Chapter 63
Building China’s Global Brands

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ABSTRACT
The Chinese economy has been growing rapidly for several years. Important competitive strengths have included efficient operations. Going forward, skills beyond operations capabilities are required for success in global markets. In particular, in the global economy, long run success is often associated with strong brands. Many Chinese organizations have been successful in strengthening their brands. Yet, Chinese organizations must continue to strengthen their brands as well as manage and maintain their existing brands. Building strong global brands requires a much broader perspective than building local brands. Positioning and coordinating global brands requires the ability to evaluate many markets at the same time, including markets that are present are only potential markets. The purpose of this chapter is to examine how Chinese organizations can build and strengthen global brands and the implications for the global strategies they can employ and the skills they need.

INTRODUCTION
Over the past two decades, China has experienced extraordinary economic progress. According to the World Bank, China’s Gross Domestic Product has increased nearly two and a half times during the past ten years – a compound annual growth rate close to 10% (World Bank, 2013). Much of this growth has been due to efficient operations, allowing Chinese organizations to provide products and services at low price points. Haier in appliances and Pearl River in pianos secured leading market positions in part because of their low costs.

However, as competition becomes more global, strategies based on low costs and low prices are not sufficient to ensure success. In China, labor costs have been rapidly increasing which lessens the Chinese cost advantage, making other countries attractive as production locations – even the United States. A study of US managers by one consulting firm found that 21% of those surveyed were planning to move production back to the US in the next two years because of decreases in the difference between costs in China versus the United States (Schuman, 2013, p. 32).

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Those Chinese organizations that have been successful with low cost and low price strategies must now consider how to produce products and services with higher values for customers and how to build global brands by communicating those values to customers in their target country markets. Some Chinese companies are pursuing such strategies. For example, TCL and ZTE are attempting to move away from the low-ends of their markets by introducing higher quality – and higher priced – products (Kuwahara, 2013, p.1). Similarly, Huawei is challenging Samsung and LG in high-end smartphones by increasing their investments in software (Yoo-chui, 2013).

Yet despite these ongoing efforts, Chinese brands are still not among the most powerful global brands in the world. While there are many Chinese brands that are valuable within the China country market, relatively few Chinese brands have played strong roles on the world branding stage.

In 2007, for example, of the 100 global brands estimated to be most valuable by the Interbrand consultancy, there were 52 brands from the United States, 10 from Germany, 9 from France, 8 from Japan, and 3 from South Korea but none from China (Sexton, 2007). In the Interbrand report for 2013, there were still no Chinese brands among the top 100 global brands (Interbrand, 2013b).

To be clear, there are Chinese brands such as China Mobile, China Construction Bank, Ping An, and PetroChina with financial values that place them among the most valuable brands in the world in lists assembled by consultancies such as BrandFinance and Millward Brown (BrandFinance, 2013; Millward Brown, 2013b). However, selection criteria for the Interbrand global brand list requires that more than 30% of the revenue of the brand comes from outside their home region and that the brand is present on at least three major continents. The financial values of many Chinese brands as estimated by Interbrand and Millward Brown’s BrandZ (Interbrand, 2013a; Millward Brown, 2013a) are comparable to those of Interbrand’s top 100 global brands (Table 1) but many of these Chinese brands are regional companies in the finance, telecommunications, and energy sectors which do not qualify as global brands according to the Interbrand criteria. This chapter addresses the challenge of how Chinese brands can succeed in the global marketplace, not just at home.

Brands can have a significant effect on the value of a product or service as perceived by the customer. Research suggests that brand reputation may be associated with 98% of the perceived value of luxury

### Table 1. Ten most valuable Chinese brands in 2013 (billions US $)

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<tbody>
<tr>
<td>China Mobile</td>
<td>31.4</td>
<td>China Mobile</td>
<td>50.6</td>
</tr>
<tr>
<td>China Construction Bank</td>
<td>18.9</td>
<td>ICBC</td>
<td>40.4</td>
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<tr>
<td>ICBC</td>
<td>18.0</td>
<td>China Construction Bank</td>
<td>24.0</td>
</tr>
<tr>
<td>Tencent</td>
<td>14.4</td>
<td>Baidu</td>
<td>22.7</td>
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<tr>
<td>Bank of China</td>
<td>13.2</td>
<td>Tencent</td>
<td>20.2</td>
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<tr>
<td>Ping An</td>
<td>12.3</td>
<td>Agricultural Bank of China</td>
<td>17.3</td>
</tr>
<tr>
<td>China Life</td>
<td>11.0</td>
<td>China Life</td>
<td>14.4</td>
</tr>
<tr>
<td>Agricultural Bank of China</td>
<td>10.1</td>
<td>Bank of China</td>
<td>13.6</td>
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<tr>
<td>China Merchants Bank</td>
<td>6.2</td>
<td>Baijiu</td>
<td>13.0</td>
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<tr>
<td>Moutai</td>
<td>4.8</td>
<td>Sinopec</td>
<td>12.5</td>
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