

Branding isn't an idea.

It's about bringing ideas to life.

It's not a theory. It's a real-world activity.

It takes place on shop shelves,

in face-to-face encounters with *sei-katsu-sha**

and in the work a client and its agency do in partnership.

Branding isn't the job of marketing people, the media department or creatives. It's the work of all three, together, focused on getting results.

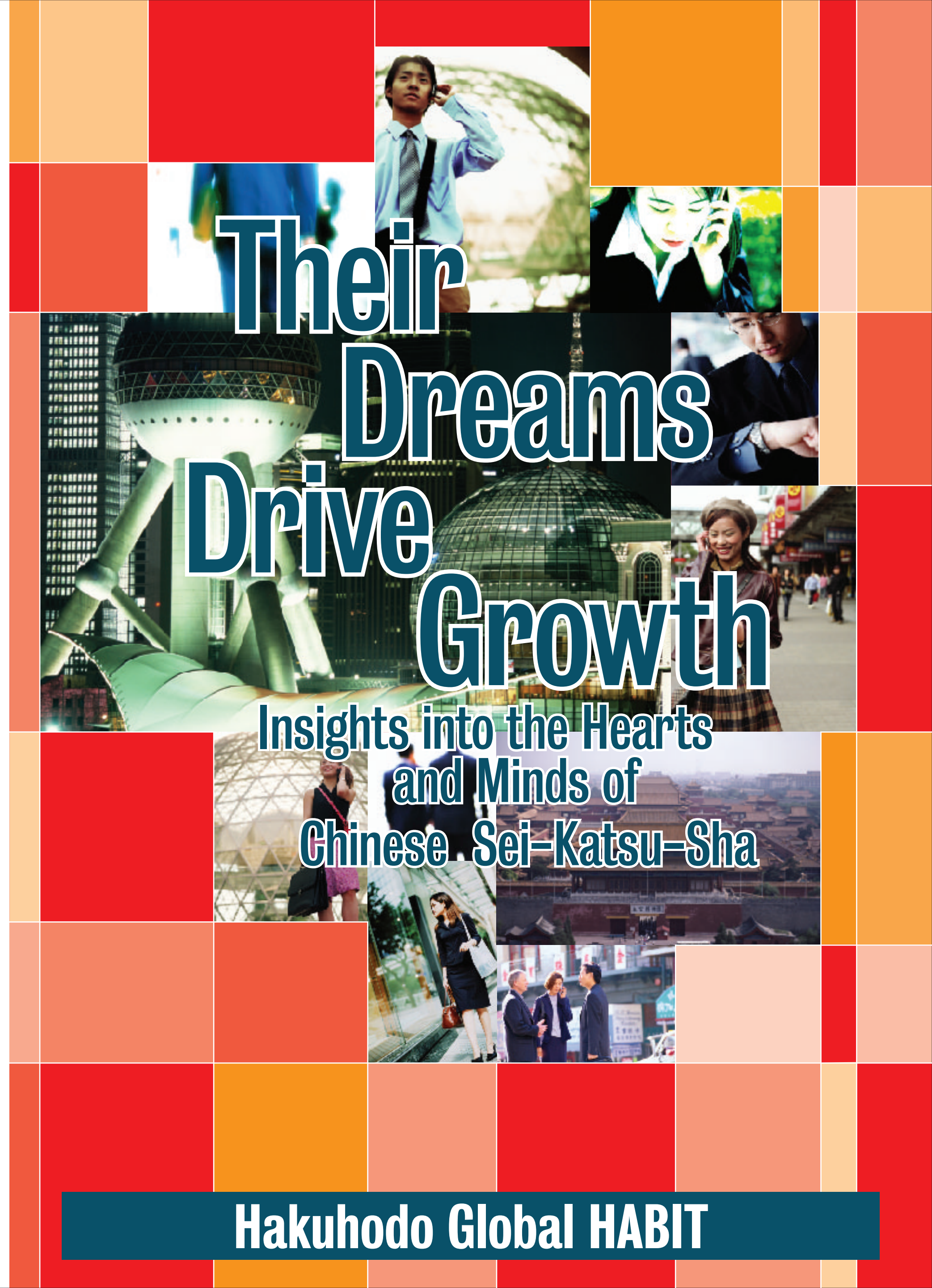
Branding, when it's done right, creates a seamless channel from message to points of contact between brand and *sei-katsu-sha*.

It wins hearts and minds.

It becomes *Powerbranding*.

Powerbranding

**Sei-katsu-sha*, a Japanese expression meaning "living" consumers, lies at the heart of HakuHodo's pioneering work on consumer behavior. www.hakuhodo.co.jp/english



Hakuhodo Global HABIT

Hakuhodo Global HABIT and Hakuhodo Research in China

Hakuhodo Global HABIT data show Chinese consumers more focused on getting ahead than enjoyment of current lifestyles. Contrast with Japan is sharp.

Global HABIT extends the world-famous Hakuhodo HABIT survey methodology developed in Japan to major markets outside Japan. Using large sample survey and single-source techniques, a battery of questions created to assess the values, lifestyles, shopping behavior, brand perceptions, information attitudes, and media contact of Japanese consumers, and original analytic techniques, Global HABIT supports systematic comparisons between Japanese consumers and consumers in other parts of the world. No other part of the world is of greater interest to firms doing business in Asia than China.

Since 1997, China's economy has leapt ahead. First quarter 2004 figures released by China's national Bureau of Statistics show growth up 9.7% over the same period during the previous year. Efforts are currently underway to rein in what some see as an overheated economy, but marketers around the world still look to Chinese consumers to drive sales of their products and services.

In this report, our focus is Chinese consumers now in their 20s and 30s. In contrast to those in their 40s, who grew up during the Cultural Revolution, this younger generation is better educated. Their lives have been shaped by the rapid growth that followed China's opening up to market economy. Their purchasing power and buying habits will be the keys to success in China—and, as China's market accounts for an ever increasing share of global sales, to building successful brands worldwide.

The data presented in this report are taken from the most recent round of Global HABIT research, combined with additional data from our "Power Sei-Katsu-Sha" studies of high-income consumers in Beijing, Shanghai and Guangzhou. Like all Hakuhodo researches, these studies are grounded in the Hakuhodo-created *Sei-Katsu-Sha** concept, which transforms consumer research into the study of human beings whose lives include much more than shopping and

examines how consumption fits into their lives as a whole. Launched in the early 1980s, the *Sei-Katsu-Sha* concept has turned out to be very much in tune with current marketing emphasis on total brand experience.

In 1998, Hakuhodo research in China was part of an Asia-wide survey of how business people were reacting to the aftermath of the Asian financial crisis in 1997. In 1999, the focus shifted to young women and how their aspirations were changing. 2000 saw the start of Hakuhodo's worldwide Global HABIT surveys, and three of China's largest cities were included.

From 2000-2002, that meant that Global HABIT surveyed Chinese consumers living in Beijing, Shanghai, and Guangzhou, in addition to those living in Hong Kong, Taipei and Singapore. In 2003, five additional Chinese cities were added to Global HABIT: Shenyang and Dalian in the Northeast, Chengdu and Wuhan in Western and Central China, and Fuzhou on the Southeast Coast, to provide additional data for regional comparisons. These eight cities in mainland China will be included in future Global HABIT studies.

2003-2004 saw the addition of our "Power Sei-Katsu-Sha" studies of the high-income consumers now driving rapid growth in Chinese markets. An on-going series of "Power Sei-Katsu-Sha" studies will continue to be included in future Global HABIT studies, for an increasingly in-depth view of Chinese *Sei-Katsu-Sha*.

From 2004 on, data on Chinese *Sei-Katsu-Sha* plus "Power Sei-Katsu-Sha" will be an integral part of the Global HABIT database. The result will be a powerful tool contributing significantly to understanding the hearts and minds of Chinese *Sei-Katsu-Sha*.

* *Sei-Katsu-Sha* are more than simply consumers, people whose lives and lifestyles include more than shopping.

Hakuhodo Global HABIT

Cities: 31 cities world-wide
Beijing, Shanghai, Guangzhou, Dalian, Shenyang, Wuhan, Chengdu, and Fuzhou
Hong Kong, Taipei, Bangkok, Seoul, Singapore, Kuala Lumpur, Metro Manila, Jakarta, Ho Chi Minh, Delhi, Mumbai and Sydney
New York, Chicago and Los Angeles
London, Paris, Frankfurt, Berlin, Madrid and Milan
Tokyo and Osaka

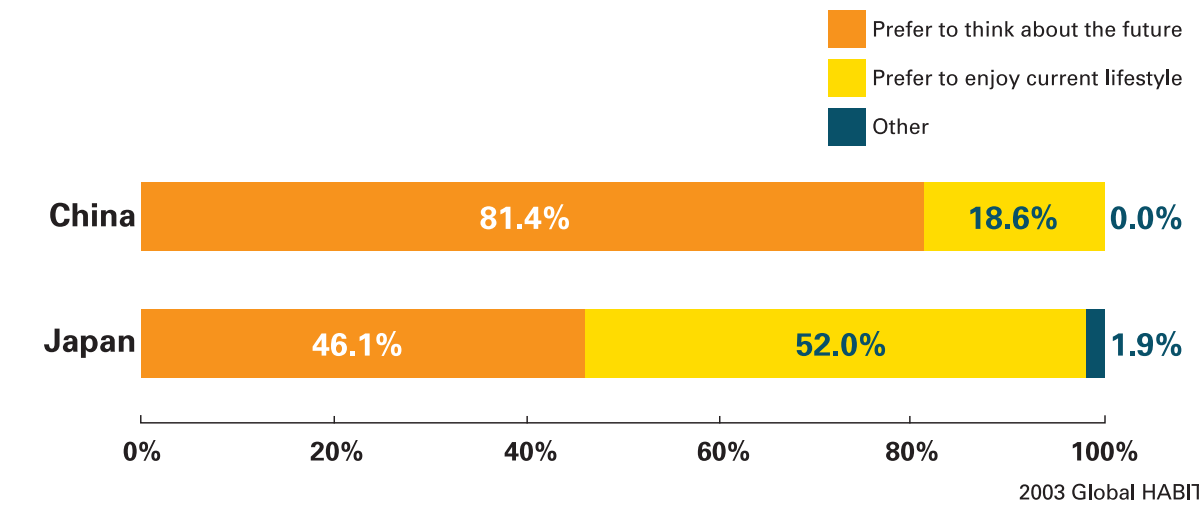
Respondents: Male/female, 15-54

Samples: 500-800 per city, except in Japan, Tokyo and Osaka is 5000 in total

Updated every year (every two years in some cities)
Brands surveyed over 2,000
Brands are evaluated using Hakuhodo's original Bonding & Voice Scales

The Ants Versus the Grasshoppers: Young Adults in China and Japan

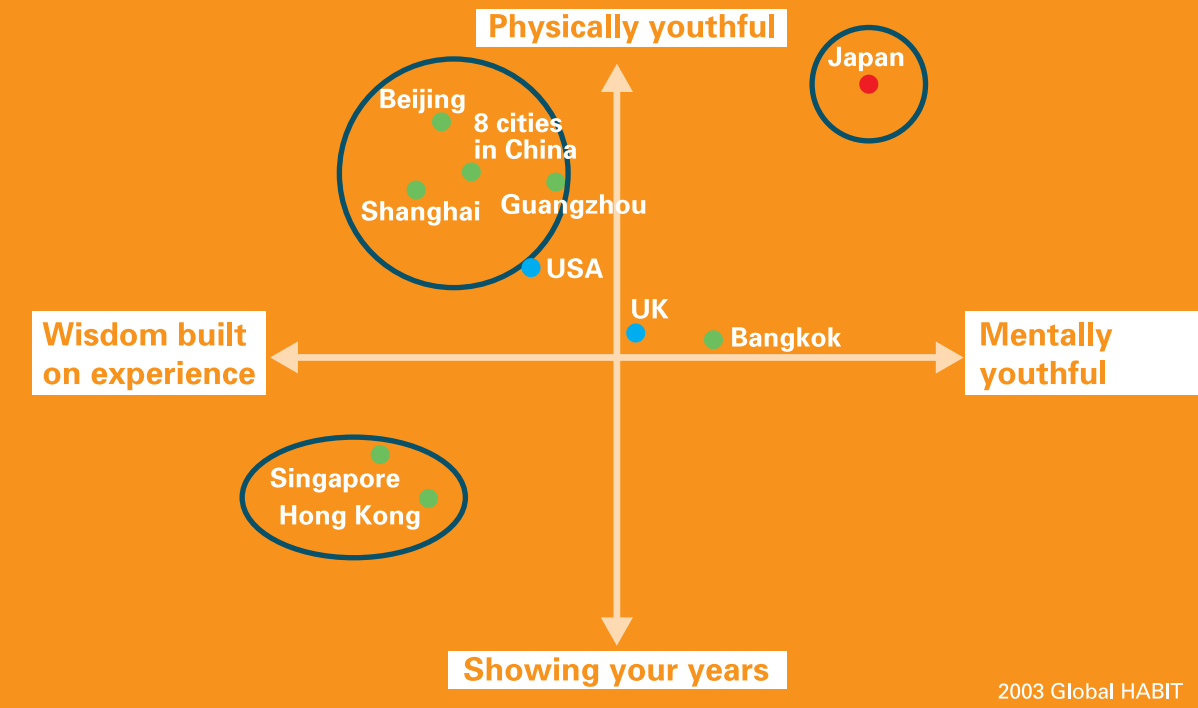
Enjoy Today or Prepare for Tomorrow?



More than 80% of Chinese consumers in their 20s and 30s agree with the proposition that they are more concerned about building assets for the future than enjoying their current lifestyles. Only 46.1% of younger adults living in Japan share this view. In Japan, at least, 52% of Japanese consumers in the same age range are primarily concerned with enjoying the lifestyles they enjoy today.

Mind and Body Young or Old?

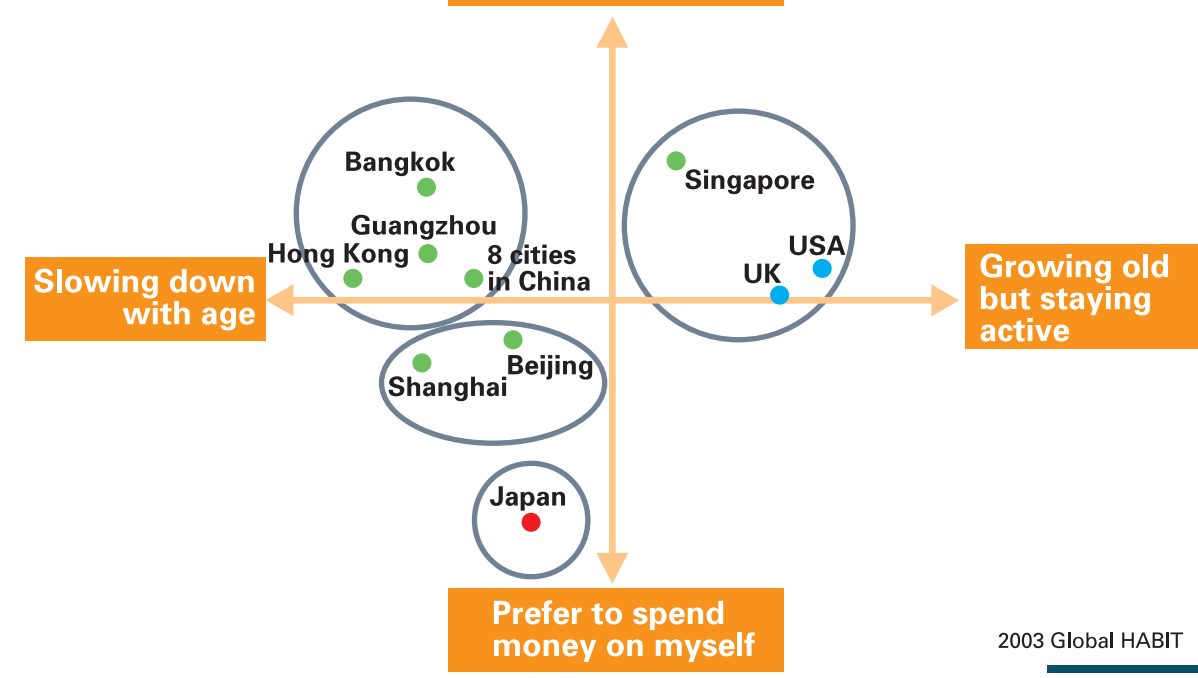
How do we feel about staying "Young"?



Staying physically young while growing wiser with age is an ideal widely shared in China. This ideal contrasts with the notion, still prevalent in Hong Kong and Singapore, that an aging body reflects the wisdom of age. It is also strikingly different from Japanese attitudes. Japanese consumers want to stay young both mentally and physically.

Take It Easy or Stay Active? Spend Now or Save for the Children?

What will the future bring? Want to leave assets to the children?



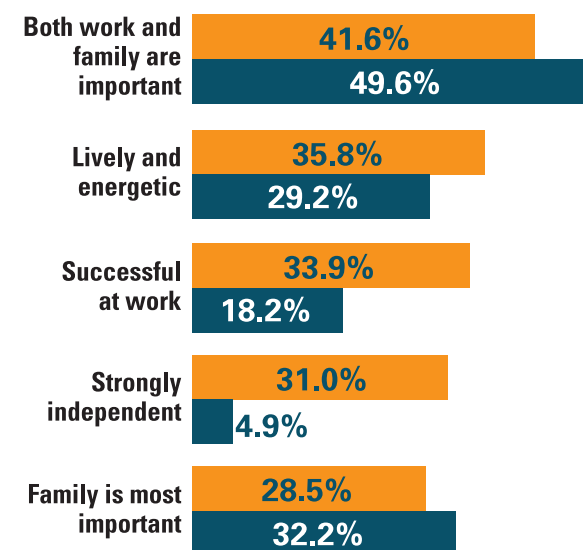
When they look to the future, Chinese consumers want to take it easy in retirement and leave something behind for their children. Only in Shanghai and Beijing do we find a slight tendency to prefer spending money on myself to leaving something behind, the pattern now common in Japan. Only Singapore now trends in the same direction as the UK and USA, where consumers look forward to an active retirement.



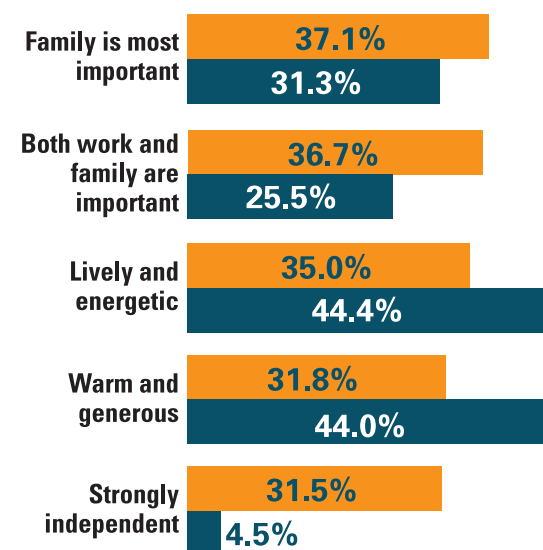
Work and Family Important, Desire for Success and Independence Strong

The charts shown here show data for the top five answers when respondents were asked to choose descriptions of ideal men and ideal women respectively. No. 1 among descriptions of the ideal man in both China and Japan was "Sees both work and family as important". There were, however, major gaps when it came to "Successful at work" and "Strongly independent". Chinese scores on these two measures were far higher than those in Japan. In China, the two highest scores for the ideal woman were "Family is most important" and "Both work and family are important". In Japan the top-scoring items were "Lively and energetic" and "Warm and generous". In China, "Strongly Independent" (31.6%) ranks among the top five items. In Japan, the score for "Strongly Independent" is only 4.5%. These differences are striking.

The Man I Want to Be (%)



The Woman I Want to Be (%)



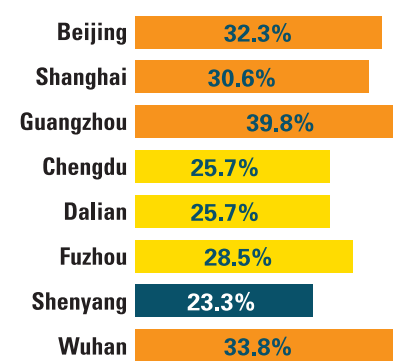
China
Japan

2003 Global HABIT

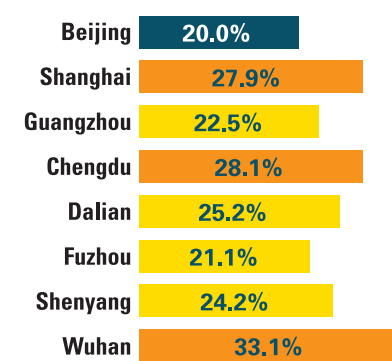
Eight Cities Compared

Looking for Something New vs. Looking for Best Price

Immediately Want to Try New Products



Will Buy What I Like, Even If Price is High

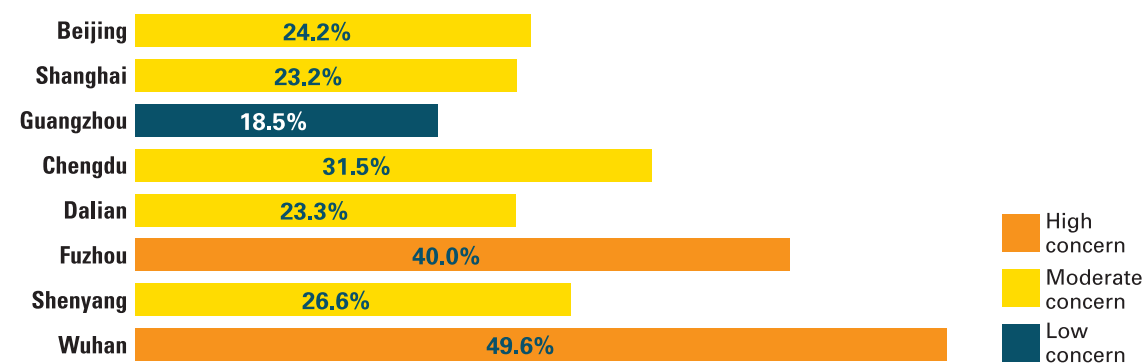


2003 Global HABIT

There are perceptible differences between consumption attitudes in different Chinese cities. Consumers in Shanghai and Wuhan are the most likely to buy new products and to buy what they want, even at a high price. Consumers in Beijing and Guangzhou are interested in new products but are also extremely price-conscious.

Concern for Environmental Issues Also Varies Widely

Concern for the Environment Also Varies Widely



2003 Global HABIT

Worry about the environment is lowest in the three biggest cities, Beijing, Shanghai and Guangzhou, and especially low in Guangzhou. In contrast, both Wuhan and Fuzhou score high on concern for environmental issues.

New Asian Rivals Challenging Japanese Products

Data from Global HABIT 2001 showed Japanese products dominating markets in China and throughout Asia. Data from Global HABIT 2003 reveal a different situation. Once unchallenged Japanese products now face significant challenges from both China and Korea.

- Japanese products continue to enjoy a strong reputation for high quality and international flavor.
- Japanese products also continue to receive high marks for style in Shanghai, Guangzhou and Dalian. But in Beijing, Chengdu, Fuzhou, Shenyang and Wuhan, Korean products now have the edge.
- When it comes to enjoyment, Fuzhou still gives the nod to Japanese products, but Korean products are rated higher in Beijing, Shanghai, Guangzhou, Chengdu, Dalian, Shenyang and Wuhan.
- For pioneering innovation, Beijing, Guangzhou and Chengdu all rate Korean products higher. Dalian and Fuzhou rate homegrown Chinese products higher.
- Market stimulation scores reveal a similar pattern, with Korean products stronger in Beijing, Guangzhou, and Chengdu and Chinese products stronger in Shanghai, Dalian, Fuzhou and Wuhan.
- Japanese products remain highly evaluated across the board in Hong Kong.



%	made in	High Quality			Stylish			Fun			Leading Edge		
		Japan	Korea	China	Japan	Korea	China	Japan	Korea	China	Japan	Korea	China
	Beijing	67.9	23.7	19.3	31.1	34.8	7.2	13.1	19.5	5.7	15.8	32.3	19.5
	Shanghai	60.4	20.3	29.1	44.5	38.4	14.4	20.5	27.1	15.6	27.9	26.4	27.4
	Guangzhou	53.3	18.0	25.7	35.3	26.7	16.5	16.0	23.0	19.0	29.6	30.1	25.9
	Chengdu	54.1	27.6	33.4	22.8	27.6	13.7	11.3	14.7	12.3	19.0	21.4	18.5
	Dalian	84.9	28.4	31.3	30.3	27.4	9.1	8.7	10.3	6.3	20.0	20.9	30.0
	Fuzhou	71.8	20.1	20.3	31.8	33.3	6.9	13.2	11.7	5.5	26.8	21.8	28.5
	Shenyang	76.3	42.9	24.5	21.1	28.5	8.9	6.5	12.0	7.0	17.7	16.5	13.7
	Wuhan	71.7	27.8	23.3	26.4	42.2	7.9	11.3	19.7	10.8	20.4	24.2	23.3
	Hong Kong	84.5	30.3	9.8	85.3	58.5	3.5	60.3	25.3	5.0	66.0	67.8	43.0

%	made in	Lively, Vigorous			Good Reputation			International		
		Japan	Korea	China	Japan	Korea	China	Japan	Korea	China
	Beijing	13.6	36.8	25.9	43.7	12.1	11.9	44.0	11.6	5.4
	Shanghai	24.7	35.2	36.9	44.5	18.8	20.8	46.0	13.9	15.2
	Guangzhou	23.0	30.4	28.1	35.8	18.0	17.0	44.4	16.5	14.6
	Chengdu	20.2	30.8	26.0	34.4	16.6	15.9	31.7	15.4	16.8
	Dalian	22.6	28.4	41.8	56.0	10.1	13.0	55.5	8.9	8.2
	Fuzhou	20.8	23.2	36.8	52.9	17.9	12.2	47.6	18.7	10.0
	Shenyang	13.4	18.7	13.9	22.5	8.6	7.7	37.6	14.9	5.3
	Wuhan	16.5	30.5	32.9	40.3	14.9	11.5	38.4	16.8	7.0
	Hong Kong	51.8	74.5	61.5	81.5	30.0	8.5	65.5	18.0	11.3

2003 Global HABIT

Follow The Money Straight to China's "Power Sei-Katsu-Sha"

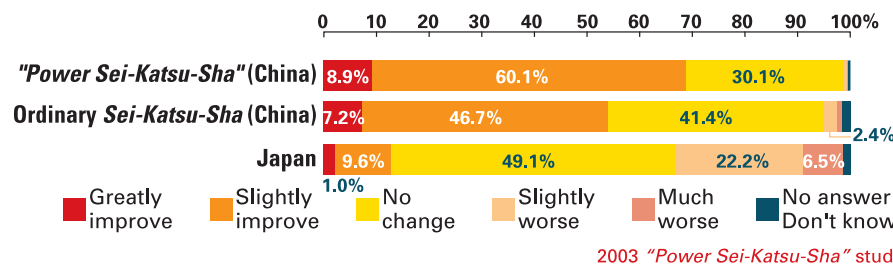
They're young (25-39), they're highly educated and with monthly household incomes of 6,000 RMB or more, they are driving high-end consumption in China.

*Sei-Katsu-Sha are more than simply consumers, people whose lives and lifestyles include more than shopping.

Call Them Optimistic

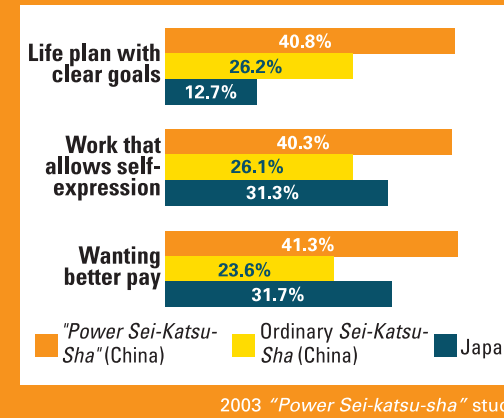
Nearly 70% of China's "Power Sei-Katsu-Sha" say that their lives will improve in the coming year, compared to 53.9% for ordinary Chinese. In Japan this figure is only 11.4%, a truly staggering difference.

How Will Your Life Change During the Next Year?



Call Them Forward Looking

Lifestyle Values

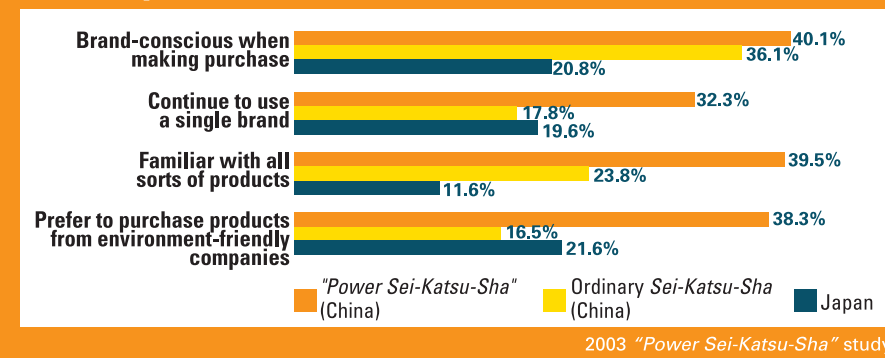


Compared to Japanese or to ordinary Chinese consumers, China's "Power Sei-Katsu-Sha" score far higher marks on three key lifestyle values: Having a life plan with clear goals, work that allows self expression, and wanting a better-paying job.

Call them Brand-Conscious

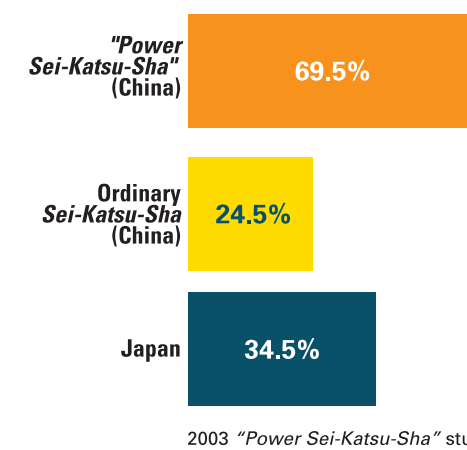
China's "Power Sei-Katsu-Sha" score higher than both Japanese and ordinary Chinese consumers on brand consciousness, brand loyalty and product knowledge. They also show a higher degree of environmental concern, scoring relatively high on "Prefer to purchase products from environment-friendly companies".

Consumption Attitudes



Call Them Net-Savvy

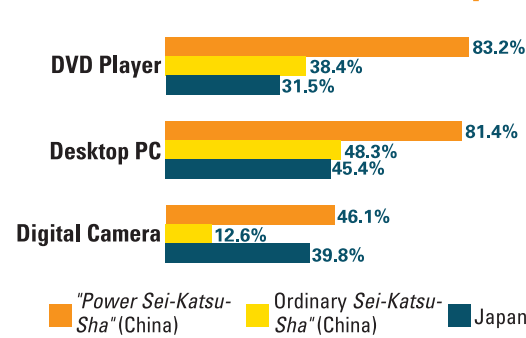
Internet Usage



Nearly 70% of China's "Power Sei-Katsu-Sha" are active Internet users. In Japan, moreover, only 34.5% say "Yes" when asked this question. For "Power Sei-Katsu-Sha", the Internet has become an increasingly important medium for information gathering, scoring higher than either magazines or radio.

Call Them Tech-Savvy

Durable Goods Ownership



Nearly universal (81.4%) desktop PC ownership supports the "Power Sei-Katsu-Sha's" active use of the Internet. Even more (83.2%) own DVD players. In these two categories, there are low as well as high-priced products. Even, however, in the high-priced digital camera segment, ownership approaches 50%.

Call Them Chinese-Plus

China's "Power Sei-Katsu-Sha" and ordinary Chinese share core Chinese values. All Chinese value health, family happiness, and a stable, secure life. Brand-consciousness is widespread throughout China. But to this solid Chinese foundation, the "Power Sei-Katsu-Sha" add clear life goals and environmental consciousness. Their scores for corporate, product and brand awareness are higher than average, and their buying habits reflect their social and economic position.

The Values They Share, The Edge They Bring

	All Chinese	"Power Sei-Katsu-Sha"
Lifestyle values	<ul style="list-style-type: none"> Health Happy Family Stable, secure life 	<ul style="list-style-type: none"> Clear life goals Environmental consciousness
Consumption Attitudes	<ul style="list-style-type: none"> Brand conscious 	<ul style="list-style-type: none"> High corporate, product and brand awareness Buying habits that reflect social and economic position

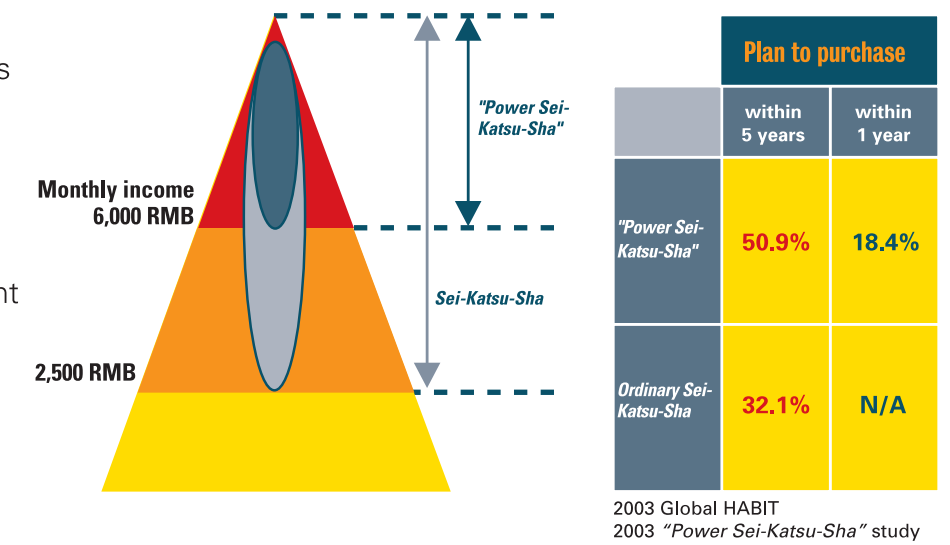
Rapid Growth in New Housing Drives New Market Creation

*Sei-Katsu-Sha are more than simply consumers, people whose lives and lifestyles include more than shopping.

Looking for Bigger, Better Housing

Recent years have seen the rapid evolution of a new urban housing market in China. Prior to 2002, typical urban housing was apartments supplied to employees of state-owned enterprises, either as part of their salary or at a very low rent. Paralleling the shift to the new socialist free market economy, apartment dwellers were able to purchase their apartments at a specially discounted price. Now that the areas in which they live are scheduled for redevelopment, they are looking to sell their current apartments and buy new places. Of families with monthly household incomes of 2,500 RMB or more, 32.1% want to buy new homes within 5 years. For "Power Sei-Katsu-Sha" with monthly household incomes of 6,000 RMB or more, the proportion wanting to buy new homes within 5 years rises to 50.9%, with 18.4% planning to buy within the next year.

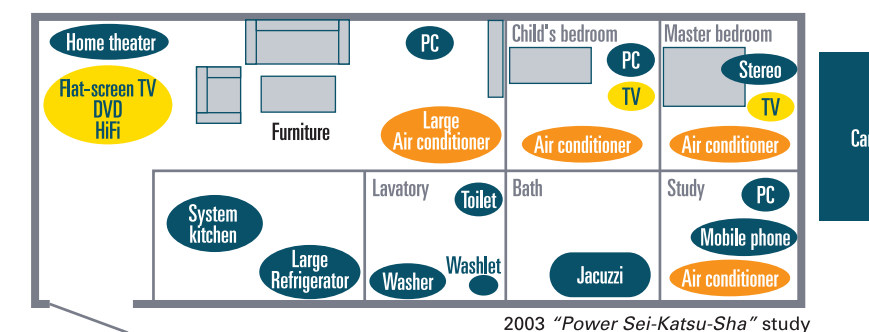
Exploding Demand for New Housing!



More Rooms Mean More Things to Buy

As indicated in this typical dream home layout, more rooms imply the purchase of more consumer durables. New purchases will include a home theater with a big, flat-screen TV. Replacement purchases will include a new bigger refrigerator. Additional purchases may include new TV sets and air conditioners—one for each room. For home appliance manufacturers, here is a new market with huge potential. Note, too, that besides a new home, what China's "Power Sei-Katsu-Sha" want most is a new car. It's no surprise that many automakers now see China as a market with huge growth potential.

Typical New Dream House



New Housing Triggers New Needs

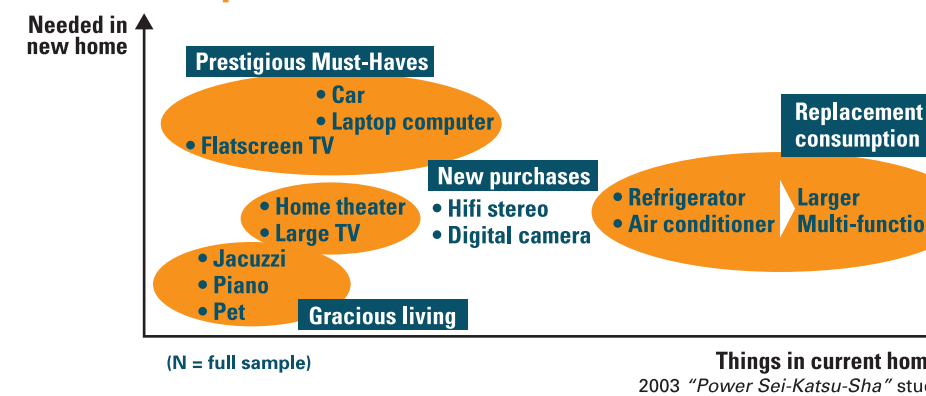
On average, those wishing to purchase new homes within 5 years, dream of having three times their current space, divided into more rooms. A typical household now lives in a 51.2m² space and hopes to move up to a 147.4m² space. A typical floor plan now includes two bedrooms, a living room and kitchen. The new dream home will have three bedrooms and a dining room as well as a living room and kitchen.

Current vs. Desired Housing

Floor Space	140-160m ²	
	Current	Hoped for
Average	51.2m ²	147.4m ²
Beijing	54.7m ²	156.5m ²
Shanghai	47.7m ²	138.3m ²

More Rooms	3LDK	
	Current	Hoped for
Layout	2LK (42.3%)	3LDK (24.3%)
	1LK (24.7%)	Maisonette (26.0%)

Consumption Potential



Part 2

Hakuhodo "Power Sei-Katsu-Sha" Study

Cities: Beijing and Shanghai

Respondents: Male/female, 25-34
Individual monthly income of 3,000 RMB or more
Plans to buy housing in next 2-5 years
White-collar worker, entrepreneur, professional

Sample: N = 300 (150 per city)

Period: October to December 2003

CONCLUSION

Searching for Understanding in One of the World's Most Exciting Markets

As we look at China today, we can't help being reminded of Japan's high-growth period, the sixties, seventies and eighties in which Japan's economy became the wonder of the world. Now it's China where consumers emerging into new-found affluence are creating new mass markets, buying new homes, filling them with new consumer durables, looking forward to buying new cars.

Given the size of China and China's population, the opportunities for marketers are truly enormous. But seizing those opportunities will be a gargantuan challenge. In today's China, the economic changes that took three decades in Japan are taking place simultaneously, creating a situation in which changes in economy, society and lifestyle are extremely complex. The key to success will be understanding how China's markets are changing. Hakuhodo Global HABIT can provide the insights you need.