Hare vs. Tortoise: How Chinese Brands Are Trying to Go Global

Smithfield, soon to be a Chinese brand?

As China, Inc. looks to expand globally, it faces a hard reality: No matter how successful its biggest brands are at home, few consumers abroad have any idea who they are.

How to overcome that challenge is the hundred billion-yuan question. After attempting and largely failing to build their names by migrating to higher quality products — what marketing professors Nirmalya Kumar and Jan Steenkamp call the “Asian tortoise” approach — Chinese companies have recently decided to play the hare instead.

The hare approach — attempting to leap ahead by acquiring established brands — is tempting for Chinese companies, which are awash in cash and increasingly impatient to see results. Recently, Chinese giants gone on a global shopping spree: Shanghai-based Fosun Group launched a takeover bid for France’s Club Med in May, while pork producer Shuanghui’s has proposed a $7 billion takeover for Smithfield Foods that has potential to become China’s biggest outbound deal.

Dalian Wanda Group, meanwhile, is trying both approaches. This week, the Chinese property and shopping mall builder forked out $1.6 billion to buy a British yacht maker and also announced plans to build a London luxury hotel and apartment complex.

The problem with the hare approach, analysts say, is that managing brands can be a particular challenge for Chinese companies, which often have little experience with brand-building at home. Acquired brands can lose their cache once they get into Chinese hands. Chinese low-cost car maker Geely, for example,
tried to distance itself from the Volvo brand it acquired. There’s little mention of the Swedish brand on its website.

“Buying someone doesn’t mean your own brand becomes a sensation on the other side of the world,” said Jeongwen Chiang, chair of the marketing department at China Europe International Business School.

The tortoise approach, meanwhile, works with China’s low-cost advantage, analysts say, noting that Japanese companies found success in slowly climbing up the value chain in the past.

While electronics maker Haier and Pearl River Piano have some early success traveling that route, however, Chinese fashion and hospitality companies have found it difficult to do the same. Wanda, for example, is unlikely to use its own name in the London five-star hotel, since it uses Western hotel management brands like Sofitel even at home, said Mr. Chiang.

Brand consistency is also a key for brand extension. By opening its first flagship store outside the mainland on London West End’s tony South Molton Street, Chinese clothing maker Bosideng positioned itself as a premium menswear brand targeted to Europeans. “It is high end and posh, but it has zero overlap with Bosideng’s image of cheap down jackets in China,” said Mr. Chiang.

Chinese companies should make better use of an often overlooked route – following fellow countrymen into the world, says Mr. Kumar, a professor at London Business School. Launching marketing campaigns in new markets can be costly, so it is more efficient to target overseas Chinese who have experimented with their products.

India and China are the countries best positioned to go down that route, since they have the largest immigrant communities outside their home markets, according to Mr. Kumar, who recently teamed up with Mr. Steenkamp, of the University of North Carolina, to produce “Brand Breakout,” that looks at the global ambitions of emerging market brands.

The route that is least likely to work, Mr. Kumar added, is for national champions to become global brands. China’s biggest companies are state-owned. State-run giants China Mobile, the Industrial and Commercial Bank of China and China Construction Bank are China’s most valuable brands, according to a study by Millward Brown, a marketing research agency. Yet few have made an impact outside China

“The national champions are good at fighting the agenda of their countries, but not as good at fighting for what consumers want,” said Mr. Kumar.

In their new book, Messrs. Kumar and Steenkamp described eight routes for Chinese companies to go global along with examples of the companies that had tried them:

The Asian Tortoise Route: Migrating to higher quality and brand premium (Haier, Pearl River Piano).
The Diaspora Route: Following emigrants into the world (Mandarin Oriental).
The Brand Acquisition Route: Buying global brands from Western multinationals (Lenovo, Geely, TCL).
The Positive Campaign Route: Overcoming negative country of origin associates (Shanghai Vive).
The Cultural Resources Route: Positioning on positive cultural myths (Herborist, Shanghai Tang, Shang Xia).
The Natural Resources Route: Branding commodities in four steps (none from China).
The National Champion Route: Leveraging strong support from the state (China Mobile).

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