

**BRANDZ™**

BRAND VALUATION SERIES

# BRANDZ™ Most Valuable Chinese Brands

最具价值中国品牌100强

— 2018 —



**23% BRAND VALUE APPRECIATION  
SURPASSES RECORD**

Technology and innovation raise consumer expectations



FUXING PARK, SHANGHAI

# BRANDZ



## Most Valuable Chinese Brands 最具价值中国品牌100强

2018

Total Value of Top 100 Chinese Brands  
**\$683.9 Bil.**  
Top 100 Total Value Increased **23%**

### TOP 10 MOST VALUABLE CHINESE BRANDS

\$: Brand Value  
%: Brand Value Change 2018 vs. 2017

<b>1</b> 腾讯 Tencent Technology \$132.2 Billion +25% Market-Driven	<b>2</b> Alibaba Group 阿里巴巴集团 Retail \$88.6 Billion +53% Market-Driven	<b>3</b> 中国移动 China Mobile Telecom Providers \$49.2 Billion -15% State-Owned	<b>4</b> ICBC 中国工商银行 Banks \$37.2 Billion +18% State-Owned	<b>5</b> Baidu 百度 Technology \$25.0 Billion +5% Market-Driven
<b>6</b> HUAWEI Technology \$24.1 Billion +18% Market-Driven	<b>7</b> MOUTAI Alcohol \$23.2 Billion +43% State-Owned	<b>8</b> 中国平安 PING AN Insurance \$22.4 Billion 36% Market-Driven	<b>9</b> 中国建设银行 China Construction Bank Banks \$20.1 Billion 9% State-Owned	<b>10</b> 中国农业银行 Agricultural Bank of China Banks \$16.2 Billion 9% State-Owned

### TOP 10 IN BRAND CONTRIBUTION

Brand contribution is the proportion of value driven by brand equity rather than other in-market factors (such as promotions or distribution). It tends to be a key driver of business growth and is measured on a scale of 1 to 5, with 5 the highest.

All these brands scored 5

### TOP 10 IN OVERSEAS REVENUE

% of total revenue from outside China  
\$ = Brand Value # = Top 100 Rank

<b>1</b> Lenovo Technology \$2.6 Billion #39 <b>72%</b>	<b>2</b> HUAWEI Technology \$24.1 Billion #6 <b>55%</b>	<b>3</b> TCL Home Appliances \$0.3 Billion #100 <b>46%</b>	<b>4</b> ZTE 中兴 Technology \$1.9 Billion #52 <b>42%</b>	<b>5</b> 中國東方航空 CHINA EASTERN Airlines \$3.0 Billion #35 <b>38%</b>
<b>6</b> Midea Home Appliances \$3.9 Billion #26 <b>35%</b>	<b>7</b> AIR CHINA 中國國際航空公司 Airlines \$5.2 Billion #21 <b>33%</b>	<b>8</b> 中国石化 PetroChina Oil & Gas \$9.6 Billion #16 <b>32%</b>	<b>9</b> Hisense 海信 Home Appliances \$0.4 Billion #92 <b>30%</b>	<b>10</b> 中國南方航空 CHINA SOUTHERN AIRLINES Airlines \$2.5 Billion #42 <b>26%</b>

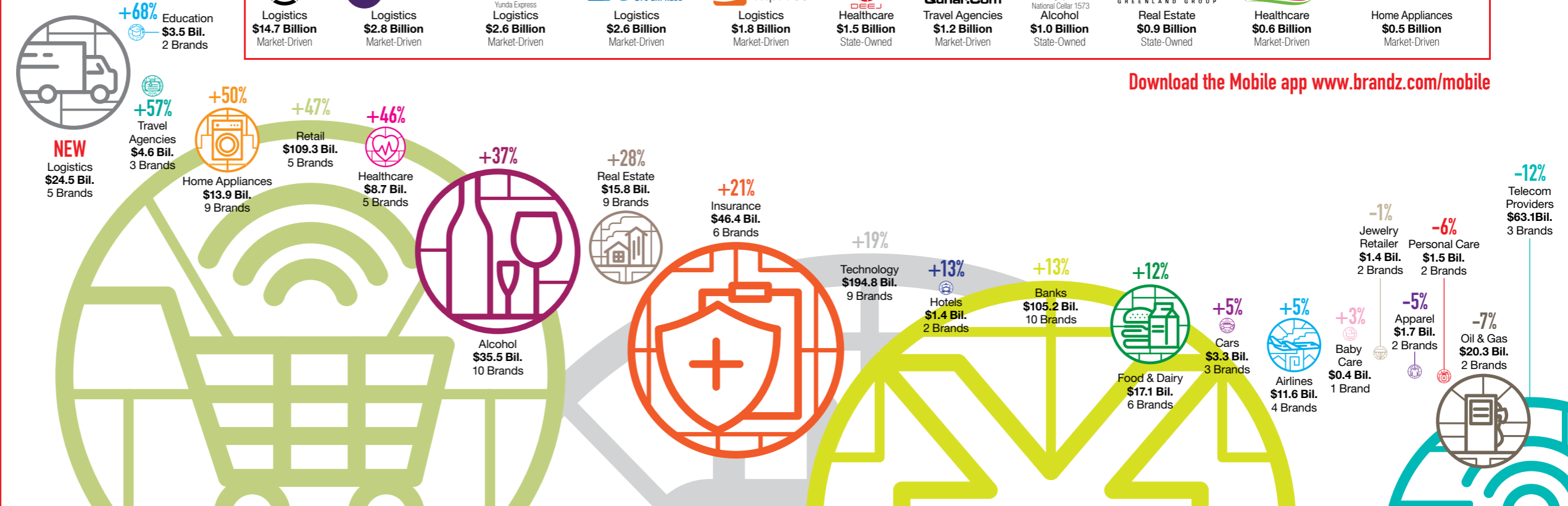
### TOP 10 RISERS

%: Brand Value Change 2018 vs. 2017  
\$: Brand Value  
#: Top 100 Rank

<b>1</b> +139% 学而思 Xueersi Education \$1.1 Billion #65 Market-Driven	<b>2</b> +92% 五粮液 Alcohol \$2.2 Billion #46 State-Owned	<b>3</b> +88% 恒大地产集团 EVERGRANDE REAL ESTATE GROUP Real Estate \$4.5 Billion #24 Market-Driven	<b>4</b> +78% GREE Home Appliances \$3.1 Billion #32 Market-Driven	<b>5</b> +75% 吉利汽车 GEELY AUTO Cars \$0.5 Billion #90 Market-Driven	<b>6</b> +64% IQIYI 爱奇艺 Technology \$2.2 Billion #47 Market-Driven	<b>7</b> +54% vatti 華帝 Home Appliances \$0.4 Billion #97 Market-Driven	<b>8</b> +53% Alibaba Group 阿里巴巴集团 Retail \$88.6 Billion #2 Market-Driven	<b>9</b> +50% 京东 JD.com Retail \$14.6 Billion #12 Market-Driven	<b>10</b> +50% 汉庭酒店 Hotels \$0.7 Billion #82 Market-Driven
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### CATEGORY VALUE CHANGES

21 Categories: 15 ↑, 5 ↓, 1 NEW  
\$: Total Category Value

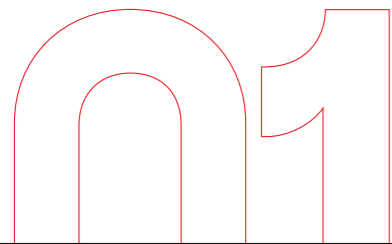


### NEWCOMER BRANDS #1-10

#: Top 100 Rank  
\$: Brand Value

<b>#11</b> SF Logistics \$14.7 Billion Market-Driven	<b>#36</b> 圆通速递 Logistics \$2.8 Billion Market-Driven	<b>#37</b> 韵达 Yunda Express Logistics \$2.6 Billion Market-Driven	<b>#38</b> ZTO 中通快递 ZTO EXPRESS Logistics \$2.6 Billion Market-Driven	<b>#55</b> sto 申通快递 express Logistics \$1.8 Billion Market-Driven	<b>#58</b> 五洲大药行 WUZHOU Healthcare \$1.5 Billion State-Owned	<b>#63</b> 去哪儿网 Qunar.Com Travel Agencies \$1.2 Billion Market-Driven	<b>#66</b> National Celler 1573 Alcohol \$1.0 Billion State-Owned	<b>#73</b> 绿地集团 GREENLAND GROUP Real Estate \$0.9 Billion State-Owned	<b>#86</b> 汤臣倍健 TONGCHEN BEIJIAN Healthcare \$0.6 Billion Market-Driven	<b>#88</b> FLYCO 飞科 Home Appliances \$0.5 Billion Market-Driven
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Download the Mobile app [www.brandz.com/mobile](http://www.brandz.com/mobile)

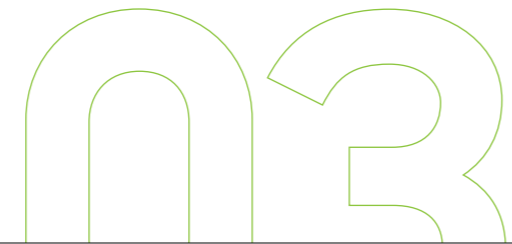


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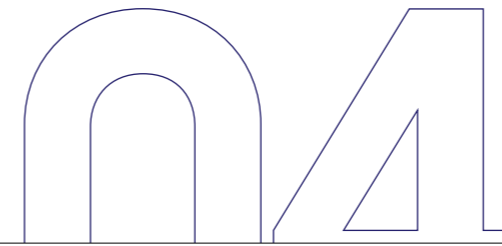
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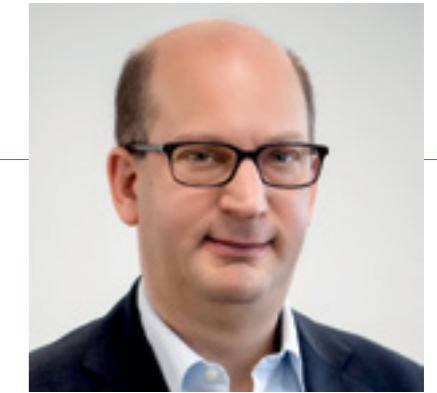
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Welcome

# RECORD VALUE RISE REVEALS PROSPECTS FOR FUTURE GROWTH

REPORT DETAILS BRAND  
BUILDING IMPERATIVES

Two recent developments compounded my strong belief in the vitality of brands in today's China and in the potential for growth. Reviewing the preliminary valuations for this year's BrandZ™ China Top 100, I realized that we'd surpass all prior year-on-year value increases. In President Xi Jinping's speech to the 19th Party Congress, I recognized a vision for China in which brands can play a long-term constructive role.



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President Xi outlined his plans for what he termed, "the rejuvenation of the Chinese nation." While President Xi rightly extolled China's remarkable economic growth over the past three decades, he also detailed the need to help more Chinese people live a better life, and to elevate China's global stature, commensurate with its many contributions to civilization.

President Xi calls his ambitious national mission statement the Chinese Dream. He expects the dream to guide China's activities over the next three decades, coming to fruition at mid-century, for the centennial anniversary of the People's Republic of China. Progress likely will fluctuate with the economic and geopolitical forces of real world competition and cooperation.

But the possibility for sustained brand growth is clear. Brands exist to improve people's lives in some way, and President Xi was explicit about the ways in which he wants to see the lives of Chinese improved. He asked for greater progress in poverty alleviation, narrowing the income gap among regions, and improving employment, education, healthcare, and housing.

President Xi also argued for conserving China's natural beauty and being environmentally responsible in the pursuit of economic growth. And he advocated for the development of industries that innovate and leverage the internet, data and artificial intelligence.

To achieve these goals, President Xi wants to accelerate market reform, which means promulgating regulations that promote fair competition. In enumerating these aspects of the Chinese Dream, President Xi actually articulated a blueprint for brand success. But understanding and following the blueprint to build valuable brands requires additional knowledge and insight.

## REPORT KNOWLEDGE AND INSIGHTS

This 2018 BrandZ™ China Top 100 report explores the key trends impacting brand building in China today and the implications of President Xi's vision on brand building in the future. By many measurements, valuable brands in China today are healthy. You'll find the details in the Introduction

of this report and in Part 2: Market Intelligence. For example:

**The BrandZ™ China Top 100 Most Valuable Chinese Brands rose 23 percent in value, the greatest ever year-on-year rise of the China Top 100;**

**The BrandZ™ China Top 100 Portfolio has increased 179.1 percent since July 2010, almost three times the rate of the MSCI China Index; and**

**Market-driven brands produced almost all the value growth in the BrandZ™ China Top 100 over the past five years, while State Owned Enterprises (SOEs) only increased slightly.**

We believe that the conditions for future brand value growth in China are extremely positive. Incomes are rising and awareness of brands is increasing throughout the country in a market that is more receptive to fair competition. For us, the fundamental question is not whether brand values will increase, but rather what brand initiatives will most effectively accelerate that rise.



## Welcome



For some answers, I urge you to read Part 3 of the report, where we present eight Brand Building Observations. We analyze key trends, including innovation, premiumization, the lessons of market-driven ownership, and the importance of purpose. We also examine the need to penetrate deeper into China and the increase in Chinese brands going global. Finally, we look at the media, and campaign strategies necessary to communicate effectively across China's multiple audiences.

You'll find extensive details about the brands and the 21 categories included

in this report in Part 4: The China Top 100, which ends with in-depth interviews with three chief marketing officers. They reflect on the Chinese market overall, and their particular brands, and offer advice for brand building in today's China.

In developing this report, we relied on the cumulative knowledge and insight of our brand building experts in the nearly 20 WPP operating companies in China. And in Part 5 of the report, to put all of this information into perspective, we invited eight of these experts to contribute Thought Leadership essays.

### OUR VAST BRAND-BUILDING RESOURCES

Our companies have been engaged in China for over 50 years. Today, 14,000 people, including associates, work across China in Beijing, Shanghai, Guangzhou and many other cities and provinces. We provide expertise in advertising; insight; branding and identity, direct, digital, promotion and relationship marketing; media investment management, retail and shopper marketing; and public relations and public affairs.

One of our key WPP strengths—and a benefit for our clients—is that when we

say we cover the world of brands, that's exactly what we mean. We operate over 3,000 offices in 112 countries. WPP's proprietary BrandZ™ database includes information from over 3.6 million consumers about their attitudes about (and relationships with) 120,000 brands across over 50 country markets.

We have assembled an extensive library of BrandZ™ reports and I invite to you access them with our compliments at BrandZ.com. Here are just some of the reports you will find there: the BrandZ™ Top 100 Most Valuable Global Brands; BrandZ™ Top 100 Most Valuable US Brands; BrandZ™ Top 50 Most Valuable Indian Brands; BrandZ™

Top 50 Most Valuable Latin American Brands; BrandZ™ Top 50 Most Valuable UK Brands; BrandZ™ Top 50 Most Valuable French Brands; BrandZ™ Top 50 Most Valuable Indonesian Brands; BrandZ™ Top 30 Most Valuable Spanish Brands; BrandZ™ Top 50 Most Valuable German Brands; BrandZ™ Top 30 Most Valuable Italian Brands; and BrandZ™ Top 20 Most Valuable Saudi Arabian Brands.

We have the data, knowledge, experience, insight, determination, and single-minded purpose to help you create and build valuable brands. To learn more about how to harness our passion to work for your brand, please

contact any of the WPP companies that contributed expertise to this report. Turn to the resource section at the end of this report for summaries of each company and the contact details of key executives. Or feel free to contact me directly.

Sincerely,  


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Pay

“

PEOPLE ENJOY MORE DISPOSABLE INCOME,

BUT THEY SPEND LESS OF IT IN CASH.

”

01

INTRODUCTION



## Overview

# 23% VALUE RISE SETS NEW RECORD

## 19TH CONGRESS AND CHINESE DREAM PRESENT OPPORTUNITIES FOR BRANDS

**The BrandZ™ Top 100 Most Valuable Chinese Brands 2018 grew 23 percent in value, to \$683.9 billion, a substantial rise over the 6 percent growth a year ago, and the greatest one-year increase since publication of the first China Top 100 ranking in 2014.**

During that five-year period, market-driven brands produced almost all the value growth in the BrandZ™ Top 100, rising 271 percent, while State Owned Brands (SOEs) only increased slightly in value. (Please see Five-Year Findings on page 24).

Fifteen categories increased in value in the 2018 BrandZ™ China Top 100, compared with 12 categories a year ago, and the rates of value growth were greater. Conversely, fewer categories declined in value and the declines were less severe. In addition:

**The BrandZ™ China Top 100 Portfolio increased 179.1 percent since July 2010, almost three times the rate of the MSCI China Index.**

**A 25 percent increase lifted the value of Tencent to \$132.2 billion, making the internet portal China's most valuable brand by far, for the fourth consecutive year.**

**Education led category value growth, rising 68 percent on top of a 46 percent rise a year ago, reflecting the commitment of Chinese to a better life for themselves and their children.**

With the addition of the logistics category, the China Top 100 report now studies 21 categories. For some categories, growth accelerated toward the end of the year, on a sustained spike in consumer confidence and stronger-than-expected GDP growth of 6.9 percent, according to the World Bank.

Sales of fast moving consumer goods (FMCG) rose 3.6 percent for the third quarter of 2017, signaling the start of a recovery, according to Kantar Worldpanel. Media spending, sluggish



during the first half of 2017, picked up at the end of the year, and GroupM expects the pace to continue.

The year-end lift corresponded with the convening of the 19th Party Congress and the articulation of an agenda to rejuvenate China and achieve the Chinese Dream with sustained economic growth, more evenly distributed wealth, and elevated global stature.

### BRANDS EMBRACE INNOVATION

Innovations by Chinese brands contributed to reaching these goals. In the BrandZ™ Top 100 Most Valuable Global Brands, Chinese brands score as high as European brands in the BrandZ™ Innovation metric, and only lag the US. In the BrandZ™ China Top 100, half the Innovation Top 10 come from technology or retail, specifically e-commerce.

The technology and retail leaders—Tencent, Alibaba, and Baidu (BAT)—

continued to expand their ecosystems, disrupting categories while enabling consumers to navigate more of their lives on their mobile devices without switching platforms. The BAT brands recently entered the insurance category, for example.

In a development that Alibaba's Jack Ma calls New Retail, Tencent, JD.com, along with Alibaba and other online brands, acquired or collaborated with major brick and mortar retailers. These affiliations provide broader insight into consumer behavior, online and offline, and they enable the retail brands to respond more effectively and efficiently by integrating data and logistics.

Although this kind of integration is happening in other parts of the world, it is most advanced in China where 772 million people, more than twice the population of the US, use the internet. Because of the openness of Chinese consumers to try new things, and the innovations of Chinese

brands, China leads the world in the evolution toward a cashless society.

Innovation crosses many categories. Innovative Chinese brands have invested substantially in the development of electric cars, for example. And Chinese government incentives promote this innovative technology as a way to abate air pollution, a demonstration of China's soft power leadership on an important global issue—climate change.



## Overview



## OVERSEAS EXPANSION

But the cars category had not been expected to lead the overseas growth of Chinese brands. Until now, the brands with the highest proportion of revenue gained from overseas came from strategic State Owned Enterprises (SOEs)—oil and gas or airlines brands—and the technology and appliance brands, many of which began as original equipment manufacturers (OEMs), making products for Western companies to brand and sell.

Car brands Geely and Great Wall plan to introduce cars in Europe and North America, respectively, over the

next few years, however, the electric vehicle maker BYD already supplies electric buses to many countries and is developing public transportation, including buses and monorails, in China and abroad. Tencent invested in Tesla (and Snap) because, for some Chinese brands, acquisition or investment has provided access to overseas markets, and technology.

The technology brands Lenovo and Huawei are among BrandZ™ Top 100 leaders in the proportion of revenue derived overseas. With its Mate 10 smartphone, Huawei successfully entered a new positioning territory for a Chinese brand—premium. Huawei encountered problems expanding in

the US, however, when AT&T declined to be its telecom provider partner. This development illustrates the influence of geopolitics on Chinese brand international expansion. US security concerns also slowed the American market expansion of DJI, a pioneer drone brand. DJI is one of the many innovative Chinese brands—in robotics and artificial intelligence, for example—that do not yet qualify for BrandZ™ Top 100 eligibility because of size or not being publicly traded.

## BEYOND BELT AND ROAD

Because of physical proximity and consumer expectations for quality at an affordable price, neighboring

Asian countries have been the logical starting points for many Chinese brands developing overseas business. But, as the plans of Geely and Great Wall indicate, Chinese brands in more categories are expanding overseas, venturing further in the geographic regions they enter and value propositions they offer.

The overseas awareness of Chinese brands is increasing, in part because brands benefit from the publicity surrounding Belt and Road, the Chinese government's initiative to restore the global trading stature China enjoyed during the Silk Road period, which began over 2,000 years ago, during the Han Dynasty.

The gap in the number of online searches for Chinese brands, compared with brands from other major industrialized countries, declined 29 percent between 2013 and 2017, according to BrandZ™ research conducted with Google. (For full details, please visit The BrandZ™ Top 50 Chinese Global Brand Builders 2018 at [www.brandz.com](http://www.brandz.com)).

Overseas acceptance of Chinese brands is also increasing, although it varies by country and age, according to BrandZ™ research. While older people are more likely to retain their impressions of Chinese products as cheap and possibly unsafe, younger people tend to view Chinese brands positively and they associate Chinese brands with innovation.



[www.brandz.com](http://www.brandz.com)

BrandZ™ China Top 100 Stock Portfolio

# CHINA TOP 100 OUTPACES STOCK MARKET IN GROWTH

## VALUABLE BRANDS DELIVER SUPERIOR SHAREHOLDER RETURNS

**A rising market might lift all stocks—but not to the same level. Not even close. The BrandZ™ China Top 100 Portfolio, which includes all the brands in the China Top 100 ranking, has increased 179.1 percent since July 2010, almost three times the rate of the MSCI China Index, which increased only 61.6 percent over the same period.**

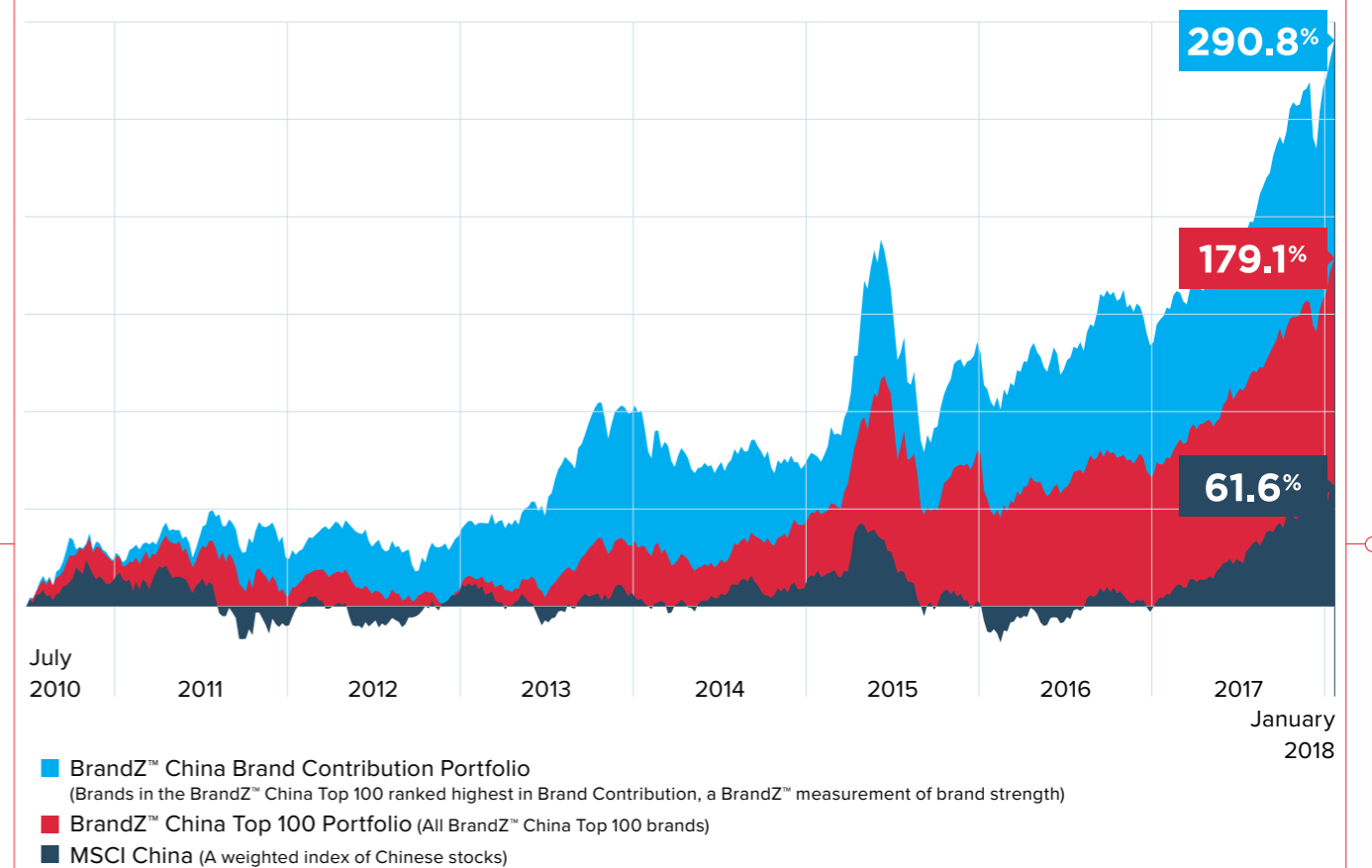
Even more striking, the BrandZ™ China Top Brands by Brand Contribution Portfolio increased 290.8 percent, almost five times the rate of the MSCI. The Brand Contribution Portfolio includes the brands in the BrandZ™ China Top 100 with the highest scores in Brand Contribution.

Brand Contribution is a BrandZ™ measurement of brand strength, the influence of brand alone on earnings, with other factors stripped away.

These results demonstrate that the investments brands make to build value are measurably rewarded in the stock market. Valuable brands deliver superior shareholder returns: \$100 invested in the MSCI China in 2010 would be worth around \$162 today. That \$100 invested in the BrandZ™ China Top 100 would be worth \$279, and it would be worth around \$391 invested in the Brand Contribution Portfolio.

### VALUABLE BRANDS DELIVER SUPERIOR SHAREHOLDER RETURNS

BrandZ™ China Portfolios vs. MSCI China July 2010 to January 2018



Source: Bloomberg and BrandZ™ / Kantar Millward Brown

## Top Line Results

## HEADLINES...

**CHINA TOP 100 RISES 23% IN BRAND VALUE**

The BrandZ™ China Top 100 Most Valuable Chinese Brands rose 23 percent in value, the greatest one-year rise since publishing the first China Top 100 in 2014.

**TOP 100 PORTFOLIO OUTPERFORMS MSCI**

The BrandZ™ China Top 100 Portfolio, which includes all the brands in the China Top 100 ranking, has increased 179.1 percent since July 2010, almost three times the rate of the MSCI China Index, which increased only 61.6 percent over the same period.

**EDUCATION LEADS CATEGORY GROWTH**

The education category rose 68 percent in value on top of a 46 percent rise a year ago. Factors driving category's strong performance include the commitment of Chinese to a better life for themselves and their children, and the country's rigorous, test-centric education system.

**GROWTH CROSSES MOST CATEGORIES**

Fifteen of the 21 categories examined in the BrandZ™ China Top 100 report increased in value, compared with only 12 of the 20 categories included in last year's report. In general, category-by-category, the rate of growth was higher and the rate of decline was lower.

**LOGISTICS CATEGORY ADDED TO RANKING**

Five logistics brands entered the BrandZ™ China Top 100 this year. The addition of the logistics category to the ranking reflects the dramatic impact of e-commerce in China and the rapid urbanization of inland regions.

**XUEERSI RISES 139 PERCENT**

The education brand Xueersi again led the BrandZ™ China Top 100 in year-on-year value increase, with a 139 percent rise in value, which followed its 58 percent rise a year earlier.

**LENOVO, HUAWEI LEAD IN OVERSEAS REVENUE**

Although more Chinese brands are expanding abroad, Lenovo and Huawei continued to lead in the percent of revenue gained overseas, 72 percent and 55 percent, respectively.

**11 NEWCOMERS JOIN THE RANKING**

Eleven brands from six categories entered the BrandZ™ China Top 100 this year for the first time. The high number of brands reflects the inclusion of another category, logistics, and the ranking's high level of churn.

**TENCENT REMAINS NO. 1 IN VALUE**

A 25 percent increase lifted the value of Tencent to \$132.2 billion, making technology giant China's most valuable brand, by far, for the fourth consecutive year, since it surpassed China Mobile in the 2015 ranking.

**MENGNUI TOPS RANKING IN BRAND CONTRIBUTION**

The dairy brand Mengniu led the ranking in Brand Contribution, the BrandZ™ metric that assesses the extent to which brand alone, independent of financial or market factors, drives purchasing volume and enables a brand to command a price premium.

# MARKET-DRIVEN BRANDS PROPEL SHARP VALUE RISE

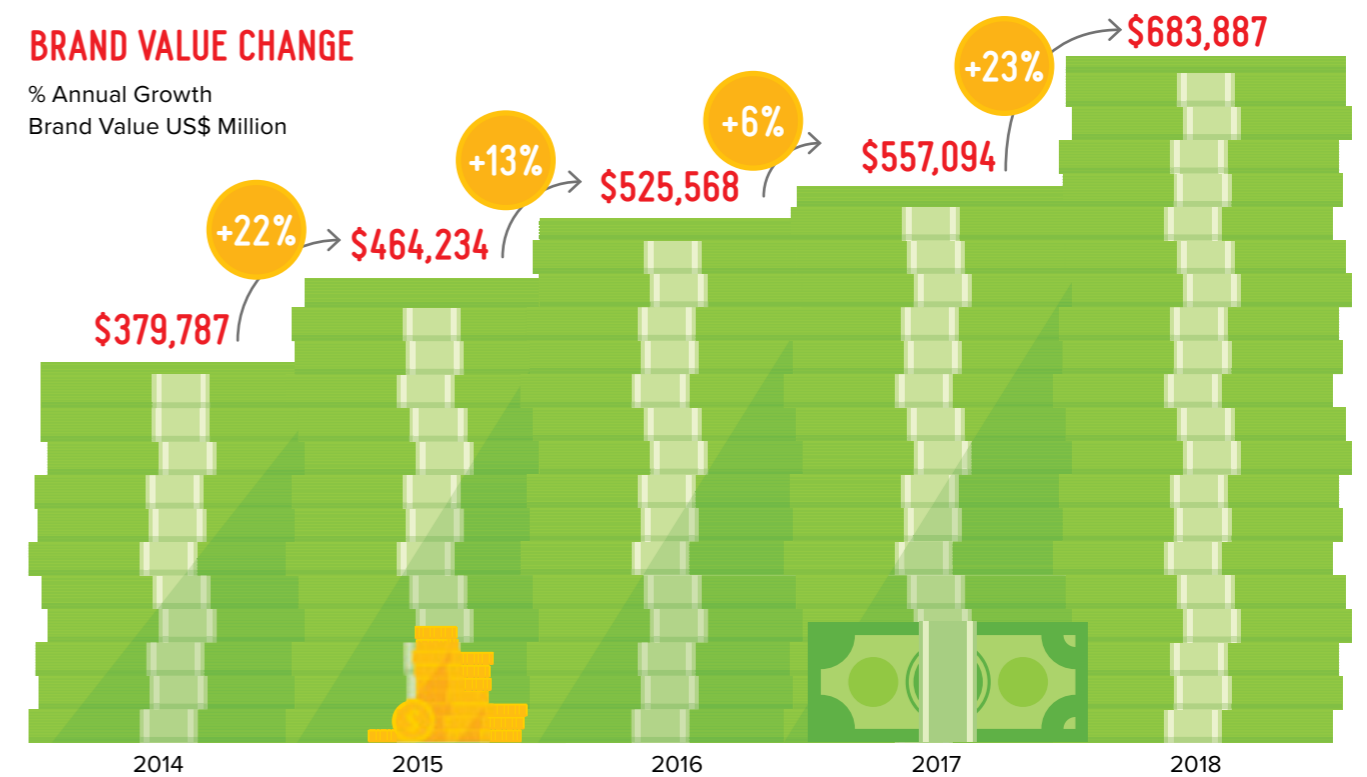
**CHINA 100 OUTPERFORMS GLOBAL 100, BUT EXPERIENCES MORE BRAND CHURN**

## 23% TOP 100 VALUE RISE EXCEEDS ALL PRIOR YEARS

The 2018 BrandZ™ Top 100 Most Valuable Chinese Brands increased 23 percent, after a 6 percent increase a year earlier. The percent increase for the 2018 BrandZ™ China ranking was the highest since the ranking expanded from 50 to 100 brands in 2014.

### BRAND VALUE CHANGE

% Annual Growth  
Brand Value US\$ Million



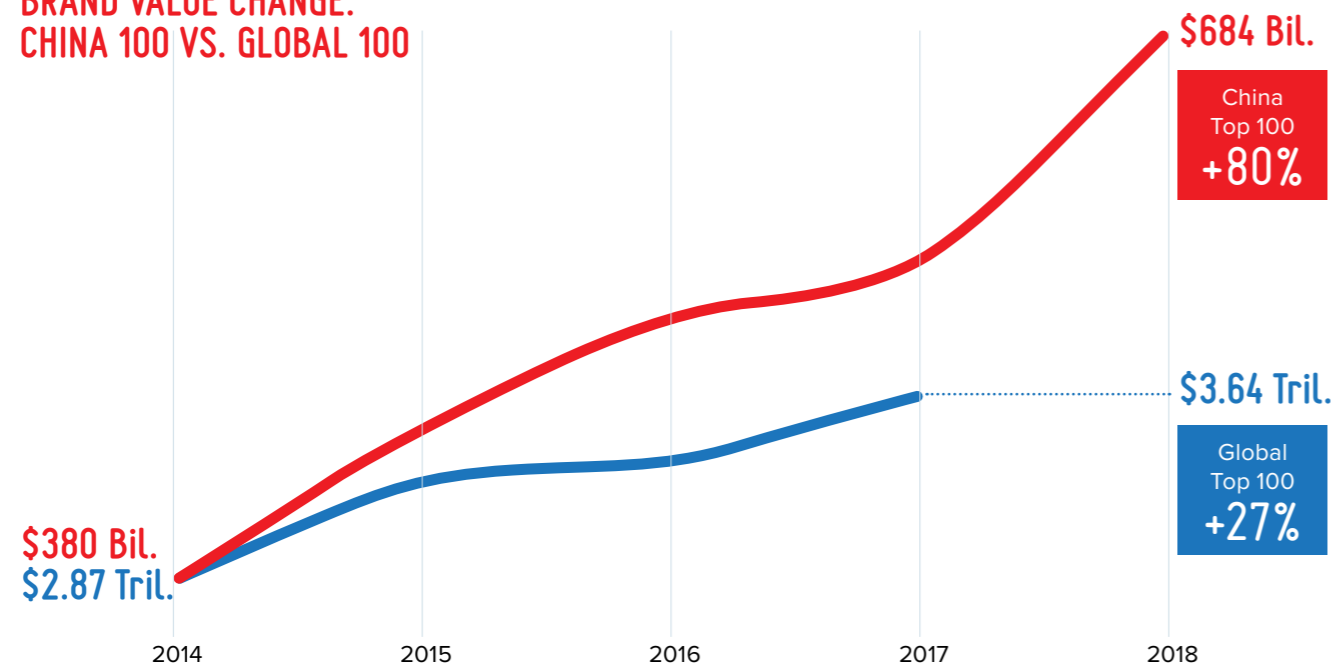
Source: BrandZ™ / Kantar Millward Brown

Five-Year Findings

# CHINA TOP 100 GROWTH BEATS GLOBAL TOP 100

Since 2014, the BrandZ™ Top 100 Most Valuable Chinese Brands has increased 80 percent in value, around three times the rate of BrandZ™ Global Top 100, which increased a healthy 27 percent over the same period. The China Top 100 grew from a lower base, but the Global Top 100 includes some of the world's fastest-growing brands, such as the Global Top 5: Google, Apple, Microsoft, Amazon, and Facebook.

## BRAND VALUE CHANGE: CHINA 100 VS. GLOBAL 100

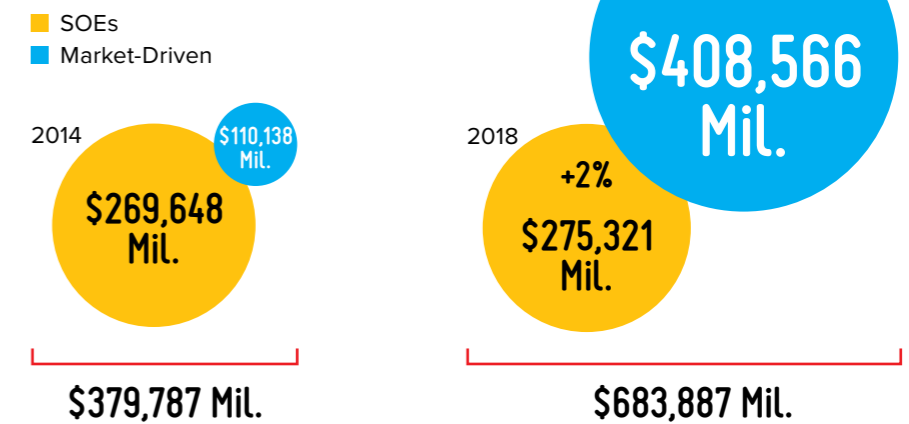


Source: BrandZ™ / Kantar Millward Brown

# MARKET-DRIVEN BRANDS PRODUCE VALUE GROWTH

Market-driven brands produced most of the value growth in the BrandZ™ China Top 100 over the past five years. Market-driven brands increased 271 percent in value since 2014, while State Owned Enterprises (SOEs) only increased slightly in value. This shift is significant because SOEs dominated the ranking in 2014, comprising 71 percent of its value. In contrast, SOE comprise only 40 percent of the 2018 China Top 100. This power shift from SOEs to market-driven brands corresponds to the transition of China's economic engine from production to consumption. It illustrates that brand strength has become the main determinant for building brand value.

## BRAND VALUE CHANGE: MARKET-DRIVEN vs. SOEs



Source: BrandZ™ / Kantar Millward Brown

Five-Year Findings

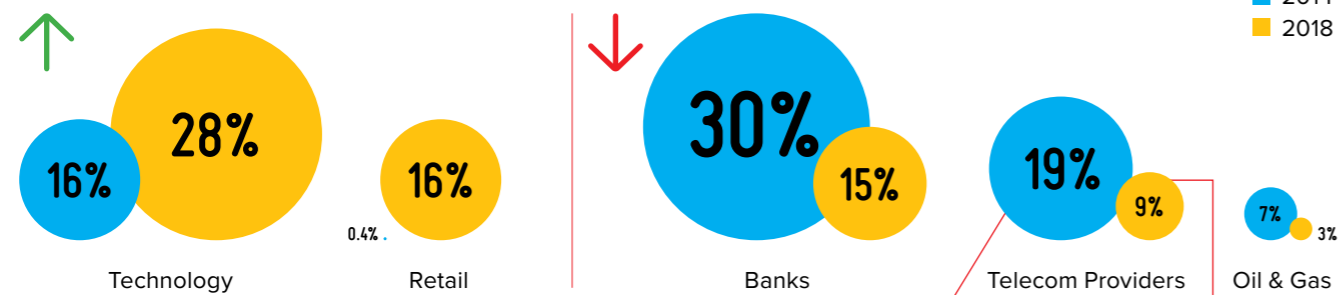
# TECH AND RETAIL DRIVE VALUE SHIFT

Two categories dominated by market-driven brands drove this shift in value generation—technology and retail (including e-commerce). While these two categories added brands and greater brand value than other categories, three categories dominated by strategic SOEs lost value—banks, telecom providers, and oil and gas.

Number of Brands in China Top 100		
	2014 Total (SOEs)	2018 Total (SOEs)
Technology	7 (1 SOE)	9 (0 SOE)
Retail	1 (0 SOE)	5 (0 SOE)
Banks	9 (8 SOE)	10 (9 SOE)
Telecom Providers	3 (3 SOE)	3 (3 SOE)
Oil & Gas	2 (2 SOE)	2 (2 SOE)

## BRAND VALUE CHANGE: CATEGORIES

% Share of category value in BrandZ™ China Top 100



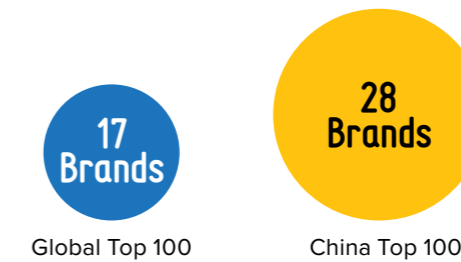
Source: BrandZ™ / Kantar Millward Brown

# VALUE GROWTH RATE CAUSES BRAND CHURN

Significant brand churn resulted from the value rise of the BrandZ™ China Top 100, and the shift in value growth from SOEs to market-driven brands. Over the past five years, 28 brands dropped from the China Top 100, compared with 17 from the Global Top 100. The high dropout rate for the China Top 100 indicates how competitive the Chinese market has become.

## BRAND VALUE CHANGE: BRAND CHURN

Number of dropout brands over 5 years



Source: BrandZ™ / Kantar Millward Brown

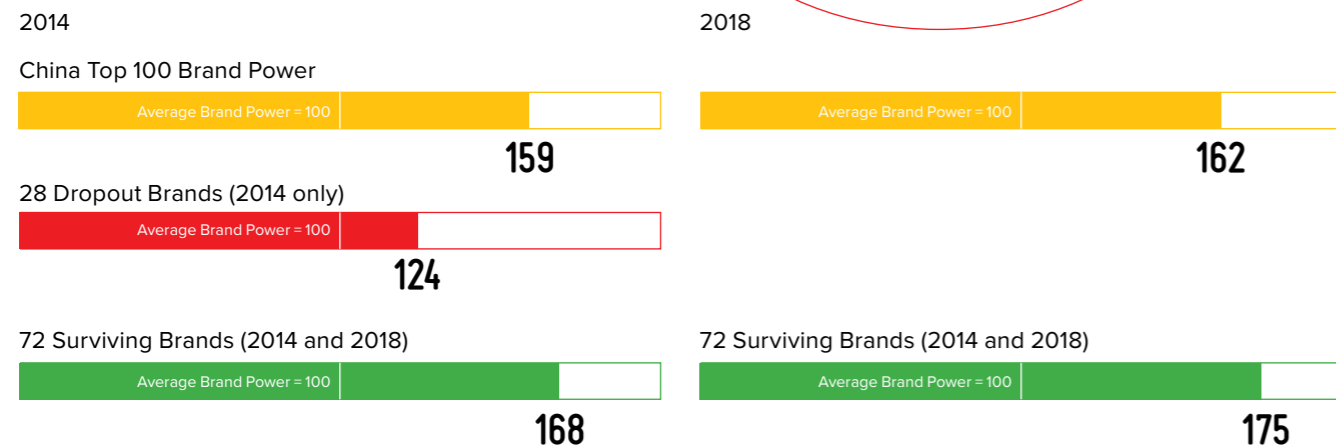
Five-Year Findings

## BRAND POWER ADDS STABILITY

One key element distinguished the dropout brands from the survivors—Brand Power. In 2014, the BrandZ™ China Top 100 overall scored 159 in Brand Power. Dropout brands averaged a Brand Power score of 124, and surviving brands scored an average of 168. In 2018, the China Top 100 overall scored 162 in Brand Power. And surviving brands scored an average of 175. This finding indicates the importance of brand to sustain success in China's rapidly changing market.



### BRAND VALUE CHANGE: BRAND POWER



Source: BrandZ™/ Kantar Millward Brown  
 Dropout Brands: Ranked in the BrandZ™ China Top 100 in 2014, but not in 2018  
 Surviving Brands: Ranked in the BrandZ™ China Top 100 in 2014 and 2018  
 Brand Power: Brand Power is a BrandZ™ measurement of a brand's competitive position in a category. It roughly correlates with volume share. Brand Power is a BrandZ™ component of brand equity, which is the consumer predisposition to choose one brand over another. An average Brand Power score is 100.

Brand Implications

# SUSTAINED GROWTH POSSIBLE ACROSS OWNERSHIP, CATEGORIES

These five-year findings reveal a critical dichotomy: the most valuable Chinese brands are increasing in value faster than the most valuable global brands; but more Chinese brands are unable to keep up with the rapid pace of growth and are dropping out of the Top 100 rankings. In China today, it is possible for a strong brand to win—or lose—to a stronger brand. The shifting of China's economic propellant from production to consumption best explains why.

Economic change disrupted the hegemony of State Owned Enterprises (SOEs) and opened opportunity for market-driven brands, better positioned to serve the needs of people enjoying greater prosperity and willing to pay for products to enhance their lives. How brands need to respond is more complicated and requires brand-specific insights about consumers and communications. Here are some initial implications:

**Finding 3** indicates that market-driven brands increased almost three-fold in value over the past five years, while SOEs only increased slightly. It would be a mistake to interpret this finding as an endorsement of a particular ownership model, however. Rather, the finding affirms the brand-

building strategies of market-driven brands. The implication is that any brand, regardless of ownership, can build value when it acts like a market-driven brand.

**How does a market-driven brand act?** Finding 4 shows that brands in technology and retail (including e-commerce)—two categories dominated by market-driven brands—produced the greatest proportion of value increase in the China Top 100. The implication is not that rapid brand value rise is limited to two categories. Rather, it suggests that lessons of technology and retail brands should be applied across categories. The technology and retail brands generally excel in innovation, which increases the

perception among consumers that these brands are different.

Being seen as Different is a component of Brand Power, a BrandZ™ measurement of brand equity, the consumer predisposition to choose one brand over another. The other components of Brand Power are Meaningful (meeting needs in relevant ways) and Salient (coming easily to mind). As noted in Finding 6, brands that scored high in Brand Power were much more likely to remain in the ranking, while brands lower in Brand Power dropped out. The implication is that sustained growth is possible for any brand, regardless of ownership or category.





“

YOUNG PEOPLE STUDY AND WORK HARD,

PREPARING FOR A FUTURE THEY WILL DETERMINE.

”

## Cross Category Trends

# PURSUIT OF THE CHINESE DREAM ADDS OPPORTUNITIES FOR BRANDS

## PREMIUMIZATION

## QUEST FOR THE BEST INSPIRES SHOPPERS

Premiumization is not a new trend, but it spread more widely across categories and more deeply into China, beyond the affluent coastal cities. Increasingly sophisticated and affluent Chinese consumers discriminated among product offerings to select the quality and features they desired. Premiumization, a stage in lifecycles of most markets, happened with the speed characteristic of China, and the trend touched many categories. In alcohol, Chinese consumed less beer but paid more for the beer they drank. Similarly, the sales of some food and dairy products increased in value even as volume slowed. Hotel brands, which had expanded rapidly to capture the budget segment of the Chinese market, added more personalized services to enhance guest experience. The appliance category surged in value as brands introduced large and small appliances loaded with up-scale features.



## LIFESTYLE

## WANTS, NOT NEEDS, DRIVE SPENDING

The Chinese government's promotion of responsible and sustainable growth, rather than growth at all costs, influenced the purchase choices made by consumers. People who have attained a reasonable level of wealth shopped less for fast moving consumer goods (FMCG) and spent more on discretionary items. Airlines expanded their overseas routes, and travel agencies, like Ctrip, acquired brands to provide expanded services for Chinese abroad. Brands in categories as diverse as apparel and food and dairy responded to a growing concern about personal health and wellbeing. Healthcare was among the fastest rising categories in value. One of the most popular items purchased was intangible—knowledge. For the second consecutive year, education led in the rate of category value growth. And education brand Xueersi increased most in value, 139 percent.



## PENETRATION

## ADDING MORE CUSTOMERS IS KEY TO GROWING SALES

As brand choice increased and loyalty weakened, penetration was the surest path to sales growth. The greatest opportunities were in lower tier cities and other locations in the interior, home to over a billion people with increased purchasing power. These consumers were not strictly price-driven. Like consumers in the coastal megacities, they were willing to pay a premium when merited.

Cross Category Trends



**GOING GLOBAL**  
**MORE CATEGORIES TRAVEL OVERSEAS**

Measured by the percent of revenue derived from overseas sales, the technology and appliance categories still lead—a legacy from the days of serving as original equipment manufacturers (OEMs). The Chinese state-owned airlines also rank high. However, brands in other categories are expanding abroad, sometimes to nearby Asian countries first, a traditional route recently taken by the apparel brand Heilan Home when it opened its first overseas store, in Kuala Lumpur. In contrast, the Chinese car brands Geely and Great Wall plan to introduce cars in Europe and North America, respectively, in a few years.



**PURPOSE**  
**BRANDS ADVANCE CHINA'S INTERESTS AND THEIR OWN**

Dual mission statements guided many Chinese brands—their own and China's. Historically, State Owned Enterprises (SOEs), in strategically important categories, acted as the agents for realizing the national agenda. Now, brands, regardless of ownership and across categories, linked their own Brand Purpose with the Chinese Dream, the government effort to sustain responsible economic growth, build a more equitable society, and restore China to its historic global stature. Banks financed poverty reduction projects at home and added overseas branches to support Belt and Road activities. Car brands developed new energy alternatives to help abate air pollution. Besides developing electric cars, BYD introduced its first monorail, in Yinchuan, in central China, to reduce urban congestion as well as pollution. Apparel brands aligned with the effort to develop Chinese champion athletes. Food and dairy brands improved safety and quality.

**TWO CHILDREN**  
**POLICY SHIFT INCREASES PURCHASING POTENTIAL**

In rescinding the one-child policy and replacing it with permission for married couples to have two children, China intended to rebalance the population demographics, from aging to youth, and stimulate consumption. China's birthrate has increased, and many categories have experienced—or anticipated—a positive impact on sales, including baby care and education.



**DISRUPTION**  
**ECOSYSTEMS ENGULF MORE CATEGORIES**

More than elsewhere, Internet brands—especially Baidu, Alibaba, and Tencent (BAT)—have enabled consumers to handle the transactions of daily life—shopping, purchasing, banking, communicating, cab hailing—on a single integrated platform. Now, internet giants are increasingly crossing categories and disrupting markets as they enlarge and protect their ecosystems. Baidu collaborated with China Life to launch an internet investment fund. Alibaba and Tencent have also entered the insurance business. And they are active in the travel category. At the same time, the growth of internet brands, particularly the e-commerce leaders, drove the expansion of the logistics category, included in the BrandZ™ China Top 100 for the first time this year.



## Cross Category Trends

## INSIGHT

## BRANDS PROBE DEEPER INTO SHOPPER BEHAVIOR

Alibaba CEO Jack Ma gave it a name, New Retail—the integration of data, logistics, online, and offline. The phenomenon, which has been developing for years, accelerated dramatically when Alibaba, JD.com, and other e-commerce giants acquired or collaborated with brick and mortar retailers. These hook-ups potentially provide a retail brand with deep insight into how the same customer behaves online and offline, and they enable the brand to effectively respond.



## INNOVATION

## ONCE THE COPIER, NOW THE COPIED

Older people are more likely to still think of China as a copycat nation. But younger people see China as the nation to copy. And it is not just that Chinese brands produce some of the most popular titles for gamers. Having acquired a lot of technology, China is investing in the research and development to compete for leadership in diverse technologies, including: artificial intelligence, autonomous vehicles, and drones.



## GEOPOLITICS

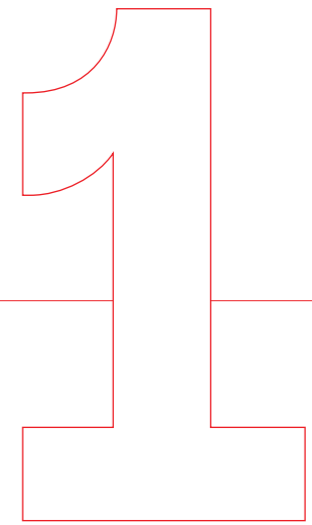
## GLOBAL TENSIONS IMPACT BRANDS

As China asserts itself internationally with Belt and Road and other initiatives, geopolitics impacts brands. Huawei, now the world's third largest smart phone manufacturer, after Samsung and Apple, continued to build its brand in Europe and other regions, but it experienced a setback in the US, when an arrangement to sell its premium Mate 10 smartphone through AT&T collapsed. US government security concerns have also slowed the American market expansion of two other Chinese technology brands, ZTE and DJI. Separately, Korea's deployment of the defensive THAAD missile system provoked a negative reaction in China that resulted in slower sales for popular Korean cosmetic products, a phenomenon that affected the value increase of the personal care category.



# ACTIONS FOR BUILDING GREATER BRAND VALUE

## GAIN INSIGHT



China's economy continues to expand rapidly following the big bang of opening up. But 35 years later, new forces are shaping the expansion. For the government, growing the economy is not just about speed, but also responsibility. For consumers, purchasing is not just about acquiring more stuff, but also about building a better life. And for brands, added complication requires greater insight.

## BE MARKET-DRIVEN



Over the past five years, market driven brands—rather than State Owned Enterprises (SOEs)—produced most of the value growth in the BrandZ™ China Top 100. That development is not reason to convert from one ownership model to another. However, it is encouragement for all brands to act as if they are market-driven by gaining consumer insight, developing relevant and differentiated products, and getting the word out effectively.

Takeaways

# FULFILL THE DREAM

Key aspects of the Chinese Dream correspond closely with the fundamental brand purpose of making people's lives better. In China, that means helping create a more equitable society, and narrowing the gap between rising expectations and access to the affordable products and services that represent a better life.

# INNOVATE

Innovation had been the exception among Chinese brands. Not anymore. Innovative Chinese brands are found across categories, but especially in technology and retail (e-commerce). Innovation leads to Difference, a component of Brand Power, a BrandZ™ measurement of brand equity, the predisposition that influences a consumer to choose one brand over another. Brands viewed as Different are more likely to command a price premium.

# EARN A PREMIUM

Price is important, but Chinese consumers today are shifting to a new phase. Having already acquired a lot of stuff, many consumers are willing to pay more for extra quality or uniqueness—whether purchasing a car, a new refrigerator, or a container of yogurt.

# GO DEEPER

Only about 10 percent of China's population lives on the coast, which means that a billion people live in lower tier inland locations. In many cases, the local economies are growing faster than the national GDP. But it is not just about the numbers. As purchasing power rises for these consumers, they are becoming more interested in brand and less price sensitive.



Takeaways

# GO GLOBAL

Most Chinese brands still are not well known outside of China. Awareness is increasing, however. More people are searching for Chinese brands online, according to research by BrandZ™ and Google. Additionally, consumer perceptions of Chinese brands are improving, at least among younger people.

# MIX MEDIA

Chinese consumers, across generations, spend a lot of time on their mobile devices. But they watch other screens, too, including traditional TV and out-of-home media. As brand choice increases, loyalty weakens, and it becomes important to reach consumers at every important moment. Being present on multiple screens pays off. Brand value increased twice as fast for BrandZ™ China Top 100 brands that continuously invested in multiple screens.



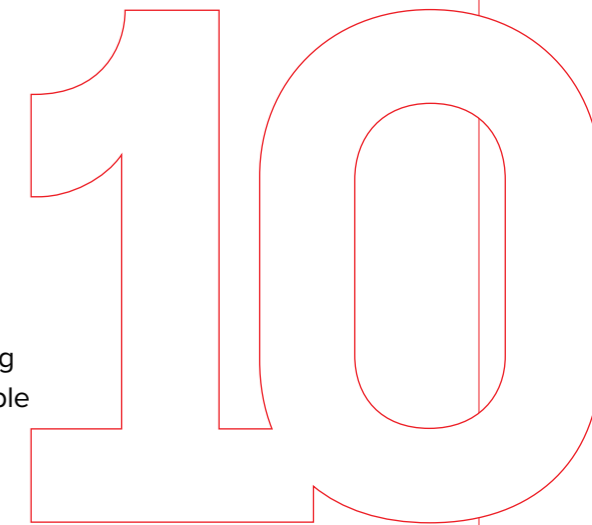
# UPDATE COMMUNICATIONS

To effectively impact today's consumer, especially young people, it is important to communicate about brand know-how and uniqueness, and to express market leadership with a new vocabulary that recognizes the importance of social responsibility.



# GET CREATIVE

Even when the media mix is on target and the message is well crafted, making a lasting impression requires impactful and memorable advertising. The trifecta of the right mix, message, and memorable communication accelerates brand value growth.





LONGJI RICE TERRACES, GUILIN



Q2 MARKET

INTELLIGENCE

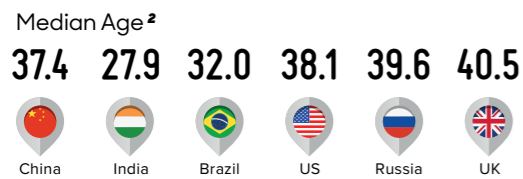
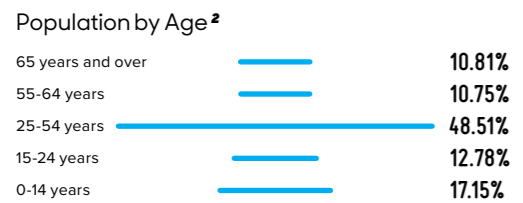
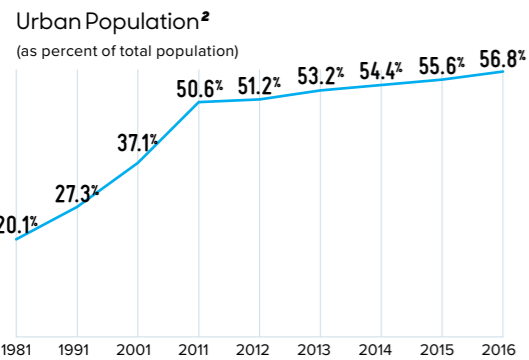
Economy, Demographics, and Connectivity

GEOGRAPHY

Land Area<sup>2</sup>  
**9.6 million sq. km.**  
**3.7 million sq. mi.**  
 (World's fifth largest nation, slightly smaller than the US and larger than Brazil)

POPULATION

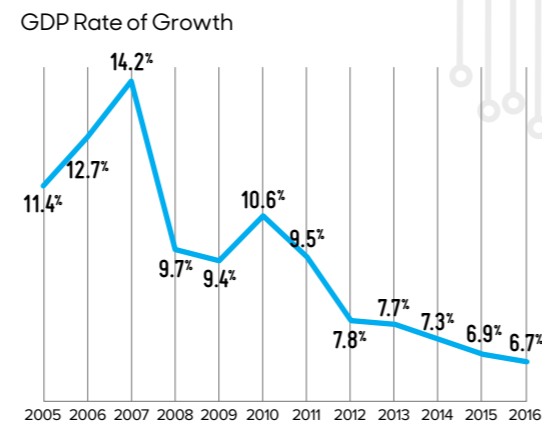
Total  
**1.38 billion**



ECONOMY

GDP  
**\$11.2 trillion**  
 (No. 2 after the US \$18.6 trillion)

GDP Per Capita  
**US \$8,126**  
 (Somewhat less than Brazil)

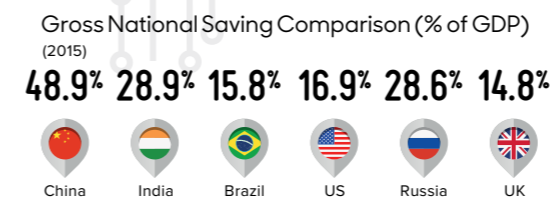
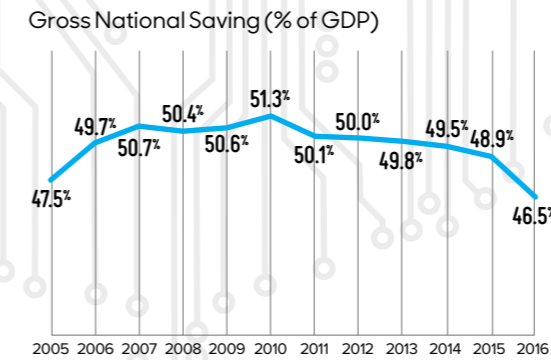
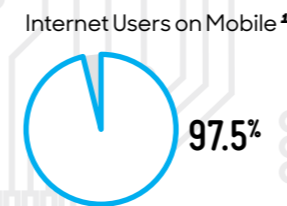
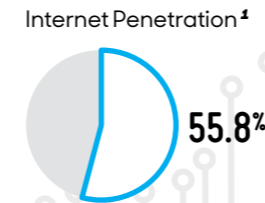


CONNECTIVITY

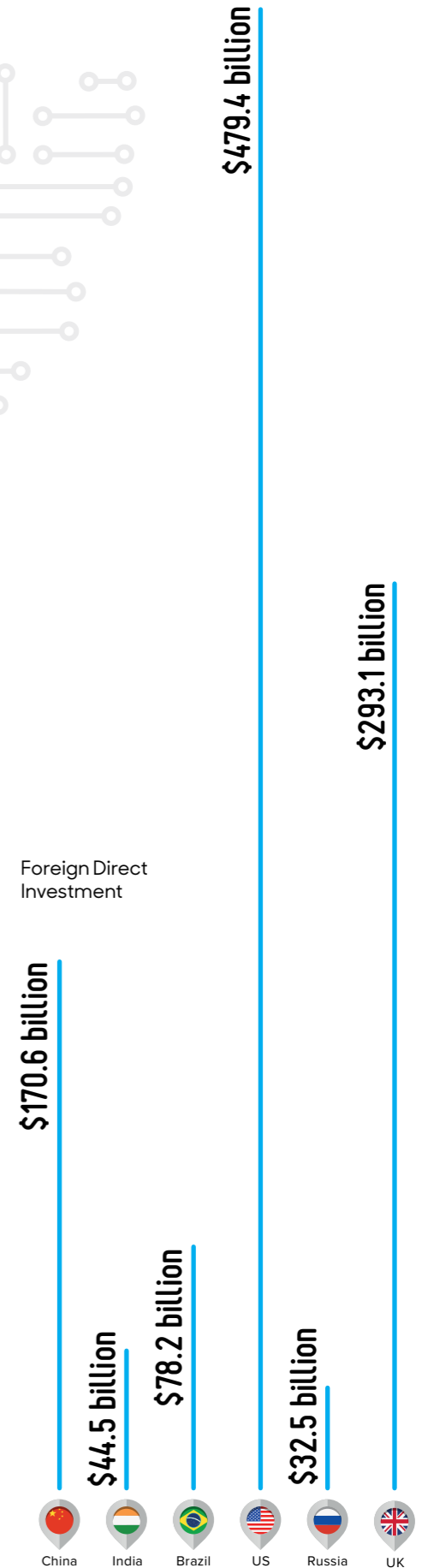
Total Internet Users<sup>1</sup>  
**772 million**

Rural Internet Users<sup>1</sup>  
**209 million**

Total Mobile Internet Users<sup>1</sup>  
**753 million**



Exports<sup>2</sup>  
**\$1.99 trillion**  
 (2016 est., No. 1 worldwide, above the EU and US)





“

CHINA'S POTENTIAL IS SHELTERED...

...IN THE IMAGINATION OF ITS CHILDREN.

”

## Consumer Spending

# RISING FMCG SPENDING REVERSES LONG-TERM TREND

## PENETRATION LEADS TO GREATER MARKET SHARE

Sales of fast moving consumer goods (FMCG) rose 3.6 percent for the third quarter of 2017, signaling the start of a recovery, according to Kantar Worldpanel. In addition, FMCG e-commerce sales grew over 24 percent during the same period, which increased the proportion of FMCG purchased through e-commerce to a still-small—but rapidly growing—7.4 percent.

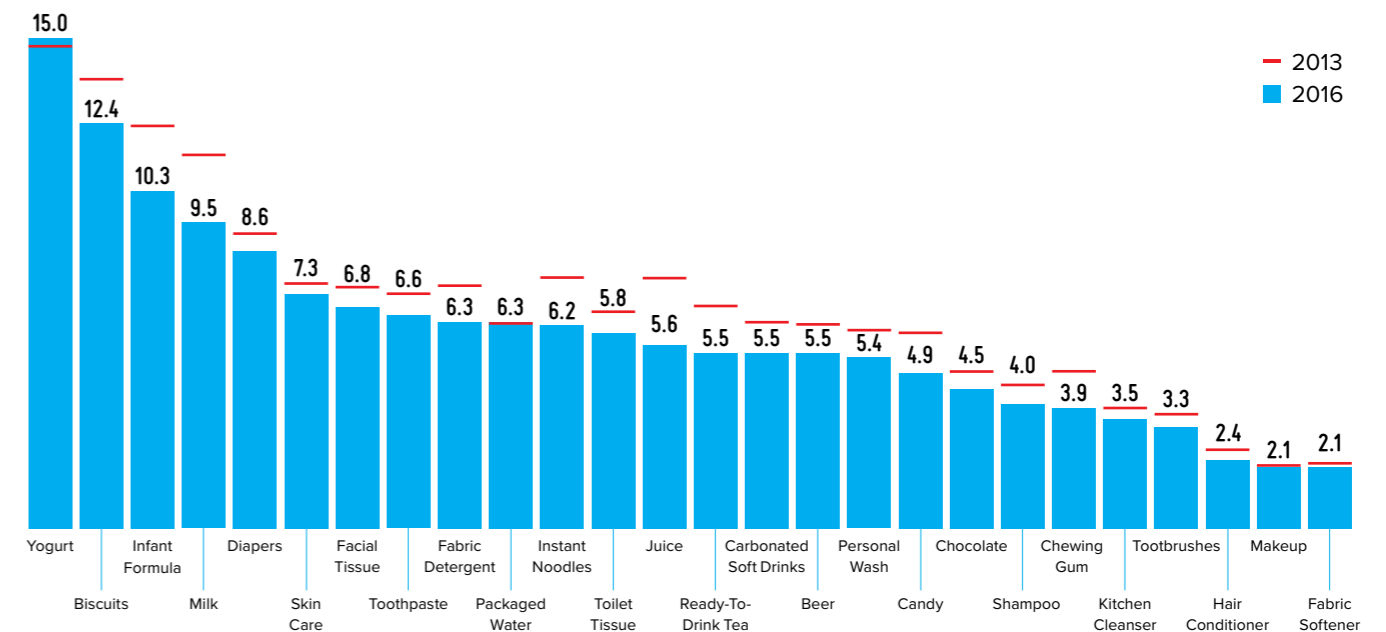
The positive end to 2017 reversed years of declining FMCG sales growth. The decline encompassed a more complex story in which FMCG sectors diverged in a pattern Kantar Worldpanel calls “China’s Two-Speed Growth.” Food and beverage sales volume slowed, but personal care and home care sales value increased, as consumers purchased higher-priced premium products. But exceptions to the pattern emerged.

Among the slower-growing food and beverages, some products sold well, specifically yogurt and bottled water, which command premium prices because they meet the Chinese consumer’s increasing concern about health and wellness. Conversely, geopolitics slowed the rapidly-growing personal care sector to a respectable, but disappointing, 8.3 percent value

## PURCHASE FREQUENCY DECLINES

FMCG Purchase frequency has declined over the past few years, especially in food and beverage.

Category purchase frequency, all channels (per household, per year)



Source: Kantar Worldpanel

increase during the first half of 2017. Sales of popular Korean personal products slackened after China objected to South Korea’s deployment of a defensive missile system.

In addition, consumer shopping behavior changes continued to complicate FMCG sales. Purchase frequency declined for several reasons, including the rise in e-commerce for groceries and other consumer goods, and the corresponding cutback in trips to hypermarkets and supermarkets. And more people ate meals out-of-home or relied on home delivery.

These trends were consistent across China, with some regional variations, according to Kantar Worldpanel, which researches consumer spending in over 100 categories in Tier 1-to-Tier 5 cities.

FMCG sales in western and southern China grew 6 percent and 4.2 percent, respectively, in the third quarter of 2017, exceeding the overall national improvement. Consumer purchasing power is increasing rapidly in these regions, which are experiencing robust economic growth as industries relocate manufacturing facilities from China’s coast to its the lower-cost interior.

The two-speed nature of China’s FMCG market, and the decline in shopping frequency, make gaining market share even more challenging than usual. Penetration is key, according to Kantar Worldpanel, and penetration varies widely by category. In toothpaste, where penetration is close to 100 percent marketers need to interest consumers in more premium product versions. In contrast,

opportunities exist in categories with relatively low penetration, such as facial makeup, where penetration is 40-to-50 percent, compared with penetration of over 80 percent in Japan and Korea. And across categories, Kantar Worldpanel found that the market-leading brands enjoyed significantly higher penetration than their competition.

Digital

# CONNECTED CHINESE ARE MOBILE-CENTRIC

## BUT FINDING THEM CAN BE CHALLENGING

Chinese consumers are connected. China had 772 million internet users at the end of December 2017, according to the China Internet Network Information Center. And over 96 percent of them access the internet with a mobile phone.

Although Chinese are mobile centric, however, they engage with many devices. Chinese own an average of 3.2 devices, compared with an average ownership of 2.7 globally and 2.5 in emerging Asia.

Chinese spend more time on their devices—5.4 hours daily—and a much higher proportion of Chinese—over half—use multiple devices simultaneously. These results were developed by Kantar TNS as part of its Connected Life research.

Kantar TNS also found that messaging leads the list of weekly online activities, followed by reading articles, engaging in social media, and watching free TV or movies. Emailing and watching video clips also consume a lot of time.

The social media habits of Chinese consumers vary somewhat from the habits of consumers elsewhere. Consumers generally spend around the same amount of time each day on social media—1.3 to 1.5 hours, but Chinese use more platforms, an average of 15, with a strong preference for WeChat compared with Facebook, which leads the social media options elsewhere.



### CHINESE CONSUMERS OWN MORE DEVICES...

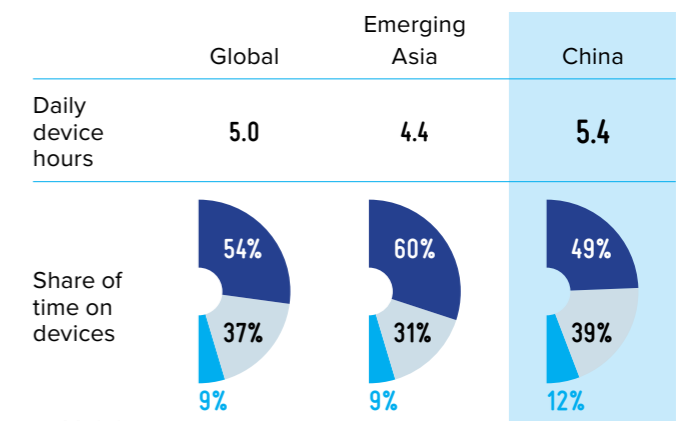
Chinese own an average of 3.2 devices, compared with an average ownership of 2.7 globally and 2.5 in emerging Asia. And they are more likely to use devices simultaneously.

	Global	Emerging Asia	China
# of devices owned	2.7	2.5	3.2
PC	72%	63%	91%
Smartphone	89%	93%	96%
Tablet	37%	32%	52%
Wearable	17%	22%	37%
"I normally use multiple devices at the same time when I'm online"	35%	39%	53%

Source: Kantar TNS

### ...AND THEY SPEND MORE TIME ON THEIR DEVICES...

Chinese spend 5.4 hours daily on their devices, more than consumers worldwide and in emerging Asian markets. Mobile dominates, but Chinese use a variety of devices.



Legend: Mobile (dark blue), PC (light blue), Tablet (medium blue)

Source: Kantar TNS

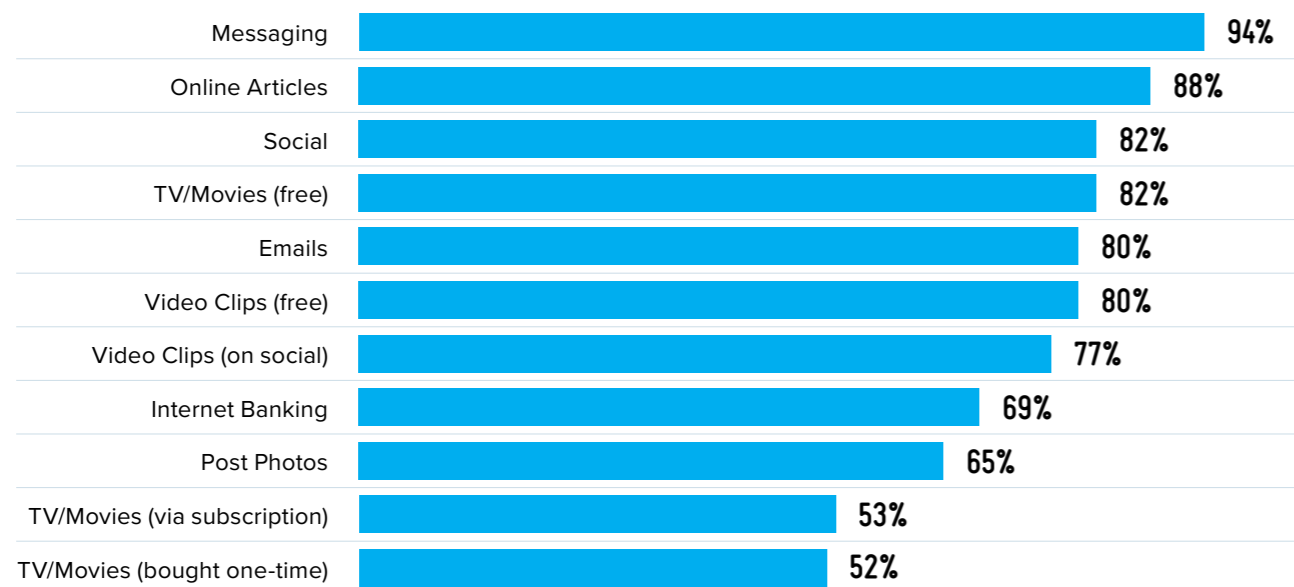
Digital



...MESSAGING LEADS THE LIST OF ONLINE ACTIVITIES...

Messaging leads the list of weekly online activities, followed by reading articles, engaging in social media, and watching free TV or movies.




Weekly active usage



Source: Kantar TNS

...AND CHINESE USE MORE SOCIAL MEDIA PLATFORMS

Chinese use more social media platforms, an average of 15, with a strong preference for WeChat compared with Facebook, which leads the social media options elsewhere.

	Global	Emerging Asia	China
Average time spent on social (hours/day)	1.5	1.3	1.3
Average number of social platforms used weekly	8.4	10.7	15
Preferred social media platform	 Facebook	 Facebook	 WeChat

Source: Kantar TNS

E-commerce

# CHANGING RETAIL SCENE DRIVES E-COMMERCE

## FMCG SPENDING GROWS RAPIDLY

Two distinct competitive dynamics influenced the rapid growth of Chinese e-commerce. First, leading e-commerce brands invested in other online players to expand reach and keep customers within their ecosystems. Second, leading e-commerce brands invested in offline businesses to create closer online-offline integration.

Tencent and JD.com illustrated the first dynamic with their substantial investment in online retailer Vipshop, late in 2017. The online and offline integration, a phenomenon Alibaba CEO Jack Ma named New Retail, was demonstrated by Alibaba's association with the Bailian Group and purchase of Hema Xiansheng supermarket, and JD.com's investment in Yonghui Superstores and collaboration with Walmart.

New Retail is evolving globally, and includes the association of Walmart and Jet.com and Amazon and Whole Foods. And it drives the rapid e-commerce growth of the fast moving consumer goods (FMCG). E-commerce still represents a relatively small percent of FMCG spending worldwide, around 5 percent, but it contributed 36 percent of FMCG growth, and is being more rapidly adopted in Asia, according to Kantar Worldpanel, in its report, *The Future of E-commerce in FMCG*.

The rise of FMCG e-commerce is especially relevant in China because of scale and the openness of the population to e-commerce. China's e-commerce market reached RMB 5,156 billion (\$794 billion) in 2016, according to the National Bureau of Statistics of China.

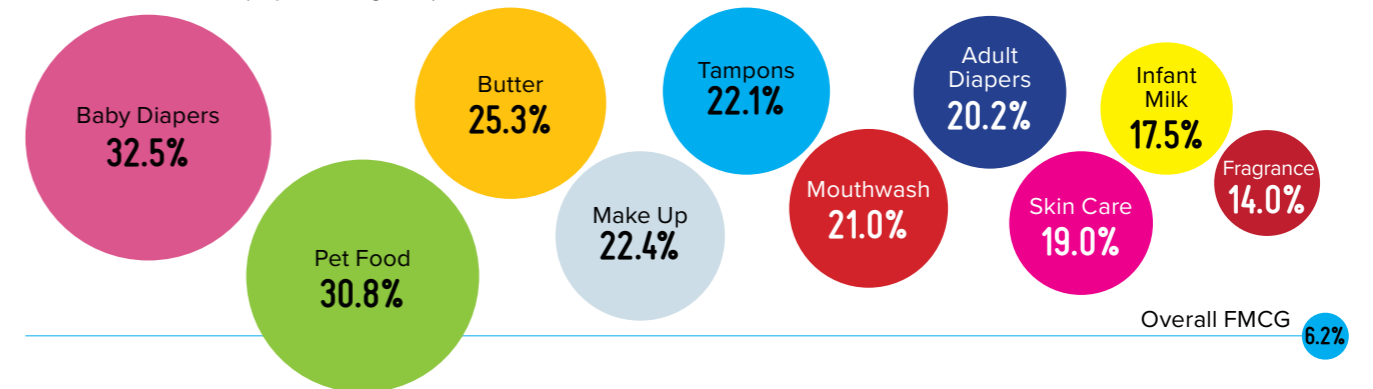
Around three quarters of Chinese grocery shoppers have purchased online, according to Kantar TNS. They use a variety of devices for purchasing, but favor mobile phones overwhelmingly. Almost 70 percent of online grocery purchasers order with a mobile phone at least some of the time, while less than half use a PC some of the time.

The grocery shoppers who have not purchased online say that better quality products and greater online

## YOUNG FAMILIES DRIVE PRODUCT CHOICE

The online FMCG spending of young families with children, and their need for convenience, influences the high levels of household essentials replenished online. The trend may be more pronounced in China because of the end of the one-child policy. Almost a third of households shopping for FMCG products online purchase baby diapers.

% Online value share (Top 10 categories)

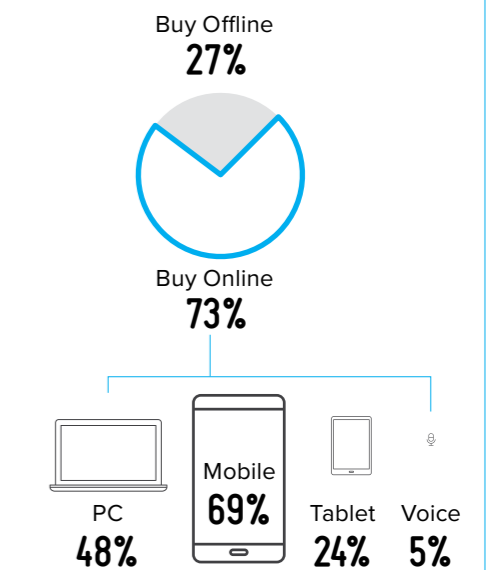


Source: Kantar Worldpanel (52 weeks ending March 2017)

## MOST ONLINE GROCERY SHOPPERS ORDER WITH MOBILE PHONES

Of grocery shoppers that sometimes order online, almost 70 percent order with a mobile phone at least some of the time, while less than half use a PC.

### E-commerce grocery purchasing



Source: Kantar TNS

selection could persuade them to try grocery e-commerce. Despite these reservations, FMCG e-commerce is growing and gaining market share and penetration in China and in other countries and regions.

### GROWTH

The value of FMCG sold through the e-commerce channel in Asia increased 44 percent for the 52 weeks ending in March 2017, outpacing the growth rate of all other regions. Multiple factors drove this growth, including the online spending of young families with children.

### MARKET SHARE

E-commerce accounted for 7.4 percent of FMCG spending in China, at the end of the third quarter of 2017 (it

accounted for 6.2 percent at the end of March 2017). China is in a leadership group that includes South Korea, where the e-commerce portion of FMCG sales is greatest, along with the UK, Japan, France, and the US.

### PENETRATION

Major cities dominate penetration in China, as they do in much of the world. In Beijing and Shanghai, e-commerce comprises almost 10 percent of the FMCG market. However, lower tier cities are driving penetration and growth. The value of online FMCG purchasing in Tier 3 and 4 cities grew 59 percent between 2014 and 2016, around twice the growth rate of Beijing and Shanghai. Penetration is high in Asia generally, reaching over 69 percent in Korea. In contrast, online FMCG penetration in Europe averages around 30 percent.

## Media Spending

# LATE SURGE BOOSTS SPENDING, STRONGER GROWTH EXPECTED



## LIBERALIZATION SHOULD DRIVE AD SPENDING IN CERTAIN SECTORS

Media spending, sluggish during the first half of 2017, accelerated at the end of the year, and GroupM expects the pace to continue into 2018, when it forecasts spending to increase 5.2 percent, following a 4.3 percent increase in 2017. The incremental rise—about \$4 billion—reflects the continued rebalancing of China's economy from production to consumption, and the growing level of retail sales as a percent of GDP.

GroupM revised its forecasts upward from earlier estimates because of the strength of China's economy, with GDP expanding around 6.9 percent, faster than expected. Government policies helped drive ad sales in certain sectors, especially real estate in lower tier cities. This activity supported out-of-door media and helped slow the rate of decline of advertising sales in other traditional media, which GroupM expects to drop 6.3 percent in 2017, rather than 8.9 percent as previously predicted.

GroupM also foresees positive prospects for media spending in some service sectors, including banking, education, culture, and medicine,

based on liberalization policies announced during the 19th Party Congress. At the same time, slower sales growth in fast moving consumer goods (FMCG) and cars, except at the luxury level, may moderate media spending.

Internet spending will continue to lead media spending growth, but the annual rate of internet spending growth is expected soften from 14.3 percent to 13.5 percent. Media spending should also increase for radio and out-of-home, with radio up slightly to 1.3 percent annual growth, but the strong growth rate for out-of-home should slow to 9.2 percent. Greater penetration of cars in lower-

tier cities is among the factors driving radio advertising. The strength of out-of-home advertising reflects the urbanization of rural China, which results in more public transportation and outdoor advertising venues.

The long-term advertising spending decline will continue, but at a more gradual rate, for other traditional media—TV, newspapers, and magazine. GroupM's predictions for media spending change in China align with its forecasts for media changes globally, which are positive overall, based on high levels of business and consumer confidence. GroupM is WPP's media management investment company.



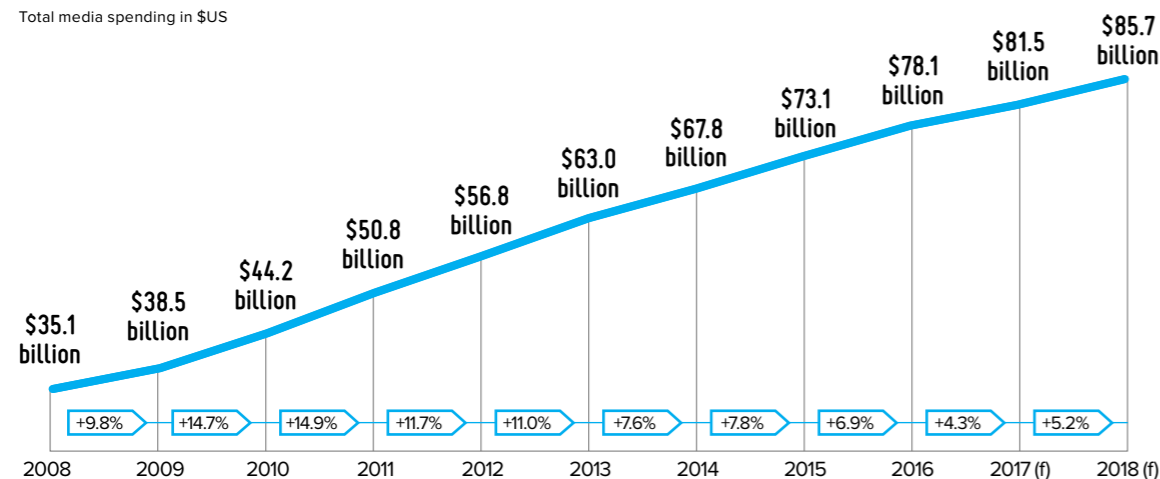
Media Spending



MEDIA SPENDING GROWTH RATE RISES...

Total media spending by advertisers continued to grow steadily, and the annual growth rate improved for the first time in several years. The growth rate is expected to increase slightly again in 2018, based on the strength of the Chinese economy.

Total media spending in \$US

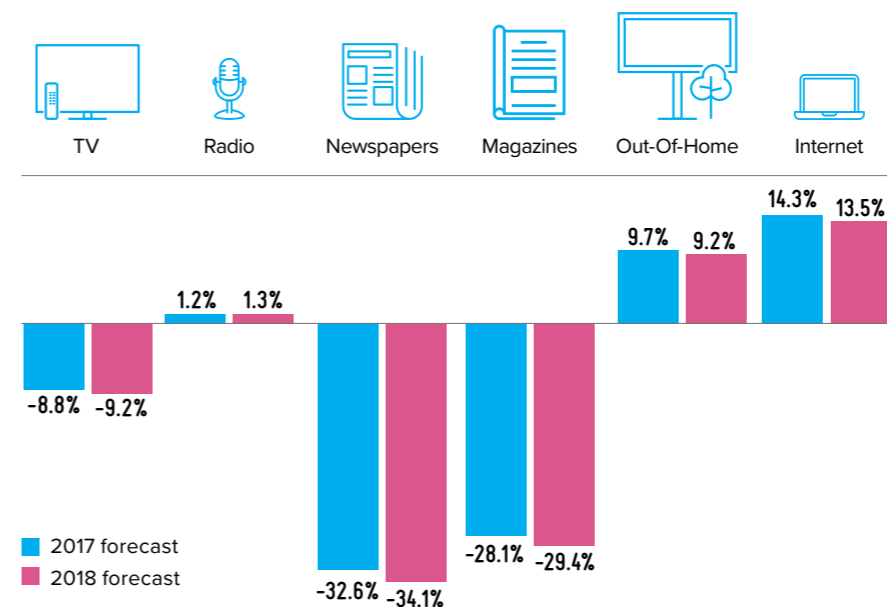


Source: GroupM This Year Next Year December 2017

...INTERNET CONTINUES TO LEAD GROWTH...

The amount of advertising spending continued to increase for radio, out-of-home, and internet, but ad spending in most traditional media—TV, newspapers, and magazines—declined, although at a slower rate than had been expected.

Year-on-Year Media Spending Change

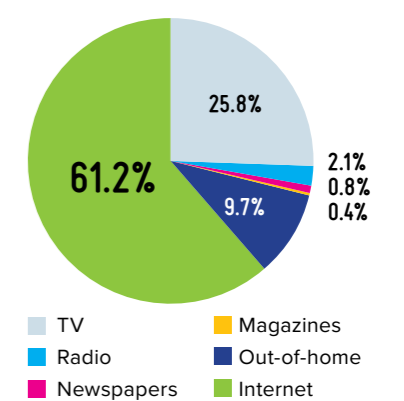


Source: GroupM This Year Next Year December 2017

...AND INTERNET RECEIVES MAJORITY OF MEDIA SPENDING

Having grown rapidly, Internet now receives almost two-thirds of all media spending. In comparison, the next most popular advertising medium, TV, attracts about a quarter of all media spending.

2018 Share of Media



Source: GroupM This Year Next Year December 2017



PUTAOZHEN, GUILIN

03

BRAND

BUILDING

OBSERVATIONS

Observation 1: INNOVATION

# MORE CHINESE BRANDS BECOME INNOVATIVE, IN MANY CATEGORIES

## TREND BENEFITS BRANDS, CONSUMERS, AND COUNTRY

**Innovation was not a term associated with Chinese brands until recently. Then Chinese technology brands began to transform China into an online nation where people integrate broad aspects of their lives on their mobile devices, including how they communicate, access information, shop and pay for merchandise, rent a bike or hire a taxi.**

In the BrandZ™ China Top 100, 82 percent of brands are viewed as highly or moderately innovative, compared with 72 percent three years ago. And Innovation extends beyond internet brands and the tech category.

By becoming more innovative, Chinese brands can help improve the lives of more Chinese consumers, which is a goal of the 19th Party Congress. Critically, consumers see innovative brands as Different. Along with Meaningful (meeting consumer needs in a relevant way) and Salient (coming easily to mind), Different

is one of the components of Brand Power, the BrandZ™ metric of brand equity. Difference helps brands command a premium price.

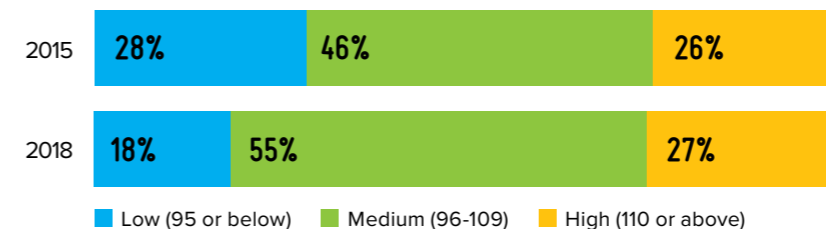
In the BrandZ™ China Top 100, the brands that scored low in the BrandZ™ Innovation Index, 95 or below, scored only 81 in Difference (100 is average). In contrast, the brands that scored high in Innovation, 110 or above, scored an average a 148 in Difference, which is an extremely high score that has risen modestly over the past five years.

The ability to innovate also makes Chinese brands more competitive globally, positioning them to help China attain greater leadership status outside of China, which is another Party Congress goal. The Chinese brands ranked in the BrandZ™ Global Top 100 already score a strong 110 on the Innovation Index, the same as brands from Continental Europe and second only to the US brands.

### MORE CHINESE BRANDS ARE SEEN AS INNOVATIVE...

In the BrandZ™ China Top 100, 82 percent of brands are viewed as highly or moderately innovative, compared with 72 percent three years ago.

Innovation / BrandZ™ China Top 100



Innovation: Consumers see Innovative brands as creative, leading the way in their category and/or shaking things up. An average score is 100; 110 and above is strong; 95 or below is weak.

Source: BrandZ™ / Kantar Millward Brown

## BRAND IMPLICATIONS

The days of “copycat” China are over. First, Chinese consumers now expect more from the brands they purchase. And Chinese brands are meeting those rising expectations, across categories. Second, being innovative increases the potential appeal of Chinese brands abroad, ultimately raising the perception of Brand China. And Innovation creates points of Difference, which become even more important as Chinese consumers encounter greater brand choice. Difference enables brands to command a price premium in a market where more consumers seek higher quality products and have the money to pay for them.

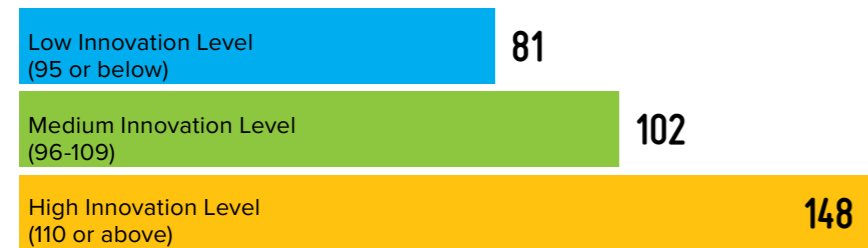
Observation 1: INNOVATION



...INNOVATION BUILDS DIFFERENCE...

Consumers see innovative brands as Different, which is one of the components of Brand Power, the BrandZ™ metric of brand equity.

Difference Index by level of Innovation



The Difference Index, driven by High Innovation Level, is +5 compared with 5 years ago.

Innovation: Consumers see Innovative brands as creative, leading the way in their category and/or shaking things up. An average score is 100; 110 and above is strong; 95 or below is weak.

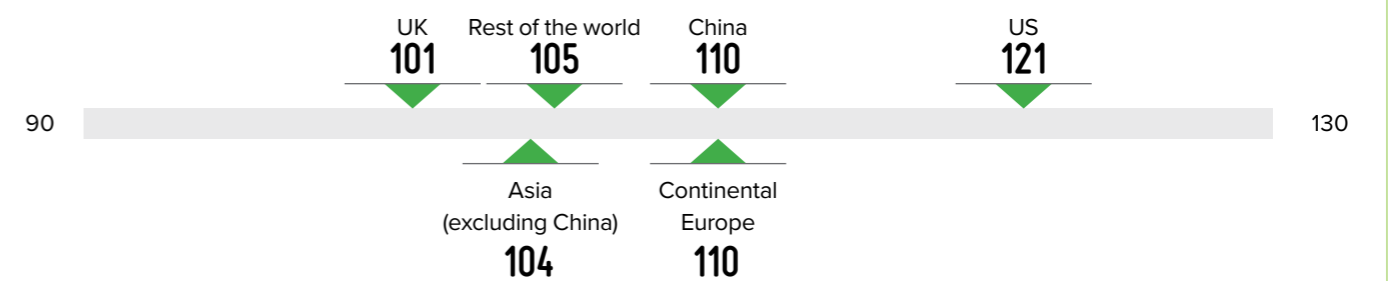
Difference: Consumers see the brand as distinctive or trendsetting compared with other brands in the category. An average score is 100; 110 and above is strong; 95 or below is weak.

Source: BrandZ™ / Kantar Millward Brown

...AND INNOVATION STRENGTHENS GLOBAL COMPETITIVENESS

The ability to innovate also makes Chinese brands more competitive globally, positioning them to help China attain a greater leadership status outside of China.

Innovation Index of the BrandZ™ Global Top 100



Source: 2017 BrandZ™ Global Top 100 / Kantar Millward Brown

Observation 2: PREMIUMIZATION

# INNOVATIVE BRANDS, SEEN AS DIFFERENT, COMMAND A PREMIUM

## RISING CONSUMER CONFIDENCE UNLEASHES SPENDING

**Innovation leads to Difference, one of the three components of Brand Power, the BrandZ™ measurement of brand equity. Consumers are more likely to pay a premium price for brands they view as Different. The other two Brand Power components are Meaningful (meeting consumer needs in relevant ways), and Salience (coming easily to mind).**

In 2014, Meaningful was the most significant driver of Premium, contributing 50 percent toward the consumer inclination to pay a premium, relative to Difference and Salience, which together contributed 50 percent. Meaningful is still important, but Chinese consumers have moved on. Today, Difference has grown to almost 50 percent and Meaningful has declined.

The central reason for this change in attitude is that Chinese consumers enjoy greater choice and expect brands that meet their needs. More Chinese are wealthier and optimistic

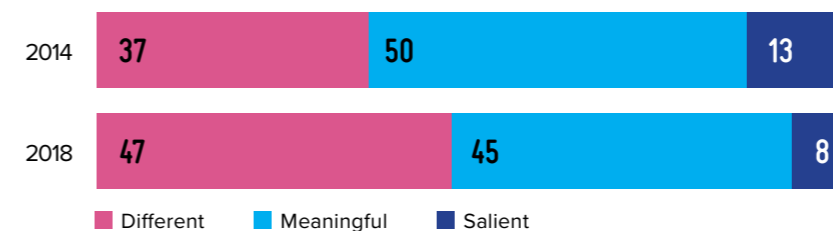
about the future. Over the past 10 years, the Consumer Confidence Index hovered just above 100 on an index where 100 is average. But, over the past two years, because of strong economic growth and low unemployment, the Consumer Confidence Index rose sharply, reaching around 125.

Consequently, Chinese consumers are less price-sensitive in categories where they have a lot of purchasing experience, such as insurance, technology, cars, hotels, healthcare, retail, and apparel. Consumers are also willing to enter new categories, such as luxury and real estate, where they exhibit price sensitivity when they encounter premium prices

### DIFFERENCE COMMANDS A PREMIUM...

In 2014, Meaningful was the most significant driver of Premium. Today, Difference is the key driver of Premium and the contribution of Meaningful, while still important, has declined.

% Contribution to Premium



The mix of equity components (Meaningful, Different, Salient) to justify a premium varies by category and market. The bars show an average across categories.

Source: BrandZ™ / Kantar Millward Brown

Brand ownership is no longer a factor for consumers paying premium prices. In 2014, State Owned Enterprises (SOEs) and multinationals (MNCs) were more likely to command a premium. Today, SOEs, market-driven brands, and MNCs score 104, 103 and 100 respectively in the BrandZ™ Premium Index, a BrandZ™ metric of a brand's ability to command a Premium. (100 is average) And today, market-driven brands have the momentum.

## BRAND IMPLICATIONS

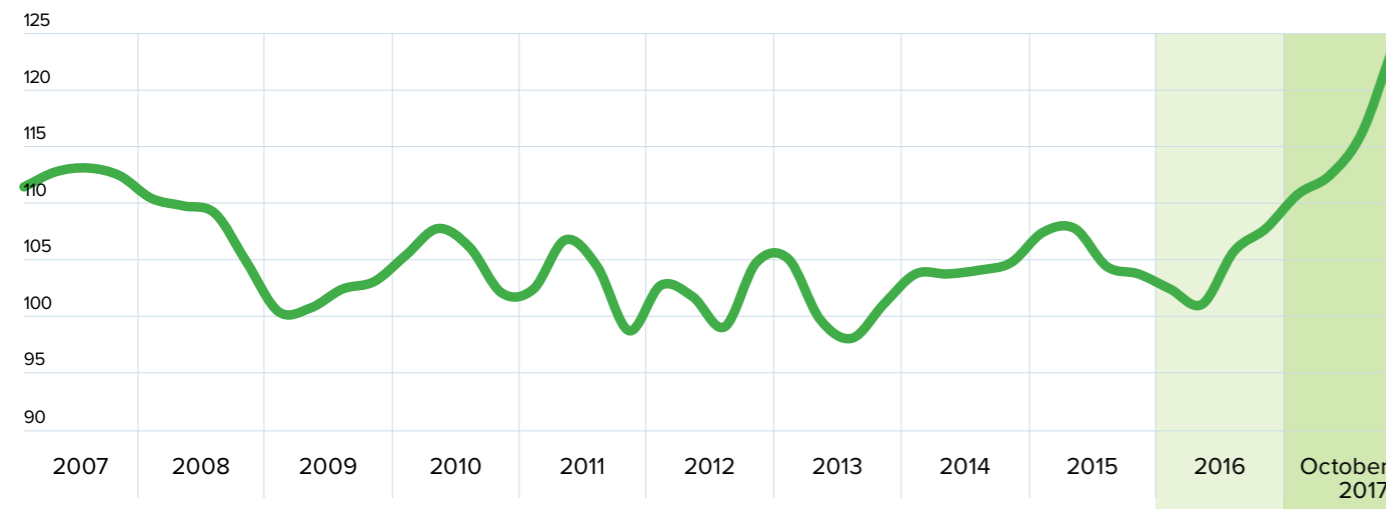
The greater openness of Chinese consumers to pay more does not guarantee that they will. Chinese consumers are not only more optimistic, they are more sophisticated. They respond to brands that earn their attention, meeting their needs in relevant ways with products and services that are innovative and Different. To command a Premium, brands need to match these favorable market conditions with decisive actions, which requires offering distinctive products and communicating the Difference clearly. The opportunity to earn a Premium is available to all brands, across categories and regardless of whether they are SOEs, market-driven, or MNCs.

### Observation 2: PREMIUMIZATION

#### ...PREMIUMIZATION DEPENDS ON CONSUMER CONFIDENCE...

Over the past two years, because of strong economic growth and low unemployment, China's Consumer Confidence Index rose sharply, reaching around 125.

Consumer Confidence Index



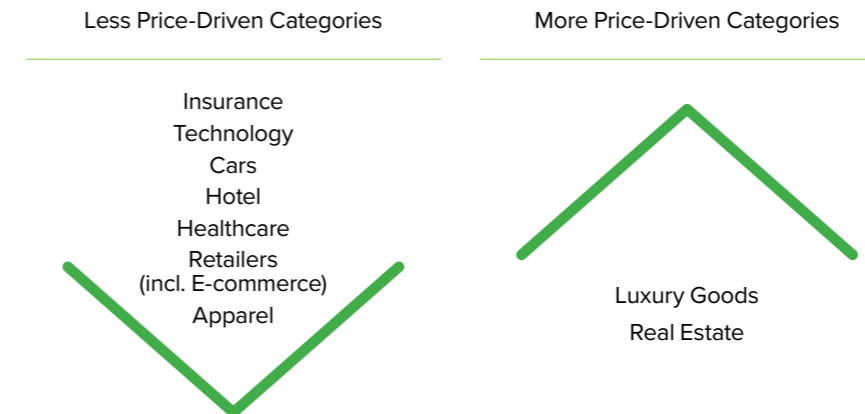
The Consumer Confidence Index rates the attitude of consumers about the economy on a scale of 0-to-200. Below 100 indicates pessimism, and above 100 indicates optimism.

Source: CEMAC, a subsidiary of the National Bureau of Statistics of the People's Republic of China

#### ...CONFIDENT CONSUMERS SPEND MORE ACROSS CATEGORIES...

Chinese consumers are less price-sensitive in categories where they have a lot of purchasing experience. They exhibit price sensitivity when they enter potentially premium categories, such as luxury and real estate, for the first time.

Premiumization / Categories



These are categories in which consumer price sensitivity changed by 5 percent or more between 2014 and 2018.

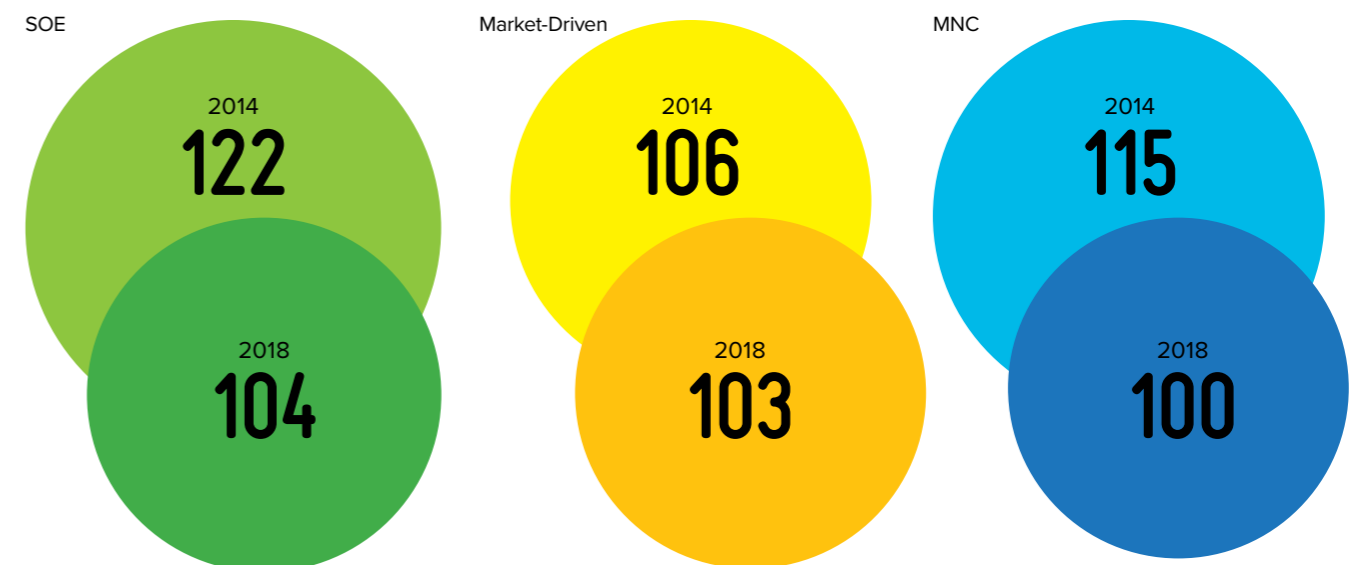
Source: BrandZ™ / Kantar Millward Brown



#### ...AND BRAND OWNERSHIP MATTERS LESS

In 2014, SOEs and MNCs were more likely to command a premium. Today, brand ownership is not a factor for consumers paying premium prices.

Premium Index / Ownership



Based on a comparison of the same 199 brands in 2014 and 2018. Premium Index: The BrandZ™ Premium Index measures the ability of a brand to justify a price premium, relative to the category average, based only on consumer perception absent advertising or other activation factors. An average score is 100; 110 or above is strong; 95 or below is weak.

Source: BrandZ™ / Kantar Millward Brown



“

HAVING ACQUIRED MANY NEW POSSESSIONS,

CHINA'S MIDDLE CLASS INTENDS TO SECURE THEM.

”



## Observation 3: OWNERSHIP

# MARKET-DRIVEN BRANDS SURPASS SOEs IN RATE OF VALUE APPRECIATION

## BUT BRANDING, NOT OWNERSHIP, DETERMINES SUCCESS



In his remarks to the 19th Party Congress, President Xi Jinping said that he expected State Owned Enterprises (SOEs) to become lean and more efficient. Analysis of the 2018 BrandZ™ China Top 100 confirms the importance of this reform to the future vitality of SOE brands.

In 2014, 45 SOE brands comprised 71 percent of the BrandZ™ China Top 100 value. In 2018, 42 SOE brands comprise just 40 percent of the ranking's total value. Between 2014

and 2018, Chinese market-driven brands, increased 271 percent in value, and SOEs increased 2 percent.

External forces, both domestic and international, impacted certain sectors dominated by strategic SOEs. Banks suffered because of an extensive problem with non-performing loans. The global weakness of crude oil prices depressed brand value in the oil and gas category. However, a fundamental contrast in brand characteristics between SOEs and market-driven brands also contributed to the shift in fortunes.

SOEs score lower than market-driven brands on at least three brand personality characteristic that make

brands appealing to consumers. Consumers see SOEs as less playful, fun, and creative, according to BrandZ™ research. But consumers do not view all SOEs the same way, as indicated by the performance of the fast growing SOEs in Value Growth.

These fast growing SOEs include four alcohol brands, which are consumer-facing by definition, one hotel brand, and one insurance brand. Consumers see these brands as significantly more sexy, rebellious, and different than SOEs overall. Not every SOE will excel in these characteristics. But, across categories, all SOEs have an opportunity to improve in brand-relevant characteristics that help form a closer bond with consumers.

## BRAND IMPLICATIONS

Many SOEs have become large and sluggish over time, and perhaps more responsive to government directives than to customers. That dynamic may have served the SOEs—and China—well during the former period when driving rapid economic growth was the overriding priority. That approach becomes less useful in a period of moderating economic growth when consumption replaces production as the key driver. SOEs need to adapt. And the good news is that change is possible. Ownership is an elements of brand identity, but it does not automatically determine brand destiny. As the evidence shows, SOE brands that embrace a consumer-focused mindset can make a positive impression on consumers. This kind of change normally does not happen overnight. But in China change needs to happen quickly, and speed will require deep insight into consumer attitudes and behavior.

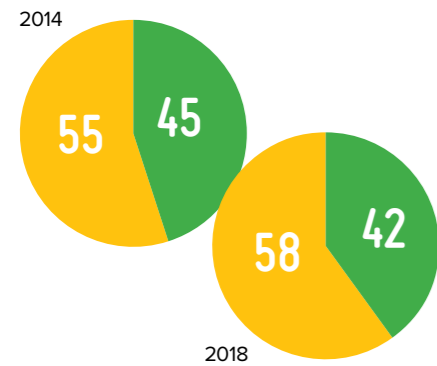
### Observation 3: OWNERSHIP

#### MARKET-DRIVEN BRANDS RISE RAPIDLY IN VALUE...

Market-driven Chinese brands increased 271 percent in value between 2014 and 2018, while SOEs increase 2 percent.

##### SOEs vs. Market-Driven Brands

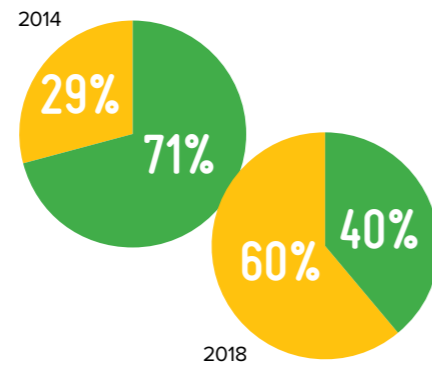
Number of brands among BrandZ™ China Top 100 – by ownership



Market-Driven SOE

Source: BrandZ™ / Kantar Millward Brown

% of brand value among BrandZ™ China Top 100 – by ownership

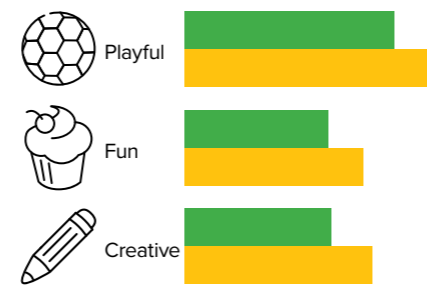


Market-Driven SOE

#### ...AND MARKET-DRIVEN BRANDS SURPASS SOES IN KEY CHARACTERISTICS...

In the BrandZ™ analysis of brand personality characteristics, SOEs score lower than market-driven brands on at least three characteristic that make brands appealing to consumers.

##### Brand Characteristics / Ownership



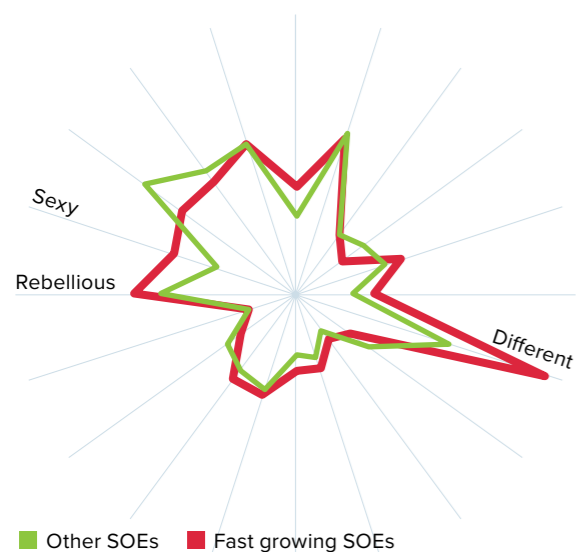
Market-Driven SOE

Source: BrandZ™ / Kantar Millward Brown

#### ...BUT OWNERSHIP IS NOT DESTINY

The fast growing SOEs in Value Growth dispel the idea that all SOEs perform the same way. These SOEs include four alcohol brands, which are consumer-facing by definition, one hotel brand, and one insurance brand.

##### Brand Characteristics



Other SOEs Fast growing SOEs

Source: BrandZ™ / Kantar Millward Brown

##### Fast growing SOEs in brand value growth % (2018 vs. 2017)



## Observation 4: PURPOSE

# BRAND PURPOSE RISES IN IMPORTANCE FOR CHINESE BRANDS

## HELPING IMPROVE SOCIETY LINKS WITH NATIONAL GOALS

As described in these brand building observations, Chinese consumers today are wealthier, more optimistic, and willing to pay a premium for innovative, differentiated brands. And they are less concerned about whether a brand is state-owned, market-driven, or multinational. They do care about Brand Purpose, however.

Brand Purpose is fundamental to brand success worldwide. But in China, it manifests as Brand Purpose with Chinese characteristics. At the 19th Party Congress, President Xi Jinping declared that the country has moved beyond the pursuit of growth at all costs of an era of responsible growth with a goal of creating a more prosperous and equitable society. Brands compound their chances for increasing brand value when they align their Brand Purpose the larger national purpose.

Analysis of the BrandZ™ China Top 100 found that between 2015 and 2018, the number of China Top 100 brands scoring high in Brand Purpose increased

from 28 percent to 38 percent. In 2015, brands with high Brand Purpose scores generated 60 percent of the BrandZ™ China Top 100 value; and in 2018, the high Brand Purpose brands generated 81 percent of value.

Still, the BrandZ™ China Top 100 lag the BrandZ™ Global Top 100 in the Brand Purpose. The Chinese brands average a score of 107 compared with 110 for global brands. (100 is average) And 38 percent of Chinese brands score high in Brand Purpose compared with 40 percent of Global brands. The key takeaway is not that Chinese brands are behind, however, it is that they are not far behind.

## BRAND IMPLICATIONS

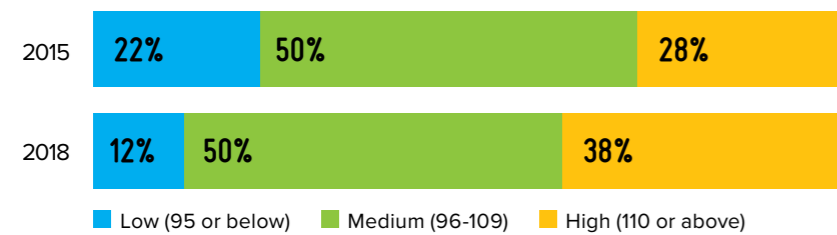
The game is changing for brands that want to compete successfully in China. Chinese brands were never as engaged in Corporate Social Responsibility (CSR) as brands in other parts of the world. The larger agenda for Chinese brands—beyond making money—generally has been to advance the welfare of the nation. State Owned Enterprises (SOEs) engaged most explicitly. And like brands everywhere, the primary purpose of a Chinese brand is to bring something useful into the world that benefits customers and produces a financial return for stakeholders. Many brands in other country markets choose to articulate a higher purpose that pertains to improving the world in a brand-relevant way. In China, having a higher purpose is less of an elective for brands since the 19th Congress refined national priorities. Chinese leadership expects brands to pursue a particular higher purpose: to improve the lives of Chinese people, to help drive greater economic equality, and to strengthen the nation.

### Observation 4: PURPOSE

#### MORE CHINA TOP 100 BRANDS SCORE HIGH IN PURPOSE...

The number of China Top 100 brands scoring high in Brand Purpose increased from 28 percent to 38 percent between 2015 and 2018.

Brand Purpose / % Brands in Top 100



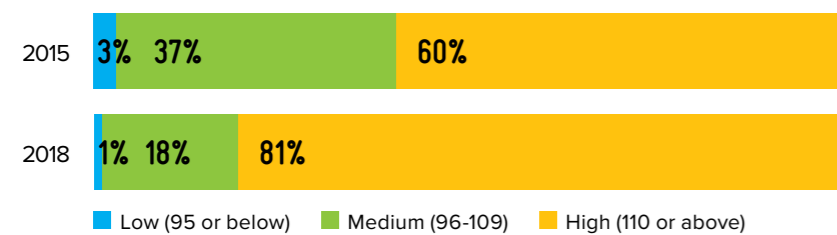
Brand Purpose: It measures the perception that a brand is helping improve people's lives. An average score is 100; 110 or above is strong, 95 or below is weak.

Source: BrandZ™ / Kantar Millward Brown

#### ...AND PURPOSEFUL BRANDS GROW IN VALUE...

In 2015, brands with high Brand Purpose scores generated 60 percent of the BrandZ™ China Top 100 value. In 2018, the high Brand Purpose brands generated 81 percent.

Brand Purpose / Value of Top 100

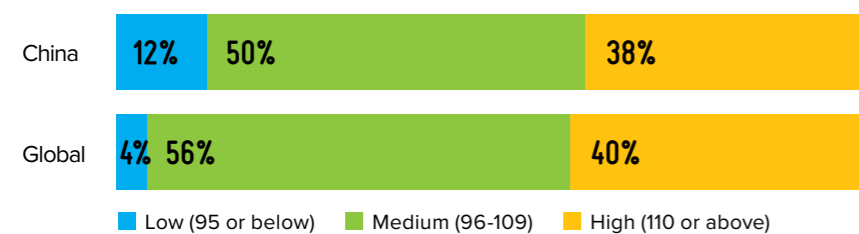


Source: BrandZ™ / Kantar Millward Brown

#### ...BUT CHINESE BRANDS STILL LAG GLOBAL LEADERS

The BrandZ™ China Top 100 lag the BrandZ™ Global Top 100 in the Brand Purpose. The Chinese brands average a score of 107 compared with 110 for global brands.

Brand Purpose / Chinese vs. Global Brands



The analysis compares the Brand Purpose scores of brands in the 2018 BrandZ™ China Top 100 with brands in the 2017 Global Top 100. (13 Chinese brands appear in the Global ranking.)

Source: BrandZ™ / Kantar Millward Brown



## Observation 5: GOING DEEP

# PURCHASING POWER, INTEREST IN BRANDS RISE IN LOWER TIER CITIES

## MARKET-DRIVEN BRANDS GAIN INCREASING MOMENTUM

The popular image of modern China usually focuses on the rapid transformation of its megacities. But less than 10 percent of China's 1.3 billion people live in Shanghai, Beijing, and Guangzhou. Over a billion people live in other cities, where the Chinese economy is growing fastest.

China's megacities are experiencing GDP growth near the national rate, which has been around 6.9 percent. The Top 10 cities with the highest GDP growth are all lower tier cities with growth rates that vary from 9-to-12 percent.

These cities are burgeoning as Chinese producers move inland to lower-cost regions. And consumers in these regions are becoming wealthier. This shift reflects the government's intention to sustain China's economic growth, but at a responsible pace and in ways that advance economic equality.

Critically, brand, which has been important in larger cities, is becoming more important in lower tier cities. In 2014, for example, 88 percent of people in Tier 3 cities considered brand important, compared with 98 percent in Tier 1 cities. Today, 94 percent of people in Tier 3 cities consider brand important,

while brand importance has remained fairly steady in Tier 1 cities.

And consumers in lower tier cities are not shopping for price exclusively. Recent research by Kantar Worldpanel dispels that notion, and finds that people in lower tier cities pay around the same prices as consumers in higher tier cities across 15 fast moving consumer goods (FMCG) sectors.

Also revealing, across Tiers 1, 2, and 3, the Premium Index—the ability of a brand to command a premium price—is rising for market-driven brands and declining to average or below average for State Owned Enterprises (SOEs) and multinationals (MNCs). Market-driven brands enjoy momentum that is clearest in the lower tiers, where they typically benefit from relatively greater local knowledge and distribution capability.

### BRAND IMPLICATIONS

China's lower tier cities contain its greatest market opportunities. And profiting from those opportunities increasingly depends on brand. Market-driven brands currently have the advantage because of their strengths in lower tier cities relative to SOEs and multinationals. But all brands, regardless of ownership, may need to adjust their strategic thinking. Describing the potential in China's lower tier cities sounds as if one massive opportunity awaits. The reality is more complicated. Each lower tier market is different and requires its own marketing and communication strategy. Of course, in an aggregate market of over one billion people, it should be possible to find some economies of scale, eventually. But the immediate concern should be brand building, based on pertinent insights, market-by-market.

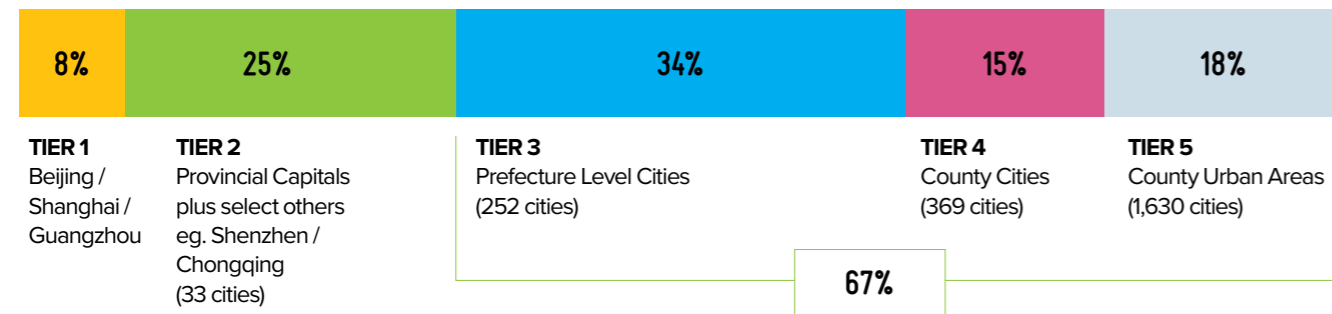
Observation 5: GOING DEEP



THE MAJORITY OF CHINESE LIVE IN LOWER TIER CITIES...

Less than 10 percent of China's 1.3 billion people live in major cities of Shanghai, Beijing, and Guangzhou.

City Tiers / % Urban Population



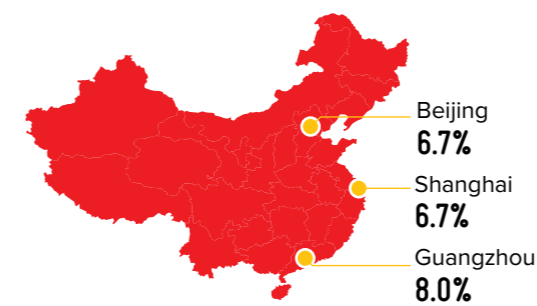
Source: Kantar Millward Brown

...WHERE GDP IS GROWING FASTEST...

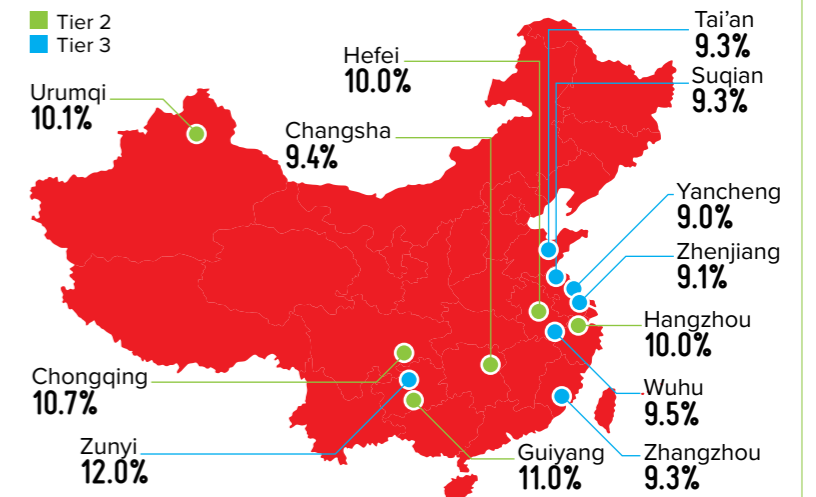
Over a billion people live in lower tier cities where the Chinese economy is growing fastest.

City Tiers / GDP Growth

Tier 1 cities GDP growth rate in 2016



Top 10 Chinese cities with the highest GDP growth rate in 2016



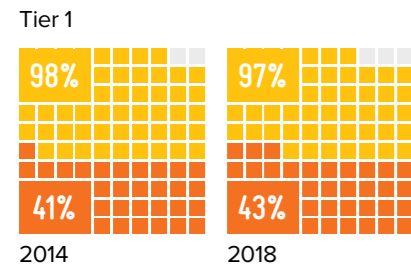
Source: National Bureau of Statistics of the People's Republic of China

Observation 5: GOING DEEP

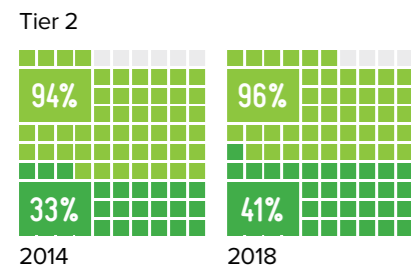
... BRAND IS BECOMING MORE IMPORTANT...

Brand, which has been important in larger cities, is becoming more important in lower tier cities. In 2014, for example, 88 percent of people in Tier 3 cities considered brand important, compared with 98 percent in Tier 1 cities. Today, 94 percent of people in Tier 3 cities consider brand important, while brand importance has remained fairly steady in Tier 1 cities.

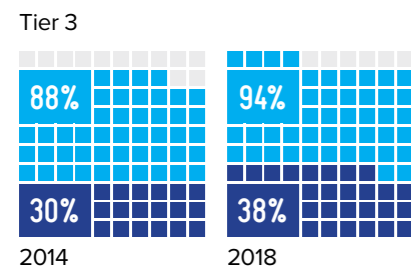
Brand Importance



■ Brand is important  
■ Brand is very important



■ Brand is important  
■ Brand is very important



■ Brand is important  
■ Brand is very important

Average performance of cars, consumer electronics, dairy, facial care, mobile phones, and soft drinks

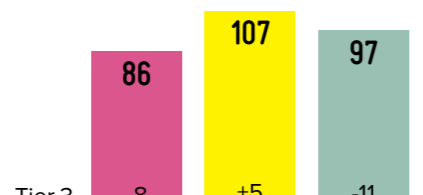
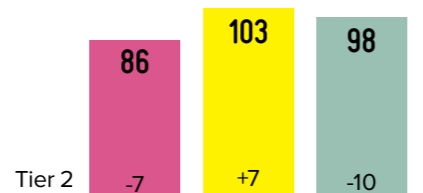
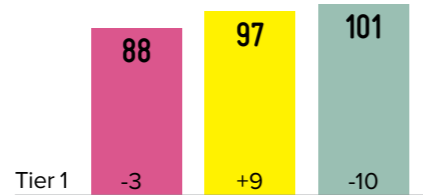
Source: BrandZ™ / Kantar Millward Brown

... AND MARKET-DRIVEN BRANDS ARE MORE LIKELY TO COMMAND A PREMIUM

Across Tiers 1, 2, and 3 cities, the Premium Index—the ability of a brand to command a premium price—is rising for market-driven brands and declining to average or below average for State Owned Enterprises (SOEs) and multinationals (MNCs).

Premium Index

+/- Change from 2014



■ SOEs  
■ Market Driven  
■ MNCs

Average performance of cars, consumer electronics, dairy, facial care, mobile phones, and soft drinks

Premium Index: The BrandZ™ Premium Index measures the ability of a brand to justify a price premium, relative to the category average, based only on consumer perception absent advertising or other activation factors. An average score is 100; 110 or above is strong; 95 or below is weak.

Source: BrandZ™ / Kantar Millward Brown





“

CHINESE LEADERSHIP IS REBALANCING THE NATION...

...TOWARD GREATER WEALTH, EQUALITY, AND POWER.

”



## Observation 6: GOING GLOBAL

# CHINESE BRANDS FIND GROWING CONSUMER AWARENESS ABROAD

## ACCEPTANCE VARIES BY CONSUMER AGE, AND COUNTRY

Just as going deeper into China aligns with the government's goal of building a broader, more equitable society, going global aligns with the government's complementary goal of reviving China's historical stature as a cultural and geo-political world power.

China had been quietly advancing its global ambitions before President Xi Jinping forcefully articulated them at the 19th Party Congress. In 2006, only one Chinese brand ranked in the BrandZ™ Top 100 Most Valuable Global Brands. That brand, China Mobile, was valued at \$39.2 billion. Today, 13 Chinese brands rank in the BrandZ™ Global Top 100. Valued at \$406.0 billion, they represent a 937 percent increase in brand value.

And consumers globally are more aware of Chinese brands across categories, as documented by BrandZ™ analysis of overseas Chinese brand building conducted in collaboration with Google. Between 2013 and 2017, the gap between online searches for Chinese brands and brands from other nations has narrowed 29 percent.

The acceptance of Chinese brands varies by age. Younger people are more likely to view Chinese brands positively and associate them with innovation. In contrast, older people are more likely to associate Chinese brands with lingering impressions of China as a place known for cheap and sometimes unsafe products.

And worldwide acceptance of Chinese products is increasing, but with variations by country, according to a BrandZ™/Google survey. Britons are most receptive to Chinese brands; 72 percent said that knowing a brand came from China would not change or would increase their inclination to purchase. Conversely, two-thirds of Japanese said knowing a brand came from China would weaken their desire to purchase it.

## BRAND IMPLICATIONS

Until recently, many exporting Chinese brands expanded first to nearby countries in Asia where cultural affinity helped accelerate acceptance. Today, Chinese brands, from a wide group of categories, are moving beyond neighboring regions to serve consumers globally. The government's Belt and Road initiative inspires some of this activity but does not guarantee its success. That depends on brand building activities to educate consumers, country-by-country, about Chinese brands, and updating consumer impressions of Brand China. The measurement of overseas brands success will be about generating sales, but also demonstrating category leadership.

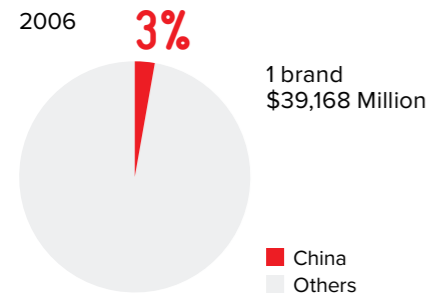


### Observation 6: GOING GLOBAL

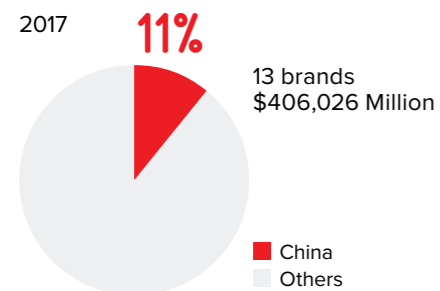
#### MORE CHINESE BRANDS ARE GOING GLOBAL...

In 2006, only one Chinese brand ranked in the BrandZ™ Top 100 Most Valuable Global Brands. Today, 13 Chinese brands ranked in the BrandZ™ Global Top 100. Valued at \$406.0 billion, they represent a 937 percent increase in brand value.

% of total value in the Global BrandZ™ top 100



+937%

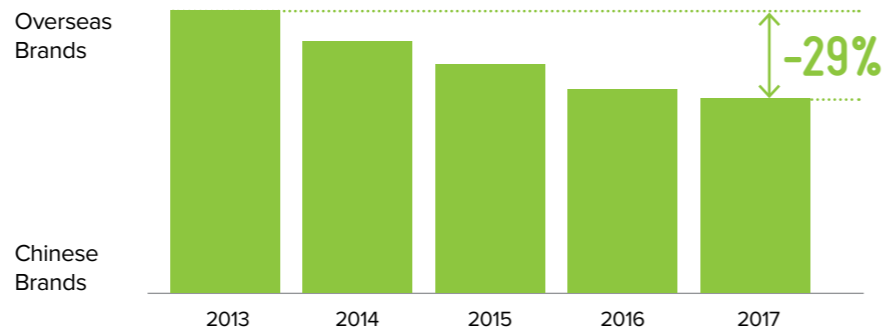


Source: BrandZ™ / Kantar Millward Brown

#### ... AND CONSUMERS ARE BECOMING MORE AWARE OF CHINESE BRANDS...

Between 2013 and 2017, the gap between online searches for Chinese brands and brands from other nations has narrowed 29 percent.

Search Volume Gap



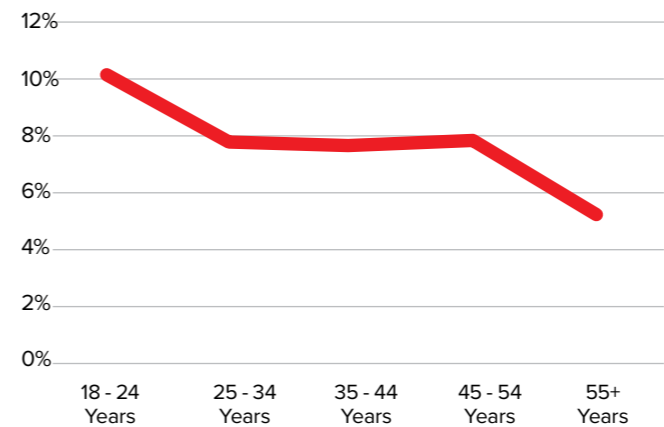
Top 50 Chinese Brands vs. 561 Overseas Brands  
Based on the BrandZ™ Top 50 Chinese Global Brand Builders and 561 brands from France, Germany, Spain, the UK, the US, Australia, and Japan

BrandZ™ / Google Search Index

#### ...BUT ACCEPTANCE VARIES BY AGE...

Younger people are more likely to view Chinese brands positively and associate them with innovation. In contrast, older people are more likely to associate Chinese brands with lingering impressions of China as a place known for cheap and sometimes unsafe products.

Purchasing Intention / Age



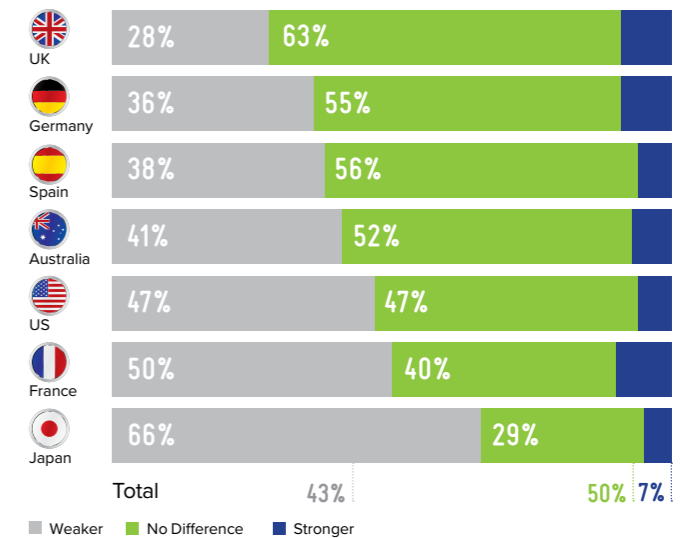
% saying that knowing a brand comes from China will make their purchasing intention stronger or much stronger

Source: BrandZ™ / Kantar Millward Brown / Google

#### ...AND ACCEPTANCE VARIES BY COUNTRY

And the acceptance of Chinese brands varies by country, with the greatest acceptance in the UK and the greatest resistance in Japan.

Purchasing Intention / Country



Source: BrandZ™ / Kantar Millward Brown / Google



## Observation 7: 360 COMMUNICATION

# MULTIPLE MEDIA MIX IS THE BEST OPTION FOR REACHING CHINESE

## MOBILE OCCUPIES MOST TIME, BUT TRADITIONAL MEDIA IS VITAL



The brand building observations included in this section are critical elements for building brand value. But even brands that excel in being innovative, different, commanding a premium, and having a clear purpose need to take another step and communicate, with a variety of media—digital but not only digital.

People across generations, but especially young people, rely on multiple media channels. Mobile is by far where people spend most of their media time. Over 70 percent of members of Gen Z (16-to-19 years old), Gen Y (20 to 34 years old), and Gen X (35 to 49 years old) spend at least one hour daily on a mobile device.

Despite the importance of mobile and digital, however, it is vital not to dismiss traditional media—TV, print, and radio. Chinese still spend a lot of time with traditional media. Around 54 percent watch traditional TV daily and spend an hour or more on average, for example, more time than they spend with online newspapers and magazines.

In addition, with the need to reach consumers across so many media, advertisers are investing in ways to communicate with consumers at the moments when they have an opportunity to grab their attention. Investment is rising in cinema video and elevator TV, for example. These media work most effectively for fast moving consumer goods (FMCG). Adding more targeted media to the mix improves effectiveness for brands in durables and services.

The results of multiscreen campaigns are clear and measurable. Over the past three years, brands in the BrandZ™ China Top 100 that continuously invested in multiscreen campaigns increased 44.6 percent in value. In contrast, brands that did not continuously invest in multiscreen campaigns increased only 24.6 percent in value.

## BRAND IMPLICATIONS

Because mobile is so dominant in China, it is easy to assume that mobile or digital alone would be enough to reach and impact the relevant audiences. BrandZ™ analysis indicates that this approach would deliver less than optimal results, and that a multimedia approach, even using new media, such as cinema video or elevator video, will be more effective. The media landscape is rapidly changing. Celebrities are still important, for example. But brands need to select the right celebrity and the celebrity needs to seem more accessible and relatable than in the past.

Finally, it is important to make two other points. First, the definition of TV is becoming broader, to encompass traditional TV broadcasts and internet TV as well as a variety of other viewing channels, such as PCs, mobile devices and elevator LCD. Second, the size of the screen can make a measurable difference in brand impact. Bigger screens are becoming a trend across traditional TV, mobile devices and elevator LCD.

### Observation 7: 360 COMMUNICATION

#### CHINESE USE MULTIPLE MEDIA CHANNELS DAILY...

Mobile is by far where people spend most of their media time. But it is vital not to dismiss the traditional sources—TV, print, and radio.

##### Media Channels / Generations

% engaged on each medium for one hour or more per day

	Gen Z	Gen Y	Gen X
Mobile	72%	71%	72%
Laptop	65%	64%	71%
TV	46%	52%	54%
Outdoor	44%	42%	33%
Magazines	24%	18%	12%
Radio	20%	15%	11%
Newspapers	16%	17%	8

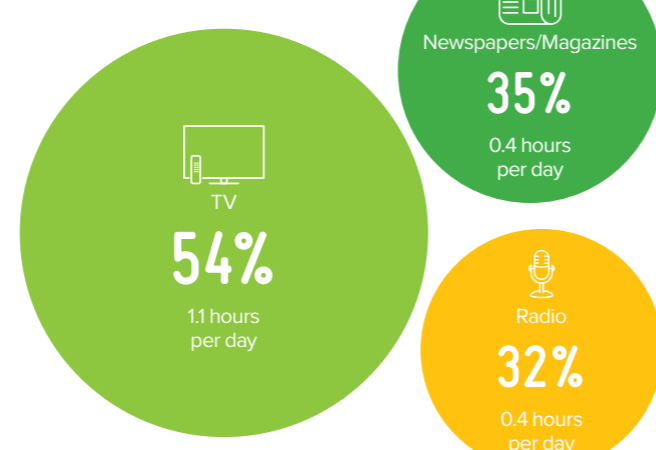
Source: Kantar Millward Brown 2017 AdReaction (China)

#### ... THEY SPEND MANY HOURS ON BOTH DIGITAL AND TRADITIONAL MEDIA...

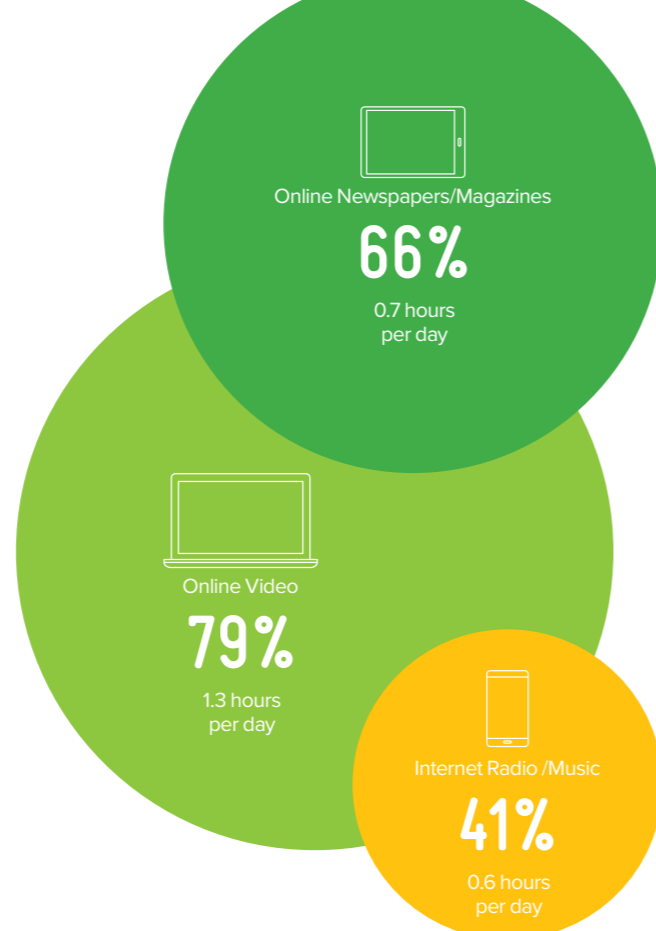
Chinese still spend a lot of time with traditional media. Around 54 percent watch traditional TV daily and spend an hour or more on average, for example, more time than they spend with online newspapers and magazines.

##### Media Channels / Daily Use

TRADITIONAL MEDIA



DIGITAL MEDIA



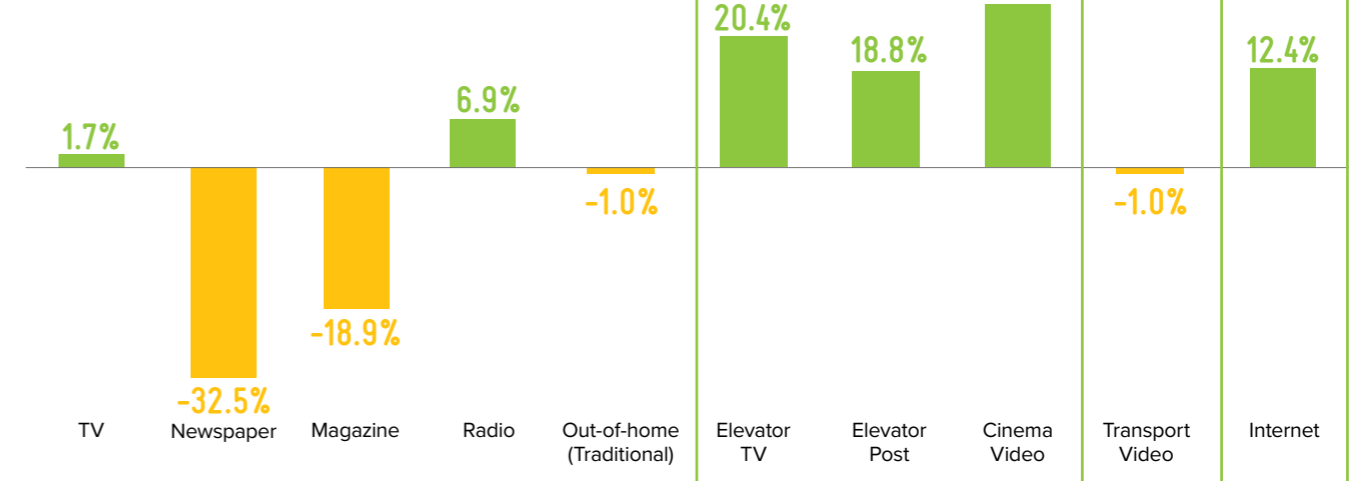
Source: Kantar TNS / Connected Life China 2017-18

#### ...ADVERTISERS ARE INVESTING IN NEW MEDIA...

With the need to reach consumers across so many media, and grab attention, advertisers are investing in new media such as cinema video, where advertisers increased spending 25.5 percent, and elevator TV, where spending rose 20.4 percent.

##### Media Channels / Spending

Media spending % change/channel 2017

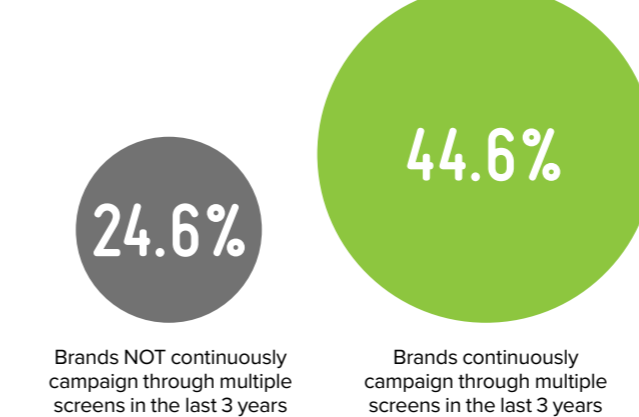


Source: CTR Market Research

#### ... AND THE MULTIPLE SCREEN APPROACH CORRELATES WITH BRAND VALUE GROWTH

Over the past three years, brands in the BrandZ™ China Top 100 that continuously invested in multiscreen campaigns increased 44.6 percent in value. In contrast, brands that did not continuously invest in multiscreen campaigns increased only 24.6 percent in value.

##### Media Channels / Value Growth



Source: BrandZ™ / Kantar Millward Brown / CTR Market Research



## Observation 8: CAMPAIGN INTEGRATION

# CUSTOMIZED ADS, NOT BOMBARDMENT, SWAYS CONSUMERS

## OPTIMIZATION DEPENDS ON GREAT ADVERTISING

One of the results of the digital media explosion is that messages appear everywhere, as advertisers attempt to reach the right consumer at the perfect time. However, this constant messaging has created a negative reaction among some consumers worldwide who feel as if they are being bombarded. This reaction is particularly pronounced in China.

Consumers object not only to the ubiquity of ads but also to their randomness. They assume that advertisers able to place ads everywhere should be able to integrate ads, (make the creative elements and messages relate across media channels), and customize ads (make ads relevant to where and when they appear, and whom they target).

However, 39 percent of Chinese consumers say that rather than integrating their ads, advertisers are “trying to be all things to all people.” And around a majority of Chinese consumers say brands should customize their ads based on “who will see them” and when and where the ads appear. For example, about a third of young people think that online video should be edgy or risky, but less than a fifth of people 45-to-65

agree, according to 2018 Kantar Millward Brown AdReaction research.

Integrated and customized campaigns work best when they begin with a strong central idea and organically develop all the campaign elements, including logo, story, message and characters. Integration and customization can take time, but it pays off. Integration and customization result in measurably more efficient campaigns.

A final element is critical for the success of any campaign, even for the strongest brands—great advertising. In the 2018 BrandZ™ China Top 100, brands that scored high in the BrandZ™ Innovation metric, but ran poor ad campaigns, increased value 14 percent year-on-year. In contrast, when brands combined high Innovation scores with great advertising the percentage value increase doubled.

## BRAND IMPLICATIONS

The success of advertising and marketing communication—the ability to reach consumers everywhere and all the time—has created new challenges. Consumer do not necessarily want to hear from advertisers every moment of their lives. Smart advertisers will be sensitive to the desires of their audiences. And they will make this respect for the consumers’ time a positive point of difference. When they ask for the consumers time, consumers will be more inclined to listen. At that point, it is important to deliver relevant, creatively excellent advertising.



Observation 8: CAMPAIGN INTEGRATION



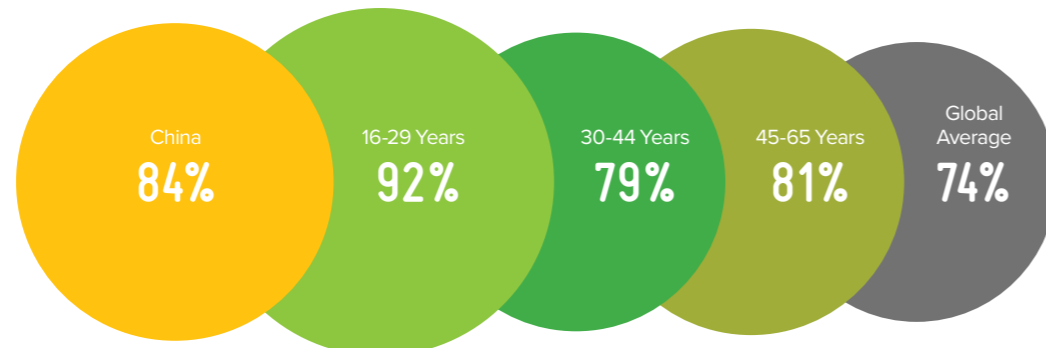
CONSUMERS FEEL BOMBARDED BY ADS...

Consumers worldwide, but especially in China, feel bombarded with ads. This feeling is most prevalent among young people, often the target of advertisers.

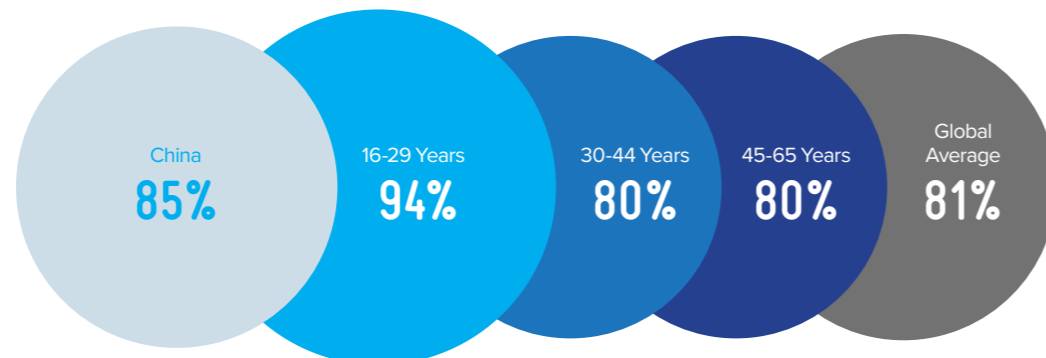
Campaign Bombardment

COMPARED TO 3 YEARS AGO...

...I see more advertising now  
% Agree



...Ads are appearing in more places now  
% Agree

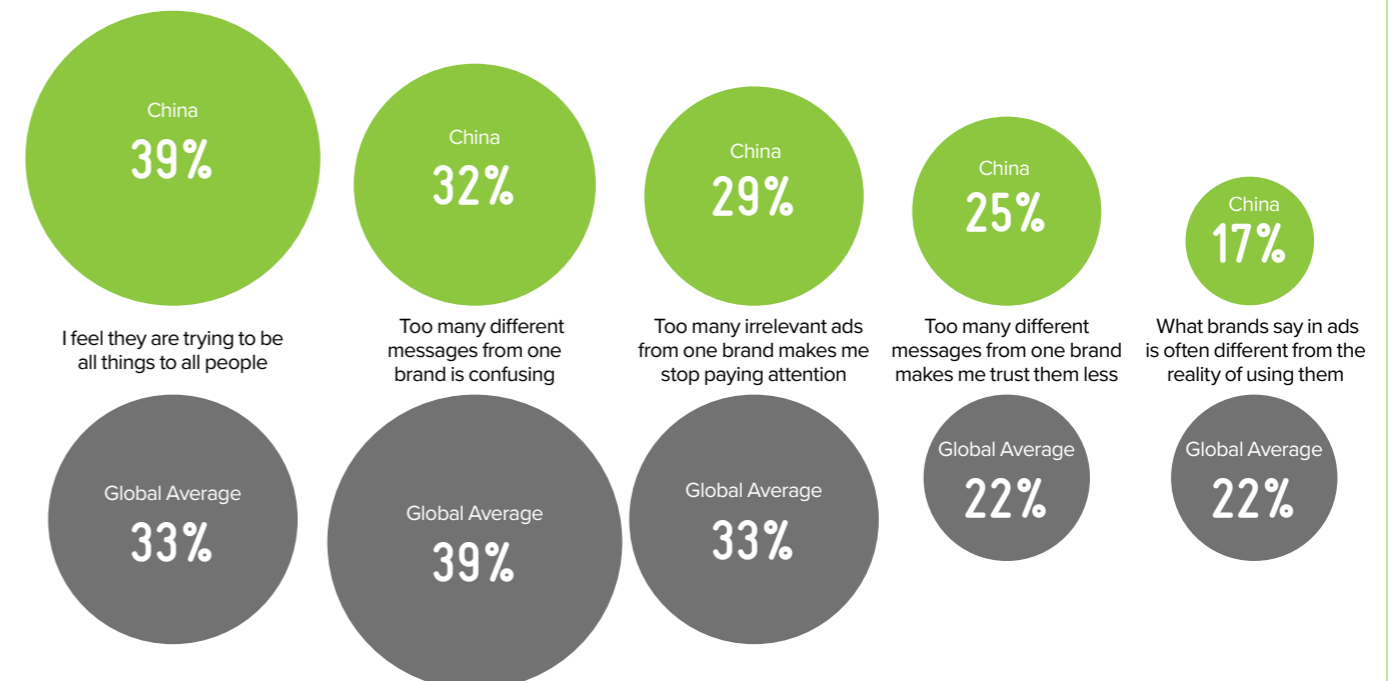


Source: Kantar Millward Brown 2018 AdReaction (China)

...CONSUMERS FEEL CAMPAIGNS ARE NOT INTEGRATED...

Consumers lose interest and trust when they are targeted with too many ads, with differing messages, from the same advertiser.

Campaign Integration



What do you think about advertising from the same brand which uses different messages in different places?

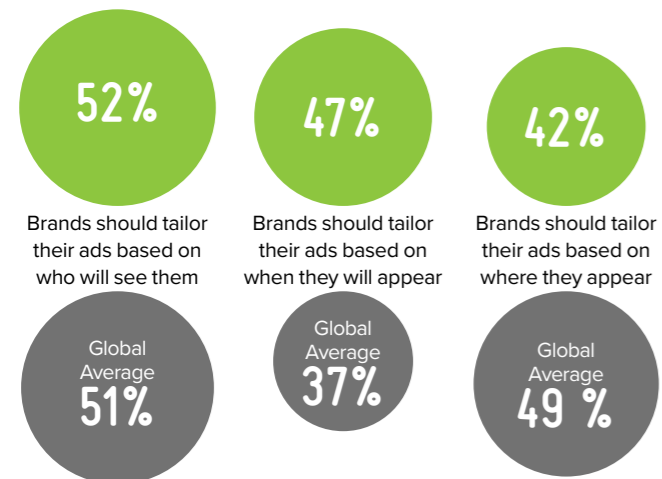
Source: Kantar Millward Brown 2018 AdReaction (China)

### Observation 8: CAMPAIGN INTEGRATION

#### ... CONSUMERS FEEL ADS ARE NOT CUSTOMIZED...

Roughly half of Chinese consumers say brands should customize their ads based on “who will see them” and when and where the ads will appear.

Campaign Customization



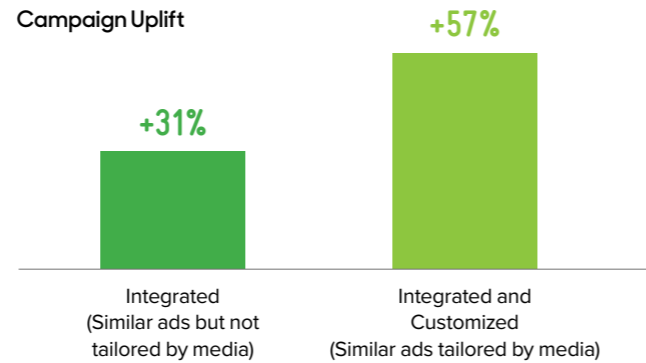
What do you think about advertising from the same brand which uses different messages in different places?

Source: Kantar Millward Brown 2018 AdReaction (China)

#### ... BUT INTEGRATED AND CUSTOMIZED CAMPAIGNS GAIN UPLIFT...

Integrated campaigns benefit from a measurable uplift because they tell a similar message across audiences and customize by media.

Campaign Uplift



Contribution to uplift by campaign type.

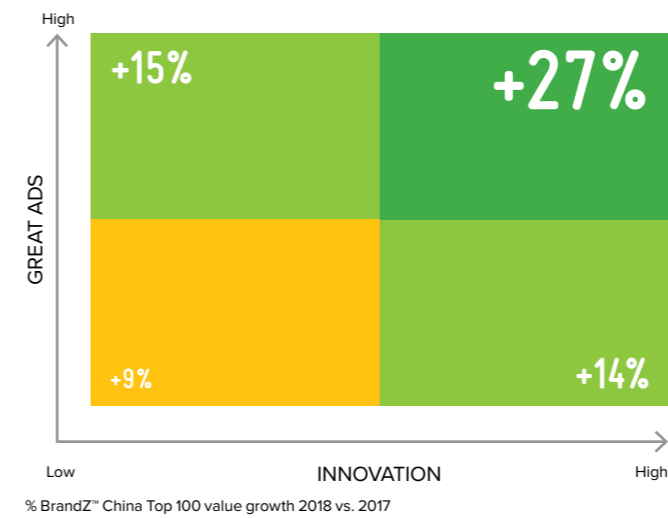
In an Index measuring the effectiveness of multi-channel campaigns on brand Key Performance Indicators (awareness, usage, image, for example), 100 is the benchmark for brands that are neither integrated nor customized. Categories: Food and beverages, retail, travel, personal care, financial services, technology, automobiles.

Source: Kantar Millward Brown global CrossMedia studies 2015-to-2017 (223 studies).

#### ... AND GREAT ADVERTISING OPTIMIZES RESULTS

In the 2018 BrandZ™ Top 100, brands high in innovation that communicated with less impactful advertising increased value 14 percent year-on-year. However, brands that excelled at both innovation and great advertising increased in value 27 percent.

Advertising / Value Growth



Source: BrandZ™ / Kantar Millward Brown





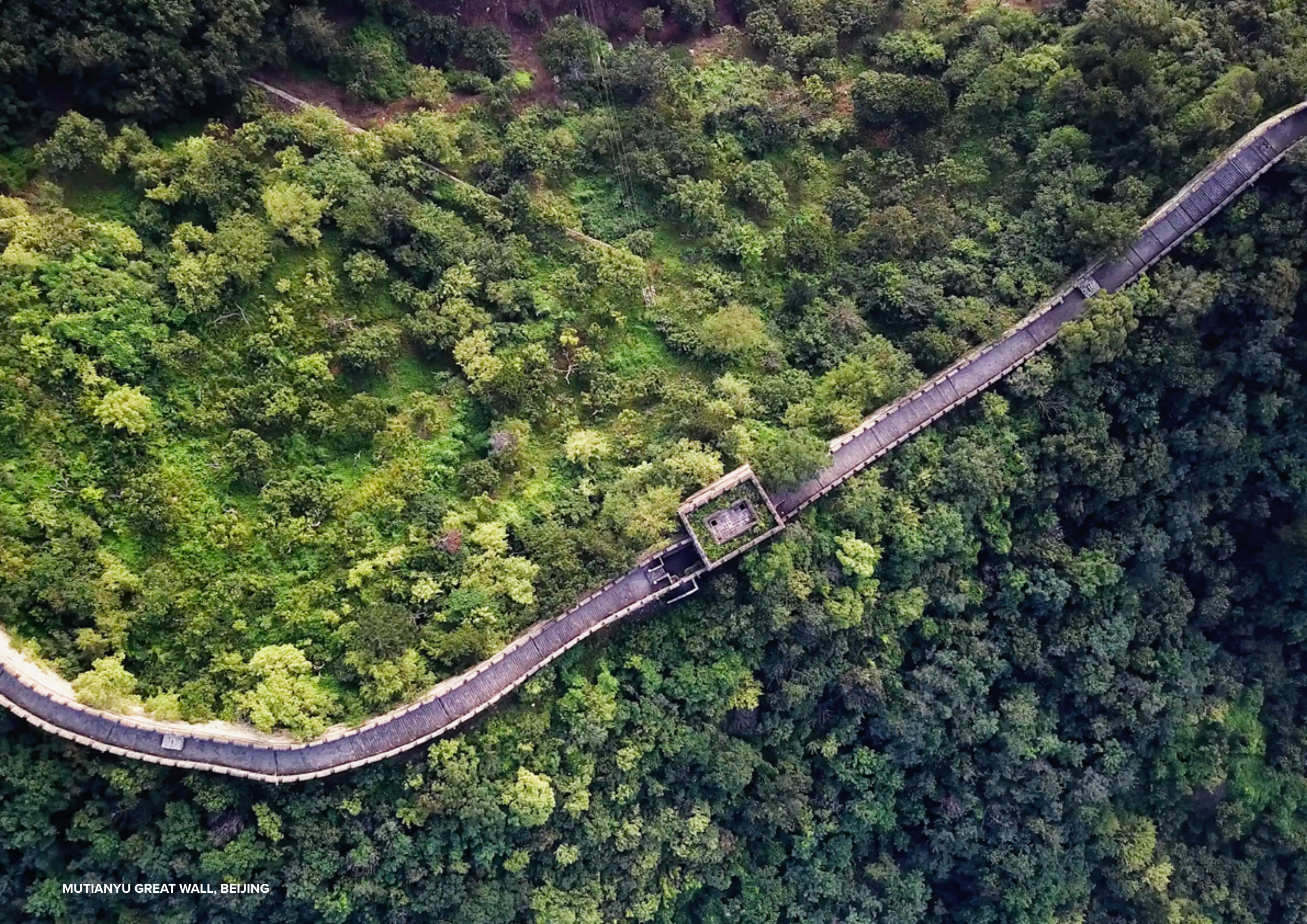
“

AS STRONG ECONOMIC GROWTH CONTINUES,

THE FOCUS SHIFTS TO ACHIEVING THE CHINESE DREAM.

”





MUTIANYU GREAT WALL, BEIJING

04






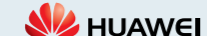



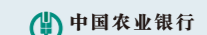





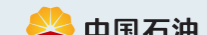

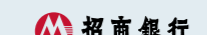





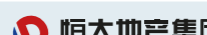

THE








BRANDZ™

CHINA TOP 100

# BRANDZ™ TOP 100 MOST VALUABLE

# CHINESE BRANDS 2018

Brand	Category	Brand Value US\$ Mil.	Brand Value % Change 2018 vs. 2017	Brand Contribution
1 Tencent 	Technology	132,213	25%	5
2 Alibaba 	Retail	88,623	53%	3
3 China Mobile 	Telecom Providers	49,231	-15%	4
4 ICBC 	Banks	37,213	18%	2
5 Baidu 	Technology	24,990	5%	5
6 Huawei 	Technology	24,115	18%	4
7 Moutai 	Alcohol	23,175	43%	5
8 Ping An 	Insurance	22,363	36%	3
9 China Construction Bank 	Banks	20,120	9%	2
10 Agricultural Bank of China 	Banks	16,158	9%	2
11 SF Express 	Logistics	14,650	<b>NEW</b>	5
12 JD.COM 	Retail	14,579	50%	3
13 China Life 	Insurance	13,665	4%	3
14 Bank of China 	Banks	13,143	12%	2
15 Sinopec 	Oil & Gas	10,667	-14%	1
16 PetroChina 	Oil & Gas	9,634	1%	1
17 China Telecom 	Telecom Providers	8,807	-1%	4
18 China Merchants Bank 	Banks	8,347	27%	2
19 Yili 	Food & Dairy	7,637	21%	5
20 Mengniu 	Food & Dairy	5,364	7%	5
21 Air China 	Airlines	5,237	8%	4
22 CPIC 	Insurance	5,195	23%	3
23 China Unicom 	Telecom Providers	5,109	11%	3
24 Evergrande Real Estate 	Real Estate	4,486	88%	3
25 Bank of Communications 	Banks	4,202	0%	2













Brand	Category	Brand Value US\$ Mil.	Brand Value % Change 2018 vs. 2017	Brand Contribution
26 Midea 	Home Appliances	3,896	40%	4
27 Vanke 	Real Estate	3,640	6%	3
28 Yunnan Baiyao 	Healthcare	3,621	18%	4
29 Netease 	Technology	3,558	36%	4
30 Suning 	Retail	3,394	0%	3
31 China Minsheng Bank 	Banks	3,213	-8%	2
32 Gree 	Home Appliances	3,139	78%	3
33 Haier 	Home Appliances	3,068	32%	4
34 Ctrip 	Travel Agencies	3,063	36%	3
35 China Eastern Airlines 	Airlines	3,031	3%	3
36 YTO Express 	Logistics	2,844	<b>NEW</b>	4
37 Yunda Express 	Logistics	2,603	<b>NEW</b>	4
38 ZTO Express 	Logistics	2,601	<b>NEW</b>	4
39 Lenovo 	Technology	2,593	-22%	3
40 Shuanghui 	Food & Dairy	2,593	9%	3
41 PICC 	Insurance	2,523	7%	2
42 China Southern Airlines 	Airlines	2,502	4%	3
43 New Oriental 	Education	2,451	48%	5
44 Country Garden 	Real Estate	2,362	32%	3
45 New China Life 	Insurance	2,289	27%	2
46 Wu Liang Ye 	Alcohol	2,192	92%	4
47 iQiyi 	Technology	2,187	64%	4
48 Youku 	Technology	2,104	N/A	4
49 Yanghe 	Alcohol	2,030	32%	4
50 Tong Ren Tang 	Healthcare	1,983	4%	5

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg).

Brand contribution measures the influence of brand alone on earnings, on a 1-to-5 scale, 5 being highest.

# BRANDZ™ TOP 100 MOST VALUABLE

# CHINESE BRANDS 2018

Brand	Category	Brand Value US\$ Mil.	Brand Value % Change 2018 vs. 2017	Brand Contribution
51 Poly Real Estate 	Real Estate	1,977	-9%	4
52 ZTE 	Technology	1,900	35%	3
53 vip.com 	Retail	1,875	-14%	3
54 BYD 	Cars	1,861	4%	2
55 STO Express 	Logistics	1,810	<b>NEW</b>	4
56 Luzhou Laojiao 	Alcohol	1,766	48%	4
57 China CITIC Bank 	Banks	1,661	9%	2
58 Dong E E Jiao 	Healthcare	1,493	<b>NEW</b>	4
59 Robam 	Home Appliances	1,482	49%	5
60 Tsingtao Beer 	Alcohol	1,278	5%	5
61 Harbin Beer 	Alcohol	1,261	5%	4
62 Snow Beer 	Alcohol	1,190	7%	4
63 Qunar 	Travel Agencies	1,159	<b>NEW</b>	3
64 Sina 	Technology	1,116	24%	5
65 Xueersi 	Education	1,095	139%	4
66 National Cellar 1573 	Alcohol	1,021	<b>NEW</b>	4
67 CR Sanjiu 	Healthcare	1,010	5%	4
68 ChangYu 	Alcohol	951	-10%	5
69 Great Wall 	Cars	936	19%	1
70 Heilan Home 	Apparel	920	6%	3
71 Dabao 	Personal Care	913	9%	2
72 Longfor 	Real Estate	887	29%	3
73 Greenland Group 	Real Estate	868	<b>NEW</b>	3
74 Hainan Airlines 	Airlines	861	-5%	2
75 Lao Feng Xiang 	Jewelry Retailer	841	14%	5

Brand	Category	Brand Value US\$ Mil.	Brand Value % Change 2018 vs. 2017	Brand Contribution
76 Yonghui Superstores 	Retail	840	29%	2
77 Bright Dairy 	Food & Dairy	798	-8%	5
78 Anta 	Apparel	778	16%	3
79 Supor 	Home Appliances	732	39%	5
80 Industrial Bank 	Banks	711	11%	1
81 Home Inn 	Hotels	686	46%	5
82 Hanting 	Hotels	670	50%	5
83 R&F Properties 	Real Estate	638	18%	3
84 Gujing Gong Jiu 	Alcohol	604	13%	4
85 Gemdale 	Real Estate	601	-12%	2
86 By-Health 	Healthcare	592	<b>NEW</b>	4
87 Herborist 	Personal Care	557	13%	4
88 Flyco 	Home Appliances	537	<b>NEW</b>	3
89 Eastern Gold Jade 	Jewelry Retailer	522	28%	4
90 Geely 	Cars	476	75%	1
91 China Everbright Bank 	Banks	391	9%	2
92 Hisense 	Home Appliances	383	2%	2
93 Fortune 	Food & Dairy	382	3%	5
94 China Taiping 	Insurance	382	22%	1
95 Caissa 	Travel Agencies	355	-17%	3
96 Anerle 	Baby Care	355	3%	4
97 Vatti 	Home Appliances	352	54%	4
98 SOHO China 	Real Estate	351	1%	3
99 Sanquan 	Food & Dairy	346	-13%	4
100 TCL 	Home Appliances	311	14%	2

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg).

Brand contribution measures the influence of brand alone on earnings, on a 1-to-5 scale, 5 being highest.

## Newcomers

# MARKET FORCES AND BRAND STRENGTH PROPEL NEWCOMERS

## NEW CATEGORY, LOGISTICS, REPRESENTED WITH 5 BRANDS

Five of the 11 Newcomers, brands that appear in the BrandZ™ China Top 100 for the first time, are in logistics, a category added to the ranking this year. Two of the brands are in health care, and these categories are also represented with one brand apiece: travel agencies, real estate, home appliances, and alcohol.



Each of the Newcomer brands benefited from a combination of brand strength and market forces that drove expansion of their respective categories. The travel agency category rose 57 percent; alcohol, 37 percent; and real estate, 28 percent, for example. Category dynamics alone do not explain the rise of these brands, however, because other brands from these same categories dropped out of the BrandZ™ China Top 100.

Logistics illustrates the point. Until recently, the category barely existed in China, where individual couriers typically delivered packages piled on their bicycles. The meteoric rise of e-commerce exponentially increased












the number of packages and opened an opportunity to rationalize a fragmented business into a category. The delivery business expanded by around 50 percent between 2010 and 2014, according to China's State Post Bureau.

The Chinese government was eager to establish a logistics category. To obtain funding for accelerated growth, many logistics brands pursued back-door listings, in which they purchased or merged with public companies to gain instant presence on stock exchanges. These five newcomers emerged as leaders: SF Express, YTO, Yunda Express, ZTO Express, and STO.

SF Express, rooted in a business that began in 1993, is now the largest of the services and the last to go public, early in 2017. Funds are helping the brand expand, even in the US, with the opening of a new logistics center in California. By purchasing a major stake in a Hong Kong-based logistics company, YTO, established in 2000, expects to expand its global presence. Alibaba holds a stake in YTO.

Newcomers

THE NEWCOMER BRANDS

											
	SF Express	YTO Express	Yunda Express	ZTO Express	STO Express	Dong E E Jiao	Qunar	National Cellar 1573	Greenland Group	By-Health	Flyco
Top 100 Rank 2018	11	36	37	38	55	58	63	66	73	86	88
Category	Logistics	Logistics	Logistics	Logistics	Logistics	Health Care	Travel Agencies	Alcohol	Real Estate	Health Care	Home Appliances
Brand Value	US\$ 14,650 Mil.	US\$ 2,844 Mil.	US\$ 2,603 Mil.	US\$ 2,601 Mil.	US\$ 1,810 Mil.	US\$ 1,493 Mil.	US\$ 1,159 Mil.	US\$ 1,021 Mil.	US\$ 868 Mil.	US\$ 592 Mil.	US\$ 537 Mil.

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

The burgeoning concern with personal health among Chinese middle-class consumers drove the popularity of two of the newcomer brands—Dong EE Jiao and By-Health. Dong EE Jiao experienced strong demand for products made from a gelatin contained in donkey skin. By-Health is a maker of vitamins, dietary supplements, and other health and wellness products. Both brands envision a global market for Chinese health and wellness products.

Newcomer Qunar is a travel booking website acquired from Baidu by Ctrip, China's most valuable travel brand. The alcohol newcomer, National Cellar 1573, is a brand of baijiu, China's traditional white liquor made from sorghum. The 1573 date refers to the founding of the brand during the Ming dynasty, a heritage that enables this high-end sub-brand of the Luzhou Laojiao Company to command a premium. Flyco produces small electric gadgets such as shavers, hair curlers, and garment steamers—the kind of convenience lifestyle products that Chinese consumers are increasingly willing to spend their discretionary money on.



## Top 20 Risers

# HALF OF THE TOP RISERS INCREASE 50% OR MORE

## EDUCATION BRAND XUEERSI LEADS, WITH 139 PERCENT RISE

**Brand strength and market forces drove exceptionally strong valuation growth in the BrandZ™ Top 100 Most Valuable Chinese Brands, as illustrated by the performance of the Top 20 Risers, the brands that appreciated the most in value year-on-year. The No. 1 Top Riser, the education brand Xueersi, increased in value 139 percent.**

Xueersi also led the Top Risers a year ago, with a value rise of 58 percent, a strong result but less than half of its percentage increase this year. A year ago, Xueersi was the only Top 20 Riser whose value increased more than 50 percent. This year half of the Top 20 Risers increased by more than 50 percent, and the other half increased by 36-to-49 percent.

Top riser value growth was distributed across 10 categories. Home appliances was most represented category, with five brands, followed by alcohol with three brands, and education, technology, retail, and hotels with two brands each. One brand appeared from real estate, cars, insurance, and travel.

The fastest-rising home appliance brand is Gree, which rose 78 percent in value, in part because China's unusually hot summer created business for the nation's largest air conditioner maker. The other appliance Top Risers are: Vatti, up 54 percent; Robam, 49 percent; Midea, 40 percent; and Supor, 39 percent.

Brands of Baijiu, China's traditional clear liquor, exceeded the impressive 37 percent growth of the alcohol category overall. Wu Liang Ye, the No. 2 Top Riser, increased 92 percent in brand value. Baijiu brands have been rebounding steadily from the impact of government restrictions on lavish entertainments.

The three Baijiu brands in this year's Top 20 Risers—Wu Liang Ye, Luzhou Laojiao, and Moutai—also appeared in last year's Top Riser ranking. Several factors, including a consumer shift to premium drinks, accelerated growth. After a strong revenue rise and stock market performance, Moutai became the world's most valuable liquor company in market capitalization, ahead of Diageo.

The strength of the education category, with both Xueersi and New Oriental again among the Top Risers, reflects the priorities of Chinese society: the determination to succeed; and the commitment of Chinese parents to provide their children with the tools necessary for success. The education brands mostly focus on the rote learning required to advance in China's test-driven education system, or to score high on the testing for study abroad. However, Xueersi enriched its curriculum with a program for developing critical thinking ability. And the education brands expanded access with more online courses.

In the technology category, iQiyi, a streaming video site owned by Baidu, appeared in the Top Riser list for the first time, with a brand value increase of 64 percent resulting from strong brand positioning and its announced IPO. NetEase, an online game marketer, made the Top 20 Riser list for the third consecutive year, rising 36 percent in value. The brand, which also operates a cross-border e-commerce site, Kaola.com, increased its mobile presence and also boosted its revenue from advertising, email, and other services.



Having helped drive China's e-commerce phenomenon, with differing strategies, the two retail Top Risers, Alibaba and JD.com, reaped the benefits of success, with value rising, respectively, 53 percent and 50 percent. Alibaba's multiple platforms connected buyers and sellers in China and abroad. And its other platforms, including Alipay, enabled users to conduct business or engage in social media without leaving Alibaba's vast ecosystem. On China's Single's Day, a shopping holiday in November, Alibaba generated \$25 billion in sales.

JD.com leveraged its strength in logistics, adding more distribution locations. It also strengthened its partnerships with Tencent and Walmart. By integrating its shopper data with Tencent's WeChat, JD.com expanded its ability to connect with consumers at all times, particularly when they are interested in shopping. Both JD.com and Alibaba purchased, or created partnerships, with supermarkets, adding physical locations and accelerating their move into grocery.

Top 20 Risers

In the remaining categories—cars, real estate, insurance, and travel agencies—the brand that appears in the Top Riser list significantly outperformed its respective category. Car brand Geely increased 75 percent in value, while the cars category rose 5 percent. Geely sold over 1 million vehicles and launched its Lynk & Co brand, which it developed with Volvo and intends to introduce outside of China.

Although the real estate category increased a healthy 28 percent in value, the brand value of Evergrande Real Estate appreciated 88 percent, making it the No. 3 Top Riser, based primarily on a surge in stock price that recognized the potential of the company's holdings in smaller, fast-growth cities, and its strategic shift from scale to profitability.

With the success of its broad financial services portfolio, shares of Ping An surged, and the brand increased 36 percent in value, the most of any insurance brand. The online travel agency Ctrip assembled a broad assortment of services to focus primarily on Chinese travelers, and value increased 36 percent, on top of a 32 percent value increase a year ago.

THE TOP 20 RISERS IN BRAND VALUE

1		2		3		4		5	
	Xueersi		Wu Liang Ye		Evergrande Real Estate		Gree		Geely
	# 65		# 46		# 24		# 32		# 90
	Education		Alcohol		Real Estate		Home Appliances		Cars
	US\$ 1,095 Mil.		US\$ 2,192 Mil.		US\$ 4,486 Mil.		US\$ 3,139 Mil.		US\$ 476 Mil.
	<b>139%</b>		<b>92%</b>		<b>88%</b>		<b>78%</b>		<b>75%</b>
6		7		8		9		10	
	iQiyi		Vatti		Alibaba		JD.COM		Hanting
	# 47		# 97		# 2		# 12		# 82
	Technology		Home Appliances		Retail		Retail		Hotels
	US\$ 2,187 Mil.		US\$ 352 Mil.		US\$ 88,623 Mil.		US\$ 14,579 Mil.		US\$ 670 Mil.
	<b>64%</b>		<b>54%</b>		<b>53%</b>		<b>50%</b>		<b>50%</b>
11		12		13		14		15	
	Robam		Luzhou Laojiao		New Oriental		Home Inn		Moutai
	# 59		# 56		# 43		# 81		# 7
	Home Appliances		Alcohol		Education		Hotels		Alcohol
	US\$ 1,482 Mil.		US\$ 1,766 Mil.		US\$ 2,451 Mil.		US\$ 686 Mil.		US\$ 23,175 Mil.
	<b>49%</b>		<b>48%</b>		<b>48%</b>		<b>46%</b>		<b>43%</b>
16		17		18		19		20	
	Midea		Supor		Ping An		Netease		Ctrip
	# 26		# 79		# 8		# 29		# 34
	Home Appliances		Home Appliances		Insurance		Technology		Travel Agencies
	US\$ 3,896 Mil.		US\$ 732 Mil.		US\$ 22,363 Mil.		US\$ 3,558 Mil.		US\$ 3,063 Mil.
	<b>40%</b>		<b>39%</b>		<b>36%</b>		<b>36%</b>		<b>36%</b>

# = 2018 Top 100 Rank  
\$ = 2018 Brand Value  
% = Brand Value Change 2018 vs. 2017

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)





“

TECHNOLOGICAL INNOVATION IS RAISING...

...THE REPUTATION OF BRAND CHINA.

”

Overseas Revenue

# LENOVO AND HUAWEI AGAIN LEAD RANKING

The consistency indicates how much China has achieved in building brands abroad, but also how much opportunity remains as the government assigns a high priority to its Belt and Road overseas expansion initiative

Technology is the clearest indicator of how China expects to increase its overseas presence. Lenovo, which already gains 72 percent of its revenue from overseas sales, purchased Japan's Fujitsu Client Computing Company, and sought more international acquisitions.

With the introduction of its Mate 10 smartphone, Huawei intends to move a Chinese brand into new territory—premium. ZTE also expanded internationally with its smartphones.

Exports remained strong for the home appliance category. Midea and Hisense increased their overseas revenue proportion to 35 percent and 30 percent, respectively. Midea Group completed its acquisition of Kuka AG, the German robotics company. It also gained a controlling interest in an Israeli motion control and automation business. Hisense Electric purchased

a majority stake in the TV business of Japan's Toshiba. It previously purchased the North American TV business of Sharp, another Japanese brand.

China's three state-owned airlines—China Eastern Airlines, Air China, and China Southern Airlines—added more international routes, particularly to European destinations, in some instances from inland Chinese cities. PetroChina, a state-owned oil and gas brand, increased overseas exploration.



## TECHNOLOGY SHOWS POTENTIAL FOR CHINA ABROAD

Lenovo and Huawei again led the Top 10 in Overseas Revenue ranking, which has remained consistent both in brands and categories for the past couple of years, with one oil and gas brand included, and the technology, home appliances, and airlines category represented with three brands each.

### THE TOP 10 IN OVERSEAS REVENUE

1	2	3	4	5
Lenovo	Huawei	TCL	ZTE	China Eastern Airlines
# 39	# 6	# 100	# 52	# 35
Technology	Technology	Home Appliances	Technology	Airlines
72%	55%	46%	42%	38%
6	7	8	9	10
Midea	Air China	PetroChina	Hisense	China Southern Airlines
# 26	# 21	# 16	# 92	# 42
Home Appliances	Airlines	Oil & Gas	Home Appliances	Airlines
35%	33%	32%	30%	26%

# = 2018 Top 100 Rank  
% = Revenue % from International Business

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Brand Contribution

# LEADERS APPEAR FROM 9 OF 21 CATEGORIES IN THE RANKING

## FOOD AND DAIRY, ALCOHOL, AND TECHNOLOGY DOMINATE

Brands that score well in Brand Contribution are viewed positively by consumers. The BrandZ™ Brand Contribution metric assesses the extent to which brand alone, independent of financial or market factors, drives purchasing volume and enables a brand to command a price premium.

The Brand Contribution Top 20 come from nine of the 21 categories examined in the 2018 China BrandZ™ Top 100, indicating that it is possible to build strong brands in all sectors of the economy. At the same time, 12 of the Top 20 brands are concentrated in just three categories: food and dairy, alcohol, and technology.

As changing shopping habits and other factors have slowed sales value growth in food and dairy, penetration and brand have become even more critical engines for growth. Three food and dairy brands—Mengniu, Fortune, and Yili—rank in the Brand Contribution Top 5.

When government discouragement of lavish entertaining and gifting began depressing alcohol sales several years ago, brand strength enabled manufacturers to sustain customer loyalty as they developed new strategies. In technology, brand

becomes even more important as the category becomes more competitive. Baidu and Tencent Rank No. 2 and No. 3 in Brand Contribution.

Brand Contribution is not about size. Tencent, the No. 1 brand in the BrandZ™ China Top 100 is in the Brand Contribution Top 20, but so is the hotel brand Hanting, No 82. And heritage is not necessarily a factor either, as both Tong Ren Tang, a traditional Chinese medicine established in 1669 is in the Brand Contribution Top 20, along with iQiyi, an online video platform started in 2010.

Brand Contribution is about consistency. All but four of the Brand Contribution Top 20 appeared in last year's list. Brand Contribution is expressed on a scale of one to five, five being highest. (For complete details, please see the BrandZ™ Valuation Methodology in the Resources section.)

### THE TOP 20 IN BRAND CONTRIBUTION

1  Mengniu # 20 Food & Dairy 5	2  Baidu # 5 Technology 5	3  Tencent # 1 Technology 5	4  Fortune # 93 Food & Dairy 5	5  Yili # 19 Food & Dairy 5
6  Robam # 59 Home Appliances 5	7  SF Express # 11 Logistics 5	8  Tsingtao Beer # 60 Alcohol 5	9  Sina # 64 Technology 5	10  Moutai # 7 Alcohol 5
11  Lao Feng Xiang # 75 Jewelry Retailer 5	12  Home Inn # 81 Hotels 5	13  Supor # 79 Home Appliances 5	14  Bright Dairy # 77 Food & Dairy 5	15  New Oriental # 43 Education 5
16  Tong Ren Tang # 50 Health Care 5	17  Hanting # 82 Hotels 5	18  ChangYu # 68 Alcohol 5	19  iQiyi # 47 Technology 4	20  National Cellar 1573 # 66 Alcohol 4

Brand Contribution measures the influence of brand alone on earnings, on a 1-to-5 scale, 5 being highest.

# = 2018 Top 100 Rank

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

## Category Value Changes

# STRONG VALUE GROWTH CROSSES MOST CATEGORIES

## LOGISTICS BRANDS ENTER RANKING FOR THE FIRST TIME

Many categories contributed to the exceptional 23 percent value rise of the 2018 BrandZ™ Top 100 Most Valuable Chinese Brands. Fifteen categories increased in value compared with 12 a year ago, and the rates of value growth were larger. Conversely, fewer categories declined in value and the declines were smaller. Logistics, a category added for the first time this year, also added to the growth rate and increased the number of categories examined in the report to 21.

With a 68 percent increase, education led the categories in value growth, followed by travel agencies with a value rise of 57 percent. A year ago, education and travel tied for leadership with 46 percent increases. This repeat performance illustrates a fundamental cross-category trend—the Chinese consumers' willingness to spend disposable income on products and services that promise to enhance their lives, now and in the future.

Other categories that achieved the strongest increases in value also benefited from this consumer spending trend. These categories, which outperformed the overall value rise of the BrandZ™ Top 100, include:

home appliances, which increased 50 percent; retail, 47 percent; health care, 46 percent; alcohol, 37 percent; and real estate, 28 percent. In each instance, particular category dynamics and brand initiatives also influenced the solid brand value appreciation.

Retail category growth resulted from effective brand building initiatives by Alibaba and JD.com, for example. Value growth of the alcohol category points to creative marketing by Baijiu brands as they recovered from government restrictions on lavish spending. Alcohol value growth also reflects how brands of baijiu, beer, and wine adjusted to accommodate the growing consumer preference for premium products.

A middle group of categories experienced strong growth, with brand value increases of 12-to-21 percent. These categories include: insurance, technology, hotels, banks, and food and dairy. A combination of economic factors, consumer attitudes, and brand initiatives influenced the value changes. In food and dairy, for example, a shift to premiumization and growth in fast moving consumer goods (FMCG) e-commerce helped balance lower spending on basics.



## Category Value Changes



Three categories increased modestly, by 5 percent or less: cars, airlines, and baby care. But certain brands in the car category did exceptionally well. Geely, which introduced a new, premium model that it also plans to export, increased 75 percent in brand value, making it one of the Top Risers. But Geely accounts for a relatively small share car category value. Three of the four airlines in the BrandZ™ China Top 100 rose in value. Baby care includes just one brand, a diaper maker that continued to face online price competition. But category value rose 3 percent, compared with a 25 percent decline a year ago.

Similarly, of the five categories that declined in value, compared with seven decliners a year ago, only one category—telecom providers—dropped

by more than 10 percent. Jewelry Retailer declined 1 percent. A year ago, it suffered a 31 percent decline, the steepest decline of all the categories. Impacted by low global oil prices, the oil and gas category held steady, dropping 7 percent in value compared with 6 percent drop a year ago.

The apparel category is a barometer of the Chinese market's volatility. Last year the category increased 35 percent in value and moved up near the top of the ranking, after decreasing 46 percent a year earlier. This year, Apparel's reversal of fortune was less extreme, but its decline of 5 percent placed the category toward the bottom in brand value change. One apparel brand dropped out of the ranking and the two remaining brands increased, but moderately.

Logistics, the category added to the BrandZ™ China Top 100 this year, reflects the rapid pace of change in China. Until recently, the courier service in China was a fragmented business served by delivery men riding bicycles. The rise of e-commerce increased package delivery volume, creating a space for larger brands to rationalize the category. Five logistics brands entered the BrandZ™ ranking this year. The largest, SF Express, ranks No. 11 in the BrandZ™ China Top 100.

The following articles describe in greater detail how brand marketing, economic forces, consumer attitudes, and competitive dynamics shaped the value changes of the 21 categories and 100 brands examined in the BrandZ™ Top 100 Most Valuable Chinese Brands report.

## CATEGORY VALUE CHANGES

Category	Number of Brands in 2018 Top 100	Number of Brands in 2017 Top 100	2018 Category Value (US\$ Mil.)	2017 Category Value (US\$ Mil.)	Category Value % Change 2018 vs. 2017
Education	2	2	3,547	2,115	68%
Travel Agencies	3	3	4,577	2,924	57%
Home Appliances	9	8	13,901	9,273	50%
Retail	5	6	109,311	74,152	47%
Health Care	5	3	8,699	5,943	46%
Alcohol	10	11	35,466	25,853	37%
Real Estate	9	9	15,810	12,372	28%
Insurance	6	6	46,416	38,290	21%
Technology	9	10	194,776	163,736	19%
Hotels	2	3	1,356	1,195	13%
Banks	10	10	105,159	93,296	13%
Food & Dairy	6	6	17,120	15,352	12%
Cars	3	4	3,273	3,109	5%
Airlines	4	4	11,631	11,114	5%
Baby Care	1	1	355	345	3%
Jewelry Retailer	2	3	1,363	1,378	-1%
Apparel	2	3	1,699	1,784	-5%
Personal Care	2	3	1,471	1,573	-6%
Oil & Gas	2	2	20,301	21,916	-7%
Telecom Providers	3	3	63,147	71,375	-12%
Logistics	5	-	24,508	-	NEW

Red indicates negative growth rate  
 No color indicates positive growth rate but below Top 100 growth  
 Green indicates positive growth rate and above Top 100 growth

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Airlines

# TOURISM FUELS AIRLINES LIFT

+5%

## Carriers add more international destinations

Following a 3 percent decline a year ago, the airline category rose 5 percent in value, a modest rise driven by rising consumer wealth, steady travel increases, route expansion, and lower fuel costs.

Outbound tourism increased 5.1 percent to 62.0 million tourists visits during the first half of 2017, according to the China National Tourism Administration, which also reported a 2.4 percent increase in inbound tourism to 69.5 million trips. Domestic tourist trips rose 13.5 percent year-on-year for the first half of 2017.

The airlines also benefited from less competition from high-speed rail. Air transportation revenue increased 13 percent through the third quarter of 2017, according to the China Civil Aviation Transportation Authority.

China's three state-owned airlines added direct flights to European destinations. Air China now connects

Beijing and Athens with direct service. China Eastern Airlines launched direct flights between Xi'an and Prague. China Southern Airlines announced a direct link between Wuhan, capital of Hubei province, and London.

The state-owned airlines have code share agreements with international carriers. American Airlines recently invested \$200 million and entered a code sharing agreement China Southern Airlines. Delta invested in China Southern several years ago. United and Air China have a code sharing arrangement. In addition, the airlines attempted to control more of the brand experience by increasing direct sales, often through their own apps.

Hainan Airlines, which is not state-owned, added a direct flight to Brussels from Shanghai. It already flies directly from Beijing. Hainan Airlines also introduced daily flights connecting the southern China cities of Chengdu,

capital of Sichuan province, and Chongqing to New York City, which became the ninth North American destination served by Hainan Airlines. Owned by HNA Group, Hainan Airlines also flies to Los Angeles, Las Vegas, Seattle, San Jose, Chicago, Boston, Toronto, and Calgary.

Air travel growth will increase demand for aircraft, and the Chinese government is determined to have Chinese-made jets compete with overseas manufacturers, as part of the Chinese government's policy to replace certain products made overseas by those produced by Chinese companies. China introduced its C919 passenger jet prototype, but deliveries are not expected for several years. Purchases from China's three state-owned airlines are expected to drive the rollout of the C919. Government plans to add airports, particularly in inland China, should also drive industry growth.

## AIRLINE BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 AIR CHINA 中国国际航空公司 Air China	5,237	21	8%	Air China Ltd	Beijing	1988	SOE
 中國東方航空 CHINA EASTERN China Eastern Airlines	3,031	35	3%	China Eastern Airlines Corp Ltd	Shanghai	1988	SOE
 中国南方航空 CHINA SOUTHERN AIRLINES China Southern Airlines	2,502	42	4%	China Southern Airlines Co Ltd	Guangzhou	1991	SOE
 海南航空 HAINAN AIRLINES Hainan Airlines	861	74	-5%	Hainan Airlines Co Ltd	Haikou	1993	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Alcohol

# DRINKING HABITS CHANGE, BUT CATEGORY VALUE RISES

## Brands introduce premium and healthy offerings

Baijiu, China's traditional clear liquor, experienced strong growth, as premiumization boosted alcohol category value, even as changing tastes, health concerns, and the popularity of imports pressured consumption of Chinese beer and wine brands. The alcohol category rose 37 percent, following a 24 percent rise a year ago.

Baijiu sales have ratcheted upward for several years, since the government's limits on official gift giving slowed the growth of Baijiu luxury brands. Sales surged because consumers spent more on premium drinks and private entertaining, and brands implemented initiatives to expand the market for baijiu.

Based on the prestige of the brand and relative scarcity of the product, revenue of Kweichow Moutai Company Ltd. increased almost 60 percent during the first three quarters of 2017, and its share price reached a record high. That increase elevated Kweichow Moutai Company Ltd. to the world's highest-valued liquor company, ahead of Diageo, the UK-based maker of brands such as Johnny Walker.

While the Moutai brand's performance was impressive, it was not unique. Shares of other baijiu brands, including Yanghe, Luzhou Laojiao and Wu Liang Ye also increased. Yanghe expanded its e-commerce activity, and experienced strong sales for one of its more moderately priced sub-brands. Wu Liang Ye continued to develop wider distribution over the internet, and in more physical locations, through partnerships with organizations like Alibaba and mass merchant Suning.

Luzhou Laojiao participated in many events and commanded a premium price. Riding the premiumization trend, it successfully marketed its up-scale National Cellar 1573 brand, which entered the BrandZ™ China Top 100 for the first time. Guijing Gongjiu added new variations with healthy ingredients to appeal to younger and more health-conscious drinkers. And the brand expanded abroad, entering central and eastern Europe.

## COMPETITION IN BEER

Domestic beer production rose less than 1 percent during the first half of 2017, according to the National Bureau of Statistics. Beer was one of four food and beverage categories in which foreign brands gained share, according to Kantar Worldpanel. Out-of-home beer consumption was especially strong, reflecting the increase in discretionary spending in restaurants, bars, and sporting events.

However, beer sales value increased because, although Chinese are consuming less beer, they are moving toward the premium end of the market, and paying more for the beer they drink. Increased interest in health and wellness also impacted beer consumption. And Chinese brands felt the growing interest in craft beers, especially among young people, as a global trend impacts the Chinese market.

+37%

Alcohol

Responding to competition from international imports, Tsingtao improved packaging and offered specialty beers, such as its Classic 1903 Weissbier. Its e-commerce app “Tsingtao Quick-Buy” was available in over 50 cities. Consistent with China’s Belt and Road initiatives, Tsingtao explored overseas opportunities and expanded overseas sales volume 14 percent, year-on-year, for the first half of 2017, with a presence in 100 countries.

A wheat beer introduced by Harbin, Harbin Baiji, grew rapidly, based on popularity with women drinkers and the drink’s easy pairing with food. Owned by AB InBev, Harbin sponsored an e-Sports league in Shanghai. E-sports is a growing phenomenon where spectators gather to watch competition between expert gamers.

Along with global consumer trends, business developments also touched the Chinese market. When it combined with AB InBev, SAB Miller divested its holdings in China Resources Snow Breweries. Also, shares of Tsingtao rose on the news that the Japanese Asahi Group planned to sell at least part of its stake in the Chinese brands.

WINE RECOVERING

China ranked No. 7 in wine production worldwide, above South Africa and below Argentina, according to the 2017 projections of the Organisation Internationale de la Vigne et du Vin (OIV). But the government’s anti-corruption campaign also slowed the expansion of China’s wine business.

At the same time, Chinese consumers have developed a greater appreciation for wine and turned increasingly to imported labels. Anticipating future demand, market leader ChangYu and other Chinese wine producers are acquiring vineyards abroad in wine-producing countries, including France, Spain, Chile, and Argentina.

And in a monumental project aimed at building brand awareness and educating consumers, ChangYu is about to open its 1,000-acre estate with a European-style chateau, and wine research center. China’s oldest wine producer, ChangYu has become one of the world’s largest wine brands, because of the size of the domestic China market, but also because of the brand’s growing export success.

ALCOHOL BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 Moutai	23,175	7	43%	Kweichow Moutai Co Ltd	Renhuai	1951	SOE
 Wuliangye	2,192	46	92%	Wuliangye Yibin Co Ltd	Yibin	1959	SOE
 Yanghe	2,030	49	32%	Jiangsu Yanghe Brewery Joint-Stock Co Ltd	Suqian	1949	SOE
 Luzhou Laojiao	1,766	56	48%	Luzhou Laojiao Co Ltd	Luzhou	1950	SOE
 Tsingtao Beer	1,278	60	5%	Tsingtao Brewery Co Ltd	Qingdao	1903	SOE
 Harbin Beer	1,261	61	5%	Anheuser-Busch InBev Harbin Beer Ltd	Harbin	1900	Market-Driven Firm
 Snow Beer	1,190	62	7%	China Resources Snow Breweries	Beijing	1994	SOE
 National Cellar 1573	1,021	66	NEW	Luzhou Laojiao Co Ltd	Luzhou	1573	SOE
 Changyu	951	68	-10%	Yantai Changyu Pioneer Wine Co Ltd	Yantai	1892	Market-Driven Firm
 Gujing Gong Jiu	604	84	13%	Anhui Gujing Distillery Co Ltd	Bozhou	1959	SOE

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Apparel

KEY BRANDS COUNTER CATEGORY VOLATILITY

-5%

Consumers seek quality sports and leisure attire

Apparel remained one of China’s most volatile categories because of slow sales, excess supply, and pressure from fast fashion imports offering affordable on-trend designs. The apparel category declined 5 percent in value after a 35 percent rise a year ago, which followed a 46 percent decline.

Leisurewear and performance attire drove the category as wealthier consumers adopted the symbols and values of middle class life, including quality clothing and concern with personal health and well-being. Chinese government support of sports also drove interest.

On Singles Day, China’s enormous fall shopping holiday on November 11, apparel was the most purchased product; 62 percent of Chinese bought an apparel item, according to a Kantar survey conducted by Lightspeed. The survey also found that, across categories, a majority of Singles Day online shoppers looked for sales on high-price brands that they had wanted to purchase.



Heilan Home led in men’s apparel sales on Alibaba’s Tmall site on Singles Day, followed by Uniqlo, the Japanese brand, which led

in women’s apparel sales and was the leading apparel category on Singles Day. Heilan Home operated almost 4,400 Heilan-brand stores in China, and opened its first overseas store, Kuala Lumpur. The opening in Malaysia launched the brand’s overseas strategy to begin in Southeast Asia and advance in the Asia-Pacific region, before expanding globally.

Facing competition from global brands like Nike and Adidas, Anta enhanced its retail presence with new, larger stores. The company operated over 9,000 Anta brand stores, and almost 900 other stores under its higher-end Fila and Descente brands, throughout China, at the end of the first half of 2017. Anta also operated stores on China’s leading online platforms. To add efficiency to its omnichannel strategy, Anta developed a new logistics center, expected to be operational early in 2018.

Anta planned to acquire the children’s clothing brand King Kow, expecting the demand for children’s apparel to surge with the end of the one-child policy. Meanwhile, Anta maintained its focus on basketball, running, football, cross-training, and tennis.

APPAREL BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 HLA 海澜之家 Heilan Home	920	70	6%	Heilan Home Co Ltd	Jiangyin	2002	Market-Driven Firms
 ANTA Anta	778	78	16%	ANTA Sports Products Ltd	Jinjiang	1991	Market-Driven Firms

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Baby Care



# INCREASING BIRTH RATE PROPELS DIAPER SALES

+3%

## Low penetration magnifies the opportunity

The baby care category, which includes one brand, the diaper maker Anerle, increased 3 percent, after a decline of 25 percent a year ago when e-commerce competition from international brands impacted sales.

Since then, import tariffs have slowed market gains from international brands, and Anerle has continued to gain from the rescinding of China's one-child policy. Annual births increased 11.5 percent to around 18.5 million in 2016, according to Chinese government figures, and around 45 percent of the births were to parents who already had one child.

The expansion of middle class, and the low penetration of disposable diapers, enhances the category's potential. In addition, purchasing frequency is high for diapers. Families purchase diapers more than eight times per year, somewhat less than they purchase milk, according to Kantar Worldpanel, which also found that, after infant formula, the diapers sector is the most brand-loyal of fast moving consumer goods (FMCG).

The great potential for sales of disposable diapers attracted both multinationals and local brands. Japanese brands are especially strong in China. Brands competed for market share by introducing differentiating features, such as greater absorbency.

### BABY CARE BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 Anerle	355	96	3%	Hengan International Group Co Ltd	Jinjiang	1985	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Banks

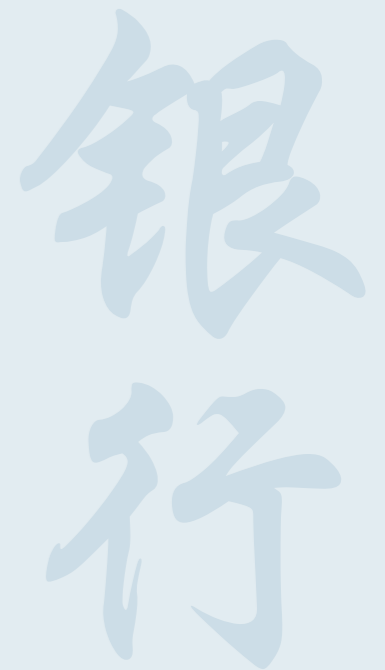
# ECONOMIC EXPANSION DRIVES BANK REBOUND

## Brands also build presence overseas

Banks enjoyed a better year, rising 13 percent after declining 6 percent a year ago, when all but two bank brands in the BrandZ™ Top 100 declined in value. In this year's BrandZ™ China Top 100 report, every bank brand except one increased in value.

Several factors prompted the rebound, including demand for home mortgages and improved commercial loan performance as key industries strengthened. In addition, many state-owned banks implemented initiatives

to improve customer service and strengthen their competitiveness, especially against fintech challengers. China's four largest banks, all state-owned, reported strong profits for the first three quarters of 2017, driven primarily by strong growth in net interest income resulting from improved margins and strong economic growth. These banks—Industrial and Commercial Bank of China (ICBC), China Construction Bank, Agricultural Bank of China, and Bank of China—funded government initiatives to grow the real economy.



+13%















### Banks

ICBC, for example, financed infrastructure construction, poverty reduction, and small businesses. In a collaboration aimed at solving the problem of excess housing inventory, several real estate companies worked with major banks, such as Bank of China, China Construction Bank, and China CITIC to develop quality rental housing.

China's largest banks also increased their overseas presence to serve the financial services needs of Chinese companies expanding abroad to implement the government's Belt and Road initiatives for exerting Chinese soft power.

The only market-driven bank in the BrandZ™ China Top 100, China Minsheng Bank, declined in value, in part because of lower income from fees and deposits. A year ago, China Minsheng Bank was one of only two banks in the BrandZ™ China Top 100 to rise in value.

### BANK BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 <b>中国工商银行</b> ICBC	37,213	4	18%	Industrial & Commercial Bank of China Ltd	Beijing	1984	SOE
 <b>中国建设银行</b> China Construction Bank	20,120	9	9%	China Construction Bank Corp	Beijing	1954	SOE
 <b>中国农业银行</b> AGRICULTURAL BANK OF CHINA	16,158	10	9%	Agricultural Bank of China Ltd	Beijing	1951	SOE
 <b>中国银行</b> BANK OF CHINA	13,143	14	12%	Bank of China Ltd	Beijing	1912	SOE
 <b>招商银行</b> CHINA MERCHANTS BANK	8,347	18	27%	China Merchants Bank Co Ltd	Shenzhen	1987	SOE
 <b>交通银行</b> BANK OF COMMUNICATIONS	4,202	25	0%	Bank of Communications Co Ltd	Shanghai	1908	SOE
 <b>中国民生银行</b> CHINA MINSHENG BANKING CORP. LTD.	3,213	31	-8%	China Minsheng Banking Corp Ltd	Beijing	1996	Market-Driven Firm
 <b>中信银行</b> CHINA CITIC BANK	1,661	57	9%	China CITIC Bank Corp Ltd	Beijing	1987	SOE
 <b>兴业银行</b> INDUSTRIAL BANK CO., LTD.	711	80	11%	Industrial Bank Co Ltd	Fuzhou	1988	SOE
 <b>中国光大银行</b> China Everbright Bank	391	91	9%	China Everbright Bank Co Ltd	Beijing	1992	SOE

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

### Cars

# BRANDS LAUNCH PREMIUM MODELS AND LOOK ABROAD

+5%

### Government continues incentives for clean energy vehicles

The car category expanded in value, but more moderately, growing 5 percent compared with 20 percent a year ago, and 38 percent in the prior year. Car sales continued to increase, but at a slower rate. At the same time, Chinese car brands broadened their traditional appeal, launching premium models in China and planning to introduce them overseas.

By introducing higher-end sub-brands Chinese carmakers responded to the premiumization trend that crossed many categories and reflected middle class aspirations, which car buyers expressed in various ways. In the coastal cities where car ownership is high, wealthy

consumers often looked for a second car with more luxury. For consumers in lower tier cities, trading up sometimes meant buying a car rather than a two-wheel vehicle.

Even as Chinese carmakers introduced premium models, they depended on the value-for-money vehicles that drove most of their volume. By improving the quality of these cars, Chinese brands competed more effectively with Korean, French, and other international carmakers selling entry-level vehicles. Chinese brands also leveraged their

extensive distribution channels and local knowledge to more efficiently market to consumers in lower tier cities, where demand for budget vehicles was greatest.

Passenger car sales increased 1.5 percent to 24.2 million vehicles in 2017, the lowest growth in a decade, according to the China Association of Automobile Manufacturers. Chinese car brands produced over 10 million cars, a threshold that they surpassed last year for the first time. The most valuable Chinese brands—BYD, Geely, and Great Wall—contributed to this momentum and also attempted to differentiate and establish an international presence.



Cars

Geely sold over one million vehicles. It launched its new brand, Lynk & Co, which moves Geely Automobile up the hierarchy, away from value-for-money cars and more into direct competition with overseas brands such as Ford and Toyota. The Lynk & Co brand, developed with Volvo, which Geely acquired in 2010, emphasizes digital connectivity.

Similarly, Great Wall, which exceeded the one-million-cars-sold threshold a year ago, began selling a new brand. Known for its success with SUVs, Great Wall launched a premium SUV called Wey. Great Wall announced discussions with BMW about producing the Mini brand in China. And Great Wall plans to introduce its Wey SUV to North America in 2021.

BYD accounts for almost one-third of electronic vehicle sales in China, according to the China Passenger Car Association. Having started as a battery manufacturer, BYD is now a major manufacturer of electric vehicles for

personal and commercial use. It supplies industry and governments worldwide, and manufactures in Asia, Europe, and South America, with plans to open an electric truck plant in Canada. The brand is especially focused on electric public transportation and is involved in several monorail projects in China and overseas.

The Chinese government's desire to reduce pollution and traffic congestion continued to shape the car category as incentives attracted customers to electric cars. Car buyers also faced difficulty obtaining licenses for gas- or diesel-powered vehicles in some cities. In addition, the government organizations were encouraged to buy new-energy vehicles for their fleets. China plans to build over 12,000 charging stations by 2020. And banks introduced favorable rates for car loans. New government regulations are expected to phase out gas and diesel engines.



CAR BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
BYD	1,861	54	4%	BYD Co Ltd	Shenzhen	1995	Market-Driven Firm
长城汽车 Great Wall	936	69	19%	Great Wall Motor Co Ltd	Baoding	1984	Market-Driven Firm
吉利汽车 Geely	476	90	75%	Geely Automobile Holdings Ltd	Hangzhou	1986	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Education

CATEGORY AGAIN LEADS IN VALUE APPRECIATION

+68%

China's focus on testing and achievement powers growth

Education again topped the list of categories in value growth, increasing 68 percent, after a 46 percent rise a year ago. A combination of factors powered the growth of the education category in China. They include the determination of Chinese to succeed and have their children succeed, and the reality of educational success in China, which requires navigating an elaborate testing system.

The end of the one-child policy and increased competition for university admission also help ensure the continued growth of the education category and its two leading brands, New Oriental and Xueersi. New Oriental expects the market for K-to-12 after-school tutoring to expand by a 14 percent compounded annual growth rate (CAGR) between 2015 and 2020. Meanwhile, the number of babies born annually in China increased 16.6 percent between 2009 and 2016, according to Xueersi. In Beijing, the births increased over 42.1 percent during the same period.

New Oriental, the brand of the New Oriental Education & Technology Group, had almost five million enrollments and operated around 900 learning centers as of August 31, 2017. The brand

focuses on language education, especially English, along with test preparation for admission to schools in China and other countries, particularly the US. It also offers vocational training, and it operates an online site called Koolearn.

At Tal Education Group, which controls the Xueersi brand, enrollment reached 3.2 million, an increase of 86.5 percent during the first six months of fiscal 2018, ending August 31, 2017, and net revenues increased 66.8 percent year-on-year. The company operated 575 learning centers in 36 cities. The success of online education accelerated growth, with revenue from Xueersi.com rising over 90 percent between 2016 and 2017. The brand continues to add course offerings for grades K- to-12, along with both small-class tutoring services and premium-price private tutoring.

To address a perceived weakness in Chinese education—the focus on rote learning—Xueersi introduced a new English three-part language program in which classroom time is spent developing critical thinking ability. Outside the classroom, the program expects students to study vocabulary and grammar prior to class, and to sharpen speaking skills online by interacting with teachers from North America.



EDUCATION BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
新东方 XDF.CN New Oriental	2,451	43	48%	New Oriental Education & Technology Group Inc	Beijing	1993	Market-Driven Firm
学而思 Xueersi	1,095	65	139%	TAL Education Group	Beijing	2003	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)



“

A SCREEN IS NEVER FAR AWAY,

ANY PLACE, ANY TIME OF DAY.

”

Food & Dairy



+12%

# STRONGER GROWTH RESUMES AFTER TWO MODERATE YEARS

## Premium prices raise sales value

The food and dairy category increased 12 percent in brand value, following two years of moderate 3 percent and 2 percent growth. Category sales volume remained flat or down overall during the first half of 2017, but it picked up later in the year, and people turned to higher-priced premium products, driving up the value of sales.

Premiumization in the food and dairy category reflected a fundamental shift in consumer spending. As middle-class consumers spent less on basic needs, including food, they spent more on discretionary items like entertainment, reallocating some of their food budget from groceries to restaurants or home delivery.

In addition, consumers spent more willingly on products that promised healthier ingredients or offered convenience and other lifestyle benefits. Brands innovated to encourage spending. Beverage brands, for example, introduced new products, such as functional drinks. An analysis by Kantar Worldpanel found that the growth of consumer categories in China is moving at two speeds: slower for

basic goods; and faster for products, such as yoghurt and bottled water, which offer perceived lifestyle or health benefits.

Health reasons influenced the consumption of milk and other dairy products, which rose, in part, because of the government's desire to raise the Chinese daily intake of calcium and protein. Dairy experienced particularly heavy price competition, with leadership revolving among three brands—Yili, Mengniu, and Bright.

In these competitive circumstances, penetration, the percentage of households buying a brand during a year, was the most important contributor to greater market share and leadership, according to Kantar Worldpanel. The penetration of Mengniu in milk was 5.5 times greater than the top 20 brands selling milk, while the difference in purchase frequency is almost the same. Boosting penetration required a combination of distinctive messaging, the right products, and omnichannel execution. To increase penetration of its yogurt, Yili introduced new premium products supported by TV advertising and digital marketing.

Loyalty remained strong in categories like milk, where consumers tend to stick with the same brand. Consumers chose liquid milk less based on provenance—Chinese or international—and more on whether it was sourced from high quality grasslands. As Yili and Mengniu looked abroad for acquisitions to expand their

milk supply, shares in the companies reached all-time highs.

Both companies held talks with Australia's largest dairy producer, Murray Goulburn Cooperative. Yili also bid to purchase the US yogurt maker Stonyfield. Mengniu continued to collaborate on research and

development with Danone Group of France and Denmark's Arla Foods. Along with Fosun, a Chinese conglomerate, the dairy company Sanyuan bid to purchase St. Hubert, a French margarine brand. Bright has purchased several overseas brands, including a premium yogurt made in Bulgaria.

## FOOD & DAIRY BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 Yili	7,637	19	21%	Inner Mongolia Yili Industrial Group Co Ltd	Hohhot	1993	SOE
 Mengniu	5,364	20	7%	China Mengniu Dairy Co Ltd	Hohhot	1999	SOE
 Shuanghui	2,593	40	9%	Henan Shuanghui Investment & Development Co Ltd	Luohe	1969	Market-Driven Firm
 Bright Dairy	798	77	-8%	Bright Dairy & Food Co Ltd	Shanghai	1996	SOE
 Fortune	382	93	3%	China Agri-Industries Holdings Ltd	Beijing	1993	SOE
 Sanquan	346	99	-13%	Sanquan Food Co Ltd	Zhengzhou	1993	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Healthcare



# VALUE RISES ROBUSTLY ON WELLNESS TREND

+46%

## Newcomer brands offer vitamins, dietary supplements

Driven by middle class consumer concern with health and wellness, and government healthcare policy reforms, healthcare became one of the fastest-rising categories in the BrandZ™ China Top 100, increasing 46 percent in value, after an increase of only 3 percent a year ago.

Yunnan Baiyao rose 18 percent, while Tong Ren Tang and CR Sanjiu increased more modestly. However, two of the newcomer brands that entered the ranking for the first time this year came from the healthcare category. Dong EE Jiao makes and markets traditional Chinese medicines. By-Health concentrates on vitamins and other dietary supplements.





Yunnan Baiyao continued to offer a wide range of medicines and personal care products. Its toothpaste is the No. 1 Chinese toothpaste brand. It features

properties that control bleeding, which is the benefit Yunnan Baiyao is historically known for.

Tong Ren Tang, the traditional Chinese medicine (TCM) brand established in 1669, leveraged its long heritage to introduce a line of TCM cosmetics. CR Sanjiu, a market leader in several over-the-counter pharmacy sectors, entered a joint venture with Sanofi, a global health solutions provider, to focus on OTC pediatric and gynecological products.

Dong EE Jiao offers health and beauty products from a gelatin contained in donkey skin. By-Health sources raw materials globally for its organic products. Both brands benefited from recent Chinese government laws designed to make the products safer. And both brands have global ambitions.

### HEALTHCARE BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 Yunnan Baiyao	3,621	28	18%	Yunnan Baiyao Group Co Ltd	Kunming	1902	SOE
 北京同仁堂 Tong Ren Tang	1,983	50	4%	Beijing Tongrentang Co Ltd	Beijing	1669	SOE
 东阿阿胶 Dong E E Jiao	1,493	58	<b>NEW</b>	Dong-E-E-Jiao Co Ltd	Dong E, Liaochan	1952	SOE
 华润三九 CR Sanjiu	1,010	67	5%	China Resources Sanjiu Medical & Pharmaceutical Co Ltd	Shenzhen	1999	SOE
 汤臣倍健 By-Health	592	86	<b>NEW</b>	By-health Co Ltd	Zhuhai	1995	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Home Appliances

# CONSUMERS SPEND MORE ON NEW LIFESTYLE FEATURES

## Trend impacts both large and small appliances

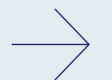
The home appliance category surged 50 percent in value, following a 9 percent increase a year ago. Several important industry changes drove this growth, according to the China Household Electric Appliance Association (CHEAA), including: urbanization, premiumization, development of smart appliances, and operational improvements focused on driving consumption by being more customer centric.

Online sales increased over 50 percent for several appliance sectors. Global brand building also contributed to the category value rise. Three appliance brands—TCL, Midea, and Hisense—

ranked in the BrandZ™ Top 10 brands by Overseas Revenue. Exports remained strong, rising 7.7 percent in value through the first half of the year, according to official statistics reported by CHEAA.

Five appliance brands ranked in the 2018 BrandZ™ China Top 20 Risers, brands that increased most in brand value year-on-year. Gree rose 78 percent, making it the fourth fastest-rising brand in value across all categories in the BrandZ™ Top 100. The other appliance Top Risers are: Vatti, up 54 percent; Robam, 49 percent; Midea, 40 percent; and Supor, 39 percent.

China's unusually hot summer partly accounts for Gree's performance, as it is China's leading air conditioner maker. But the brand continued to broaden its range to avoid dependence on air conditioners alone. Gree promoted its smartphone and also entered into a partnership with an electric vehicle maker, Zhuhai Yinlong. Expanding its presence in the US, Gree opened a second American showroom, in Chicago.



+50%



## Home Appliances

Vatti, a maker of ovens and stove-top cooking ranges, shifted toward the premium end of the market, introducing new features, such as voice control, to some of its products. The brand also expanded its marketing program to communicate a younger, on-trend image across media channels, and in its virtual and physical stores. A maker of small appliances, Robam added design refinements to its kitchen products, opened an innovation center in California, and increased its presence in China's lower tier cities, adding more stores.

Midea has been expanding from its core focus on consumer appliances and air conditioning systems to other technology, including artificial

intelligence and robotics. The company completed acquisition of a 95 percent stake in Kuka AG, the German robotics company, and a controlling interest in Servotronics, an Israeli motion control and automation business. Midea recently opened several research and development centers worldwide, including one in Silicon Valley. And it partnered with real estate brand Country Garden to pursue smart home opportunities. Haier integrated its acquisition of GE Appliances, making structural changes to add speed and flexibility, and investing in smart home innovation.

Supor experienced e-commerce success, particularly in lower tier cities.

Hisense became an official sponsor of the 2018 FIFA World Cup. The brand has also sponsored NASCAR racing in the US and the Australian Open tennis matches. TCL continued its aggressive expansion in the US with an expanded range of smart TVs. Haier, Midea, Gree, Hisense, and TCL all ranked in the Top 10 large home appliance brands in sales on Tmall during China's Singles Day shopping festival in November.

In addition to these brands, Flyco, a maker of small electronic appliances appeared in the BrandZ™ China Top 100 for the first time. Flyco is well known for marketing a popular electric razor at a premium price. The stock market rewarded its commercial success.

### HOME APPLIANCE BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 Midea	3,896	26	40%	Midea Group Co Ltd	Shunde	1968	Market-Driven Firm
 Gree	3,139	32	78%	Gree Electric Appliances Inc of Zhuhai	Zhuhai	1991	Market-Driven Firm
 Haier	3,068	33	32%	Qingdao Haier Co Ltd	Qingdao	1984	Market-Driven Firms
 ROBAM 老板	1,482	59	49%	Hangzhou Robam Appliances Co Ltd	Hangzhou	1979	Market-Driven Firm
 SUPOR 苏泊尔	732	79	39%	Zhejiang Supor Cookware Co Ltd	Hangzhou	1994	Market-Driven Firm
 FLYCO 飞科	537	88	<b>NEW</b>	Shanghai Flyco Electrical Appliance Co Ltd	Shanghai	1999	Market-Driven Firm
 Hisense 海信	383	92	2%	Hisense Kelon Electrical Holdings Co Ltd and Hisense Electric Co Ltd	Qingdao	1969	SOE
 vatti 華帝	352	97	54%	Vatti Corp Ltd	Zhongshan	1992	Market-Driven Firm
 TCL	311	100	14%	TCL Corp	Huizhou	1981	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

## Hotels

# COMPETITION DRIVES GREATER INNOVATION

+13%

### Brands focus on expansion and experience

Despite intense competition from both local and multinational brands, the hotels category continued to rise steadily in value, expanding 13 percent after recent annual increases of 8 percent and 11 percent. One hotel brand dropped from the ranking, or the value rise would have been greater.

The two remaining brands, Home Inn and Hanting, rose 46 percent and 50 percent, respectively. Both brands primarily serve the budget market with a consistent standard of comfort and service at an affordable price, for both leisure and business travelers.

Home Inn operated slightly more locations, 2,385, but both brands have grown quickly and enjoy above average brand awareness in the budget hotel sector. Hanting has expanded somewhat more aggressively, ending 2017 with 78 percent more locations that it had only four years earlier. And the brand has remodeled many of its locations and introduced a redesigned logo.

These leading Chinese hotel brands are expanding aggressively while facing increasing pressure from multinationals. Until recently, the Chinese market was more neatly bifurcated. The

multinationals focused mostly the middle- and upper-end hotel market in major cities, and the Chinese brands rapidly opened budget locations throughout China.



Today, the global brands are expanding their footprint throughout China, in the middle and budget segments of the market. At the same time, government discouragement of extravagance has impacted high-end accommodations; business travel has slowed; and sharing economy options, like Airbnb, have added competition.

The middle and budget Chinese brand hotels, which had grown business through rapid expansion, are shifting attention to enhancing their existing locations with improved guest services. These initiatives correspond with the premiumization trend that crosses many categories. Some Chinese brands are adding more personalized services. Others are collaborating with decorator brands that furnish the hotel rooms. In some instances, the hotel guest can scan a code and purchase an item.

In another response to heightened competition, some budget hotels began repurposing their existing room



### HOTEL BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 Home Inn	686	81	46%	BTG Hotels Group Co Ltd	Shanghai	2002	SOE
 汉庭酒店	670	82	50%	China Lodging Group Ltd	Kunshan	2005	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

## Insurance

# PRODUCT SALES, INVESTMENTS PROMPT INSURANCE REBOUND

+21%

## Low category penetration promises great potential

Insurance rebounded, increasing 21 percent in value after declining 6 percent a year ago. The decline resulted from regulatory intervention to stabilize the insurance market against speculation, which had driven a 44 percent increase in category value the prior year.

Following this bumpy history, the insurance category has evolved, with growing understanding and acceptance of the category among middle class Chinese who increasingly purchase insurance for protection rather than investment. Meanwhile, the relatively low penetration of insurance in China, and the expansion of online access, continued to drive strong category growth.

Strong product sales and improved investment results boosted the profits of China's publicly listed insurance companies. Shares of Ping An surged, and the brand increased 36 percent in value, the most of any insurance brand. Ping An ranks the No. 1 most valuable insurance company in the world, in the BrandZ™ Top 100 Most Valuable Global Brands report.

A recent investment in HSBC made Ping An the global bank's second-largest shareholder. Ping An owns an online healthcare service and operates clinics throughout China as part of its broad positioning as a financial services company. And it is deeply committed to internet financial technology.

Benefiting from its investment in transforming to an internet-based company, New China Life increased 27 percent in value, making it second-highest riser in the insurance category. CPIC, which rose 23 percent in value, announced that it would alter its investment strategy to serve the national agenda by channeling funds to utilities and infrastructure projects.

China Life collaborated with Baidu to launch an internet investment fund. China Life also planned to increase its overseas engagement and invest in projects intended to help reform the State-Owned Enterprises and reduce their debt load. China Life and CPIC also rank in the Insurance Top 10 in the BrandZ™ Global Top 100 report.

China's aging population and the need for more extensive national health coverage should open growth possibilities for insurance products. Similarly, the sharing economy is expected to require new insurance products. More consumers share bicycles, for example, which raises potential liability coverage issues. Although government regulations may moderate the growth rate of insurance in China, growth potential has attracted competition from outside the insurance category, particularly among major internet brands, such as Alibaba and Tencent.

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## INSURANCE BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 中国平安 PING AN Ping An	22,363	8	36%	Ping An Insurance Group Co of China Ltd	Shenzhen	1988	Market-Driven Firm
 中国人寿 CHINA LIFE China Life	13,665	13	4%	China Life Insurance Co Ltd	Beijing	2003	SOE
 太平洋保险 CPIC CPIC	5,195	22	23%	China Pacific Insurance Group Co Ltd	Shanghai	1991	Market-Driven Firm
 PICC	2,523	41	7%	The People's Insurance Co Group of China Ltd	Beijing	1949	SOE
 NCI 新华保险 关爱人生每一天 New China Life	2,289	45	27%	New China Life Insurance Co Ltd	Beijing	1996	SOE
 中国太平 CHINA TAIPING China Taiping	382	94	22%	China Taiping Insurance Holdings Co Ltd	Hongkong	1929	SOE

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Jewelry Retailer



珠宝零售

# JEWELRY SALES RECOVER WITH DEMAND FOR GOLD

## Young people influence product choice and shopping venue

The Jewelry Retailer category began to recover, declining only 1 percent in value compared with a 31 percent drop a year ago, as China's demand for gold strengthened, according to the World Gold Council.

One jewelry brand dropped from the BrandZ™ China Top 100, but the two remaining brands, Lao Feng Xiang and Eastern Gold Jade, increased 14 percent and 28 percent, respectively.

Two significant trends—an increase in young jewelry consumers and online transactions—influenced category sales growth, according to the World

Gold Council. And people found more occasions for giving gifts.

Gold jewelry sales spiked early in 2017, as a traditional gift for the Chinese New Year. Also, on the lunar calendar, the Year of the Rooster had an added month inserted around June. Spring, a season of growth and new beginnings, is a lucky time for weddings in traditional Chinese culture. An extra month doubles the luck. And the birthdays became more popular for giving jewelry as a gift, too.



Gold jewelry continued to dominate, but diamond and platinum increased

in popularity in Tier 1 cities, according to research conducted by Kantar TNS for the World Gold Council. Young consumers influenced product range, with a desire for more personalization and other precious metals and stones.

The preferred shopping venue shifted as well, with young people finding inspiration both online and in physical stores. As in other country markets, young people are expanding the definition of luxury. Some find travel or other experience, or an expensive smartphone more desirable than an article of gold jewelry.

-1%

## JEWELRY RETAILER BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 Lao Feng Xiang	841	75	14%	Lao Feng Xiang Co Ltd	Shanghai	1848	SOE
 Eastern Gold Jade	522	89	28%	Eastern Gold Jade Co Ltd	Shenzhen	1993	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Logistics

# CATEGORY DEBUTS IN BRANDZ™ REPORT

## Rise of e-commerce inspires rapid growth and new partnerships

The logistics category appears for the first time in the BrandZ™ China Top 100 report. Internet brands, especially the e-commerce players, inspired the rapid expansion of the category. As logistics brands were publicly listed, they became eligible for inclusion in the BrandZ™ China ranking.

The inclusion of the logistics category in the China BrandZ™ Top 100 reflects how rapidly China's economy has transformed. When the BrandZ™ China report first appeared, in 2011,

today's No. 1 brand, the internet and e-commerce giant Tencent, ranked eighth, and today's No. 2 brand, internet and e-commerce giant Alibaba, did not appear in the ranking.

The largest of this year's logistics newcomers, SF Express, was the last of the delivery services to go public. It ranks No. 11 in the BrandZ™ China Top 100, just below Agricultural Bank of China and above JD.com. The other logistics brands in the ranking are:

YTO Express, Yunda Express, and ZTO Express, which rank No. 36, 37, and 38, respectively. STO Express ranks No. 55. At the time ZTO went public on the New York Stock Exchange, in October 2016, it was the second largest US IPO of a Chinese company, after Alibaba.



NEW



### Logistics

These brands organized the package delivery business in China, which had been fragmented and traditionally the domain of individual couriers. The industry growth forecast is positive because e-commerce is expanding into lower tier cities and international markets, as Chinese companies expand abroad, sometimes to support the Belt and Road initiatives of other Chinese companies.

To handle an anticipated surge in overseas business, the logistics brands are developing fleets of aircraft and freighters. Some of the brands are also entering joint ventures to facilitate

international business. To extend beyond the 51 countries and regions that it now reaches, SF Express plans to partner with UPS.

The brands are automating to improve efficiency and ease the margin pressure that results from running a labor-intensive business in a competitive industry where raising prices is difficult. Some brands raised prices around Singles Day, the Chinese shopping holiday in November, when couriers handled over 330 million packages in a one day, according to China's Post Bureau.



#### LOGISTICS BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
SF Express	14,650	11	NEW	SF Express Co Ltd	Shenzhen	1993	Market-Driven Firm
YTO Express	2,844	36	NEW	YTO Express Group Co Ltd	Shanghai	2000	Market-Driven Firm
Yunda Express	2,603	37	NEW	Yunda Holding Co Ltd	Shanghai	1999	Market-Driven Firm
ZTO Express	2,601	38	NEW	ZTO Express Cayman Inc	Shanghai	2002	Market-Driven Firm
STO Express	1,810	55	NEW	STO Express Co Ltd	Shanghai	1993	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

### Oil & Gas



## PRICE, CAPACITY ISSUES ERODE CATEGORY VALUE

-7%

#### Prospects improve later in the year

The 7 percent decline in the oil and gas category followed two successive annual declines of 6 percent and 15 percent, as the global crude oil price slump continued to pressure the category, which last rose in value in 2015, by 4 percent.

In addition, Sinopec and PetroChina, the two state-owned oil companies ranked in the BrandZ™ China Top 100, contended with overcapacity and competition from independent refineries that have appeared with liberalization of the oil and gas sector.

The state-owned companies improved their financial performance late in 2017, however, because of a combination of rising crude oil prices, better cost controls, and rising domestic consumption in a strengthening economy.

Sinopec, which primarily focuses on refining, experienced rising demand for petroleum products like gasoline and kerosene. PetroChina, a major producer of natural gas, benefited from the government's efforts to abate air pollution with limits on burning coal. Demand for liquid natural gas (LNG) increased dramatically.

Prospects for the oil and gas State Owned Enterprises (SOEs) look promising, as the global price of crude oil strengthens. However, based on circumstances early in the year, Sinopec declined 14 percent in value, and PetroChina increased only 1 percent. Only one other category, telecom providers, declined in value more than oil and gas in the 2018 BrandZ™ China Top 100.



#### OIL & GAS BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
中国石化 SINOPEC	10,667	15	-14%	China Petroleum & Chemical Corp	Beijing	1998	SOE
中国石油 Petrochina	9,634	16	1%	PetroChina Co Ltd	Beijing	1999	SOE

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Personal Care

# RATE OF GROWTH SLOWS IN VOLATILE PRODUCT CATEGORY

-6%

## Politics and premiumization impact sales

Geopolitics and premiumization impacted the value change of a volatile category. After experiencing no change in value a year ago, personal care declined 6 percent in the 2018 BrandZ™ China Top 100 ranking. Two years ago, the category led the ranking in value growth with a rise of 61 percent.

The premiumization and trading-up trends continued to rouse consumer interest in skin care and the makeup, benefiting both Chinese and multinational brands. Consumers not only purchased more expensive, higher-end merchandise, they chose brands that offered elaborate, multi-step skincare systems.

Between 2014 and 2016, China's market for make-up grew 25 percent and for skin care 29 percent, according to Kantar TNS. Factors driving the growth included an increase in the number of steps in the average beauty regime. Kantar TNS Korea reported that the most affluent Chinese women, age 20 to 39 in Tier 1-to-3 cities, spend an average of \$1,350 on cosmetics annually.

Although personal care remained strong in 2017, the rate of growth slowed for



the first time in four years, according to Kantar Worldpanel, primarily because of political tensions. After China objected to Korea's deployment of the defensive THAAD missile system, fewer Chinese consumers purchased South Korean products, including the high-end personal care brands preferred by Chinese.

Great opportunity remains across the personal care category, particularly in makeup, where the penetration level is under 50 percent, compared with penetration levels over 80 percent in Japan and Korea, according to Kantar Worldpanel. In contrast, toothpaste penetration in China is close to 100 percent.

A toothpaste brand dropped out of the BrandZ™ Top 100 this year, which slowed personal care category growth. The two remaining brands are Herborist, a cosmetic known for its natural ingredients, which rose 13 percent, and Dabao, a maker of herbal cosmetics, which rose 9 percent. Both brands were active online, where an increasing proportion of personal care purchases happen.

个人护理

## PERSONAL CARE BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 Dabao	913	71	9%	Johnson & Johnson	Beijing	1999	Market-Driven Firm
 HERBORIST	557	87	13%	Shanghai Jahwa United Co Ltd	Shanghai	1998	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Real Estate

# STRONG GROWTH RESUMES, BUT WITH REGULATIONS

房地产

## Brands match scale with profitability

Chinese government initiatives to increase affordable housing and stimulate the economy drove a strong real estate category recovery. But government attempts to curtail speculation slowed housing sales in certain cities and depressed the stock prices of some real estate brands. Consequently, the real estate category increased 28 percent in value, but the value changes of the nine real estate brands in the BrandZ™ China Top 100 varied widely, from an 88 percent rise to a 12 percent decline.

Real estate brands adjusted in different ways to this new reality where urbanization continues to create substantial need for housing in major cities, but government moderates

supply to stabilize the market. Generally, real estate brands planned to pursue profitable growth but assume less debt. They also expected to diversify from real estate into related services, such as senior care and tourism facilities.

Evergrande Real Estate, the most valuable real estate brand, framed this change as a strategic shift from scale to scale plus profitability. The brand also diversified into financial services and tourism. In a move designed to fill available space it linked with McDonald's, which will accelerate its expansion deeper into China by locating restaurants on Evergrande property. Evergrande Real Estate led the category in value appreciation, 88 percent, based on significant profit growth.

+28%



## Real Estate










Government regulations to slow the flow of capital overseas impacted the marketing of a Malaysia project, being developed by a consortium of real estate developers including China's Country Garden. However, the brand experienced profit growth based on strong demand for its housing. Country Garden increased 32 percent in brand value.

Longfor increased 29 percent in brand value because of sales in higher tier cities and the diversity of its portfolio, which includes commercial property, like shopping malls, as well as housing. Diverse holdings also enabled R&F Properties to grow 18 percent in brand value. It recently expanded its portfolio

of high-end hotels with a major of acquisition of hotels from Dalian Wanda Group. R&F also purchased office towers in London.

After strong sales early in the year, Vanke experienced a slowdown and government initiatives moderated market expansion. Vanke explored new growth possibilities, including developing urban transportation systems, such as monorails. State-owed Shenzhen Metro is Vanke's largest shareholder. SOHO China increased only 1 percent in value, while Poly Real Estate and Gemdale declined. And one real estate brand, Greenland Group, joined the ranking for the first time.

### REAL ESTATE BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 恒大地产集团 EVERGRANDE REAL ESTATE GROUP Evergrande Real Estate	4,486	24	88%	Evergrande Group	Guangzhou	1996	Market-Driven Firm
 vanke Vanke	3,640	27	6%	China Vanke Co Ltd	Shenzhen	1984	Market-Driven Firm
 碧桂园 Country Garden	2,362	44	32%	Country Garden Holdings Co Ltd	Shunde	1992	Market-Driven Firm
 保利地产   和者筑善 Poly Real Estate	1,977	51	-9%	Poly Real Estate Group Co Ltd	Guangzhou	1992	SOE
 Longfor 龙湖地产 Longfor	887	72	29%	Longfor Properties Co Ltd	Chongqing	1994	Market-Driven Firm
 绿地集团 GREENLAND GROUP Greenland Group	868	73	<b>NEW</b>	Greenland Holdings Corp Ltd	Shanghai	1992	SOE
 R&F 富力地产 R&F PROPERTIES R&F Properties	638	83	18%	Guangzhou R&F Properties Co Ltd	Guangzhou	1994	Market-Driven Firm
 金地集团 Gemdale 科学筑家 Gemdale	601	85	-12%	Gemdale Corp	Shenzhen	1988	Market-Driven Firms
 SOHO CHINA SOHO China	351	98	1%	SOHO China Ltd	Beijing	1995	Market-Driven Firms

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

## Retail



# MOBILE SHOPPING TRANSFORMS RETAIL

+47%

### Integration of online, offline, data, and logistics signals new era for retailers and consumers

On Singles Day, China's annual shopping holiday in November, around 90 percent of Alibaba's transactions happened on mobile devices. That statistic illustrates the mobile transformation happening in Chinese retail, and in part it explains the robust 47 percent increase in category value, following a 22 percent rise a year ago.

But the Singles Day statistic tells only part of the story. Simultaneously, Chinese consumers are purchasing online and offline, and shopping at both at the largest retail brands and some of the smallest. In a sense, Chinese retail is both consolidating and fragmenting. And O2O, the short hand for describing online and offline coordination, does not fully describe the seamless integration of online, offline, data, and logistics, which Alibaba CEO Jack Ma calls New Retail.

To provide seamless integration, Alibaba purchased a recently-launched grocery chain named Hema Xiansheng, whose locations operate both as retail stores and delivery centers for online orders. Customers can shop the store with an app that assists in gaining product details and ordering. In a similar way, JD.com coordinates online-offline activities with its JD Daojia grocery stores.

With Hema, Alibaba aligned with a brand that differentiates from most traditional supermarkets with its emphasis on freshness. Customers can shop for products in physical stores or on mobile devices. They can have fresh food prepared and eat it at a restaurant area in a Hema store or have it delivered to their home. The shopper experience is intended to erase the normal borders of retail and contain the shopper in the Alibaba ecosystem.



Retail

Alibaba purchased a major stake in Sun Art Retail Group, a supermarket company that operates Auchan and RT-mark stores in China. Alibaba also holds stakes in Suning, known for its consumer electronics stores; the Bailan Group, which operates almost 5,000 stores across food and non-food sectors; and Sanjiang Shopping Club Co., a regional food discounter. Along with enhancing the customer experience, these partnerships yield data to increase understanding of the consumer's shopping behavior, which can now be tracked category-by-category, offline as well as online.

Analysis of the data not only helps retailers improve their merchandising and operations, its trove of customer intelligence can be monetized in sales of services and advertising to vendors. In addition, for JD.com, acquisitions of physical locations enable the brand to leverage a key strength, logistics, to become China's largest infrastructure provider. JD.com owns its distribution centers, which bestow a strong advantage when trying to tap the major growth opportunities in lower tier cities. JD.com is making the distribution centers available smaller brands.

Suning, China's largest retail chain of home electronics, illustrates the impact of O2O partnerships. Just a few years ago, in the early days of e-commerce, the brand's more than 1,000 physical stores seemed like expensive and underperforming assets. Suning expanded its range, leveraging its retail space to include fast moving consumer goods (FMCG) that drive more frequent customer traffic. And Suning entered a strategic partnership with Alibaba. Suning gained access to Alibaba's online audience. Alibaba strengthened its association with home electronics and gained more data about customer O2O shopping habits. On Singles Day 2017, Suning was the top-selling store on Alibaba's Tmall site, and Suning's Singles Day online and offline sales increased 163 percent year-on-year.

The other major online retailer, Vip.com, differentiates from its larger competitor by focusing more on lower tier markets. The brand originally offered mostly apparel for women, and developed a low-price reputation for fashion, particularly items that might be off-season. Time-limited deals incentivized customers to buy before the merchandise disappeared. The

brand has leveraged this reputation for sharp pricing and unexpected deals as it has expanded into more categories, including personal care. JD.com, along with internet giant Tencent, invested \$863 million in Vip.com in an alliance to strengthen the three brands competitively, especially against Alibaba.

Not all of China's leading retailers originated in e-commerce. Yonghui Superstores has opened around 100 physical stores per year. It is known for its emphasis on freshness. Last year, JD.com invested in Yonghui to help it advance its O2O strength. Yonghui is constantly innovating and now is developing several distinct formats. Bravo is a premium supermarket filled with quality imported products and positioned to serve middle class consumers in Tier 1 and 2 cities. In some larger cities Yonghui is opening convenience stores with at least two distinctions: an emphasis on freshness; and pick-up and delivery. The final format is more of a restaurant where diners can also be shoppers for groceries or take-away food.

RETAIL BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 Alibaba Group 阿里巴巴集团	88,623	2	53%	Alibaba Group Holding Ltd	Hangzhou	1999	Market-Driven Firm
 京东 JD.COM	14,579	12	50%	JD.com Inc	Beijing	1998	Market-Driven Firm
 苏宁易购 suning.com	3,394	30	0%	Suning Commerce Group Co Ltd	Nanjing	1990	Market-Driven Firm
 唯品会 vip.com	1,875	53	-14%	Vipshop Holdings Ltd	Guangzhou	2008	Market-Driven Firm
 永辉超市 YONGHUI SUPERSTORES	840	76	29%	Yonghui Superstores Co Ltd	Fuzhou	2001	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

Technology

# CHINA PURSUES LEADERSHIP IN TECHNOLOGY INNOVATION



+19%

Brand initiatives focus on content and virtual reality

The technology category, which includes internet platform, content, and hardware brands, increased 19 percent, following a 16 percent increase a year ago. iQiyi, a streaming video site owned by Baidu, led the category in growth, increasing 64 percent in value, reflecting growing demand for quality video and other content, and excitement generated by iQiyi's impending IPO.

In his speech to the 19th Party Congress, President Xi Jinping highlighted the importance of technology innovation as China changes the engine of its economy from production to consumption. Government directives, like Internet Plus, along with Chinese entrepreneurship and openness to trying new things, have driven China's leadership in mobile-centric ecosystems that embrace e-commerce, payment

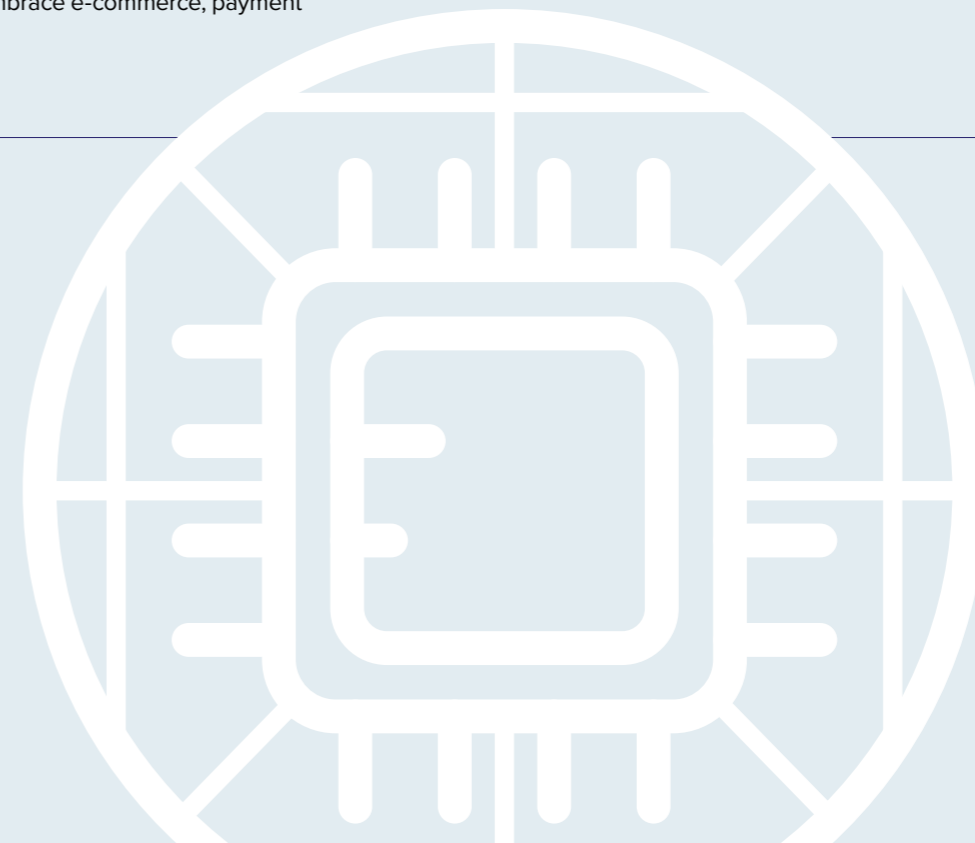
systems, and, increasingly, virtual reality (VR) and artificial intelligence (AI).

Tencent, China's most valuable brand, continued to innovate and leverage its enormous database, which guides the development of products and services with deep insights into consumer attitudes and behavior. The brand rose 25 percent in value, following successive annual increases of 29 percent and 24 percent.

Tencent's profits rose on ad revenue driven mostly by mobile gaming and WeChat (WeiXin in Chinese), with almost one billion Monthly Average Users (MAUs). A planned investment in Yonghui Superstores by Tencent should help both companies enrich their data and enable customers to transact

purchases seamlessly using WeChat. Yonghui operates around 500 stores.

Tencent increased its stake in Snap, the owner of Snapchat, the messaging service. Snap could potentially benefit from Tencent's gaming and advertising expertise, and Tencent could expand its presence in North America. Along with JD.com, the e-commerce brand, Tencent invested in VIP.com, an e-commerce brand with special strength in lower tier markets. The deal is intended to strengthen all three brands competitively against Alibaba. Tencent also launched a successful IPO for its e-book subsidiary, China Literature. And Tencent entered a strategic partnership with a major science publisher, Springer Nature, in an initiative to encourage the work of young scientists.



## Technology










Baidu focused primarily on its search business, with AI initiatives to improve search and the consumer experience on mobile. It entered major AI-focused strategic collaborations with smartphone makers Xiaomi and Huawei. In both instances, Baidu matched its software capabilities with brands whose strengths include hardware and distribution. Huawei, the number three mobile phone producer in the world, after Samsung and Apple, introduced its Mate 10 smartphone. Priced at almost \$1,000 the phone is positioned to compete as a premium, even luxury, item—new territory for a Chinese brand.

iQiyi, the streaming video site owned by Baidu, announced plans for an IPO,

in 2018. The funds would be used to purchase content and strengthen the brand against its competitors, including Alibaba and Tencent. All Chinese video streaming competitors invested in content to grow their audiences and advertising revenue. Tencent, for example, purchased Game of Thrones and entered a deal with the NBA for live streaming basketball broadcasts. Youku entered an agreement with Alibaba, its corporate parent, to create original content. NetEase, an online video games provider, successfully introduced content outside of China and sought content from abroad to launch in its domestic market.

Sina rose 24 percent in value on the popularity of Sina Weibo, its microblogging site. Telecom communications giant ZTE continued to expand internationally. It derived 42 percent of its revenue overseas. The Lenovo company continued to lead the BrandZ™ Top 100 in the percent of business transacted overseas—72 percent. The company sought more acquisitions following its announced purchase of a stake in Japan's Fujitsu Client Computing company, a deal that Lenovo expects will increase its market share in Japan. Flat sales of its devices—laptops, tablets, and phones—depressed Lenovo's brand value.

### TECHNOLOGY BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 Tencent	132,213	1	25%	Tencent Holdings Ltd	Shenzhen	1998	Market-Driven Firm
 Baidu	24,990	5	5%	Baidu Inc	Beijing	2000	Market-Driven Firm
 HUAWEI	24,115	6	18%	Huawei Technologies Co Ltd	Shenzhen	1987	Market-Driven Firm
 NETEASE www.163.com	3,558	29	36%	NetEase Inc	Guangzhou	1997	Market-Driven Firm
 Lenovo	2,593	39	-22%	Lenovo Group Ltd	Beijing	1984	Market-Driven Firm
 IQIYI 爱奇艺	2,187	47	64%	Baidu Inc	Beijing	2010	Market-Driven Firm
 YOUKU	2,104	48	N/A	Alibaba Group Holding Ltd	Beijing	2006	Market-Driven Firm
 ZTE 中兴	1,900	52	35%	ZTE Corp	Shenzhen	1985	Market-Driven Firm
 SINA 新浪	1,116	64	24%	Sina Corp	Beijing	1998	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

## Telecom Providers

# FASTER SERVICE, LOWER FEES SLOW VALUE GROWTH

-12%

### Government opens category to mixed ownership

The three state-owned brands that comprise the telecom provider category implemented the government's digital agenda by expanding their networks and investing in faster 4G service, while lowering prices for data consumption. The telecom providers category dropped 12 percent in brand value, ranking it lowest in year-on-year value change among the 21 categories analyzed in the 2018 BrandZ™ China Top 100.

China Mobile, the country's third most valuable brand, after Tencent and Alibaba, and the world's largest telecom provider by subscribers, has long dominated the category in China. China Mobile had 867 million mobile subscribers at the end June 2017. In contrast, China Unicom had 270 million mobile subscribers and China Telecom had 230 mobile subscribers.

(For context, Verizon leads US telecom providers in number of mobile subscribers with 147 million.)

To fortify the competitiveness of China Unicom and China Telecom against China Mobile, and to accelerate the digitization of China and the rollout of 4G, the Chinese government had allowed the two brands to collaborate on infrastructure development. Now, the government went a step further.



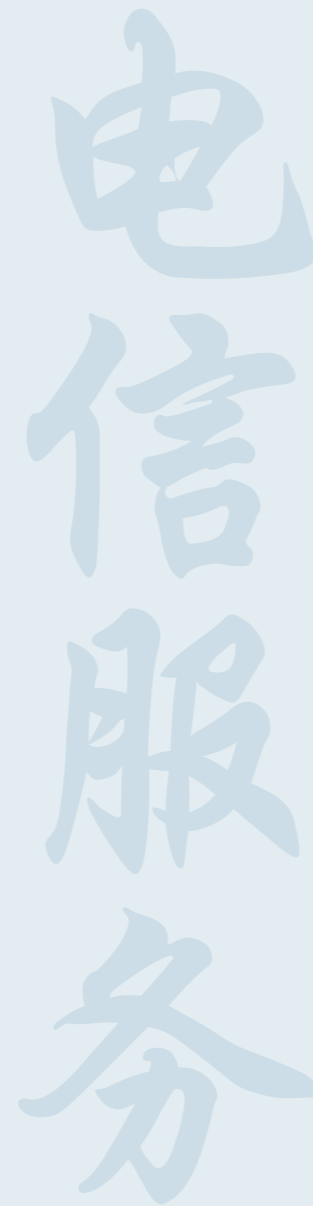
## Telecom Providers

As part of its mix-ownership reforms, and in an effort to strengthen state-owned enterprises (SOEs), the government permitted China Unicom to raise private investment and change its ownership into a state-private mix. The mix is intended to provide the best of both worlds: a clear agenda set by the government, and more profitable and efficient execution because of private-sector influence.




Tencent, Alibaba, and Baidu were among China Unicom's new stakeholders. Soon after taking on the new investors, China Unicom announced it would establish a unit to commercially leverage its consumer data. The brand enjoyed a strong profit rise, driven primarily by its 4G progress.

China Unicom increased 11 percent in value. Meanwhile, China Mobile, which declined 15 percent in value, continued to strengthen its 4G network and invested in developing 5G technology, planning to offer 5G service by 2020. China Telecom expanded its 4G service. It declined 1 percent in brand value.

China's telecom providers also faced growing competition from mobile virtual network operators (MVNOs), that lease, rather than build, network infrastructure. The telecom providers also planned overseas investments to advance the country's Belt and Road initiatives with infrastructure projects in neighboring countries.



### TELECOM PROVIDER BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 中国移动 China Mobile	49,231	3	-15%	China Mobile Ltd	Beijing	1997	SOE
 中国电信 CHINA TELECOM	8,807	17	-1%	China Telecom Corp Ltd	Beijing	2000	SOE
 中国联通 China Unicom	5,109	23	11%	China United Network Communications Limited	Beijing	2009	SOE

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

## Travel Agencies



# VALUE INCREASES SHARPLY AS MORE CHINESE TRAVEL

+57%

### Acquisitions add new capabilities and customers

With a 57 percent increase in value, the travel agencies category was the second fastest-rising category in the BrandZ™ China Top 100, after education. The increase followed a 46 percent rise a year ago when travel agencies and education tied for leadership in category value appreciation. The purchasing power and spending priorities of China's expanding middle class drove the expansion of both categories.

Along with Qunar, a newcomer brand, the online site Ctrip again propelled the travel agency value rise, increasing 36 percent in value on top of a 32 percent increase a year ago. Qunar is a travel booking website that Ctrip acquired from Baidu. Caissa, a newcomer to the travel agency category a year ago, declined in value. It is owned by the same corporate parent as Hainan Airlines.

As the country's economy strengthened, Chinese continued to

travel. According to the China National Tourism Administration, outbound tourism increased 5.1 percent to 62.0 million tourists visits during the first half of 2017, and inbound tourism rose 2.4 percent to 69.5 million trips. Domestic tourist trips rose 13.5 percent for the first half of 2017.

Ctrip, which is partly owned by Priceline, has assembled a broad assortment of services to focus primarily on Chinese travelers. Along with flights, Ctrip can arrange ground transportation, hotels, restaurants, and tourist attractions. It expanded its range with several acquisitions, including Trip.com at the end of 2017, when it also made a major investment in the home booking platform Tujia.com.




With its prior acquisition of Qunar, Ctrip secured its dominant position in China. Air ticket sales more than doubled after the 2016 purchase

of UK-based Skyscanner, which is expected to enhance its site with travel recommendations and reviews from the Trip.com site.

This period of sharp growth also brought increased regulatory attention and competitive pressure. A government ruling required online sites to stop including certain add-on purchases, such as insurance, with air ticket sales. While these add-ons do not amount to substantial value, they are high margin.

Attracted to the massive growth potential of the travel agency business, Alibaba rebranded its travel site, Alitrip, calling it Figgy, and designed it to appeal particularly to young people. Alibaba also entered a partnership with Marriott. Tencent began to leverage China's robust outbound tourism market with WeChat, targeting international advertisers who want to reach Chinese traveling abroad.

### TRAVEL AGENCY BRANDS IN THE BRANDZ™ CHINA TOP 100

Brand	Brand Value US\$ Mil.	Rank	Brand Value % Change 2018 vs. 2017	Company	Headquarters	Year Formed	Ownership
 携程 Ctrip	3,063	34	36%	Ctrip.com International Ltd	Shanghai	1999	Market-Driven Firm
 去哪儿? Qunar.Com	1,159	63	NEW	Ctrip.com International Ltd	Beijing	2005	Market-Driven Firm
 caissa Caissa	355	95	-17%	HNA-Caissa Travel Group Co Ltd	Beijing	1993	Market-Driven Firm

Source: BrandZ™ / Kantar Millward Brown (including data from Bloomberg)

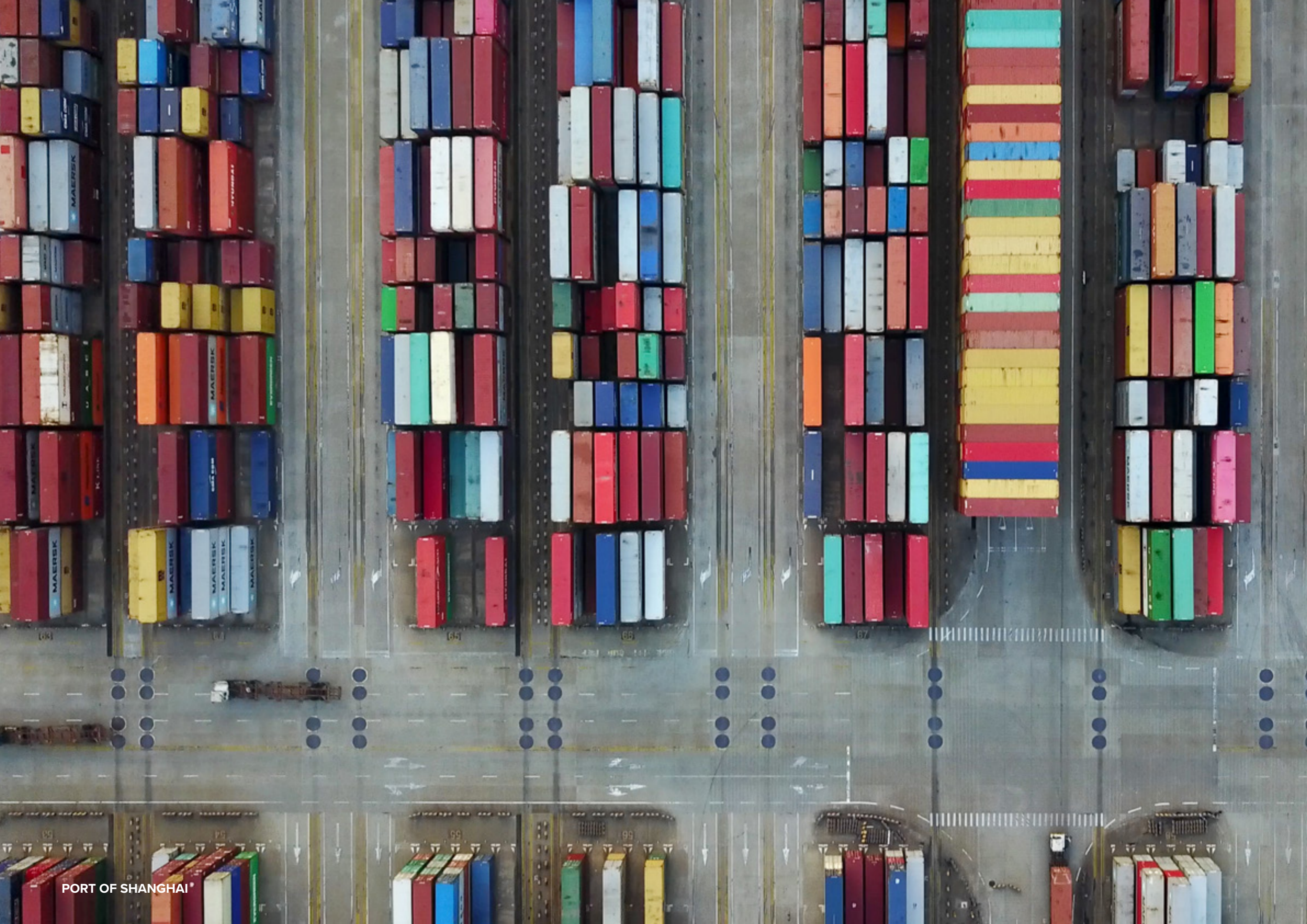


“

MORE MATERIALLY WELL OFF, PEOPLE SEEK...

...PHYSICAL AND SPIRITUAL WELLBEING.

”





## C-SUITE Q&amp;A

Sherry Li, General Manager of Branding &amp; Public Relations, BYD



BYD is a global leader in rechargeable batteries and clean energy transportation, including electric vehicles, and monorails. Sherry Li rose rapidly after joining BYD, in 2005, as secretary to the chairman and president. Since 2016 she has served as General Manager of Branding & Public Relations.

# Innovative tech leader develops electric vehicles, urban monorails

LINKS BRAND MISSION TO NATIONAL DEVELOPMENT GOALS



Sherry Li  
General Manager of Branding & Public Relations  
BYD

## COMPANY AND MARKET

**BYD is such a diversified technology company, what is its unifying vision?**

We call our strategy, “Three Green Dreams.” These dreams, and business areas, are: solar power, energy storage, and electrified transportation. We would like to use these “Three Green Dreams” to achieve a zero-emission ecosystem for the whole society. Just last year we officially launched BYD Skyrail, a monorail system that we developed to address the problems created by China’s rapid economic development. Although this growth helped many people, it produced terrible pollution and traffic congestion. Skyrail is designed to solve these problems, with a more affordable option than subways for smaller cities, both in China and other parts of the world.

**How did the company develop so broadly from a focus on batteries?**

Anticipating the growth of battery technology and the potential for electric cars, Wang Chuanfu, a chemist, established BYD in 1995. The company soon produced a concept electric car but focused on building its battery business. Initial customers included major phone handset suppliers, such as Nokia and Motorola. Because these businesses also needed components, such as keypads, BYD extended its technology expertise beyond batteries. With this initiative, BYD became a leading OEM supplier. To develop electric cars, BYD required a license from the Chinese government, which the company obtained in 2003, with its acquisition of a state-owned automobile company. Critics argued that electric cars still compromised the environment because the generation

of electricity required burning fossil fuels. In response, BYD entered another business—solar power—with a presence at each phase of the supply chain. And the solar business led to the development of solar energy storage stations. Today, we divide the business into four linked industrial areas: IT, automobiles, new energy, and rapid transit.

## GLOBAL GROWTH

**What are the key challenges for Chinese brands expanding abroad?**

A Chinese company entering the global market needs to be cautious about the brand image. Ten years ago, a lot of Chinese manufacturers were first exploring the overseas market. For many Chinese companies expanding abroad the most important factor was the cost-performance ratio. After the

products sold relatively easily, these Chinese manufacturers concluded that the overseas business was quite simple. However, they learned that they could not guarantee good after-sales service. That’s why overseas consumers had questions about products with the Made in China designation.

**How has BYD distinguished itself outside of China?**

We were cautious when we entered the overseas market. We wanted to position BYD as an innovative technology company, different from other Chinese companies. We used our knowhow in high technology to fill gaps in overseas markets. For example, when we first entered the US market, around five years ago, we used electric buses to open the market because we had more advanced

battery technology. Most competitors at the time produced buses with hybrid technologies. We also introduced our electric buses to Europe, Japan, and Singapore. This helped build strong BYD brand awareness. When we first expanded abroad we looked for the products that could best represent the company.

## C-SUITE Q&amp;A

## Sherry Li, General Manager of Branding &amp; Public Relations, BYD

“  
 We use our technology and products to help solve China's problems. Almost all our products are green, which is an important part of social responsibility. Electric vehicles still represent a small part of the total market, but the growth rate has speeded up over the past several years, in part because of BYD.  
 ”

**How does China's Belt and Road initiative affect BYD?**

We believe that the emphasis on Belt and Road in the 19th Congress is a good development. It should help our continued overseas growth. But BYD is already a global company, present on five continents. Over 200 cities outside of China have already expressed interest in our electric vehicles and solar and energy storage. We operate factories and offices in more than 10 countries. Our business is diversified and includes: business-to-consumer, our consumer vehicles in China; business-to-business, our buses and taxis; and we do business-to-government with projects like Skyrail, which are planned for the Philippines and Egypt.

**SOCIAL RESPONSIBILITY**
**How important is social responsibility at BYD?**

In the 19th Congress, President Xi described how the main challenges of China have changed. People in China have a strong desire to pursue a better life. However, prosperity is not yet shared by all Chinese people. And a great disparity exists between those who have and have not benefited from China's development over the past several decades. Our mission at BYD is to use our new energy technology to help people live a better life. Our corporate mission coincides with the national mission.

**How does BYD help advance this agenda of building a more equitable nation?**

We use our technology and products to help solve China's problems. Almost all our products are green, which is an important part of social responsibility. Electric vehicles still represent a small part of the total market, but the growth rate has speeded up over the past several years, in part because of BYD. Today, people often think of electric cars as transportation for the rich. BYD intends to provide affordable electric vehicles for all citizens. For example, in 2010 we introduced our electric taxis and they were met with skepticism. Some people were concerned that would run out of power and block

traffic. Today, electrified public transportation is a national strategy. BYD will play an important role in the transition from gasoline-fueled transportation.

**THE CAR CATEGORY**
**What would be the impact on BYD if Tesla were to enter China without a Chinese partner, as has been reported?**

We respect Tesla. Without Tesla, the electric vehicle era will take longer to actualize. We warmly welcome more electric vehicle players into the Chinese market. The electric vehicle market is booming, but it is still very small. If you take the whole transportation market in China, the electric vehicle portion is less than 2 percent. We would like more players to work together with BYD to increase the electric vehicle market and ensure that more Chinese people can gain access to quality products. BYD is the world's largest maker and seller of electric vehicles. We enjoyed a 13 percent share of the electric vehicle global market last year. Tesla is number two.

**Sales of Chinese brand cars in China exceeded 10 million for the second consecutive year. Do you see that trend continuing?**

I expect that this trend will continue, and sales of Chinese brand cars will grow. The SUV segment is especially

strong. The quality of Chinese brand cars has increased a lot. The top priority of Chinese car buyers is quality. And the quality of Chinese and foreign brand cars is now comparable. And the design of Chinese brand cars has improved.

**A year ago, strong car sales were driven in part by the consumer rush to buy new energy cars before the government reduced its subsidy. How did car sales behave more recently?**

For the first quarter of 2017, sales of electric vehicles in China were soft for two reasons. First, the government subsidy decreased. Second, and the main reason, is that after the government revised the subsidy it did not immediately explain the revised policy. The uncertainty impacted sales. Once the policy was clarified that many Chinese consumers still want to purchase electric vehicles even with lower subsidies. Also, BYD will soon introduce electric vehicles that are comparable in price to gas-powered vehicles.

**BRAND BUILDING**
**How do you market and promote the BYD brand?**

We see brand as a kind of bridge between the company and the citizens. BYD's brand mission is "Technological innovations for a better life." We need to communicate to several audiences. We use three approaches: social, traditional, and PR. Teenagers, our future customers, have new ideas and are very brave about saying what they believe. To reach teenagers, we communicate around hot topics on social media to build an emotional connection. To create awareness among the general public we use CCTV, billboards, and other traditional media. We use various PR tools, to reach opinion leaders, such as industry experts, investors, government officials, and media people. Overseas, we have Leonardo DiCaprio as our spokesperson. As the environment ambassador of the United Nations, he is a strong voice. We share the same vision about protecting the environment and confronting climate change. We collaborated on a campaign about cooling the earth by one degree.

## C-SUITE Q&amp;A

Cindy Wang, Chief Marketing Officer, Uxin Group



Founded in 2011, Uxin Group has rapidly grown to become a leading used car platform in China. Chief Marketing Officer Cindy Wang joined Uxin Group from Uber, where she headed marketing in China. She has worked worldwide for several consulting companies, and was educated in China and the US, where she earned her master's degree from Yale University.

# Customer centric philosophy drives online used car trading platform

OMNI-CHANNEL MARKETING  
CULTIVATES YOUNG GENERATIONS



Cindy Wang  
Chief Marketing Officer  
Uxin Group

## COMPANY AND MARKET

Please describe what it means to be an online used car trading platform with wholesale and retail businesses?

Uxin offers the business-to-business (B2B) used car trading platform, Uxin Auction, and the business-to-customer (B2C) used car trading platform, Uxin Used Car, and other services. By gathering a massive number of buyers and sellers, Uxin Auction has built a more efficient bilateral market with its professional inspection system and delivery logistics system. In B2C, Uxin Used Car transformed the way people buy cars by offering a multitude of services, such as: used car listing, standardized inspection services, an intelligent pricing system, and comprehensive after-sales service.

Uxin Used Car provides an excellent user experience, as well as a strong relationship with used car dealers.

How large is the market for used cars in China? How many used cars are sold annually and at what rate is the market growing?

According to China Automobile Dealers Association, China's used car market has grown at an annual rate of 15-to-20 percent, since 2015. Over 12.4 million used cars were traded in 2017, up by 19.3 percent year-on-year. It is predicted that Chinese used car sales will catch up with new car sales by 2020. For Uxin, achieving sales and other Key Performance Indicators (KPIs) are important, of course, but we believe that they are an outcome of our leadership in educating and serving customers and expanding the market.

How do you expect Uxin's business to change over the next five years? What major opportunities do you see?

With the growth of per capita disposable income, China's third- and fourth-tier cities, as well as rural areas, are becoming increasingly important used car markets. We plan to build more than 3,000 service centers by 2020, covering all county level cities and county towns with populations over 100,000. We are in process of improving our logistics system. In 2017, Uxin launched 10 percent upfront financing product for its used car business, making it more affordable for young people to own their cars.

What most differentiates Uxin from its competition? And what are key lessons that other brands can learn from Uxin's success?

Uxin provides one-stop service to meet the needs of all parties during a trade. This laid the foundation for us to become China's largest online used car trading platform. Uxin owes its success to the trust of consumers and car dealers. So far, we have served over 100,000 dealers and built strong loyalty with them. In order to offer the best user experience, we guarantee honest car reports, pricing, and sourcing, and fully protect consumers' rights and interests. In addition, we focus on building the brand in innovative ways with customer-centric initiatives.

Does the name Uxin have special significance?

In Chinese, Uxin means high-quality and integrity. Uxin is devoted in building an open, fair, just, and transparent used car trading platform with the focus on dedication, integrity, and innovative spirit.

## C-SUITE Q&amp;A

## Cindy Wang, Chief Marketing Officer, Uxin Group

## CONSUMERS AND THE CHINESE DREAM

Who are Uxin's typical customers, both business-to-consumer and business-to-business?

When it began, in 2011, Uxin focused on the trading between car dealers. In 2015, Uxin announced its entry into retail sector. In 2018, consumers can search, and purchase used cars anywhere at any time by browsing Uxin's used car website and mobile app.

Based on your knowledge of Uxin customers, what insights can you share about how Chinese consumers are changing? What are their key concerns when buying a used car?

According to our transaction data, used car consumers are getting younger and younger. The post-90s generation is on the rise. Having grown up with internet, they are willing to purchase cars online and are open to pay by installment. These consumers seek a more cost-efficient solution for used car purchasing with a fixed budget. Top-tier car brands and best-seller car models are also popular in the used car market. Based on the many studies we've conducted to understand the key concerns of Chinese car buyers, we have prioritized the need to be genuine and transparent, core principles of the brand.

In many categories, growth in China is about penetration, especially into lower tier cities. Is that the case with the used car category? And how does Uxin increase penetration in lower tier markets?

Car registration in China's third- and fourth-tier cities as well as rural areas is lower than that in first- and second-tier cities. However, with steady growth of per capita disposable income, the car ownership potential in lower tier areas is increasing immensely. By offering a multitude of full services, including car inspection, financial services, logistics and warehousing, transfer procedure, and after-sales maintenance, Uxin helps the consumers overcome geographical restrictions, and enjoy the one-stop car trading experience, only a click away.

The Chinese Dream is partly about helping people live better lives. How does Uxin help fulfill this dream?

Cars expand the range of people's life and work, and shorten the distance to high-quality opportunities in education, medical services, employment, and tourism, for example. Our vision is to help 300 million Chinese families own their dream car easily, which is highly consistent with the core of Chinese Dream. As car purchasing matures in China, people are more open to used cars and the cost benefits they offer. The

Uxin platform offers a full range of price points to satisfy most purchase desires.

## BRAND BUILDING

Brands across categories are also working hard to integrate their products, data, and logistics online and offline, something that Uxin apparently does well. What advice do you have for brands attempting to achieve seamless integration?

With the arrival of the New Retail era, online and offline integration is becoming a must, and the application of big data is one of the key steps. By integrating transactional and consumer behavioral data, along with product and services, we enhance the collaboration and allocation of online and offline information and resources. These steps improve industry efficiency and benefit consumers by making it easier to buy a car—in one day.

How does Uxin use big data and artificial intelligence to serve its customers better and gain a competitive advantage?

Uxin Used Car is the first to introduce big data and artificial intelligence technology into the industry. Based on the massive authentic transaction data on the platform, Uxin develops

“We understand our customer's journey and adapt our media mix accordingly. We are present at multiple digital touch points to inspire consumers and ignite their interest and desire.”

an artificial intelligence pricing system. During the transaction, consumers online data will be synchronized to retail stores, and sales staff can use the data for accurate recommendation. By leveraging big data and artificial intelligence, Uxin auctions can be done within seconds. With simple and convenient trading procedures, Uxin reduces consumer's cost of decision-making and makes it more efficient.

What is the key message that Uxin attempts to communicate to consumers? And what are the key brand building and promotion elements of Uxin campaigns?

By building a trustworthy brand image we achieve our promise of connecting consumers with their dream car. To achieve this promise, Uxin implements omni-channel marketing campaigns, including variety show sponsorship and film product placement, to integrate our used car trading platform into the consumers' new lifestyle.

What media mix do you use to communicate the Uxin brand? And how has that changed over time?

In this low-frequency marketplace, engagement strategy is necessary, and we take advantage of an inherent human desire for staying up-to-date. We understand our customer's journey and adapt our media mix accordingly. We are present at multiple digital touch points to inspire consumers and ignite their interest and desire. For example, in 2017 we adopted brand content for the well-known, anti-graft TV drama *In the Name of People*. Our brand communication also pays attention to creative integration of content and media, such as with the film product placement in *Transformers 5: The Last Knight*.

How does Uxin customize the media and message according to audience (age, gender, urban/rural)? And how do you integrate the messages across audiences/channels?

Uxin adopts an omni-channel marketing strategy. In order to attract the Post-80s and Post-90s generations, Uxin sponsored *Running Man*, *The Voice of China* and other TV variety shows. To highlight how used car purchasing is environmentally responsible, we invited Leonardo DiCaprio to serve as brand spokesperson. We also adopted a digital marketing mix with creative ways to deeply engage consumers in social media sites, such as Weibo, WeChat, where most of post-80s and post-90s generations of consumers are gathered. Despite differences in audience, channels and methods of brand communication, the core value of the Uxin brand is consistent: “Connecting you and your dream car.”

## C-SUITE Q&amp;A

Tony Yang, Senior Vice President, Alibaba Digital Media & Entertainment Group



Youku is a leading digital and cultural entertainment platform in China. Since 2015, it has been part of Alibaba, the giant e-commerce and social network ecosystem. Mr. Yang Zheng (Tony), the Senior Vice President of Alibaba Digital Media & Entertainment Business Group, focusing on creating and marketing innovative digital content to accelerate the growth of China's entertainment industry.

# Video platform delights viewers with top quality cultural content

## WILLING TO PAY FOR QUALITY, CONSUMERS EMBRACE MEMBERSHIP MODELS



Tony Yang  
Senior Vice President  
Alibaba Digital Media &  
Entertainment Group

### COMPANY AND MARKET

#### How do you define the core mission of Youku?

People are spending more and more time on the internet, and nearly half of it is spent on digital entertainment. Our mission is to create a holistic digital entertainment experience that helps young people in China achieve greater happiness through visual, auditory and kinesthetic experience. Digital entertainment reflects and shapes how young people see the world and thus we believe we shoulder an important mission to help make entertainment for young people more positive.

#### How does Youku fit with Alibaba?

Youku is one of the two core platforms of Alibaba's digital entertainment group, which is available for mobile, PCs, and over-the-top devices (OTT). Youku offers various content formats including, but not limited to, Youku original content, licensed content, live shows, and virtual reality.

#### How is Youku content changing to keep up with evolving viewer interests and attention spans?

Chinese consumers' demand for content is experiencing a shift from volume to quality. Youku is driving the escalation of both quality and volume of content consumption, and continuously improving the content quality and the ecosystem of China's entertainment industry. Youku put forward the concept of the "super episode," which depends on the highest quality production values. We believe that in the future, the boundaries between online drama series and TV series will gradually disappear.

#### Can you provide some specific examples, please?

Youku divides drama series into three categories for different target audiences, broadcasting media and business models. These include: (1) prime time TV series focused on family happiness, (Revenue: primarily advertising); (2) super TV series, mainly broadcast on the internet and possibly in movie theaters (Revenue: advertising and membership); and (3) internet exclusives based on viewer demand, targeting primarily young people (Revenue: membership).

#### What changes do you anticipate in 2018?

We believe that in 2018 online variety shows will enter the blockbuster era, as development accelerates and polarizes into a dumbbell effect, with expanded variety of content for both mass and targeted audiences.

## C-SUITE Q&amp;A

**Tony Yang, Senior Vice President, Alibaba Digital Media & Entertainment Group**

“ People are more and more willing to pay for good content. Membership models continue to expand with the introduction of excellent content and exclusive member opportunities. ”

## BRAND BUILDING

**In this growing and competitive market, how does Youku differentiate from competitors like iQiyi and Tencent Video?**

We believe that the future of the entertainment industry depends on the combination of content and technology—a mixed model of Hollywood and Silicon Valley. We do not think and act as a simple video content platform. We operate Youku in the context of the Alibaba ecosystem, which is an important competitive advantage. Over the past year, taking advantage of Alibaba's technology

expertise, Youku made a series of improvements to the user experience, enabling users to have a smoother high-definition viewing experience.

**How do you recommend that companies can best use video to build their brands?**

As with all their viewing, consumers want to see brand content with a better story, more resonating emotions, and more sophisticated production. Brands can also make the consumer video experience richer and more innovative. Viewers can interact with brand content from a single screen or multiple screens.

## CONSUMERS AND THE CHINESE DREAM

**How are Chinese consumers changing in the videos they watch, and how and when they watch them?**

People are more and more willing to pay for good content. Membership models continue to expand with the introduction of excellent content and exclusive member opportunities. It is estimated that by 2019, user payment will account for 38 percent of total video industry revenue.

“ Chinese consumers' demand for content is experiencing a shift from volume to quality. ”

“ We believe that the future of the entertainment industry depends on the combination of content and technology—a mixed model of Hollywood and Silicon Valley. ”

**A premiumization trend today crosses many categories. How does it affect Youku?**

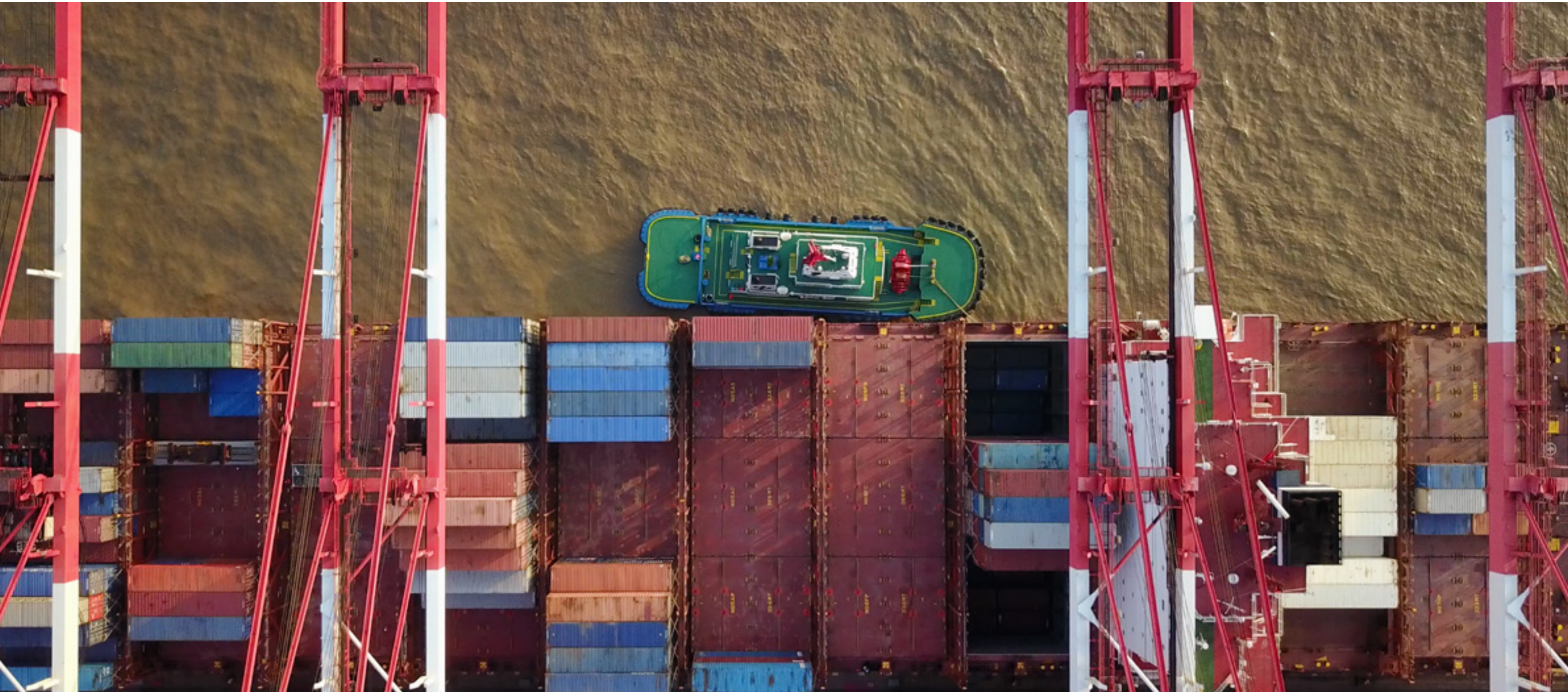
Youku plans to lead the revolution of digital entertainment industry, and to truly become young people's "first and must go" place for digital entertainment content and experience. As consumers in China are also pursuing "quality" and "branding" of content itself, Youku pioneered the concept of super episodes with film production quality. The success of these series confirms our belief that the market is hungry for high-quality content.

**The successful miniseries *The Great Shokunin* suggests there is a growing appreciation for Chinese craftsmanship (as a balance to modern materialism). What are the most popular genres and what trends are driving their popularity?**

A program succeeds because it satisfies the user's emotion and makes others think that user has aesthetic good taste. On the other hand, young people are also looking for more knowledge. Viewers are looking for a benefit for their time invested—the pleasure of listening to an interesting conversation, or watching beautiful scenery, or learning about history, for example.

**The Chinese Dream is in part about restoring China to its historic stature as a global leader. Is Youku active overseas? Does it have international ambitions, and if it does can you please elaborate?**

The cultural industry is undergoing robust growth in China, and we believe the export of high-quality content will help people around the world gain a better understanding of the soft power of China. For example, we recently signed an exclusive deal for Netflix to distribute our online drama series *Day and Night* to audiences outside of China. It will be distributed to over 109 million subscribers in 190 countries and regions around the world. We believe Youku can be a pioneer and become a leader in driving this initiative.



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BELT AND ROAD INITIATIVES RENEW...

...CHINA'S SILK ROAD TRADE PREEMINENCE.

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05 THOUGHT

LEADERSHIP

# HISTORIC PERIOD OF NATIONAL REJUVENATION INSPIRES CHINA

## BRANDS PARTICIPATE BY HELPING CONSUMERS FULFILL THEIR DREAMS



Ogilvy is a well-known marketing communications company that offers integrated marketing solutions to clients. Ogilvy was named the Cannes Lions Network of the Year for five consecutive years.

[www.ogilvy.com](http://www.ogilvy.com)



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Shortly after taking power in 2012, President Xi Jinping began talking about the Chinese Dream. The concept has since been discussed at length by government officials, scholars, and journalists all over the world. Defined predominantly as the “great rejuvenation of the Chinese nation,” the Chinese Dream is a more collective, national concept than its individual-focused counterparts in the US or UK. Though less emphasized in official speeches and editorials, the Chinese Dream also carries with it the personal aspirations of 1.3 billion individuals, people striving for material well-being, self-improvement, and purpose.

In his opening address at the historic 19th Party Congress in October, President Xi mentioned the Chinese Dream thirteen times. Among other crucial tasks articulated as the theme of the Congress, Xi noted the mission of “working tirelessly to realize the Chinese Dream of national rejuvenation.” Though the concept can be vague (“the Chinese dream is about history, the present, and the future”), careful analysis of Xi’s speech reveals that utterances of the Chinese Dream were almost always accompanied by declarations about making the country proud and powerful in foreign affairs, or improving lives and growing prosperity in economic affairs.

Brands that move the Chinese nation, families, and individuals closer to realizing the Chinese Dream will be viewed favorably by policymakers and consumers alike. As China enters the “New Era of Socialism with Chinese Characteristics,” it is vital to understand what the Chinese Dream means for those brands and how they can realize their own Chinese Dream.

### PRIDE AND POWER: The foreign affairs dream

According to Xi, the future “will be an era that sees China moving closer to center stage and making greater contributions to mankind.” He went on to say that the dream of the Chinese people “is closely connected with the dreams of the peoples of other countries,” making it clear that the Chinese Dream is intended to have a positive impact beyond China’s borders. Though on the one hand China is becoming assertive in global politics and rapidly modernizing its military, China also envisions playing an influential role combating climate change, advancing peace-keeping efforts, and becoming an innovative leader in the technologies of the future. All of this reflects the already pervasive sense across Chinese society that China has arrived on the world stage, and is only going to continue its growth.

Brands must consider how they help China become more proud and

powerful, how they can contribute to Chinese soft power and strengthen perceptions of China overseas. China is transitioning from the factory of the world to a center of innovation, but much of the world still views Chinese brands as copycats and Made in China as an unenviable label. To be successful in the new era and help realize the Chinese Dream, brands must help change this perception. To do so they should partner with and hire in-market locals as well as invest in market research. This will help them understand perceptions of China, their industry, and their brand in different markets and mold their communications strategy accordingly. They must understand the local landscape overseas by identifying key stakeholders and getting their buy-in, not just from government but from across civil society. They should build partnerships with local brands and organizations to nurture trust and collaboration.

## The Chinese Dream

“As brands think about how to define their value proposition in the new era, they would be well advised to consider how they improve people’s lives qualitatively. The traditional quality of life indicators like health, education, and the environment will remain paramount for years to come.”



Above all, they should think long term about their brand’s mission, leverage their company’s expertise to create real social benefits, and communicate with the local market through effective storytelling. This will not happen overnight, but the momentum is there and if brands can earn the trust of overseas markets, they can gradually build influence and help change the perception of China. As they do, they will contribute to the pride and soft power associated with the Chinese Dream. Foreign brands that partner with Chinese brands, and facilitate the dialogue between Chinese brands and foreign markets will also see great benefits in the new era.

### PROSPERITY AND BETTER LIVES: The economic dream

In the new era, Xi is focusing on quality of growth over quantity. To realize the Chinese Dream, Xi stated, China must “help people realize their aspirations for a better life.” He continued to de-emphasize hard quantitative growth targets in place of soft qualitative targets, emphasizing “quality development.” As brands think about how to define their value proposition in the new era, they would be well advised to consider how they improve people’s lives qualitatively. The traditional quality of life indicators like health, education, and the environment

will remain paramount for years to come. Brands that can make health and education more affordable, accessible, and personalized will be highly valued in the new era.

While material wealth in the form of homes, cars, and other products are still essential to a better life, Chinese are increasingly finding wealth in other areas, such as spending more time with family and friends, travel and other unique experiences, and health, fitness, and well-being.

What precisely a better life means will vary tremendously based on where in life and where on the socioeconomic

ladder consumers are. Brands should think about how they segment the market and the benefits they bring to different groups. To understand what a better life means to different segments, brand must stay close to the market with research and new insights. Chinese consumers’ needs and wants are constantly changing. They get bored quickly and are always looking for new and unknown products and experiences. Chinese consumers are demanding higher quality. They are young, active, and upwardly mobile. They expect convenience in everything from meal delivery to financial services. The brands that facilitate the discovery and delivery of a better-quality life will be well positioned to succeed in the new era.

“China is transitioning from the factory of the world to a center of innovation, but much of the world still views Chinese brands as copycats and Made in China as an unenviable label. To be successful in the new era and help realize the Chinese Dream, brands must help change this perception.”



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E-COMMERCE EXPANDS ACCESS TO THE GOOD LIFE,

BUT ADDS LAST-MILE LOGISTICAL CHALLENGES.

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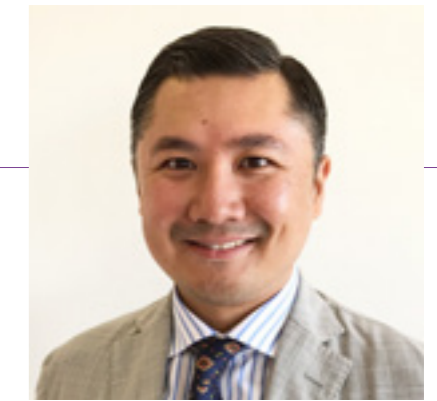
# CHINA'S TECH ENTREPRENEURS LOOKING ABROAD FOR OPPORTUNITY

ONCE SEEN AS A COPYCAT NATION, CHINA IS BECOMING THE COPIED

## KANTAR CONSULTING

Kantar Consulting is a specialist growth consultancy. With over 1,000 analysts, thought leaders, software developers and expert consultants we help clients develop and execute brand, marketing, retail, sales and shopper strategies to deliver growth.

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Over the past three decades, China has experienced a remarkable transformation from a poor, largely agricultural economy to the world's industrial powerhouse and second-largest economy. China achieved double-digit economic growth with an industrious, low-wage labor force and continuing export expansion. Economists classified China's economic growth model as investment- or export-driven. In the wake of the last global economic downturn, the Chinese shifted from this growth model to a more consumption- and service-led model that aims to help sustain the country's growth, at a slower rate, over the next decade and beyond.

The "New Normal" economic policies introduced after 18th Congress of the Chinese Communist Party, in November 2013, have created growing demand for consumer goods and services in an increasing urban and middle-class population. An "Internet Plus" directive, introduced by the government to accelerate economic growth, has benefited Chinese digital and technology enterprises. At the end of 2016, China's digital economy was RMB 22.6 trillion (US\$ 3.5 trillion) with 18.9 percent annual growth, according to the official data of China Academy of Information and Communications Technology (CAICT), an organization of Ministry of Industry and Information Technology (MIIT). CAICT also expects China's digital economy to be valued at RMB 32 trillion (US\$ 4.8 trillion), or 35 percent of the GDP, by 2020, before comprising over half of the country's GDP by 2030.

China's booming digital economy today serves as a major engine for the country's economic growth. China's giant internet trio—Baidu, Alibaba, and

Tencent (BAT) are powering China's impressive progress in the digital economy with commercialization of their services from internet search, gaming, media and entertainment, to e-commerce and financial services, and bringing new business model innovation to the world. These three companies individually have 500-to-900 million active monthly users. Outside of China, Baidu, Amazon, and Tencent are still often described, respectively, as Chinese versions of Google, Amazon, and Facebook. This analogy does not adequately capture how these three internet giants are investing in China's digital ecosystem and reshaping consumer society.

### CHINA WAS A TECH COPIER

Starting in the late 1990s, Chinese tech entrepreneurs like baidu.com, sohu.com, and sina.com started copying successful US dot-com businesses. In the past five years, favorable factors combined, enabling China's old copycat entrepreneurs to transform themselves into innovation

powerhouses. These factors include: the fast-growing domestic consumer market, unmatched state-owned service provider capabilities, relatively relaxed regulations, and plentiful venture capital.

The first wave of the internet entrepreneurs inspired a subsequent group of China's top talents to outperform them, with better product features and more robust business models. The many examples include: WeChat, not a singular messaging app, but a platform from social media to payment; Alipay, not a rigid online/mobile money transfer, but an ecosystem that centers around payment; and Weibo, not a simply copy of Twitter, because of its rich contents and algorithm-based feeds; Didi Chuxing, which eliminated Uber from Chinese market with its extensive range of services; and, Meituan-Dianping, a combination of Groupon, Yelp, and your local delivery services.

## Innovation

As a result, China has become equal to the US in product innovation. Unique Chinese innovations enable Artificial Intelligence (AI) technology advances. Examples include: Toutiao (a news app), Mobike (a bike sharing app), and Musical.ly (a lip-syncing and video-sharing app). In market valuation, these Chinese innovator brands have already surpassed their Western counterparts. Undoubtedly, Chinese tech entrepreneurs now lead the world in many emerging sectors, from livestreaming to bike sharing.

And Chinese entrepreneurs now have global ambitions. They are prepared to expand abroad, having succeeded in the world's most competitive and ruthless market, where tech entrepreneurs compete like wrestlers, and learn to evolve very quickly into sophisticated operators who can build impenetrable one-stop ecosystems to protect their businesses.

### NOW, OTHERS COPY CHINA

Now, the innovation story is reversed. We have entered an age when the world is copying China. There are many examples. In the US, Apple copied WeChat when it added ApplePay and interactive features in iMessage. In Southeast Asia, Garena, which listed recently on the New York Stock Exchange, learned from Tencent when it rebranded as Sea Limited to lead in digital entertainment, e-commerce, and digital financial services. And in India, PayTM received funding and guidance from Alibaba to become India's leading digital wallet.

China has become the world's largest e-commerce market, accounting for over 40 percent of global transactions. One-in-three of the world's unicorns (start-ups valued at more than \$1 billion) is Chinese. Chinese cloud providers hold the world record for

computing efficiency. China has successfully transformed its economy from investment/export-driven to consumption/service-led with a trade surplus in digital services of up to \$15 billion in 2016. And China has established itself as an undeniable global leader in consumer-oriented digital technologies and disruptive innovation.

Other giants like BAT will continue to emerge. But this list will go beyond digital media and computing, e-commerce and payment services, and more toward FinTech, autonomous vehicles, 3D printing, robotics, drones, and AI ventures. Digital continues to expand, and its major breakthroughs—like smart manufacturing, industrial internet, and the digitalization of traditional industries—will drive China's economic transformation and industrial upgrading.

“ Chinese entrepreneurs now have global ambitions. They are prepared to expand abroad, having succeeded in the world's most competitive and ruthless market, where tech entrepreneurs compete like wrestlers, and learn to evolve very quickly into sophisticated operators who can build impenetrable one-stop ecosystems to protect their businesses. ”

# BRAND BUILDING ACTION POINTS

## 1 GAIN INSIGHT

Learn about Chinese innovation through first-hand experience in China. Chinese tech giants are coming to international markets. Tencent's overseas investments in Tesla, Snap, and Spotify are just the start.

## 2 INNOVATE BUSINESS MODELS

Business opportunities are shifting, not disappearing. It becomes crucial to create and innovate growth strategies based on consumer demands.

## 3 IMPROVE CUSTOMER EXPERIENCE

In the age of the connected consumers, a customer-centric growth model offering an integrated online-to-offline experience creates competitive advantage.

## 4 STRUCTURE FOR CHANGE

The ways we organize our businesses have to match the market's evolution. Relevant operating models, organizational design, skills, and capabilities need to be rebuilt.

## Penetration

# GROWING SALES MEANS ENDLESSLY DRAWING MORE BRAND BUYERS

SUCCESS REQUIRES CONSUMER INSIGHT, ALONG WITH SIX KEY MARKETING FACTORS

## KANTAR WORLD PANEL

Kantar Worldpanel is the global expert in shoppers' behaviour with continuous monitoring, advanced analytics, and tailored solutions. Kantar Worldpanel employs over 3,500 people and operates across 60 countries.

[www.kantarworldpanel.com](http://www.kantarworldpanel.com)



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The key to sales growth is attracting more buyers to your brand—deepening penetration, getting more households in a particular market to buy. Kantar Worldpanel has validated this fact by looking at the correlation between sales changes and different consumer measures for more than 8,000 brands in 19 countries, including China.

To attract buyers to your brand, start by gaining insight about consumer desires and behavior and launch related products. For example, in China today, brands would benefit from introducing premium products that fit with long-term trends that value health, quality, and me-time.

In addition, brands looking to attract buyers should be talking to a wide range of consumers as often as possible in various ways, including: creative media advertising and marketing; presence in physical stores with as many products on shelf as possible; and promotions to get better exposure in store and expand consumption (without discounting too heavily).

But even for brands that do most things right, attracting buyers is never-ending task, as within any given year at least half of the consumers you won last year will leave and most of all your buyers will only buy one time.

To help brands meet this challenge, we reviewed our extensive brand data,

across categories and countries, and identified six key factors that together influence a brand's ability to grow its buyer base: availability, innovation, price, assortment, promotion, and equity. Here are the details:

### 1. AVAILABILITY

Globally, the biggest differentiator between a growing brand and a declining brand is distribution. This is also true in China. E-commerce has enabled many brands to reach audiences beyond key cities, but for most brands it does not replace the benefits derived from expanding presence in physical stores. Food and beverage is still overwhelming bought offline and has strong impulse element in brand and often category choice. China is a huge country with the fastest growth happening in the western and central regions, meaning many areas that might have been considered too difficult to reach or not profitable now offer potential to widen a brand's shopper base.

### 2. INNOVATION

Brands constantly launch new variants in order to try and attract new shoppers. In practice, though, we do not see a strong correlation overall between the percent of sales gained from new products and whether the brand is growing or not. This makes sense when we dive deeper into the data. In China's fast-moving consumer goods (FMCG) market over the last three years, 43 percent of the new SKUs launched from the top brands came from either a new pack size or pack type. Small changes to the current line-up do not result in significant incremental growth, as they do not offer anything new enough to enter into the consideration set of more buyers.

## Penetration



The most reliable way to innovate and gain incremental sales is through offering a more premium product. This is especially true in the snacking and beauty categories, as shown when shoppers are willing to pay more for imported brands and better-quality ingredients. Dairy is also a category with a lot of incremental innovation as a result of trading up consumers through offering new products promising greater health benefits and exciting flavors. These include organic lines, such as ChangQing yogurt from Yili and Mengniu's TLS yogurt, which operates at a price premium and won fans with its durian fruit flavor.

### 3. PRICE

Chinese consumers are trading up their products across most categories in FMCG. In China, brands losing penetration tend to be 20 percent cheaper than average, showing that success is driven by tapping into the premiumization trend. Brands offering products that feed into wider macro trends in the Chinese middle class are more able to command a price premium. One mega trend is health and wellness, and it is expressed in the fast growth of organic and imported food, but also in related habits, such as gym membership and use of fitness apps. Another theme is the desire for small indulgences, where shoppers are looking for high quality treats.

### 4. ASSORTMENT

Having more products on the shelf is a strong way of predicting whether a brand is growing or not. For example, 22 percent of the fastest growing brands in China increased their range size, while only 3 percent of the worst performing did. Although innovation of new flavors and pack sizes does not necessarily lead to brand growth, they can help if you are able to use these offerings to expand the space you have on the shelf. Growing brands are launching SKUs that are more attractive to retailers, to consumers, or to both. While sales share for these innovations are not any greater, these sales are incremental to the brand portfolio, rather than simply substitute sales in the existing range.

### 5. PROMOTION

Applying price discounts or providing extra volume does not lead to long-term brand growth; however, they are an unavoidable part of managing an FMCG brand. Everyone buys on promotion and 46 percent of all FMCG volume in China is sold on deal. The key to getting the best out of promotions is to seek to make them incremental to your brand and also the category. One way to do that is through larger packs and bundles, as these load up shoppers and have the effect of increasing their consumption rates. All categories have some expandability; however, big winners are snacks, ambient dairy, and soft drinks.

One caution for designing your promotional plan: Avoid very large discounts (ideally those over 30 percent) as these can have negative impact on category sales value, and also can be detrimental for the retailer when going above 45 percent off the average price.

### 6. EQUITY

Mental availability—awareness and consideration—still correlate well with brand growth. Increasingly, e-commerce is shortening the path-to-purchase, as the wealth of product information that can be accessed online enables consumers to go from being unaware to being ready to purchase, sometimes in a single sitting. This does not mean that old ways of advertising are obsolete, as many FMCG categories are still purchased offline. And while there is a higher chance of switching to more premium and imported brands, the larger offline players still have strong online sales share.



# BRANDZ™ METRICS PROVIDE LEVERS FOR SHAPING BRAND SUCCESS

RESEARCH CONFIRMS WAYS TO BUILD  
HIGHER EQUITY, PRICES, MARKET SHARE

## KANTAR MILLWARD BROWN

Kantar Millward Brown specializes in advertising, marketing communications, media, digital and brand equity research. With offices in 56 countries, Kantar Millward Brown focuses on building brand strategies.

[www.millwardbrown.com](http://www.millwardbrown.com)



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Consumers in China have never had such rich exposure to brands. The ubiquity of brands and the seemingly indefinite touchpoints that brands can leverage to engage with consumers have provided marketers with exciting new opportunities to craft their marketing campaigns. More importantly, this also means that marketers in China have never had instantaneous access to such rich data generated by these emerging touchpoints.

It is tempting (and relatively easy) to add yet another metric onto your Brand KPI Dashboard, which is accessible at your fingertips. Yet more does not necessarily mean better. Having too many so-called Key Performance Indicators imposed onto a brand will not only make marketers lose focus, but may also result in biasing their decisions to short-term KPIs that appear to be more sensitive, such as CTR (digital click-through-rate), which might in effect be detrimental to the long-term equity of the brand.

More than ever, it is imperative that marketers need to move away from being overly-obsessed with descriptive metrics that tend to tell you “what happened, after it’s happened,” to focus on metrics that matter for the greater success of the brand—the Core Equity Indicators (CEIs).

**MEANINGFUL** What is the purpose of your brand? What does your brand mean to your target consumers? What do you want your brand to be remembered for? These questions should be the ones that will keep marketers awake at night and day.

For most categories, being Meaningful is the strongest driver for building Brand Power, which is Kantar Millward Brown's BrandZ™ metric to measure long-term brand equity.

**DIFFERENCE** Creating a point of differentiation that is meaningful to your consumers will make your brand go a long way. This is particularly important for brands that wish to trade up its target consumers by commanding a premium price.

By integrating our attitudinal survey data with behavioral purchasing data using our shopper panel we showed that brands that are perceived to be different, could command a far higher price point. Brands that can charge more are much more likely to be seen as different.

**SALIENCE** Be the first to mind when it matters. In a world where nobody has time or inclination to think hard about trivial daily decisions, a brand has a better chance of being chosen if it comes to mind more quickly and easily than competitors, making it the obvious and easy choice.

Combining data from two of the world's largest databases (brand equity data from Kantar Millward

Brown's BrandZ™ with behavioral shopper data from Kantar Worldpanel) proves that Salience has a very strong relationship with Volume Share, demonstrating that if a brand comes readily to mind for many different people in the context of many different choice contexts (needs, uses or occasions), then more people will choose to buy it.

This means that future brand growth will come from increasing mental availability among as many people as possible in order to drive penetration which will in turn drive greater mental availability and frequency of purchase.

In a nutshell, to ensure that we have strong brands, both now and into the future, it is critical that we get the earliest possible indicators of what matters for sales success. Faster-moving measures of salience/mental availability can provide early signals of both shorter- as well as longer-term success, and we know that measures of equity correlate with long-term sales. So, measuring the Core Equity Indicators about your brands against the competition will tell you quickly if you are going in the right direction.

KPIs to Brands

# BRANDZ™ TOOLS HELP BUILD BRAND EQUITY

Three measurements of how consumers view brands—Meaningful, Different, and Salient (MDS)—comprise Brand Power, a BrandZ™ metric of brand equity. Brands with strong Brand Power are Meaningful (meet needs in relevant ways), Different (distinctive, even trendsetting), and Salient (come easily to mind).

Although the MDS components work together to drive Brand Power, each is individually important and can produce specific advantages. Brands that consumers see as Different are well positioned to command a premium, for example. Similarly, higher Salience correlates with greater market share.

The proportion of each component's contribution to Brand Power varies by

category. Meaningful is more significant in luxury and fragrances, categories where consumers respond to how brands make them feel. In technology, a category in which brands emphasize superior features, Difference becomes a higher proportion of the MDS mix. When the consumer connection depends mostly on habit, in low involvement categories like dairy, Salience becomes critical.

## PROPORTION OF MDS COMPONENTS VARIES BY CATEGORY

Contribution of Meaningful, Different, and Salient to Brand Power

	Luxury Goods	Fragrances	IT Hardware	Televisions	Dairy	Cooking Oil	Global Average
MEANINGFUL	56%	58%	49%	44%	25%	26%	47%
DIFFERENT	18%	12%	24%	23%	22%	21%	17%
SALIENT	26%	30%	27%	33%	54%	52%	36%

Source: BrandZ™ / Kantar Millward Brown

“It is imperative that marketers need to move away from being overly-obsessed with descriptive metrics that tend to tell you “what happened, after it’s happened,” to focus on metrics that matter for the greater success of the brand.



“Future brand growth will come from increasing mental availability among as many people as possible in order to drive penetration which will in turn drive greater mental availability and frequency of purchase.

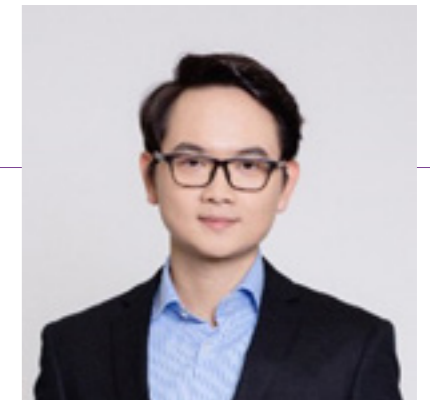
# RETAIL LEXICON LAGS CHANGES IN NEW REALITY OF SHOPPING

## SHIFT AFFECTS ONLINE, OFFLINE MOM AND POP, AND SUPPLIERS

### KANTAR CONSULTING

Kantar Consulting is a specialist growth consultancy. With over 1,000 analysts, thought leaders, software developers and expert consultants we help clients develop and execute brand, marketing, retail, sales and shopper strategies to deliver growth.

[www.consulting.kantar.com](http://www.consulting.kantar.com)



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With the slowdown in the rate of China's economic growth, compared with a few years ago, businesses, especially key retail sectors, are struggling to adjust to this "New Normal." Intensifying competition has forced retailers and manufacturers to reform their business models in line with the core of retail: shopper-oriented service with efficiency.

Purchasing behaviors of key consumer groups are consistently evolving. While people born in the 70's and 80's are largely driving consumption, younger people gradually have become the new priority for brand attention. Meanwhile, the middle-aged and elderly, who have both wealth and leisure time, are more open to new products and services.

Moreover, the popularity of smart phones and increasing 4G availability lead to high mobile internet penetration. Shoppers are "always on," and mobile commerce now accounts for over 85 percent of the total e-commerce gross merchandise volume. The boundary between online and offline is vanishing, and the concept of omnichannel is evolving. Those omni-shoppers want extreme experience: a responsive and empathic shopping experience while always being in control.

With the rise of omnichannel, integration and consolidation between online and offline retail deepened, and became blurred. As online and offline operators moved into each other's spaces we needed a term to describe the changed reality. It was provided by Alibaba Chairman Jack Ma, who labeled the phenomenon New Retail.

### NEW OPPORTUNITIES

In 2017, e-commerce giant Alibaba expanded its physical footprint by acquiring shares of offline retail giants Lianhua Supermarket and Sun Art Retail Group, and investing heavily in Hema supermarket. JD.com enhanced its collaboration with Yonghui Superstores and Walmart, to combine complementary strengths in supply chain, product range, logistics, and shopping experience.

Meanwhile, other retail giants, like CR Vanguard, which primarily operates bricks and mortar stores, have started to invest in their online businesses to fulfill shopper needs for anytime-and-anywhere convenience. Manufacturers, on the other hand, have put great effort into adjusting their channel strategies by customizing their product portfolios, pricing, promotions, communication, and services to fit the characteristics of different online and offline channels. In short, all participants are adapting to New Retail, striving to create the best experiences for omni-shoppers.

Roles of retail channels are also changing. Besides selling, physical stores now emphasize more display, experience, and personalized value-

added services. Kidswant, China's largest maternity and baby specialty retailer, is an excellent example of a retail brand that understands its customers and serves them with a well-considered combination of sales, service, and experience.

### E-COMMERCE BEYOND A SALES CHANNEL

And e-commerce is evolving beyond a sole sales channel. More precisely, Alibaba with abundant resources and great competence, is rapidly expanding from an online marketplace that facilitates selling products, to a comprehensive platform that continues to sell merchandise, but also provides an array of services.

Alibaba describes this initiative as Uni Marketing, the effort to understand the needs and purchasing cycles of every single consumer within Alibaba's ecosystem, both online and offline. In a similar way, JD.com is optimizing the potential advantages from its cooperation with Tencent, to provide brands with integrated marketing backed by the most powerful social media data and tools in the China.

## New Retail



In addition, new channels are emerging in the New Retail context. The O2O takeaway platform—online ordering and physical delivery—has become one of the most frequently-used concepts in China, with ultra-high user stickiness. And those takeaway platforms are more than just service providers of catering deliveries.

O2O takeaway platforms help business partners, such as physical supermarkets, increase online ordering, and rapidly fulfill orders with fast store-to-home grocery deliveries. Leading

players, such as Ele.me and Meituan, are now able to fulfill an order within 30 minutes, meaning that this channel can meet the immediate needs of shoppers, an accomplishment that had eluded e-commerce until now.

### ECOSYSTEMS EMBRACE MOM AND POP

The retail revolution, driven by internet, is even penetrating mom and pop stores, a highly fragmented channel that accounts for almost half China's sales of fast moving consumer goods

(FMCG) from over 600 million outlets across different regions and city tiers in China. In the past, this market could not be well covered and served by brands due to the fragmentation. But now a new business model has emerged. Named Online B2B, this model builds direct connections between manufacturers and local mom and pop stores by moving the procurement online to improve distribution efficiency and upgrade the stores.

This Online B2B model gained great exposure from the participation of Alibaba and JD.com. Besides winning

in this B2B market, the Alibaba and JD.com also aim to bring those offline mom and pop stores and their shoppers onto their ecosystems. In this marriage of e-commerce giants and mom and pop merchants, the most cutting-edge retail and the most traditional retail converge, producing improved merchandise, experience, and efficiency that benefits brands and consumers.

To fully benefit from the New Retail era, manufacturers and retailers need to change their mindset and take a shopper-oriented approach. They

need to put themselves in the omni-shoppers' shoes to observe what they really want from retail, and from each channel—and respond. Roles of physical stores and e-commerce should be redefined, and portfolio, price, promotion, and communication mechanisms should be tailored to each channel accordingly. Today, whether your operation is more like Alibaba and JD.com, Walmart, or a mom and pop operation, success requires a flexible organization, capable of fully leveraging emerging channels and niche touch points to engage shoppers throughout their journeys.



“

PROMISES OF QUALITY AND HEALTH...

...DRIVE SALES AND PREMIUM PRICES.

”

# MOBILE-CENTRIC CHINESE CONSUMERS REMEMBER USEFUL BRAND EXPERIENCES

MOBILE COMMERCE CAMPAIGNS OFFER  
NEW BRAND-BUILDING OPPORTUNITIES

**geometry**

Geometry Global is a brand activation and shopper marketing agency that helps brands thrive in an Omni Channel world.

[www.geometry.com](http://www.geometry.com)



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Depending on which study you read, or which country you may be sitting in, digital media spend has now passed traditional spend, and the gap is expected to continue to widen. And China is ahead of this very sharp curve. Here in China, 95 percent of connected citizens—around 750 million people—access the internet via their mobile device.

And while the numbers are of course significant, we would argue that the importance of mobile being the primary driver of internet connectivity goes beyond advertising. Mobile should be viewed as the cornerstone of marketing activity. Mobile links marketing and sales activity. And the opportunity for using mobile to build consumer engagement and brand building, in proximity to retail, exists in China like nowhere else.

Mobile has been the No. 1 way people access the internet in China since 2012. And the mobile experience, in terms content and communications opportunities, has moved on exponentially since then, driven by smart phone adoption and improved servicing speeds. The big question from a marketing community perspective is, how well are we keeping up with the advances in mobile experience offered by the likes of Tencent's WeChat and the Alibaba Group?

Three major drivers of mobile use in China are: video streaming, gaming, and social media. The need for entertainment during moments of

downtime, such as the daily commute, motivates video streaming and gaming. A desire for personal connections and fear of missing out motivate social media activity. All three mobile uses have created paid media opportunities and produced the shift in investment from traditional to digital media. But a fourth mobile opportunity—mobile commerce—fully emerged in 2017, demonstrated by the 90 percent of consumers who transacted their 11/11 shopping festival purchases on mobile.

## UTILITY DRIVES ENGAGEMENT

To take advantage of this mobile commerce opportunity, look to some of its most successful practitioners. The ecosystems of WeChat and Alibaba have been strongly motivated by consumer utility rather than the desire to create platforms simply to attract "eyeballs" and generate media spending. Instead, consumer engagement, and with it mass adoption, was driven by usefulness. And here is a big point of learning for brand marketers looking to engage China's consumers—Being useful to a consumer offers a more memorable experience than simply showing a

display ad. In fact, the concept of mobile advertising itself is perhaps outdated and too passive. It speaks to the re-use of old formats into a new medium.

How can our brands be more useful? In order to bring creative innovation in line with the habits of China's mobile-centric consumers, we must challenge ourselves to go beyond the typical view of demographics and target profile. It is vital to develop a deeper understanding of consumer behavior and the life moments where our brands can be most useful. This can be about utility or entertainment, but first and foremost we should acknowledge the context of the consumer and be of service to his/her needs. With the mobile device playing such an integral role in the lives of China's consumers the role of creativity is not to seek attention, it is to fit into the requirements being displayed and offer solutions accordingly.

## Mobile Commerce

“ Perhaps more than in any other global economy, it is vital in China that mobile solutions and creativity are the core drivers of marketing strategy. ”

We read recently about the study Unilever and Nestlé conducted in the UK looking at the impact of digital media on in-store purchases. For every £1 spent, the advertisers received £1.94 in sales. Interestingly, there was also a brand lift in awareness and being viewed favorably. It would be interesting to reflect on this data from a China market perspective. The assumption we would make is that with mobile transactions being a prime driver of sales in China (both online and offline) we would recommend building increasingly purchase-motivated mobile campaigns in the future.

As with any market, winning within China's quickly changing media landscape means being consumer-centric. Yet perhaps more than in any other global economy, it is vital in China that mobile solutions and creativity are the core drivers of marketing strategy. The great news is that much of the required infrastructure brands need to develop winning strategies is already available today and mobile is the accelerant they are looking for to ignite growth.

# INNOVATIVE MOBILE ENGAGES CONSUMERS

1

**NEW RETAIL** is one of the most talked-about consumer engagement developments. The term, introduced by Alibaba CEO Jack Ma, describes the next step after O2O, the integration of online and offline shopping. In New Retail, old definitions and borders give way to a seamless system that coordinates e-commerce, physical retail, logistics, and data. For example, Starbucks launched its new Starbucks Reserve Roastery store in Shanghai with an augmented reality app created in collaboration with Alibaba. When shoppers aim their mobile device in the store they receive related information to enhance their in-store experience. An Alibaba app enables shoppers in Hema grocery stores to look up prices and information, place orders for home delivery, and order food from the in-store eateries.

2

**LIVESTREAMING** has become a core component of the e-commerce selling arsenal. And the role of key opinion leaders (KOLs) in this phenomenon has been key. The link of entertainment to sales is not a new global approach, yet the adoption in China is widespread across many categories, from face cream to cars. In just one month during the summer of 2017, 35 million people watched live streaming on e-commerce platform Taobao.

3

**LOCATION BASED SERVICES (LBS)** also have been key to engaging consumers. Consumers are already using such services to support their place-based needs, such as searching for restaurant deals nearby. But marketers can also leverage the services to promote products or retail locations with timely offers or product release information. Estée Lauder ran a campaign targeting Chinese outbound travelers for DFS, the airport retail chain. Leveraging shopper online behavior (travel bookings, search history, make-up preferences), Estée Lauder then utilized LBS to target travelers at their destination with a coupon for giveaway redemption with cosmetics purchases.

4

**CASHLESS PAYMENT** is already at critical mass. Consumers comfort level with going cashless is clear in China, with mobile payments 50 times greater than in the US. The scale of retailer adoption and government support is unparalleled, demonstrated by the speed of retail technology adoption and the emergence of “cashless cities” across China. The mobile experience loop is now complete and China is the world leader.

# RAPID GROWTH, DIGITAL MEDIA ADD PROBLEMS AND POSSIBILITIES

## AGENCIES MUST NAVIGATE CHALLENGES WITH CREATIVITY AND INTEGRITY

**group<sup>m</sup>**

GroupM is the leading global media investment management company for WPP's media agencies including Mindshare, MediaCom, Essence, m/SIX, and Xaxis.

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**It has been a challenging year for brands and their agencies.**

**Brands typically operate in hyper-competitive and low growth markets. Growth is stronger in China, but consumer behavior changes more rapidly and even unexpectedly. And in these difficult circumstances brands are expected to deliver positive short-term results.**

Meanwhile, legacy media continues to be challenged by audience fragmentation and competition from digital and mobile platforms. Even the digital giants are grappling with their direct sales and long-term success.

And sitting in the middle of this difficult market environment—between strained clients and stressed media partners—are the agencies.

The agencies witnessed and worked through the difficulties of 2017. And the challenges have clarified the responsibility agencies have for helping their brands navigate a difficult environment and emerge with success and integrity.

### CHANGING MEDIA

GroupM's latest forecast predicts a more positive outlook for 2018, with global ad investment to grow by 4.3 percent or \$23 billion. Incremental growth in China will reach \$4.3 billion, second only to the US. But media's share war gets even fiercer.

Globally, television investment will grow 2.2 percent in 2018, but traditional TV will lose one share point this year and another next. Data has changed TV advertising. Addressable TV and free over-the-top (OTT) internet access is here and it is growing.

Digital investment growth is expected at 11.3 percent in 2018; its share will increase from 34.1 percent in 2017 to 36.4 percent in 2018, globally. In China, digital has already surpassed TV. Data and technology plays an indispensable role in this process. For every dollar that migrates from legacy to digital media, GroupM estimates 25 cents goes to technology and data.

As consumer attention continues fragmenting across platforms, many see virtue in one of the oldest advertising media, Out-of-Home, which is also becoming more data-informed, digital, and versatile. The combination of location data with purchase, social media and viewing behavior presents an increasingly compelling proposition.

As digital ad spending grows, it is essential for media agencies to become stronger digital marketing players. Driving the move by acquiring a digital agency is a one strategy. However, for a media agency with ambitions, the key is to enhance core competitiveness and build internal capabilities.

Agencies with a vision for the future have invested in themselves, using multi-level transformations of organizational structure, formidable technical teams, and cutting-edge services to create their own marketing "weapons." In today's fragmented,

diversified marketing environment, it is more important than ever for agencies to have the capability of providing integrated services.

### MARKETPLACE INTEGRITY

A well-developed digital media is a two-edged sword. It makes mass and scalable marketing possible but also causes the existence of invalid traffic and risks, which pose a threat to brand reputation and market order.

The positive side is that we can adopt and invent technology quickly in China, we can learn from the mistakes that the rest of the world has made and avoid them in this market. The challenge that we have is "measurability." How much of the total media businesses are we able to measure and see? In Europe and in the United States, measurability is above 90 percent, so they can control more of a market, but the number in China is much lower. If you can see or understand more of the market, you are able to control the quality in that market.



## Media Standards

Therefore, GroupM China launched its Brand Safety Initiative in June 2017. It focuses on issues including invalid traffic, “viewability,” the opportunity for a brand to be seen, and contextual brand safety. The initiative has won support from multiple parties—including leading advertisers, publishers, tech measurement companies, and China Media Assessment Council—to fight for a safe, credible, and transparent digital marketing environment.

For the past year, we’ve believed that enough is understood and quantified about the issues for advertisers to make informed decisions about the real value of inventory, especially in the field of invalid traffic. Fraud is a crime and we have to get that out of the digital business as soon as we possibly can.

As marketers, in coordination with our publisher partners, we believe agency leadership means operating across the whole media landscape to develop the most integrated campaigns, as well as to help shape standards, measurement, and integrity.

“  
A well-developed digital media is a two-edged sword. It makes mass and scalable marketing possible but also causes the existence of invalid traffic and risks, which pose a threat to brand reputation and market order.

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# LOCAL INSIGHT HELPS REALIZE ONE BELT, ONE ROAD EXPANSION

WITH TECHNOLOGY, IT'S NEVER BEEN EASIER TO BUILD A GLOBAL BRAND



A leading global digital agency, Wunderman combines creativity and data into work that inspires consumers to take action and delivers results for brands.

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The Chinese government's \$4 trillion USD global expansion program—One Belt, One Road—is opening up trading routes not seen since the early days of the Silk Road. With such a massive infrastructural investment, it goes without saying that Chinese brands are expected to follow the lead and take advantage of this amazing trading platform.

Going global for any brand leaving its home turf is tough, but it is especially challenging for Chinese brands that have grown accustomed to their own local market and the continuing expansion of China's growing middle class. And it's not just challenges in different distribution models, the entire global social media landscape is completely different. Western consumers often learn, interact with, and purchase their products differently than their Chinese counterparts.

Competition is fierce abroad for Chinese brands in markets where Western consumers are less likely to switch brand. It's no wonder Chinese brands often enter foreign markets as the low-cost price alternative. A cost brand entry strategy also plays to Chinese brands' long history of controlling the manufacturing chain, but in the long run this isn't profitable.

Chinese brands can always decentralize their marketing and leave

it to local distributors as many do, but what results is often inconsistency of products and services. Thanks to travel, information, and technology, brands are now more global than ever, making consistency vital for business growth and success. Starbucks customers in Beijing will now expect the same cappuccino in Brussels, and a Huawei P10 should make you feel cool, whether you're in Spain or Shandong.

For Chinese brands to remain consistent, they have to work harder to control their brands' image, message, price, and promotions. The good news is that technology allows for automation and reporting visibility that aids in control, all happening from a central source. Real time data from CRM platforms and web traffic make it a viable solution to ensure supply chain and customer connections are visible from anywhere. Agencies like Wunderman help brands like adidas run 7000 campaigns for 8 brands across 36 different markets, all through a single operating center.

Global social media can also be centrally created, monitored and measured. Off-shore production hubs can create multiple low-cost content for hundreds of alternatives in different languages. Wunderman currently operates Dell's consistent global marketing efforts creating over 50,000 annual projects across 70 markets. Centralization not only helps consistency, it can also reduce marketing costs. Dell's production costs have been reduced by 25 percent per year for the past six years.

In summary, marketing technology has really made the dream of One Belt, One Road a much closer reality, enabling brands to grow quickly and with consistency. But there's still no substitute for local market expertise, and while market automation helps, it doesn't solve everything. Fortunately, WPP's offices in 113 countries are well placed to help Chinese brands connect with the local consumer in the right way.



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CHINESE ELECTRIC CARS AND MASS TRANSIT...

COMBAT URBAN POLLUTION AND CONGESTION.

”



FOSHAN, GUANGDONG

06

RESOURCES

# BRANDZ™ BRAND VALUATION METHODOLOGY

The brands that appear in this report are the most valuable Chinese brands. They were selected for inclusion in the BrandZ™ Top 100 Most Valuable Chinese Brands 2018 based on the unique and objective BrandZ™ brand valuation methodology that combines extensive and on-going consumer insights with rigorous financial analysis.

## INTRODUCTION

The BrandZ™ valuation methodology can be uniquely distinguished from its competitors by the way we use consumer viewpoints to assess brand equity, as we strongly believe that how consumers perceive and feel about a brand determines its success and failure. We conduct worldwide, on-going, in-depth quantitative consumer research, and build up a global picture of brands on a category-by-category and market-by-market basis.

Globally, our research covers over 3.6 million consumer interviews and more than 120,000 different brands in over 50 markets. This intensive, in-market consumer research differentiates the BrandZ™ methodology from competitors that rely only on a panel of “experts,” or purely on financial and market desktop research.

Before reviewing the details of this methodology, consider these three fundamental questions: why is brand important; why is brand valuation important; and what makes BrandZ™ the definitive brand valuation tool?

## IMPORTANCE OF BRAND

Brands embody a core promise of values and benefits consistently delivered. Brands provide clarity and guidance for choices made by companies, consumers, investors and other stakeholders. Brands provide the signposts we need to navigate the consumer and B2B landscapes.

At the heart of a brand's value is its ability to appeal to relevant customers and potential customers. BrandZ™ uniquely measures this appeal and validates it against actual sales performance. Brands that succeed in creating the greatest attraction power are those that are:

### Meaningful

In any category, these brands appeal more, generate greater “love” and meet the individual's expectations and needs.

### Different

These brands are unique in a positive way and “set the trends,” staying ahead of the curve for the benefit of the consumer.

### Salient

They come spontaneously to mind as the brand of choice for key needs.

## IMPORTANCE OF BRAND VALUATION

Brand valuation is a metric that quantifies the worth of these powerful but intangible corporate assets. It

enables brand owners, the investment community and others to evaluate and compare brands and make faster and better-informed decisions.

Brand valuation also enables marketing professionals to quantify their achievements in driving business growth with brands, and to celebrate these achievements in the boardroom.

## DISTINCTION OF BRANDZ™

BrandZ™ is the only brand valuation tool that peels away all of the financial and other components of brand value and gets to the core—how much brand alone contributes to corporate value. This core, what we call Brand Contribution, differentiates BrandZ™.

## THE VALUATION PROCESS

### STEP 1: CALCULATING FINANCIAL VALUE

#### Part A

We start with the corporation. In some cases, a corporation owns only one brand. All Corporate Earnings come from that brand. In other cases, a corporation owns many brands, and we need to apportion the earnings of the corporation across a portfolio of brands.

To make sure we attribute the correct portion of Corporate Earnings to each brand, we analyze financial information from annual reports and other sources, such as Kantar Consulting and Kantar Worldpanel. This analysis yields a metric we call the Attribution Rate.

We multiply Corporate Earnings by the Attribution Rate to arrive at Branded Earnings, the amount of Corporate Earnings attributed to a particular brand. If the Attribution Rate of a brand is 50 percent, for example, then half the Corporate Earnings are identified as coming from that brand.

#### Part B

What happened in the past—or even what's happening today—is less important than prospects for future earnings. Predicting future earnings requires adding another component to our BrandZ™ formula. This component assesses future earnings prospects as a multiple of current earnings. We call this component the Brand Multiple.

It's similar to the calculation used by financial analysts to determine the market value of stocks (Example: 6X earnings or 12X earnings). Information supplied by Bloomberg data helps us calculate a Brand Multiple. We take the Branded Earnings and multiply that number by the Brand Multiple to arrive at what we call Financial Value.



## BrandZ™ Brand Valuation Methodology



### STEP 2: CALCULATING BRAND CONTRIBUTION

So now we have got from the total value of the corporation to the part that is the branded value of the business. But this branded business value is still not quite the core that we are after. To arrive at Brand Value, we need to peel away a few more layers, such as the in-market and logistical factors that influence the value of the branded business, for example: price, availability, and distribution.

What we are after is the value of the intangible asset of the brand itself that exists in the minds of consumers. That means we have to assess the ability of brand associations in consumers' minds to deliver sales by predisposing consumers to choose the brand or pay more for it.

We focus on the three aspects of brands that we know make people buy more and pay more for brands:

being Meaningful (a combination of emotional and rational affinity), being Different (or at least feeling that way to consumers), and being Salient (coming to mind quickly and easily as the answer when people are making category purchases).

We identify the purchase volume and any extra price premium delivered by these brand associations. We call this unique role played by brand, Brand Contribution.

Here's what makes BrandZ™ so unique and important. BrandZ™ is the only brand valuation methodology that obtains the customer viewpoint by conducting worldwide on-going, in-depth and consistent quantitative consumer research, online and face-to-face, building up a global picture of brands on a category-by-category and market-by-market basis. Our research has grown to cover 3.6 million consumers and more than 120,000 different brands in over 50 markets since we first introduced BrandZ™ in 1998.



### STEP 3: CALCULATING BRAND VALUE

Now we take the Financial Value and multiply it by Brand Contribution, which is expressed as a percentage of Financial Value. The result is Brand Value. Brand Value is the dollar amount a brand contributes to the overall value of a corporation. Isolating and measuring this intangible asset reveals an additional source of shareholder value that otherwise would not exist.

#### ELIGIBILITY CRITERIA

The brands ranked in the BrandZ™ Top 100 Most Valuable Chinese Brands 2018 report meet all of these eligibility criteria:

- The brand was originally created by a Mainland Chinese enterprise;
- The brand is owned by a publicly traded enterprise, or whose financials are audited by major global accounting practice and published in the public domain; and
- Bank brands derive at least 20 percent of earnings from retail banking.

## WHY BRANDZ™ IS THE DEFINITIVE BRAND VALUATION METHODOLOGY

All brand valuation methodologies are similar—up to a point.

All methodologies use financial research and sophisticated mathematical formulas to calculate current and future earnings that can be attributed directly to a brand rather than to the corporation. This exercise produces an important but incomplete picture.

What's missing? The picture of the brand at this point lacks input from the people whose opinions are most important—the consumers. This is where the BrandZ™ methodology and the methodologies of our competitors' part company.

#### HOW DOES THE COMPETITION DETERMINE THE CONSUMER VIEW?

Interbrand derives the consumer point of view from different sources like primary research and panels of

experts who contribute their opinions. The Brand Finance methodology employees a complicated accounting method called Royalty Relief Valuation.

#### WHY IS THE BRANDZ™ METHODOLOGY SUPERIOR?

BrandZ™ goes much further and is more relevant and consistent. Once we have the important, but incomplete, financial picture of the brand, we communicate with consumers, people who are actually paying for brands every day, regularly and consistently. Our on-going, in-depth quantitative research includes 3.6 million consumers and more than 120,000 brands in over 50 markets worldwide. We have been using the same framework to evaluate consumer insights since we first introduced the BrandZ™ brand building platform in 1998, which enables historical understanding of changes in brand equity.

#### WHAT'S THE BRANDZ™ BENEFIT?

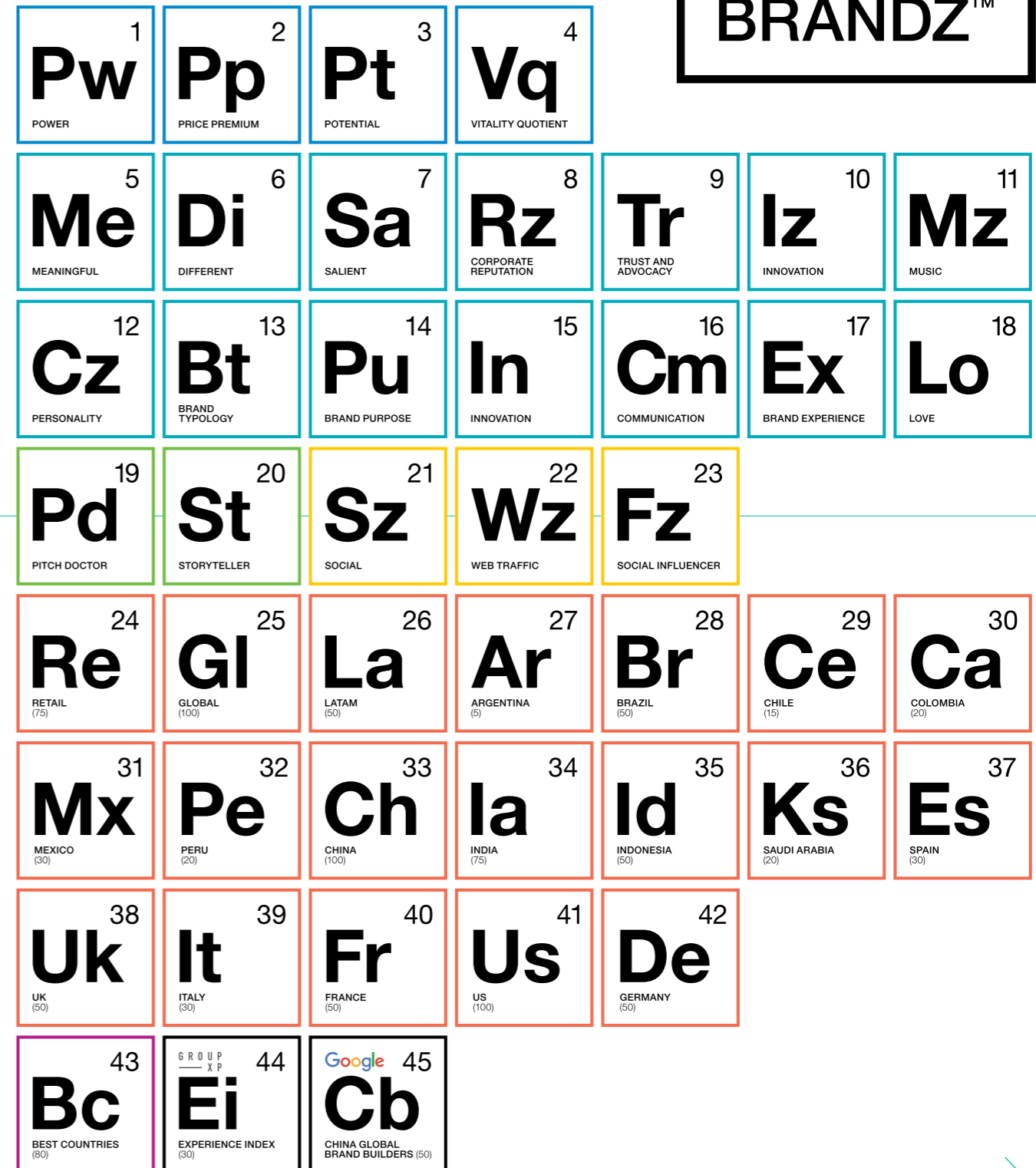
The BrandZ™ methodology produces important benefits for two broad audiences.

- Members of the financial community, including analysts, shareholders, investors and C-suite executives, depend on BrandZ™ for the most reliable and accurate brand value information available.
- Brand owners turn to BrandZ™ to more deeply understand the causal links between brand strength, sales and profits, and to translate those insights into strategies for building brand equity and fueling business growth. Since we have been using the same framework to measure these insights, this enables historical and cross-category comparisons.

BrandZ™ genome mapping  
The science behind our art

One of humanity's greatest recent achievements was successfully sequencing our own genome in 2003, revealing the key building blocks of what makes us each unique.

# NOW BRANDZ™ GIVES YOU THE ABILITY TO DO THE SAME FOR YOUR BRAND OF CHOICE



**BRAND EQUITY**

**BRAND EQUITY BUILDING BLOCKS**

**BRAND STORIES**

**DIGITAL FOOTPRINT**

**BRAND VALUATIONS**

**BEST COUNTRY RANKINGS**

**POWERED BY BRANDZ**

- 25 • BRANDZ™ Genome Product Number
- Gl • BRANDZ™ Genome Symbol
- GLOBAL (100) • Name
- Number of Brands Ranked

The BrandZ™ Brand Genome visualizes your brand's "genome" on a page, with all the genome sequence measures providing an instant overview of your brand.

## THE ULTIMATE TOOL FOR A NEW BUSINESS PITCH AND A LOT MORE

Brand Genome is a unique BrandZ™ tool, exclusive to WPP. It's free, available 24/7 and takes just seconds to create.

Visit <http://genome-measures.wppbrandz.com/> where you will be able to find out about each of the BrandZ™ measures, what they are, how they are calculated and how you can access a report which contains the measure.

To download a sample genome map visit <http://wppwrap.com/bg.pdf>



BrandZ™ genome mapping  
The science behind our art

# BRANDZ™ BRAND BUILDING TOOLS AND PERSONALIZED PUBLICATIONS

Only available via your WPP Agency

**Vq**<sup>4</sup>  
VITALITY QUOTIENT

**Pu**<sup>14</sup> BRAND PURPOSE  
**In**<sup>15</sup> INNOVATION  
**Cm**<sup>16</sup> COMMUNICATION  
**Ex**<sup>17</sup> BRAND EXPERIENCE  
**Lo**<sup>18</sup> LOVE



## Vitality Quotient (vQ)

**vQ introduces a new framework to effectively diagnose a brand's health.**

A high vQ score has a direct relationship with a brand's performance and its ability to grow its brand value. vQ looks at five key areas of a brand's health: Purpose, Innovation, Communication, Brand Experience, and Love. Ideal for new business pitches, brainstorming sessions and creative development. See how your brand performs against its competitors.

**Tr**<sup>9</sup>  
TRUST AND ADVOCACY



## TrustR

**Engaging Consumers in the Post-Recession World.**

Trust is no longer enough. Strong brands inspire both Trust (belief in the brand's promise, developed over time) and Recommendation (current confirmation of that promise). This combination of Trust plus Recommendation results in a BrandZ™ metric called TrustR.

**Rz**<sup>8</sup>  
CORPORATE REPUTATION



## RepZ

**Maximizing Brand and Corporate Integrity.**

Major brands are especially vulnerable to unforeseen events that can quickly threaten the equity cultivated over a long period of time. But those brands with a better reputation are much more resilient. Four key factors drive Reputation: Success, Fairness, Responsibility, and Trust. Find out how your brand performs.

**Iz**<sup>10</sup>  
INNOVATION



## InnovationZ

**Discover real-time innovation and start up ideas sourced via the exclusive Springwise global network of 20,000 spotters.**

InnovationZ packages provide real time access to the latest innovation and startup ideas and inspiration from across the globe to ensure you are up to date and ahead of your competition.

**Cz**<sup>12</sup>  
PERSONALITY

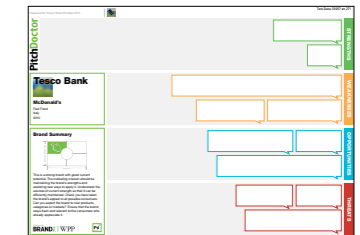


## CharacterZ

**Brand personality analysis deepens brand understanding.**

Need an interesting and stimulating way to engage with your clients? Want to impress them with your understanding of their brand? A new and improved CharacterZ can help! It is a fun visual analysis, underpinned by the power of BrandZ™, which allows detailed understanding of your brand's personality.

**Pd**<sup>19</sup>  
PITCH DOCTOR



## PitchDoctor

**Everything you need to know about your brand on one page.**

Ever wished that you could instantly analyze every one of the 5.1 billion individual data points included in BrandZ™? All the brand metrics, interrelationships, including TrustR, ValueD and then seamlessly use this to pinpoint an individual brand's Strengths, Weaknesses, Opportunities and Threats in one easy to digest page? Well now you can.

**St**<sup>20</sup>  
STORYTELLER



## StoryTeller

**An interactive data visualization tool to allow anyone to build story-led insights.**

Its intuitive interactive nature means that you can see as little or as much of the detail as you wish and navigate seamlessly to content of interest.

**Sz**<sup>21</sup>  
SOCIAL



## SocialZ

**See the real-time social landscape of brands, instantly.**

SocialZ is the social media data visualization product from BrandZ™ that enables you to easily depict, visualize, and present a real-time view of the social landscape surrounding any brand.

**Wz**<sup>22</sup>  
WEB TRAFFIC



## WebZ

**A web traffic story for your brand.**

WebZ helps you understand your brand's digital journey! Through analyzing how traffic is driven to your brand's website, it will help you understand your audience demographics and gain insights into viewer trends.

Reports and Apps powered by BrandZ™

# GOING GLOBAL? WE WROTE THE BOOK

## BrandZ™ The Ultimate Resource for Brand Knowledge and Insight

Our BrandZ™ country reports contain unparalleled market knowledge, insights, and thought leadership about the world's most exciting markets. You'll find, in one place, the wisdom of WPP brand building experts from all regions, plus the unique consumer insights derived from our proprietary BrandZ™ database.

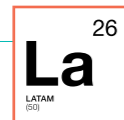
If you're planning to expand internationally, BrandZ™ country reports are as essential as a passport.



**BrandZ™ Top 100 Most Valuable Global Brands 2017**

This is the definitive global brand valuation study, analyzing key trends driving the world's largest brands, exclusive industry insights, thought leadership, B2B trends and a look at emerging brands.

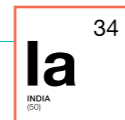
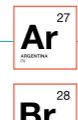
[brandz.com/region/global](http://brandz.com/region/global)



**BrandZ™ Top 50 Most Valuable Latin American Brands 2017**

The report profiles the most valuable brands of Argentina, Brazil, Chile, Colombia, Mexico and Peru and explores the socio-economic context for brand growth in the region.

[brandz.com/report/latin-america/2017](http://brandz.com/report/latin-america/2017)



**BrandZ™ Top 50 Most Valuable Indian Brands 2017**

This in-depth study analyzes the success of powerful and emerging Indian brands, explores the Indian consumer's shopping habits, and offers insights for building valuable brands.

[brandz.com/report/india/2017](http://brandz.com/report/india/2017)



**BrandZ™ Top 50 Most Valuable Indonesian Brands 2017**

Now in its third year, this study analyzes the success of Indonesian brands, examining the dynamics shaping this fast-developing market, and offering insights for building valuable brands.

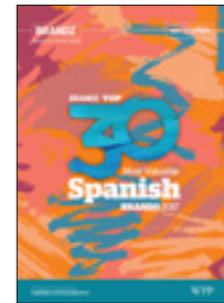
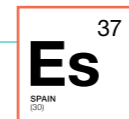
[brandz.com/report/indonesian/2017](http://brandz.com/report/indonesian/2017)



**BrandZ™ Top 20 Most Valuable Saudi Arabian Brands 2017**

As Saudi Arabia embarks on an ambitious program of transformation, this ranking explores the country's most accomplished brands, analyzes their success and identifies the key forces that are driving growth in this market.

[brandz.com/region/saudi-arabia](http://brandz.com/region/saudi-arabia)



**BrandZ™ Top 30 Most Valuable Spanish Brands 2017**

This new report identifies the key forces driving growth in one of the largest, most influential and dynamic markets in Western Europe, built on centuries-old strengths, and adapting to new and challenging conditions.

[brandz.com/region/spain](http://brandz.com/region/spain)



**BrandZ™ Top 50 Most Valuable UK Brands 2017**

As the UK embarks on a tumultuous period of transformation and uncertainty, this debut ranking explores the UK's most iconic brands, successes, and identifies the key forces driving growth in this market.

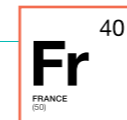
[brandz.com/region/uk](http://brandz.com/region/uk)



**BrandZ™ Top 30 Most Valuable Italian Brands 2018**

Italy is home to some of the most recognizable and most coveted brands on the planet. In this first ever Italian BrandZ™ ranking, we look at how vision, passion, know-how and determination have turned small businesses into national treasures.

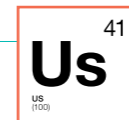
[brandz.com/region/italy](http://brandz.com/region/italy)



**BrandZ™ Top 50 Most Valuable French Brands 2018**

France is one of the largest economies in the EU, seventh largest in the world, and has proved itself as being adept at managing change. This new report explores a landscape in transition, and how its rich heritage and expertise can help define the path for French brands in the future.

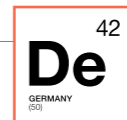
[brandz.com/region/france](http://brandz.com/region/france)



**BrandZ™ Top 100 Most Valuable US Brands 2018**

While America is in the midst of a unique economic and political period, US brands remain focused—and continue to thrive. This report demonstrates how consumers reward brands that evolve and deliver meaning over time, while also welcoming innovative game-changing brands.

[brandz.com/region/us](http://brandz.com/region/us)



**BrandZ™ Top 50 Most Valuable German Brands 2018**

In a world rippling with uncertainty, we have come to regard Germany as the ballast that keeps Europe steady. This inaugural German BrandZ™ ranking looks at the invention and creativity behind the country's leading brands.

[brandz.com/region/germany](http://brandz.com/region/germany)

## Reports and Apps powered by BrandZ™

# LOOKING EAST

## IN-DEPTH BRAND-BUILDING INTELLIGENCE ABOUT TODAY'S CHINA

### The BrandZ™ China Insights Reports

The opportunity to build brands in China is greater than ever. But so are the challenges.

The fastest growth is happening deep in the country, in less well-known cities and towns. Consumers are more sophisticated and expect brands to deliver high-quality products and services that show real understanding of local market needs.

WPP has been in China for over 50 years. We know the Chinese market in all its diversity and complexity. This experience has gone into our series of BrandZ™ China reports. They will help you avoid mistakes and benefit from the examples of successful brand builders.

33  
**Ch**  
CHINA  
(100)



**BrandZ™ Top 100 Most Valuable Chinese Brands 2018**

This report examines the impact on brands as China transforms into a technology innovator and Chinese consumers set the pace for how people worldwide shop and buy.

[brandz.com/region/china](http://brandz.com/region/china)

Google 45  
**Cb**  
CHINA GLOBAL BRAND BUILDERS (50)



**BrandZ™ Top 50 Chinese Global Brand Builders 2018**

Now in its second year, this report profiles Chinese brands looking beyond Asia. It outlines major trends driving brand growth, with insights into the growing influence of Chinese brands at home and abroad.



**Unmasking the Individual Chinese Investor**

This exclusive report provides the first detailed examination of Chinese investors, what they think about risk, reward and the brands they buy and sell. This will help brand owners worldwide understand market dynamics and help build sustainable value.

[brandz.com/article/unmasking-the-individual-chinese-investor-report](http://brandz.com/article/unmasking-the-individual-chinese-investor-report)



**The Power and Potential of the Chinese Dream**

The Power and Potential of the Chinese Dream is rich with knowledge and insight, and forms part of a growing library of WPP reports about China. It explores the meaning and significance of the "Chinese Dream" for Chinese consumers as well as its potential impact on brands.

[brandz.com/article/chinese-dream-report](http://brandz.com/article/chinese-dream-report)



**The Chinese Golden Weeks in Fast Growth Cities**

Using research and case studies, the report examines the shopping attitudes and habits of China's rising middle class and explores opportunities for brands in many categories.

[brandz.com/article/chinese-golden-weeks-report](http://brandz.com/article/chinese-golden-weeks-report)

For the iPad magazine, search Golden Weeks on iTunes.



**The Chinese New Year in Next Growth Cities**

The report explores how Chinese families celebrate this ancient festival and describes how the holiday unlocks year-round opportunities for brands and retailers, especially in China's lower-tier cities.

[brandz.com/article/chinese-new-year-report](http://brandz.com/article/chinese-new-year-report)

For the iPad magazine search for Chinese New Year on iTunes.

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# SPOTLIGHT:



## ON CUBA

Cuba is a market unparalleled both in the Caribbean region and the world. Brand awareness among Cubans is high, but gaining access to them uniquely challenging. Now is the time to plan your Cuba strategy.

[brandz.com/article/spotlight-on-cuba](http://brandz.com/article/spotlight-on-cuba)



## ON MONGOLIA

Mongolia's GDP has grown at rates as high as 17 percent in recent years, encouraging a growing number of international brands to gravitate toward this fast-growth market and make a beeline for one of Asia's hidden gems.

[brandz.com/article/spotlight-on-mongolia-report](http://brandz.com/article/spotlight-on-mongolia-report)

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If you are interested in brands, you need this app to get valuation data and a lot more at your fingertips. It enables you to:

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- » View individual brand profiles and videos
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- » Save your favorite articles

You can access on and offline on any Android or Apple device—just search for BrandZ.



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- » Create interactive graphs for brands you want to compare
- » Access the new media and AV gallery
- » Create and print your own reports
- » Test your brand knowledge with our BrandZ™ Quiz



Visit us at [www.brandz.com](http://www.brandz.com)

## WPP Company Contributors

## THESE COMPANIES CONTRIBUTED KNOWLEDGE, EXPERTISE, AND PERSPECTIVE TO THE REPORT



BAV Consulting is a global consultancy agency specializing in brand marketing strategies. BAV Consulting helps businesses assess, grow, and direct their brands as strategic corporate assets by using the proprietary BrandAsset Valuator (BAV) models and metrics. The agency's brand measurement combines the emotional aspects of brands with the quantitative measures of finances. BAV Consulting has been measuring brands for nearly 25 years, and today over 45,000 brands have been evaluated on 75 metrics, among 900,000 respondents in over 45 countries.

[www.bavconsulting.com](http://www.bavconsulting.com)

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Geometry Global is the world's largest and most international brand activation and shopper marketing agency. We help brands thrive in an Omni Channel world by shaping and changing people's behavior at pivotal moments along the purchase decision journey, with the goal of inspiring people to buy well. With teams in 56 markets around the world, Geometry Global has expertise in physical retail, e-commerce, experiential, branding & design and consultancy.

[www.geometry.com](http://www.geometry.com)

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Grey is a global advertising agency specializing in creative advertising and building brand-consumer relationships for businesses. The agency's expertise extends to providing brand ideas and strategies, brand planning, creative development, and production. With established offices in over 83 countries, Grey operates over five geographical units: North America, Europe, Middle East & Africa (EMEA), Asia-Pacific and Latin America. The agency ranks amongst world's top organizations within the industry.

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GroupM is the leading global media investment management company for WPP's media agencies including Mindshare, MediaCom, Essence and m/SIX, and the outcomes-driven programmatic audience company, Xaxis. Responsible for more than US \$108B in annual media investment by some of the world's largest advertisers, GroupM agencies deliver an advantage to clients with unrivaled insights into media marketplaces and consumer audiences. GroupM enables its agencies and clients with trading expertise, data, technology and an array of specialty services including addressable TV, content and sports. GroupM delivers unrivaled marketplace advantage to its clients, stakeholders and people.

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Hill+Knowlton Strategies is a public relations and integrated communications agency with more than 85 offices around the globe. H+K China is home to over 200 creative strategists, content creators, digital experts, and storytellers experienced in helping clients strengthen brands, reputations, and bottom lines. Whether it is corporate communications, digital communications, or innovative marketing communication campaigns, H+K's in-depth local knowledge, coupled with global reach, ensures the team are well-placed to support Chinese companies going global. The agency's client portfolio includes some of the best known Chinese brands including Huawei, Ping An, Wanda, Envision, HNA, Haier, and TCL.

[www.hkstrategies.com](http://www.hkstrategies.com)

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J. Walter Thompson Worldwide is a global marketing communications company that specializes in providing brand building strategies for businesses. The company was established nearly 150 years ago and currently has more than 200 offices in over 90 countries, employing nearly 12,000 marketing professionals. J. Walter Thompson's service network includes digital transformation, activation & commerce, and intelligence.

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MediaCom is the Content + Connections agency, that specializes in planning and buying across Paid, Owned, and Earned media to help clients optimize their content and connected systems. The company has 125 offices across 100 countries around the world, employing around 7000 people. MediaCom was named Network of the Year 2017 at the Global M&M Awards, at the Festival of Media Global 2017, and was named Campaign Media Network of the Year 2017.

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Mindshare is a global media company that aims to be clients' lead business partner, to grow their business and drive profitability through adaptive and inventive marketing. This is achieved through speed, teamwork, and provocation because in today's world everything begins and ends in media. Mindshare create new things and has fun doing it. Established in Asia in 1997, now Mindshare operates in 116 offices in 86 countries with billings of \$35 billion.

[www.mindshareworld.com](http://www.mindshareworld.com)

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Ogilvy is one of the largest marketing communications company in the world. It was named the Cannes Lions Network of the Year for five consecutive years, 2012, 2013, 2014, 2015 and 2016; the EFFIE's World Most Effective Agency Network in 2012, 2013, and 2016; and AdWeek's Global Agency of the Year in 2016.

[www.ogilvy.com](http://www.ogilvy.com)

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WAVEMAKER is a brand-new media, content and technology agency that evolved from merging MEC and Maxus in June 2017. We are FUTURE MAKERS. Bound by our Purchase Journey obsession, we help clients translate audience behaviors and insights into smart decisions today, for a prosperous tomorrow. We integrate media, content and technology into the best operational system for marketing communication. Individually for each client. For valid decisions, for the agility of brands and for a dynamically-inspiring communication.

[www.wavemakerglobal.com](http://www.wavemakerglobal.com)

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Wunderman is Creatively Driven. Data Inspired. A leading global digital agency, Wunderman combines creativity and data into work that inspires consumers to take action and delivers results for brands. Wunderman has been widely recognized for its work. Forrester Research named us a leader in marketing database operations and a strong performer in customer engagement strategy. Headquartered in New York, we have 9,200 creatives, data scientists, strategists and technologists in 200 offices in 70 markets. Wunderman is a 'team first' culture committed to creating an environment where people come to do the best work of their careers.

[www.wunderman.com](http://www.wunderman.com)

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Y&R is a global advertising and communications that provides analytical knowledge and integrated marketing solutions to businesses for more than 30 years. Y&R specializes in advertising, digital and social media, sales promotion, and brand identity consulting. Y&R is part of WPP, the largest advertising groups in the world.

[www.yr.com](http://www.yr.com)

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## WPP Company Contributors

# KANTAR IN CHINA

Kantar is one of the world's leading data, insight and consultancy companies. Working together across the whole spectrum of research and consulting disciplines, its specialist brands, employing 30,000 people, provide inspirational insights and business strategies for clients in 100 countries. Kantar is part of WPP and its services are employed by over half of the Fortune Top 500 companies.

## KANTAR

In China, more than 1,800 Kantar employees offer expert service to clients through specialized brands including Kantar TNS, Kantar Millward Brown, Kantar Consulting, Kantar Health, Kantar Media CIC, Kantar Worldpanel and Lightspeed. With local offices across China and a global network, we serve local, regional, and multi-national clients.

To learn more about how to obtain valuable insights applicable to your business, contact:

### JOYCE LEE

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Joyce.Lee@kantar.com

You can also keep updated on the latest news and studies from the Kantar network in China, and globally through our portal:

[www.kantar.com](http://www.kantar.com)

## KANTAR CONSULTING

Kantar Consulting is a specialist growth consultancy. With over 1,000 analysts, thought leaders, software developers and expert consultants we help clients develop and execute brand, marketing, retail, sales and shopper strategies to deliver growth. Kantar Consulting owns market leading assets including PoweRanking, GrowthFinder, Global Monitor, Retail IQ, RichMix, XTEL and Marketing, Insights and Purpose 2020. We track 1200 retailers globally, have purchase data on over 200 million shoppers and forecast social, cultural and consumer trends across the world.

[consulting.kantar.com](http://consulting.kantar.com)

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## KANTAR MILLWARD BROWN

Kantar Millward Brown specialize in advertising, marketing communications, media, digital and brand equity research, and work with 90 percent of the world's leading brands. The key area of company's focus is brand strategy, creative development, channel optimization and brand performance. With offices in 56 countries, Kantar Millward Brown understands the importance of both a global and local focus – and understand consumers. We know brands that are meaningfully different capture more volume share, command premiums and grow their value.

[www.millwardbrown.com](http://www.millwardbrown.com)

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## KANTAR TNS

Kantar TNS is one of the world's largest research agencies with experts in over 90 countries. With expertise in innovation, brand and communication, shopper activation and consumer relationships they help their clients identify, optimize and activate the moments that matter to drive growth for their business.

[www.tnsglobal.com](http://www.tnsglobal.com)

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## KANTAR WORLD PANEL LIGHTSPEED

Kantar Worldpanel is the global expert in shoppers' behavior. Through continuous monitoring, advanced analytics and tailored solutions, Kantar Worldpanel inspires successful decisions by brand owners, retailers, market analysts and government organisations globally. With over 60 years' experience, a team of 3,500, and services covering 60 countries directly or through partners, Kantar Worldpanel turns purchase behaviour into competitive advantage in markets as diverse as FMCG, impulse products, fashion, baby, telecommunications and entertainment, among many others.

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Lightspeed is a leading digital data collection specialist, on a mission to help clients discover truth through data. Our 700 employees in 14 countries are passionate about boldly challenging the status quo to find faster, more creative ways of connecting brands and consumers. From modernizing surveys via our Programmatic Gravity Network and LifePoints mobile app, to amplifying the voice of the millennial through VICE Voices, or leveraging our first party panel relationships and patented Honesty Detector Service to find the quality in the quantity of data out there, we deliver the 'buy and why' insights that power today's marketing decisions.

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# WPP IN CHINA

## We help build valuable brands

In Greater China, WPP companies (including associates) generate revenues of \$1.4 billion with almost 13,000 people in Beijing, Shanghai, Guangzhou and many other cities and provinces.

WPP is the world's largest communications services group with billings of US\$72 billion and revenues of US\$20 billion. Through its operating companies, the Group provides a comprehensive range of advertising and marketing services including advertising & media investment management; data investment management; public relations & public affairs; branding & identity; healthcare communications; direct, digital, promotion & relationship marketing and specialist communications. The company employs over 200,000 people (including associates and investments) in over 3,000 offices across 112 countries.

To learn more about how to apply this expertise to benefit your brand, please contact any of the WPP companies that contributed to this report or contact:

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For further information about WPP companies worldwide, please visit:  
[www.wpp.com/wpp/companies](http://www.wpp.com/wpp/companies)

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WPP Company Brand Building Experts

THESE INDIVIDUALS FROM WPP COMPANIES PROVIDED ADDITIONAL THOUGHT LEADERSHIP, RESEARCH, ANALYSIS, AND INSIGHT TO THE REPORT



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Geometry



Natalie Babbage  
Kantar Worldpanel



Lyndon Cao  
Ogilvy



Mickey Chak  
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Anthony Wong  
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Patrick Xu  
GroupM / WPP



Han Yang  
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Jason Yu  
Kantar Worldpanel



Wenpeng Zhao  
Kantar TNS



Hi,  
I'm RoZie, the BrandZ™ Chatbot.  
Ask me about brands. I can  
answer your questions—quickly.

RoZie is here to answer all your questions about brands, brand value, client leaders and brand growth.

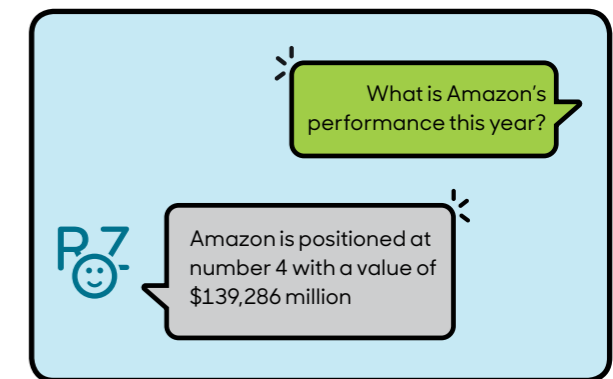
You can ask RoZie questions about the most valuable global brands from the BrandZ™ Global Top 100 2017 report and RoZie will be able to answer them for you, in an instant, by using Artificial Intelligence.

Unlike most chatbots, which are either text-based or voice-based, RoZie can do both.

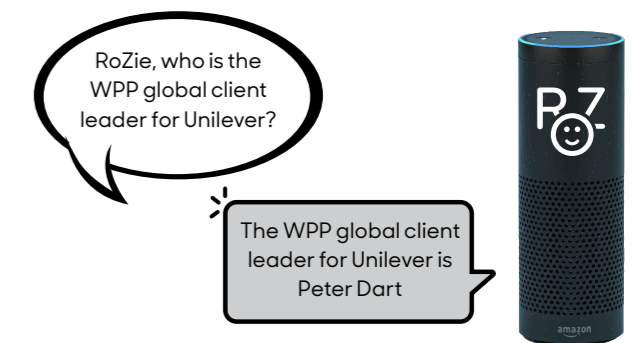
To find out more about RoZie, please visit [rozie.wppbrandz.com](http://rozie.wppbrandz.com) where you will be able to access:

- » The recently launched RoZie text-based chatbot
- » A full list of FAQs, hints & tips and other resources
- » RoZie for Amazon Echo / Dot download instructions
- » Current information about the latest updates

The TEXT-BASED ROZIE can be accessed via [rozie.wppbrandz.com](http://rozie.wppbrandz.com), where you will be able to type a question to get a response.



The VOICE-BASED ROZIE can be accessed by downloading the Alexa skill for your Amazon Echo / Dot device. You will be able to ask a question to get your answer.



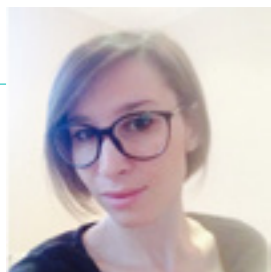
RoZie is constantly learning. Check [rozie.wppbrandz.com](http://rozie.wppbrandz.com) regularly, and RoZie will help you keep your own brand knowledge up-to-date.

## BrandZ™ China Top 100 Team

# THESE INDIVIDUALS CREATED THE REPORT, PROVIDING RESEARCH, VALUATIONS, ANALYSIS AND INSIGHT, EDITORIAL, PHOTOGRAPHY, PRODUCTION, MARKETING AND COMMUNICATIONS

**With special thanks and appreciation to:**

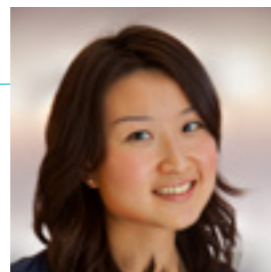
Richard Ballard, Anna Blender, Sarah Cousins, Katherine Dickinson, Kimberley Jane Fitzsimmons, Anthony Marris, Willow Huang, Deyshim Murad, Maggie Peng, Judit Stöckl, Juliana Yeh and Bing Zhang

**AMANDINE BAVENT**

Amandine Bavent is a BrandZ™ Valuation Director for Kantar Millward Brown. She manages the brand valuation projects for BrandZ™. Her role involves conducting financial analysis, researching brands and performing valuations.

**JESSICA CHEN**

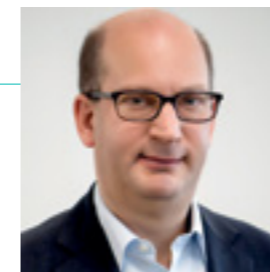
Heading Marketing and Communications for Kantar Millward Brown in China, Jessica is also responsible for the marketing execution of the China BrandZ™ campaign.

**ELSPETH CHEUNG**

Elsbeth Cheung is the Global BrandZ™ Valuation Director for Kantar Millward Brown. She is responsible for valuation, analysis, client management and external communication for the BrandZ™ rankings and other ad hoc brand valuation projects.

**LUCY EDGAR**

Lucy Edgar is the Global Marketing Manager at Kantar Millward Brown where she is responsible for the PR, marketing and communications on the BrandZ™ projects.

**DAVID ROTH**

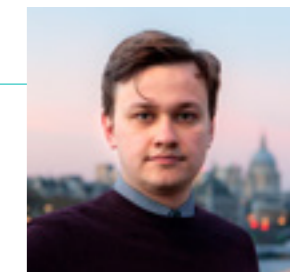
David Roth is the CEO of the Store WPP for Europe, the Middle East, Africa and Asia, Chairman of the BAV Group, and leads the BrandZ™ worldwide project. Prior to joining WPP David was main Board Director of the international retailer, B&Q.

**KEN SCHEPT**

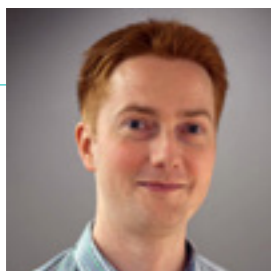
Ken Schept is a professional writer and editor specializing in reports and books about brands and marketing. He helped develop WPP's extensive library of global publications and has reported on the international retail sector as an editor with a leading US business media publisher.

**RAAM TARAT**

Raam Tarat is the Global Project Manager for BrandZ™ at Kantar Millward Brown. He managed production of the BrandZ™ Top 100 Most Valuable Chinese Brands 2018 report, as well as marketing communications for other BrandZ™ projects.

**IGOR TOLKACHEV**

Igor Tolkachev is a part of The Store WPP's EMEA and Asia team and coordinates BrandZ™ worldwide projects and partnerships.

**MARTIN GUERRIERIA**

Martin Guerrieria is Global BrandZ™ Research Director at Kantar Millward Brown and heads the consumer research component of BrandZ™. He is involved in delivering the full suite of BrandZ™ research tools.

**SOPHIA HUANG**

Sophia is an Account Director at Kantar Millward Brown, not only responsible for BrandZ™ China analysis, but also for building a good network with Client Service teams to embed BrandZ™ learnings and case studies to address client questions.

**CECILIE ØSTERGREN**

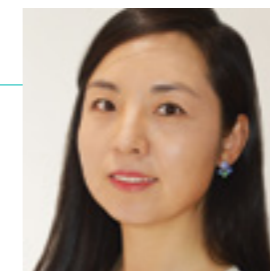
Cecilie Østergren is a professional photographer based in Denmark. Cecilie specializes in documentary, consumer insight and portraits. She has travelled extensively in Europe, China, Brazil and other locations to photograph images for the BrandZ™ reports.

**PAUL REIFFER**

Paul is a multi-award winning British photographer, who has travelled the world capturing people, commercial images and limited edition fine art landscape photography.

**PETER WALSH**

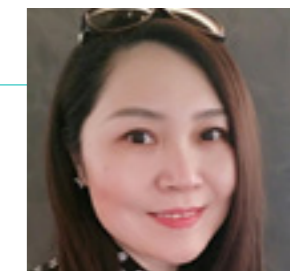
Peter Walshe is Global Strategy Director of BrandZ™ and was involved in the creation of this brand equity and insight tool 20 years ago, and has contributed to all the valuation studies and developed BrandZ™ metrics, including CharacterZ, TrustR, and RepZ.

**DOREEN WANG**

Doreen Wang is the Global Head of BrandZ™ at Kantar Millward Brown, and a seasoned executive with over 18 years experience in providing outstanding market research and strategic consulting for senior executives in Fortune 500 companies in both the US and China.

**MEIMEI WANG**

Meimei is the Marketing Manager of Kantar Millward Brown China, and has worked on BrandZ™ China since 2013, taking charge of PR and brand communications management.

**VIVIAN WANG**

Vivian has been taking care of WPP's corporate communications for China since 2008, responsible for both internal and external comms and other WPP initiatives; building up good relations with the Chinese government, media and key clients, and acting as a platform to enhance communications and cooperation among WPP companies in China.

## The BrandZ™ Brand Valuation Contacts

The brand valuations in the BrandZ™ Top 100 Most Valuable Chinese Brands 2018 are produced by Kantar Millward Brown using market data from Kantar Consulting and Kantar Worldpanel, along with Bloomberg.

The consumer viewpoint is derived from the BrandZ™ database. Established in 1998 and constantly updated, this database of brand analytics and equity is the world's largest, containing over 3.6 million consumer interviews about more than 120,000 different brands in over 50 markets.

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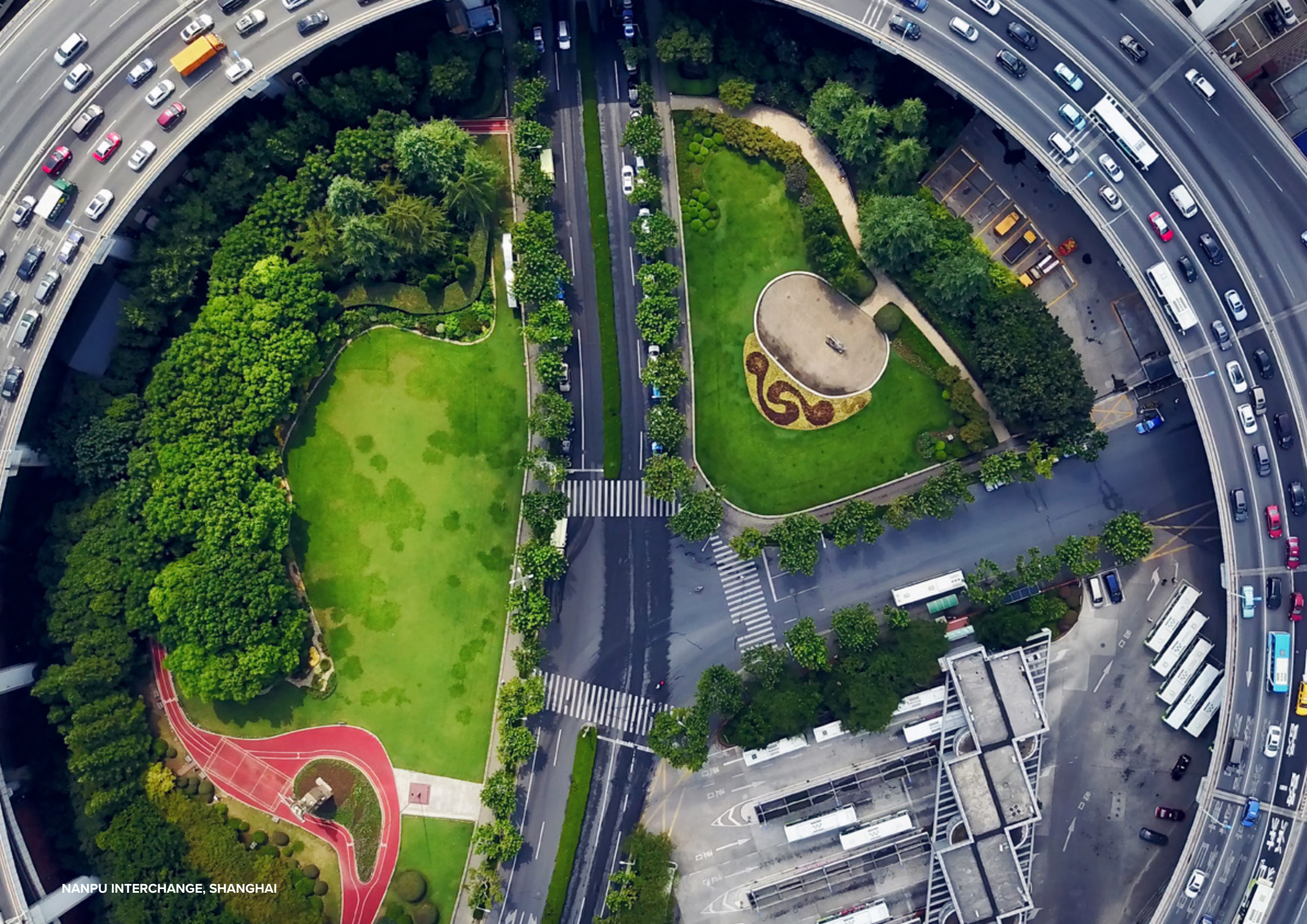
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### Bloomberg

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(For more information, please visit [www.bloomberg.com](http://www.bloomberg.com))





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& **PAUL REIFFER**



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