



FROM SHANGHAI TO THE WORLD

从上海到世界

Emerging Nations Are Brands Too

CZA&D

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China

The case for luxury

From Shanghai to the World

Shanghai has long been cosmopolitan. From the times of foreign imperialism upon the banks of the Huangpu River to the birth of the iconic Qipao dress, the image of China to the world has long been distinctly through the lens of this city.

In recent times however, China been given the opportunity to ‘formally’ brand itself for the first time. Through a varied number of ways, from new retail brands emerging in the country to massive events hosted in its first tier cities, China today is fast rising not just as an economy, but as a brand in its own right.

For a country to become iconic, the journey begins with the individual citizen. It is through the individual’s understanding his or her place in the scheme of things, that they begin to value what sets them apart from others people in foreign lands. It is on that distinction that cultural myths are created, celebrated and branded.

Understanding the Chinese Economy

China’s economic value lies in the country’s vast natural resources. For the last 20 years, China’s economy has been driven by industrialization, manufacturing and factory production. Its asset of land, and its political alliances with Africa have also allowed China a great deal of political power on the global scheme of things. China’s associations with a number of nations the West would rather not deal with (such as Russia, Iran, India and North Korea) have given China’s rising economy good trade agreements to its advantage.

China stands firmly within the BRIC classification of rising economies and enjoys warm relations with each of those nations. China’s ability to deal with politics differently from the West has given it opportunities to engage in Africa’s anarchic political systems with ease. China has been able to tap into Africa and South America’s vast natural resources in a way no Western power is willing or able to do so.

China’s vast human population of 1.3 billion also adds to its natural resource of laborers and its rise through swift industrialization. Its authoritarian style of government also works to its advantage in terms of harnessing resources in an efficient, effective and rapid manner. China is a capitalist society in reality, but retains a strict clout politically. There has been a distancing between economics and politics in the last 10 years. This works to the advantage of the country as a whole as the nation is able to move quickly with direction, purpose and force.

China’s top talents have since moved across the world. Many have taken up roots in Australasia as well as in the West, but they have kept their options open with regards to their homeland, loyalty and citizenship. The Chinese people’s ability to quickly assimilate into positions in engineering, mathematics and sciences, along with their hard

work ethics abroad have given China a projected reach across the world into top universities, governments and businesses.

Globally, China is a veto power on the UN Security Council, and it is part of the two largest economic alliances in the world: G8 / G20 and APEC.

Understanding the Chinese Culture and Mind set

China's cultural mind set and way of life is made up of its vast population of unskilled, uneducated workers, and its large hinterland. As much as these people contribute to the growth of the Chinese economy through working in the vast number of industrial factories across the country, their inability to move up the education or social ladder poses a big disadvantage to the average PRC citizen. China's enforced devaluation of the Yuan in order to keep exports cheap also does not work well for the average PRC citizen, who remains undervalued and underpaid.

As a whole, this results in a lower level of sophistication when it comes to self-actualization of the average PRC worker who lives in a small town in Szechuan Province for example. Unless one lives in Beijing, Shanghai, Guangzhou or Hong Kong, the Chinese National will know little about the world of brands or the purpose it serves in giving identity, luxury or status. It will mean little or nothing to them, least they have no financial ability to purchase anyway.

China's social complexities are deeply rooted in the country's vast diverse population, and the wide variety of dialects, everything from Cantonese and Hokkian in the south to Shanghainese and Pu Tong Hua in the North. Because Beijing controls the vastness that is China, Pu Tong Hua is enforced as the only official language of communication in China. Other than the language barrier, there are of course social differences when it comes to public relations and protocol when dealing with the West. The concept of individualism is one such example that has little meaning in Eastern culture as compared to Western/American culture. Society and Family is perceived to be larger than the self.

The Chinese population remains deeply suspicious about the ruling government but there have been instances when the Nation has rallied together in pride and unity, most publicly seen at the 2008 Beijing Olympics. In many ways, China is very similar to the U.S. in terms of its social, ethnic and geographic make up. The United States is probably the most ethnically diverse population in the world due to its largely migrant based population. Geographically and culturally, the country has everything from Alaska to Hawaii, Puerto Rico, Guam, and of course the 48 Continental States that each have their own culture, accent and customs. The difference would be in the political outlook of the country as a whole. The ability for the U.S. to exist not just as a geographical make up but more importantly as a 'state of mind' is the reason for its success.

People can feel 'American' even when they are half way round the world in another country. The U.S. brand has moved beyond physical tangibility into an emotional state of being. When this mind set is embraced by the majority of PRC Citizens, the case for luxury will be very much accepted.

China's 'Tier One' Cities

(with Hong Kong included)





Brand China from the local perspective:

Until the PRC Citizen looks at China as a concept and psychological state rather than as physical geography, it will remain a suspicious issue that can only be addressed through political force, propaganda and suppression.

Brand China from the external perspective:

In turn, this affects the external perception of China politically and culturally. The West remains suspicious of the East and because Western democracy is not practiced there, many Westerners fail to see beyond that to the greater good that is China.

The Western world has also failed or overlooked other political possibilities that may be more effective in China. Democracy in the Western sense may have worked well in the West, but may never work in the East due to cultural and social differences. Imagine controlling a country of 1.3 billion people. If everyone had a voice there will be anarchy, not democracy.

Therefore, an important point Brand China needs to adopt is to help the rest of the world understand why their system of politics works, how it will evolve/ relax over time (for example to become more like Hong Kong) and is beneficial their country and to doing business with them.

The case for luxury

One of the main barriers between Western and Chinese Businesses is the problem of intellectual property, piracy and theft. Because of the industrialization phase China is passing through, it seems that imitating and copying is the fastest way for individuals to progress, and develop their own technology for a fraction of the cost. While Western businesses may see this as counterfeit and legally detrimental, the Chinese businesses or general population often feel otherwise. Because the concept of intellectual property holds little value in this fast developing economy, they see it as an advantage to aid their growth to copy and imitating western products is the most 'practical' thing to do. They do not openly view it as illegal or unethical. This is perhaps one of the biggest problems when Western businesses approach the Chinese market.

However, there is a growing demand for authentic, expensive goods in First Tier Cities such as Beijing and Shanghai. Unlike their more impoverished and less global sister cities such as Shenzhen and Chengdu, the citizens of these two Chinese cities are very aware of the concept of brand and branding. Both of which had the opportunity to see the power of brand in the last three years, enacted before their very eyes.

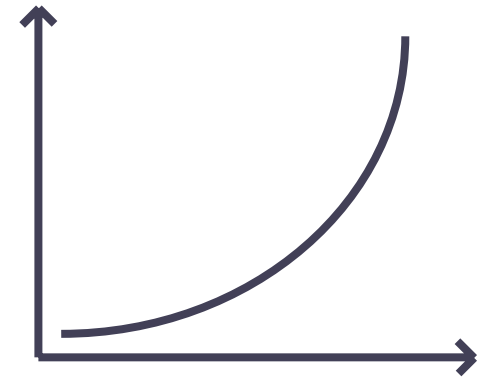
These cities have reached the same social standards and sophistication as many cosmopolitan cities of the West. Though culturally not as diverse, deep or democratic, China's flagship cities - Beijing and Shanghai, have had huge boosts to their brand equity over the last three years alone. The 2008 Olympic Games in Beijing and the 2010 World Expo in Shanghai have given these cities the much-needed test to prove that they have the infrastructure and the ability to play on the global scheme of things, to be great hosts and to impress through a branded experience. Both cities have passed with flying colors and the landscapes of these cities have dramatically changed since these mega-events took place. China is going through what the West did in the early part of the 20th Century – the Industrial Revolution.

As the residents of Shanghai and Beijing finally find their identity on the world stage, they have begun to see the value of how branding has given them a sense of place, position and purpose through the recent transformation of their home cities. Likewise, they have realized how this same 'technique' can be used by the purchasing of branded goods to enhance their own personal image.

Ripe for success:

RISING ECONOMY

China has overtaken Japan as of 2011 to become the world's second largest economy.



COMING OUT PARTIES

China's in the last three years had the opportunity to host not one but three coming out parties in each of their first tier cities. The 2008 Olympics in Beijing, The World Exposition in Shanghai and the Asian Games in Guangzhou.

RISING AFFLUENCE

Asia is now the world largest market for luxury brands. It is expected to grow 10% from now till 2015. By 2015, China will be the world's biggest luxury market.



300 MILLION YOUTH COME OF AGE

China's large population of youth is coming of age... but the vastness of economic status still remains wide and divided. How might camaraderie come into play when it comes to building Brand China across multiple economic status?

Hong Kong leads the way

Hong Kong remains the prized jewel of China in terms of an economic and social success story. It is part of the 'One Nation, Two Systems' model that renders the city a Special Autonomous Region, allowing its residents to vote for their own separate independent government. The years of British colonial rule have given Hong Kong a strong Western outlook and influence, fused with Chinese values and local Asian customs. The concept of brand and branding has long been the bedrock of Hong Kong's image, culture, economy and affluence.

Hong Kong's political freedom and democracy has also contributed to where it stands today as compared to the mainland. It has remained a territory many Chinese Nationals aspire to move to and live, though there are rules prohibiting this. Hong Kong is a westernized society and Beijing sees this Special Autonomous Region (SAR) as an example of a society to aspire towards in the long run.

Hong Kong is seen by Beijing and as a case study to be analyzed and preserved. Hong Kong residents still practice democracy and are entitled to vote for their local leaders, protest openly and speak their views when in the SAR. This continues even after the city was handed back to China in 1997. Western Businesses for decades have been able to assimilate and work in Hong Kong thanks to English being the lingua franca, and because Western social customs are accepted, practiced and celebrated in public.

The western perception of Hong Kong is extremely positive and is an example of how China could move towards in the future in terms of business, politics, brand perception and the general sophistication of the mass population.

China will be the world's biggest luxury market by 2015

China's consumption of luxury goods is forecast to grow 18 percent annually to about \$27.51 billion (16.89 billion pounds) by 2015, from about \$12.23 billion in 2010, according to McKinsey. Local brands are also tapping into growing demand for goods that have "Chinese DNA" or promote local culture and design.

Hermes has recently launched a local brand in China that has redefined luxury based on Chinese terms and Chinese values. This will likely be a trend in the coming years, for luxury brands to create affiliated spin-offs dedicated to the Chinese market. Leveraging on PRC Citizen's new found mobility within China and even outside the country will be crucial to future development of luxury brands in these markets. Taking into account Asian tastes, celebrating their new found "passport" to the world and their new sense of identity will become important brand values when targeting this market.





About Lee Changzhi

Lee Changzhi is passionate about creating experiences that bring people together, because the best gifts in life are never things...

...they are the moments we share with community.

He has a strong interest in pursuing a career in theatre, environmental, exhibition, scenographic and large scale event design. He is an avid researcher of Nation Branding concepts including the Olympic Games, Musicals, Theme Parks and World Expositions ; all expressions of mega brand experiences.

Lee currently lives in New York City, and was raised in Singapore.

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