that is delivered in a variety of ways to cater to Chinese people's demands. On the dining table of Chinese people, rice is basically indispensable and its popularity is far beyond that of French fries!"

Daisy Zhu considers the development of consumer expectations:

"In China, there is a new trend that something with historical value will be bullish. With self-adaptive efforts, KFC and McDonald's also introduced Chinese foods, such as light green beans, traditional Chinese cuisine and local food."

So, armed with a full understanding of their consumers' expectations, Procter & Gamble and Pepsi have achieved real success with their hair products and beverage products respectively. Thanks to their perseverance and gradual adjustments, they have introduced products, consumption patterns and usage requirements that meet the expectations of Chinese consumers.

On the contrary, Mattel's situation is more complex. In China, its dolls appear to be entirely imported, be it in terms of style, looks or cultural attributes. However, Hello Kitty, which is cute and delightful, is much closer to the values and purchase motivations of children and adults.

It is a watershed for brands as to whether or not they can reach cultural understanding with consumers, and balance and adapt to their values.

Consumers' acceptance of different ads is determined by their traditions, customs and tolerance levels. For example, humour can vary with geography, as **David Lee** points out:

"In some areas, people are more open, especially to types of black humour, which may offend people in other places or even puzzle them! When we study or test image promotion strategies, we always encourage clients to consider these factors."

Growing expectations for quality

With the rapid development of the country and the rising quantity of products being manufactured to meet needs and expectations, quality and safety remain major concerns among Chinese consumers.

Although this is not a new situation in the field of transport or industrial production, it confuses consumers that 'brands', especially if they are of international origin, are not necessarily a promise and a guarantee of safety.

Many incidences have shaken consumers' confidence: Melamine in dairy products, toxic carpets, children affected by food poisoning in Shandong Province, the soy milk scandal of KFC, concentrates and powders, dyes, dirty oil, etc., rather than pork bones used in the aromatic soup, Ajisen Ramen...

The scandals are still multiplying – ***Ikea, Apple store, Da Vinci*** (allegedly with furniture made in Italy but actually produced in China), ***the Red Cross,*** etc.

Consequently, according to the study of the ***Chinese Academy of Social Sciences,*** there is a continuous decline in the confidence index of the people of Beijing, Shanghai and Guangzhou.

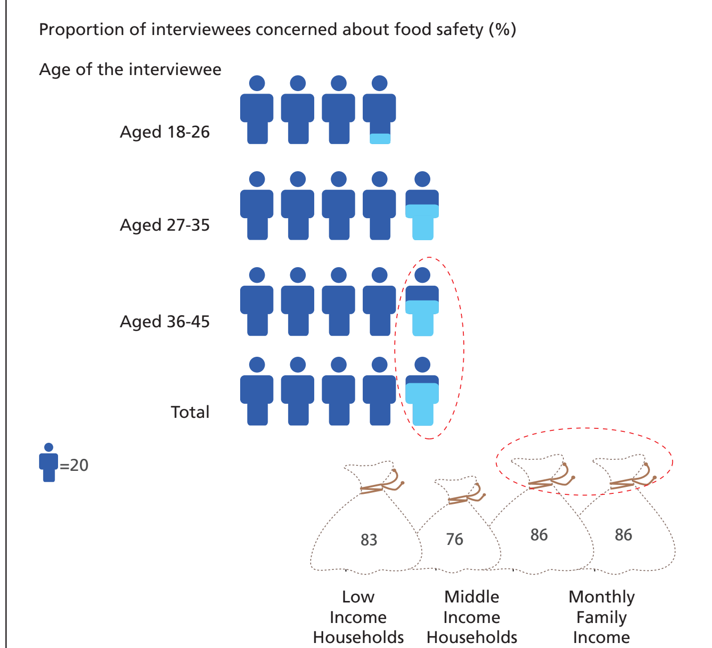
What's more, food security is not only related to health, but to people's livelihoods. In recent years, with the exposure of food safety issues, consumers are increasingly concerned about food safety.

Region	City	Sample size		
		Food and beverage producers	Catering enterprises	Food retail chains
East China	Shanghai	72	72	72
North China	Beijing	79	76	72
South China	Guangzhou	72	72	72
Southwest China	Chengdu	72	72	72
Northeast China	Shenyang	72	72	72
Northwest China	Xi'an	70	70	70
Central China	Wuhan	70	70	70
Total		1,511		

Note: A study conducted online among a sample of 1,511 people (half males, half females), all of whom are permanent local residents or residents who have lived in the city for three consecutive years or more. Each respondent is the family's decision-maker about food or the person who has a significant impact on food decisions within the family.

Consumers focus on three categories of food:

Senior consumers and consumers with high incomes are more concerned about food safety.

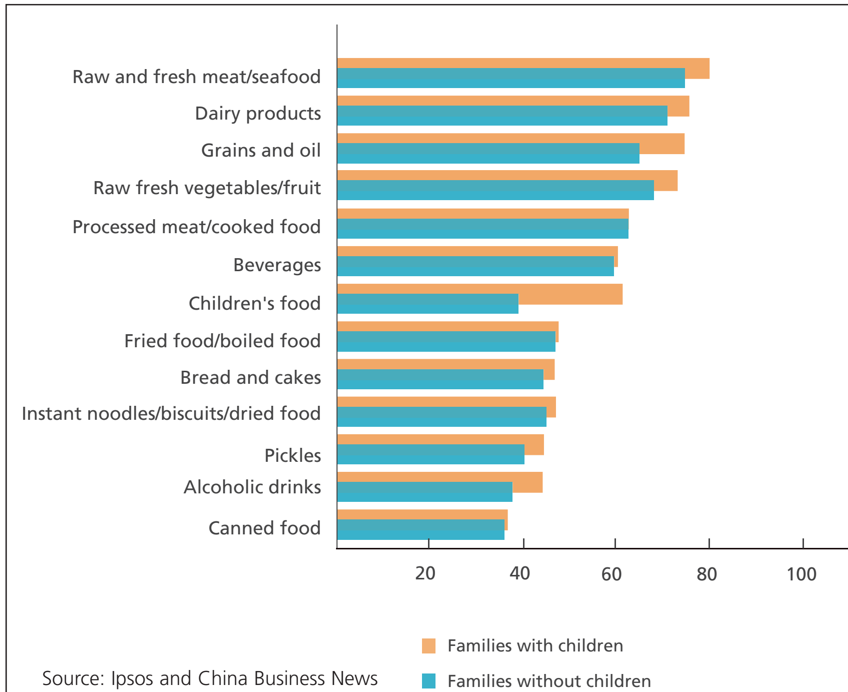


- Firstly, food with severe safety problems exposed in the past (such as raw meat and dairy products);

- Secondly, food which is eaten regularly (such as grains and oil, vegetables and fruit);

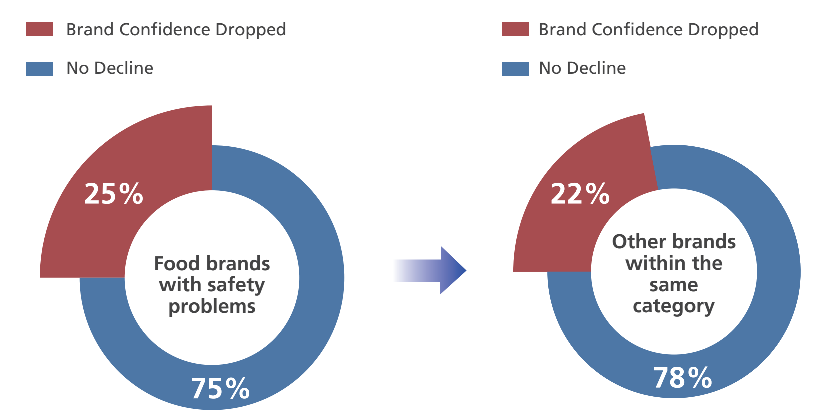
- Thirdly, food to be eaten without processing (such as cooked foods and beverages).

For families with children, children's food is also a concern.

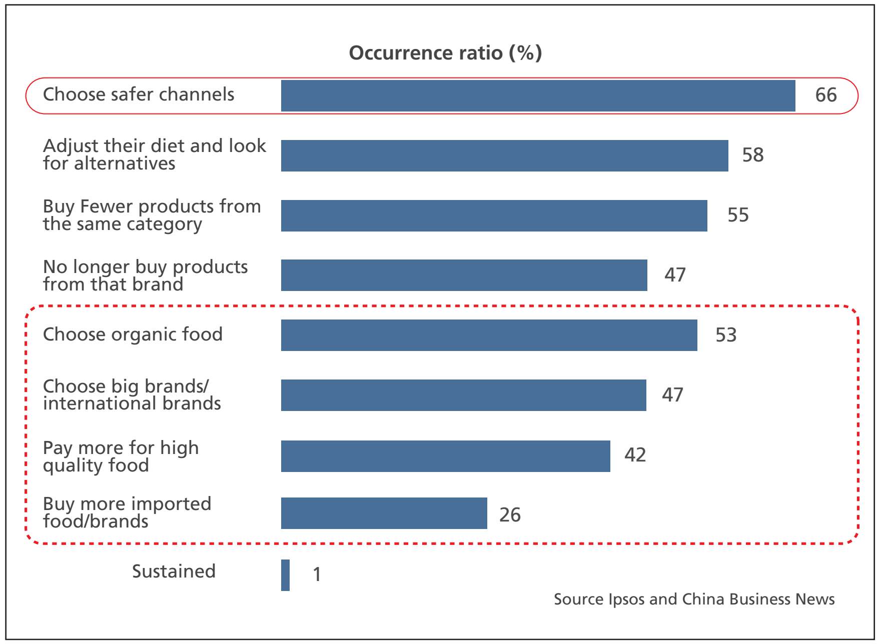


Source: Ipsos and China Business News

Consumers' confidence in 'problem brands' has declined, and it creates doubt about other brands within the same category.



Food safety incidents have brought about changes in consumption habits; most consumers say they would choose safer distribution channels and adjust their diet, look for alternatives or substitute brands, and even reduce their consumption.



On an institutional level, the Chinese people expect the development of quality, and speed can be equally reassuring. David Lee has come to a logical conclusion about the pace of reform:

"Over a ten-year period, China has achieved things that Europe and the USA needed 20 years to do. Significant changes have occurred in the economy, environment, society, lifestyles, buildings and exchanges have intensified between various regions of China. Today, the Chinese people, especially the middle class, need a soft landing and more information to allow them to feel at ease in this particular context. The Government understands this and attaches great importance to harmony, stability and maintenance of stability. For multinational companies doing business in China, understanding all these social attitudes is essential."

The importance placed on food safety can be observed from measures taken by the Government; from September 2010, the Government has strictly enforced the death penalty for serious food safety violations.

As far as the market is concerned, the decoupling between brand image and security can be a matter of life and death for the future of advertisers and industrialists, as well as for the credibility of image promotion.

Crystal Xue notes that the tendency of consumers to question is on the rise, particularly in the area of food:

"Consumers are sceptical about what they eat and drink, even if it is merely purified water in containers (or bottled water). Some consumers have their own garden, where they plant vegetables for their own families; otherwise, they must go to the supermarket to buy them. They like to buy international brands, which they believe to be of a more advanced quality. They will check the country of origin to see if it is from France, Britain, the United States, Singapore, etc. But if it is from China, they will think that the product has a different concept and 'recipe'. For instance, Coca-Cola is an American brand, but it is just a label, for the drinks are actually produced in China. For those fond of pure foreign brands, it is not an international brand in the true sense."

From hoarding to abstinence, the practical effect is quite diversified, as Kevin Zhou states:

"With the emergence of food issues that beset local brands, consumers are more inclined to believe in international brands. The large number of purchases leads to storage and, most of the time, using refrigeration, which is indeed good news for the freezer industry. If giving up certain local brands, most consumers will choose others. Low-income households will reduce their consumption, because the international brands are much more expensive than local ones. Consumers prefer supermarkets or shopping malls to small shops or grocery stores, for they believe in the former more. Food safety issues are changing the consumer's state of mind in a very direct and daily way."

According to Katherine Zhou, consumers still believe that quality levels of international brands are higher than those of local brands – as far as a large number of categories are concerned. Versus products of local brands, with their traditional or low quality packaging, international brands have new high-quality, added value, creative, and enchanting packaging. They are more attractive to consumers and can immediately win their trust.

Food safety has also become a high concern in recent years. Brands need to ensure product health and traceability especially, for instance, in the sensitive dairy industry:

"Accreditation is needed for China's 'high-quality' certifications. Research on the origin and the communication of the certification will take a load off the mind of the consumer."

This strategy is a positive response to mothers' panic following the infant milk powder incident. After the safety issues were exposed, mothers promptly turned to international brands, and some mothers even went to buy infant milk powder in Hong Kong; this almost depleted the stocks of the entire city.

Queeny Wui re-examines this situation:

"People go from the mainland to Hong Kong to buy personal care products such as toothpaste and shampoo and the like, because they worry about the quality of similar products in mainland China, where they believe that the product is fake, even if it is a famous brand. Therefore, whenever they come to Hong Kong, they will buy shampoo, toothpaste and the like. One or two years ago, following the mainland China infant milk formula scandal, many mothers rushed to Hong Kong to buy milk power, which emptied the inventory of the city and there was not enough left for mothers in Hong Kong."

Indra Chow draws the following conclusions on industrial marketing:

"To guarantee quality, brands must be completely sure of their products' origins."

In this context, the combination of international and local brands can assure consumers of product security – as is pointed out by Crystal Xue in the example of "Dashan" mineral water:

"Some of the local brands are reassuring, because consumers and the brand's factory are in the same city and people know about them - a consumer psychology Nestle seized upon when acquiring a local brand in Yunnan Province: Dashan. Yunnan people believe in Dashan because they know the process of the production and the source of the water. They see the mountains from their own home and fully understand the entire production process and trust the brand of this place. But this is a special case. In other cases, consumers still prefer international brands."

The Internet dictating prices

The Internet has made it possible for people to obtain information and make comparisons.

Consumers can't help but search prices in this way, especially for fast moving consumer goods and daily necessities.

In contrast, for other products like infant milk powder, whisky or cognac, price becomes secondary when product quality, innovation and image play a key role.

In China, the development of online sales affects consumers' purchasing behavior. When shopping feels like a constraint, the Internet allows people to purchase what they want without going to shopping malls. Katherine Zhou holds that:

"For fast moving consumer goods, practicality is one of the main motivations that sometimes exceeds price. People are willing to pay more for the convenience of online purchasing. Therefore, this practicality receives a return."

However, in other cases, as Eyleen Shen points out, price may determine the primary buying motives as people want the cheapest goods:

"Consumers want to maximize their benefits, an option that online networks can provide. In Europe, the economic crisis

has prompted people to compare prices because of economic constraints. There is no economic crisis in China. The first, although not only, consumer concern in China is product quality, because of what it really means in terms of food. Of course, they are also concerned about the price, and are thus searching online to compare quotes."

The success of Taobao, a Chinese online shopping site, illustrates this point.

Sophistication and vulnerability

The development of Chinese consumers' ability to make judgments is fast - much faster than that of their European counterparts.

This can be explained by looking at examples of what has happened over the past ten years:

- In marketing, brands and advertising communications have seen rapid development

- In technology, it is about the popularity of the Internet

- In the economy, the middle class has acquired consumer power. They have become more demanding; at the same time, they also bear more inflation and taxes. Eyleen Shen stresses the importance of this last point:

"The inflation rate is around 5-6% compared to 6% last year, but as far as food is concerned, the inflation rate has been about 10%. So, although income has increased, the purchasing power of residents has not increased, and perhaps even decreased due to the high rate of inflation. This burden is an influencing factor since, following the introduction of family planning policies, the current middle class consists mainly of 30-40 year-olds who have to support their parents and take care of their children. Usually, the three generations live together, and they have to endure economic pressure, which makes their lives more difficult."

This economic reality does not prevent consumers from having a clearer idea of what they are looking for. They make decisions and choices based upon their own aspirations and increasingly demanding standards, as well as the economic resources available to them.

The results are diverse.

More sophisticated segmentation is needed, consumers recognize their own needs more clearly, and how to eliminate a variety of concerns related to different ages, circumstances, seasons, even different parts of the body. As Katherine Zhou explained:

"This is particularly clear in the beauty field due to the need for a comprehensive solution to the problems of anti-aging, moisturizing and hydration, hair conditioning, dandruff removal etc., whilst chocolate is divided into the areas of gifts and personal use."

In advertising, it is not enough to attract and persuade consumers by using stars or celebrities. Yes, the public is highly sensitive to the fame of celebrities, and is happy to see cooperation between celebrities and brands, but brands must also prove that their products or services are of a high quality.

In addition, for products with low economic or social benefits, the star may generate a negative effect, as if the brand is reserved specifically for the social elite, and not suitable for ordinary consumers. So, there is a risk that an ad which is highly expensive may only create a barrier between the product and consumers.

Sheng Ye also points out consumers' diversified contact with advertising:

"A few years ago, advertisements reached people through television and newspapers. Today, when people want to buy a car, they will obtain information on professional auto websites. After all, China already has 400 million Internet users. The point is, advertising was very simple before and now the content is more emotional and more interactive, more concise. Young people do not read so much and, increasingly, their cultural needs are being appealed to by advertisers through simple expression, e.g. Coca-Cola's «Bring more happiness»."

Innovation plays a decisive role in the development process, in order to avoid consumers becoming numbed by, or tired of, the rapid integration and standardization of a brand or product.

In less than 10 years, innovation investment in the field of fast moving consumer goods has seen substantial growth.

The hunger for self-expression

Crystal Xue finds that the environment of Beijing is highly beneficial for market research, especially qualitative research, because consumers are more open, more active and more willing to express their views:

"They are very enthusiastic and eager to participate in our research, and to share their wishes. They desperately want to know the reaction of residents in other cities or regions, which proves to be an opportunity for qualitative research. 10 years ago, consumers were still very suspicious, and they easily rejected our surveys, especially in small cities. Now, consumers are more tolerant. Except Especially in the context of food safety issues, quality and trust are decisive."

The following powerful factors have brought changes to the market and to consumer research:

- People want to close the gap between the second, third and fourth-tier areas.

- More and more Chinese people speak Mandarin, and thanks to the popularity of texting, etc., more and more consumers speak the same language.

- The continuous development of the Internet is a very good tool for reducing differences between consumers' levels of knowledge; it also contributes to the widespread popularity of Mandarin.

- Quality, comfort, efficiency and money savings are universal concepts and basic demands; consumers have gone beyond this stage and are full of curiosity about innovation and new trends.

Exposure to international brands is a real pleasure, a positive experience; similarly, a large number of brands have free choices, and are open to the competitive situation.

With regard to brands such as Mercedes-Benz, BMW, Starbucks or Colgate toothpaste, Daisy Zhu holds that:

"In many areas, it is clear that the public really likes international brands that represent modernity, vitality, a better life and higher quality. Choosing these brands means that their life is better than others', hence the sense of pride."

No threat from conventions

In the USA, conventions cause less threat to brands because of its comparatively smaller population. Curiosity and desire here are higher than in Europe because brand-names still reflect distinctiveness. As is revealed in a book entitled "Refusing Brand-names" it seems to be unimaginable not to have brand-names in China.

Another factor is the time it takes to get exposure to a brand in China. It varies by place, for not everyone is exposed to the same brand at the same time. This is as opposed to the situation in the rest of the world, especially in smaller countries.

"The biggest difference between China and Europe is the existence of different consumer groups in China; people in the East and West, from urban and rural areas, and from different zones."

For example, the Eastern part of China is near the ocean, and more economically developed than the West. The distribution of the Chinese population in the Eastern part is very dense. Therefore, we may be at an exploratory stage in the Centre and West of China, while in the Eastern part, people feel accustomed to brands and are more demanding of them. From the point of view of cultural differences, the southerners are usually more difficult to satisfy than the northerners, because the northerners are not so critical and are comparatively warmer and more optimistic.

There are many differences... Let's take the Yellow River as the boundary; we can see that the residents in North China eat wheat-based food, whilst the staple food of residents in the south is rice. The situation in urban and rural areas is also very different. For a variety of reasons, there is a large rural market in China. Moreover, even if the residents of rural areas work in cities, they are still far removed from the mainstream life of the city. Their culture and lifestyle are closely related to the rural areas.

Finally, age difference is very important, based on whether that person was born before or after the 1970s and their experience in the 'Cultural Revolution', the reform and the opening up. All these factors affect their perceptions and awareness of brands. Some people focus on the functional aspects of a brand, whilst others focus on its emotional attributes.

However, Ipsos experts have also noted the fact that the "brand worship" which started in the 1990s is fading as consumers become more rational - except when it concerns the social status and social image of the consumer.

Not for standardization tomorrow

In terms of brands, the differences between countries are gradually being eliminated; from Paris to New York, London to Moscow, Milan to Sydney, Tokyo to Rio de Janeiro, we see the same brands and the same stores. This is the result of globalization. To go beyond this mainstream phenomenon is an innovation challenge. The 'global village' and other theories hold that the world is getting "smaller and smaller." Within China, however, the differences are still great. Given the structural differences, different regions have difficulties achieving the same levels of economic development.

Ipsos experts believe that this is an important factor in the uniqueness of the Chinese people. In other words, Chinese consumers and international consumers are gradually moving towards integration, but regional differences in China go beyond economic differences and include cultural differences too. These differences cannot be eliminated immediately; that change is a longer process.

In general, the Chinese people feel that, on the one hand, they have increasing opportunities and choices about how they live their lives; they are given more freedom and more channels to express their opinions, there is more support for, and improvements in, meeting their needs; on the other hand, they feel strongly that they are under pressure from inflation, social issues such as food safety, increasing living costs in the metropolis, traffic jams, pollution, house mortgages, etc.

As for globalization, more ordinary Chinese people show an interest in it and welcome it, as encouraged by the Government, media and traditional hospitality. They even somewhat worship Western products.

New technologies: adding spice to the recipe

The integration of new technologies in China

Along with in-depth reform and opening up in China, strategic importance has always been placed on the development, introduction and application of advanced technology. Indeed, in 1988, the Government clearly stated, *"Science and technology are primary productive forces."*

The Government's 12th Five-Year (2011-2015) clearly seeks to be innovation-driven, to develop the country through science and education, and to reinvigorate China through the development of human resources.

Among the developing countries, China's Internet development and popularization level leads the way…

99.3% of Chinese villages and towns and 91.5% of administrative villages have access to the Internet, and 96.0% of the townships are connected to broadband. In January 2009, the Chinese government began to issue third-generation mobile communications (3G) licenses and, today, the 3G network basically covers the whole country. As at the end of 2009, the number of Chinese netizens reached 384 million, and the Internet penetration rate reached 28.9% - above the world average. Meanwhile, Chinese broadband Internet users reached 346 million, and those using mobile Internet, 233 million.

Data of Chinese National Bureau of Statistics:

As at 2009	
Mobile phone roaming countries and regions	237
Telephone penetration rate (including mobile phones) (per hundred people)	79.89
Mobile phone penetration rate (per hundred people)	56.27
Public telephone owned by (per thousand people)	20.40
Proportion of administrative villages having access to phone (%)	99.9
Proportion of administrative villages having access to fixed phone (%)	94.69
Internet broadband access port (10,000)	13 835.7

Technologies & media

In January 2010, the State Council decided to accelerate the integration of the telecommunications networks, radio networks and Internet to promote the development of the information and cultural industries.

In accordance with the relevant planning, during the 12th Five-Year the sales revenue of a new generation IT industry is expected to grow by more than three times; by 2020, the industry's added-value will be over two trillion Yuan.

The average size of China's Internet bandwidth is only 1.774M, ranking 71st in the world. A **"Broadband"** strategy will also be implemented in the 12th Five-Year, which will accelerate the construction of the next generation of network infrastructure. Specifically, the focus will be on developing the next-generation Internet, a new generation of mobile communications, 'Internet of Things', cloud computing, etc.

The growth of mobile & Internet

940 million Chinese people now have a mobile phone subscription, with 81 million new subscribers in the first eight months of 2011.

The Ministry of Industry and Information Technology estimates that more than half of new subscribers are 3G users; the total number of 3G users in the country has reached 94 million.

The number of Chinese subscribers to a telephone (fixed and mobile) totalled 1.23 billion in late August 2011, due to the steady increase in the number of mobile subscribers.

Between January and August, therefore, the revenues of the Chinese telecommunications sector increased 10.1% year on year to CNY 647.73 billion (USD 101.21 billion). Approximately 71.89% of this was from the mobile industry versus 69.38% during the same period in 2010.

At the same time, the Internet's growth continues…

As of late December 2011, the China Internet Network Information Centre announced that the population of Chinese netizens was well over 500 million, totalling 513 million, whilst the Internet penetration rate had increased by 4 percentage points (to 38.3%) on the previous year. In rural areas, there were nearly 136 million Chinese netizens.

More than half of China's Internet users use social media like renren.com. In March 2012, Sina Weibo users reached 300 million - more than the total number of Twitter users around the world.

To better understand digital consumers in emerging markets, McKinsey & Company surveyed more than 13,000 individuals across China, India and Malaysia (Consumer and Shopper Insights: Understanding China's digital Consumers, McKinsey China, February 2011). This summary is based on the Chinese element of this report:

The research studied consumers in China who have used Internet or data services across various devices (PCs and mobile devices) for personal use in the past 6 months. In addition to a large-scale quantitative survey of over 4,800 Internet users, over 500 consumers who do not currently use the Internet were also interviewed. The quantitative research was complemented by several focus group interviews and direct observations of consumers as they conducted their online activities. The survey covered 20 cities and 7 villages across 7 regions in China.

With six million new users jumping online every month, China's Internet population is mushrooming. From 513 million today, China could have as many as 720 million people online by 2015. Not everyone is tethered to a PC though: between now and 2012, estimates show an additional 100 million people could be logging on to the Internet via mobile devices. China has the largest number of mobile Internet users in the world.

To craft effective strategies, marketers need to know not only how old their target consumers are, how much money they make, or what city they live in. They need to know exactly how China's digital consumers spend their time online, and what devices they are using to access the Internet.

720 million
From 513 million today, China could have as many as 720 million people online by 2015.

8 hours
Gamers spend 8 hours a week playing online games, versus just 2.5 hours a week for the average digital consumer in China.

333 million
In 2012, an additional 100 million people could be logging on to the Internet via mobile devices, up from 233 million today.

4 hours
Chinese consumers spend 4 hours a week on instant messaging, compared to just 2.6 hours a week by U.S. consumers.

12 months
Over one third of digital junkies and mobile mavens replace their mobile phones every 12 months or less.

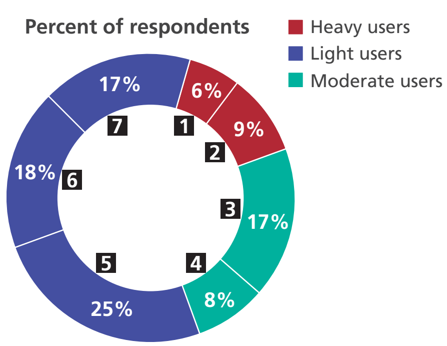
2.7 hours
Chinese consumers spend 2.7 hours a week communicating through voice instant protocol applications, compared to 6 hours in the U.S.

34.1 hours
Digital junkies spend 34.1 hours a week on the Internet, over twice the 15.8 hours a week spent by the average digital consumer in China.

20 minutes
On average, Chinese digital consumers spend 20 minutes a week on email, compared with 5.5 hours a week in the U.S.

McKinsey China Digital Consumer Research (January 2010, N = 4,866)

China's seven digital consumer segments [1]



1. Digital Junkies
- Spend more than twice as much time online as all other segments
- Early adopters of high-tech gadgets
- Skewed toward single 18-24 year olds in Tier 1 cities

2. Gamers
- Spend most time on PC games
- Heavy users of social networking
- Skewed toward young low income consumers in low tier cities

3. Info-centrics
- Prefer PCs when going online to search information and improve work efficiency
- Skewed toward 25-34 year-old business executives with relatively high income

4. Mobile Mavens
- Heavy mobile Internet users, prefer listening to music and reading
- Early adopters of portable digital gadgets

5. Traditionalists
- Light users of Internet; spend more time watching TV
- Little interest in hi-tech devices
- Skewed to less educated low tier mass consumers

6. Online traders
- Most time online spent tracking and trading stocks
- Skewed toward middle aged men in Tier 1 and 2 cities

7. Basic users
- Least time spent on all media, play games on mobile phones
- Skewed toward students and blue collar workers in low tier cities on a tight budget

(1) Defined by time spent on digital media; Heavy users: >28 hours a week, Moderate users:14-28 hours/week, Light users: <14 hours/week Source: McKinsey China Digital Consumer Research (January 2010, N = 4,866)

Research highlights 7 distinct consumer segments in China with widely varying usage patterns and preferences for digital applications and devices.

One-third of Digital Junkies and Mobile Mavens replace their mobile phones every 12 months or less.

Overall, U.S. Internet users spend 93 hours a week on Internet related activities, including communication, entertainment, and e-commerce. In China, digital consumers spend 40 hours online.

For corporate marketers across industries, the Internet has become a critical battleground for building brands, pushing products, and managing corporate reputations. Word-of-mouth is enormously influential, and in the online world, word-of-mouth is shaped by the daily torrent of recommendations, reviews, comments and rumour.

There is a wealth of data available today on Chinese consumers and how they use Internet applications and devices. To craft successful strategies, however, digital marketers will need to draw meaningful and actionable insights from this data.

They will need to understand the distinct preferences and needs of China's seven digital consumer segments.

The death of **Steve Jobs** demonstrates the speed of the Internet: 35 million Weibo and 23 million QQ users dedicated a special page to him, whilst Sina dedicated a record, *"Jobs for ever."* In the real world, the Apple Store in Sanlitun, Beijing, saw a host of people offering flowers, portraits, candles or apples with bites.

Eyleen Shen, *Ipsos Greater China Shanghai Research Director :*

"The Internet is like a double-sided coin. Many brands use the Internet to promote, develop, communicate, etc., but at the same time, many consumers discuss and exchange views about brands through blogs. Any adverse point of view on the brand can be widely advertised in a moment through countless reproduction."

Kathy Cui, *Beijing Ipsos Market Consulting KA Head Research Manager,*

confirms the need to innovate and optimize for brands, because these are the prerequisites for maintaining the link with consumers:

"As China develops quickly, consumers get used to it very quickly too. It is very easy to miss a brand or replace it with another. Brands must therefore maintain their presence in people's minds by news, by communication, by uniqueness."

Kevin Zhou, *Vice President of Ipsos Greater China,*

holds that the Internet transforms communication and advertising market research:

"For advertising, the situation, especially in urban areas, is similar to that of Western countries. Brands are forced to be multifaceted, with television, print ads and online advertising. We develop tools to monitor the influence of these media on consumers and to help our clients communicate more effectively in the digital environment."

Crystal Xue, *Ipsos Qualitative Research Director,*

explores the consequences and challenges:

"The mainstream media and traditional channels are facing major challenges. Why? Because Chinese consumers want to find information and to conduct research on their mobile phones and the Internet. Indeed, they do not necessarily intend to read the lengthier traditional media, especially the younger generations. And they increasingly want to purchase new and innovative products on the Internet and find lower prices; this presents a challenge to traditional distribution channels such as department stores and supermarkets. The conventional outlets will have to change and offer experiences, trips, entertainment and other things that the Internet cannot."

[Sentences and bets]

One of the experts' favorite activities is making bets.

Without hesitation, this is what we have done. The Ups is what will progress faster and faster and the Slowdowns what will progressively disappear.

UP

At the individual level:

- For men, the rise of male skincare products and luxury brands (see: Hugo Boss);
- For children and babies, dedicated care products;
- For homes, the development of services (babysitting, cleaning...);
- Holidays and travels in China (with the development of railways and high-speed trains);
- Holidays and trips abroad (through an increase in purchasing power).
- The sociological and demographic consequences of the "sheng nu" phenomenon of unmarried single women over the age of 30: for 92% of Chinese men, a woman must marry before the age of 27 or they become 'leftovers' and unwanted (Source: survey commissioned by the All China Women's Federation, 2010).

At the institutional level:

- The opening of China to international tourism;
- The development of urban public policy (travel, traffic);
- The development of policies for sustainable development, alternative energy and environmental protection.

SLOWDOWN:

- Traditional media;
- Bicycles (not electric);
- Grocery stores.

[Consequences]

The door to the future has been opened

The internal renaissance (by Helen Lee)

In short, economic development has benefited various strata in material and lifestyle terms. Be it in rural or urban areas, people have more access to education, more experience of the outside world, greater ability to work or start a business, and better social and public services. These benefits are derived from absolute improvements brought about by development. The majority of people are optimistic about the future and willing to trust the guidance policies of the Government.

However, relatively speaking, people are generally becoming more concerned about the following social problems caused by rapid economic development: the widening gap between rich and poor, environmental pollution, traffic congestion, urban life stress, urban and rural education, healthcare, housing pressure, corruption and the imperfect system of law.

The central Government has clearly positioned the principle of building a harmonious society as an urgent and long-term strategic task. This adheres to the principle of "giving priority to fairness, taking into account the efficiency" and supports the physical, political and spiritual development of civilization. The Government's 12th Five-Year (2011-2015) also clearly states the mission of "enriching people", namely: improving social security, healthcare and the housing system; implementing employment expansion strategies; improving people's livelihoods; establishing a sound basic public service system; and reasonably adjusting the income distribution relationship. This will be achieved through:

- Less emphasis on GDP target in local performance assessment, and upgrading the industrial structure;

- Speeding up government reform, including fiscal reforms, improving the political system, and streamlining the government organization;

- Supporting green development; building a resource-saving, environment-friendly society.

The external Renaissance

From an economic point of view, China shows a strategy oriented towards acquisitions, exports and enterprise migration: Yahoo has a 40% stake in Chinese global trading site, Alibaba, and Alibaba Chairman Jack Ma said he would be happy if the company was acquired by USA shareholders.

As far as markets are concerned, more and more have the same vision: a combination of high-quality, value-added, 'Made in China' appeal, whilst also actively sparking the consumer's desire.

Progress means re-examining the selection of 'cultural heritage' items, as Katherine Zhou comments:

"There are very successful cases in foreign countries where foreign companies acquire local brands and use the historical characteristics to add value to them. At the same time, they know that they are dependent on the international handmade market, and give new life to these local brands with new appearances."

Therefore, it is not about putting nostalgia against modernity, nor about regarding the past as a treasure trove of inexhaustible inspiration and good things. Rather, it is how to design a strategy that can at once reassure and interest consumers.

Faced with this situation, it is hard for international brands to position themselves, as they simultaneously face a number of other trends:

- In terms of economic resources, the public is more affluent;
- As customers, the public and their expectations are increasingly demanding;
- In terms of the product relationship, the public is close to its ancient culture and its history, reputation, value and impact;
- In terms of the image of the country, the public feels a strong sense of national pride.

In 2009, 13 years after the best-selling book, ***"China Can Say No"***, was published, its authors published ***"China Is Unhappy"***, in which they severely criticized the defiance of foreign forces, and unanimously called for a boycott of certain countries (including France) and the expansion of China's cultural, economic and political influence across the world.

It has been established throughout that Chinese consumers prefer foreign brands, but they also value Chinese brands. As Indra Chow comments, it was associated with…

"China's gradual awakening, its real power, and its return to position in the international arena with its growing economic might and national strength. Chinese people are at the stage where China has its own value; it is strong, wealthy and has more purchasing power."

As David Lee commented earlier:

"The Chinese are very proud of the achievements of the country to date, particularly in 2010, which was a successful year that saw the Olympics, the Shanghai World Expo, and the passage to second world power after the USA but ahead of Japan. Though 2011 had not as many new equivalents, it created a real sense of pride."

Referring to sentiments on the global financial crisis, one Ipsos expert said:

"This is a double-edged sword: On the one hand, it has an adverse impact, because it delays the recovery in exports; on the other hand, it is certainly an opportunity for China to catch-up with Western countries."

If local brands can be convincing to Chinese people and still be attractive in the international arena, it will undoubtedly remind people of the rapid development of mainstream American culture or Japanese culture. Since World War II, America has in many areas made its values the world standard, while Japanese culture has reached the world through comic books, design and fashion.

The General Manager of Hermes seemed to have anticipated such a phenomenon and, in September 2010, when he declared: *"If 'Shang Xia' becomes a competitor, it would be a success".* Shang Xia is (a luxury Chinese craftsmanship brand launched by Hermes in China.

Cultural aspects have not been forgotten. At the end of September 2011, Amazon worked with China International Publishing Group to set up an online bookstore to sell Chinese books to the world, which the State Press and Publication Administration advocated in 2010.

Its purpose was to issue Chinese books online, including books on China written by foreign authors. AEPP Director, Binjie, Liu pointed out:

"China has many excellent publications for the international market, but sales are subject to promotional channels."

Meanwhile, as David Lee points out, the problem lay in the positioning of Chinese cultural heritage to the world's public:

"Is it possible? How do Westerners absorb Chinese culture? Is this a luxury for them? What do they know about antiques of the Tang Dynasty or the Ming Dynasty? As in China, it is not an easy thing, understanding the true combination of Chinese heritage… It is true that many Chinese people are interested in ancient poems; they learn Tai Chi, Chinese painting and calligraphy, which is also the key to understanding Chinese cultural heritage. It is safe to say that fashion and luxury designers of Paris, Milan or New York should draw some inspiration from Chinese culture."

As an example, in the 2011 Paris Fashion Week (September 27th), Yuanyuan Gao wore a red dress designed by fashion designer Feng Xie. The designer explained that his creative inspiration came from plum blossoms, and the design was a combination of Chi-pao and Western style of dress.

[Songs we dream]

This is the kind of love
Like our lives
In the moment
Bright as the flame
Has a hundred languages
A thousand voices
The world had heard
This shout
This is our dream
A real dream
So that each and every heart
Embraced
This is our dream
A real dream
Every heart of each person
A sense of pride
Killing
Without prejudice
Only kind of love
Connected to every heart
100 languages
A thousand voices
The world had heard
This shout
This is our dream
A real dream
So that each and every heart
Embraced
This is our dream
A real dream
Every heart of each person
A sense of pride

Singer: Wang Feng
Album: full bloom of life

[Conclusion]

China is a country unlike any other.

It is a country with huge market potential – but harnessing it will require long-term strategies that address its unique characteristics: very different markets and very different populations. It is therefore very important to conduct segmentation studies here, using different criteria to those used in Western countries or cities.

Adapting to Chinese characteristics is a requirement for any international company seeking to expand in China. It means having different brands tailored to different segments of the population, and conducting segmentation studies each year to incorporate changes in social trends, attitudes, needs and demographic and economic landscapes.

China is changing fast. One must take the pulse of the Chinese people very regularly to understand, monitor and forecast changes. For example, the quest for higher incomes will steadily increase personal and general wealth. Although people are concerned about safety, cost, product value and cars today, tomorrow these may be forgotten subjects and something else will concern or delight them.

We all have a challenge:

For the Chinese, it is to achieve living standards equal to those of Western Countries. China is doing this very quickly, but it has led to imbalances between regions and also quality issues.

For those who are watching the situation, they need to understand that Chinese people increasingly want to express themselves – to voice their ideas and opinions, positive and negative, on all issues from food quality to pollution.

Brands should be prepared to monitor and anticipate changes among the Chinese people - and to remember that China is uniquely open to the changes in the world.

Lifeng Liu & Yves Bardon

Abbreviations

BBS	Bulletin Board System
CEO	Chief Executive Officer
CNY	Renminbi, the Chinese local currency (also found as RMB)
CPG	Consumer Packaged Goods
CPI	Consumer Price Index
FMCG	Fast-Moving Consumer Goods
G8	Group of Eight, made of: Canada, France, Germany, Italy, Japan, Russia, the UK and the USA
GC	Greater China
GDP	Gross Domestic Product
GM	General Manager
GoD	Goods of Desire
HSBC	Hong Kong and Shang Hai Banking Corporation
I&F	Insurance & Finance
KA	Key Account
OECD	Organization for Economic-Cooperation and Development
PC	Personal Computer
PMI	Purchasing Managers Index
PPM	Price Parity Method
Quali	Qualitative
RMB	Renminbi, the Chinese local currency (also found as CNY)
USA	United States of America
WTO	World Trade Organization

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[Experts]

Line 1: Jean-Marc Lech, Lifeng Liu, Yves Bardon

Line 2: **Ipsos Greater China**
Alick Zhou, Helen Lee, Larry Wu

Line 3: **Ipsos Greater China Marketing**
Kathy Cui, Katharine Zhou, David Lee, Crystal Xue, Daisy Zhu, Kevin Zhou

Line 4: **Ipsos Greater China ASI**
Xiaohong Wang, Eyleen Shen, Queeny Wui

Line 5: **Ipsos Greater China Loyalty**
Sheng Ye

Line 6: **Ipsos Greater China Observer**
Indra Chow, Qi Jiang