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The Chinese Consumer Behaviour and  
Marketing Research Based on Volkswagen,  
China

Business Economics and Tourism  
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## **ABSTRACT**

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With the development of economic globalization and the improvement of China economic environment, many foreign companies have landed on the Chinese market. To figure out China's local social culture and trends as well as the characters consumers on purchase is a necessary task for every company who want to win market share.

In this thesis, the focus is on Chinese consumer behavior character and influencing factors. The aim is to give better insights for foreign industries, helping them to draw up better and efficient marketing strategies and to find out Chinese customers' real demand for a better life.

The information above is explained with the research on China's auto market. According to the statistics, auto industry and its related industry made the second biggest contribution to China's GDP in 2010. As the car sales are keeping fast, I believe new information about the consumption behaviour of the Chinese customers can be found. In addition, only 15 years after Volkswagen entered the market, more than half of the passenger cars sold in China roll out of VW's Changchun and Shanghai joint ventures. Therefore, I choose VW to be my case company.

At the end of the thesis, some suggestions for VW and a conclusion on the character of Chinese consumers and their thoughts and preferences was made.

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Keywords                      Chinese Consumer Behaviour, Auto Industry, VW China

## CONTENTS

### ABSTRACT

|   |    |
|---|----|
| 1 1 INTRODUCTION .....  | 9  |
| 1.1 Background of the Thesis .....  | 9  |
| 1.2 Research Problems and Aims of the Study .....   | 10 |
| 1.3 The Discussed Model Company .....   | 11 |
| 1.4 The Structure of Thesis .....   | 12 |
| 2 THEORETICAL PART .....  | 13 |
| 2.1 Consumer Behavior .....   | 13 |
| 2.1.1 The Definition of Consumer Behavior .....   | 13 |
| 2.1.2 The Constitution of Consumer Behavior .....   | 14 |
| 2.2 The influencing factors of consumer behaviour .....   | 20 |
| 2.2.1 The Individual and Psychological Factors .....  | 20 |
| 2.2.2 The environmental factors .....   | 23 |
| 2.3 Chinese Consumer Behavior and Its Influencing Factors .....   | 25 |
| 2.3.1 Unique Consumption Behavior in China .....  | 26 |
| 2.3.2 Factors Influencing on Chinese Consumer Behavior .....  | 31 |
| 2.4 Transformation in cultural area in recent years: .....  | 38 |
| 2.5 Chinese 's attitude to domestic and foreign goods.....  | 43 |
| 2.6 Consumer Behaviors on buying a car .....  | 46 |
| 2.6.1 Consumer Buying Behavior on buying a car .....  | 46 |
| 2.6.2 Group influence on consumer behaviour .....   | 47 |
| 2.6.3 Environmental/situational influence on consumer behavior.....   | 48 |
| 2.6.4 Post-purchase consumer behaviour.....   | 50 |
| 2.7 Chinese consumer behavior on buying a car .....   | 51 |
| 2.7.1 Chinese core value on car consumption: .....  | 51 |
| 2.7.2 Factors influencing Chinese consumer behavior on buying a car ..  | 52 |
| 2.8 International marketing segmentation and strategy.....  | 54 |
| 2.8.1 Consumer markets can be divided on the following bases: .....   | 54 |
| 2.8.2 Structural Differentiation inside Chinese Consumer Behavior:<br>generation differentiation and regional differentiation ..... | 56 |
| 2.9 Volkswagen's International Car Marketing Strategy .....   | 67 |

|  |     |
|--|-----|
|  | 5   |
| 2.9.1 Current Chinese Car Market .....                   | 67  |
| 2.9.2 Basic facts of VW group.....                       | 67  |
| 2.9.3 Volkswagen’s international marketing strategy..... | 68  |
| 2.9.4 Volkswagen marketing strategy in china.....        | 71  |
| 3 RESEARCH METHODOLOGY .....                             | 75  |
| 3.1 Marketing Research.....                              | 75  |
| 3.2 Marketing Research Process.....                      | 76  |
| 4 EMPIRICAL PART .....                                   | 83  |
| 4.1 Research Result .....                                | 83  |
| 4.2 Reliability and Validity of the Results .....        | 97  |
| 4.3 Advice for VW .....                                  | 98  |
| 4.4 Conclusion.....                                      | 100 |
| REFERENCES.....  | 103 |
| APPENDICES   |     |

## LISTS OF PICTURES, GRAPHS AND TABLES

### LIST OF FIGURES

|   |      |
|---|------|
| Figure 1 The Consumer Information Processing Model.....                               | P14  |
| Figure 2 Low Involvement Purchase.....  | P18  |
| Figure3 A Common Behavior Sequence for a Retail store Consumer<br>Goods Purchase..... | P19  |
| Figure 4 the Chinese cultural value.....  | P32  |
| Figure 5 Transformational social events influences on Consumer Behaviour<br>.....     | P58  |
| Figure 6 Regional map of China.....   | P35  |
| Figure7 Top 10 Chinese cities with the largest luxury goods consumption<br>.....      | P62  |
| Figure 8 TOFA model.....  | P65  |
| Figure 9 VW in China.....   | P71  |
| Figure 10 VW Passenger cars sales of each subsidiaries.....                           | P72  |
| Figure 10 Restructing program of VW.....  | P61  |
| Figure 11 Restructing program of VW.....  | P74  |
| Figure 12 Sustainability in China.....  | P75  |
| Figure 13 Intangibles frive purchasing behaviour.....                                 | P101 |

## LIST OF CHARTS

|  |     |
|--|-----|
| Chart 1 McGuire's Psychological motives.....                         | P21 |
| Chart 2 Specific terms of mianzi and face.....                       | P27 |
| Chart 3 the model of Guanxi Consumption.....                         | P30 |
| Chart 4 Chinese theorists and their principles.....                  | P35 |
| Chart 5 3-generation segmented by Hellmut Schutte.....               | P58 |
| Chart 6 5-generation segmented.....                                  | P58 |
| Chart 7 the main feature of consumer behavior in each region.....    | P64 |
| Chart 8 Characters of each type of consumer .....                    | P66 |
| Chart 9 Gender distribution .....                                    | P83 |
| Chart 10 age distribution .....                                      | P84 |
| Chart 11 annual income? .....  | P85 |
| Chart 12 do you have a car now? .....                                | P86 |
| Chart 13 How many cars do you have now? .....                        | P87 |
| Chart 14 Are you going to buy a car in a year? .....                 | P88 |
| Chart 15 Why did you or why do you want to buy a car? .....          | P88 |
| Chart 16 From what ways do you look for information of the car? ...  | P90 |
| Chart 17 Which part of the car will you pay attention to? .....      | P91 |
| Chart 18 What's your prefer appearance of a car? .....               | P92 |
| Chart 19 What's your prefer appearance of a car? .....               | P92 |
| Chart 20 What elements will make you think a brand is a good one? .. | P93 |

Chart 21 What elements will make you think a brand is a good one? .....P93

Chart 22 What elements will influence you when you buy a car except for  
the car itself? .....P95

Chart 23 What elements will influence you when you buy a car except for the car  
itself? .....P95

Chart 24 What's your impression of certain aspects of VW? .....P96

Chart 25 What's your impression of certain aspects of VW? .....P96

# 1 1 INTRODUCTION

## 1.1 Background of the Thesis

It's long that international trade has been existed. However, two of the most important factors that induce firms to begin operating international business, which are hoped-for economies of scale and 'experience curve' effects resulting from increased outputs; and the possibility of existence of lucrative markets in foreign countries that are not available at home ( Roger Bennett 1998: 14), have not changed ever. However, the 21<sup>st</sup> century witnessed new changes in the world's business stage : China has now overtaken Japan as the world's second-biggest economy. China remains on target to take the number-one slot from the US between 2020 and 2030, after leapfrogging Japan. Its unprecedented growth in exports has left it holding more foreign currency than any other nation. With the development of economic globalization and the improvement of China economic environment, many foreign companies have landed on Chinese market. They are operating all over China's domestic market, which can be hard to crack but lucrative in places. No matter whether they are successful or otherwise, those experiences admonish the late-comers that how crucial figuring out local social culture and trends, in addition to consumers' characters on purchase are. In a another word, marketing methods and products improvement must be combined with China's reality.

It must be admitted that Chinese economy is experiencing a golden moment. Among all those industries, the auto industry is outstanding and heated all over the country. China is now the world's largest car market and the biggest energy consumer. Especially in the recent ten years, China's auto industry has been developing at an unbelievable speed. Starting as a small section under the machinery category, the auto industry has soared to become one of the five largest industries in China. In spite of rapid growth of all sectors in China's thriving economy, the auto industry has outperformed others in the last seven years, thanks to annual double digit growth rates. Despite the global economic recession in 2009, China's car sales hit 13.65 million units, lifting the country to become the



world's largest auto market. China's ranking as the world's largest auto market continued in 2010. (Business-in-asia: 2011)

Obviously, it is necessary for foreign firms to reform or even change their design and marketing methods and strategy to better suit their Chinese customers. To make these changes, figuring out the Chinese social culture and Chinese customers' purchase behavior seem to be a key issue. In the mean time, Chinese consumers can enjoy a better product using process. That's also why I choose this topic, as the win-win situation is benefited for both sides.

## **1.2 Research Problems and Aims of the Study**

As the introduction explains, my research will embrace the international marketing strategy and consumer behaviour, using China's auto industry as an example. VW is chosen as the case company as this brand is very welcomed by the Chinese consumers and representative among all the foreign car companies in China.

Based on the above situation, the research problem will be:

How should VW combine specific behaviour and preference of the Chinese consumers with their product and service design and improvement in order to gain more market in China?

The aims of the study is to help international companies know about China's consumers' specific characters and the influence factors, so that they can better customize their products and develop marketing strategy to suit the Chinese customers. In the mean time, the Chinese customers can get better products and service as well.

In this study, I exert auto industry to explain the China's consumer behaviour and market in order to inform all the international companies, which means, my research conclusion might be limited and not be able to use by other industries.

Moreover, quantitative research will be used as the research method, the data of many questions will be collected from as many as possible interviewees. Most of the questions will be performed as multiple-choice questions; only one question is required to use words. This method seems to be more practical and useful in this research process. However, the number of interviewees will be limited, so the result could be limited as well.

### **1.3 The Discussed Model Company**

The Volkswagen Group with its headquarters in Wolfsburg is one of the world's leading automobile manufacturers and the largest carmaker in Europe. In 2010, the Group increased the number of vehicles delivered to customers to 7.203 million (2009: 6.336 million), corresponding to an 11.4 percent share of the world passenger car market.

In Western Europe just over one in five new cars (21.0 percent) comes from the Volkswagen Group. Group sales came in 2010 to 126,9 billion Euros (2009: 105.2 billion). Profit after tax in the 2010 financial year amounted to 7.2 billion Euros (2009: 0.9 billion).

The Group is made up of nine brands from seven European countries: Volkswagen, Audi, SEAT, Skoda, Volkswagen Commercial Vehicles, Bentley, Bugatti, Lamborghini and Scania.

It is the goal of the Group to offer attractive, safe and environmentally sound vehicles which are competitive on an increasingly tough market and which set world standards in their respective classes. (Volkswagenag: 2011)

Volkswagen Group China enjoys sales of about 1.9m cars (2010) in the Chinese market and is the largest foreign carmaker. The Chinese market is one of the main markets of the Group. Operations of Volkswagen in China include the production, sales and services of whole cars, parts and components, engines and transmission systems, and the sales and service of imported cars. The company's locally

manufactured and imported vehicles are sold under various brand names such as Volkswagen, Audi, A koda, Bentley, and Lamborghini in China.

Volkswagen Group China is the largest, earliest, and the most successful international partner in China's Automotive Industry. It started its connection with China as early as in 1978, and has been taking the leading position in the Chinese automotive market for more than 25 years. Its first joint venture in China, Shanghai Volkswagen Automotive Co., Ltd., was established in October 1984. The second joint venture, FAW-Volkswagen Automotive Company Ltd. was established in Changchun in February 1991. (Wikipedia: 2011)

As VW's performance in China seem to be so satisfied, it's very interested to see what actions and strategies that VW have exerted. What's more, to find out its disadvantages will also help to analyze the misunderstanding zone between foreign firms and Chinese customers.

#### **1.4 The Structure of Thesis**

There are 5 parts in total.

First, the introduction part. I will make a start of the total thesis, introducing the background information of the thesis and why I am interested in this topic and why it's important.

Secondly, the basic theories of my topic will be talked about. Two parts are mentioned: consumer behavior and marketing strategy.

Thirdly, the research method that I will use to explain and identify the problems.

Fourthly, the result and advice.

At last, the references and appendix I used will be showed.

## **2 THEORETICAL STUDY**

### **2.1 Consumer Behavior**

#### **2.1.1 The Definition of Consumer Behavior**

One "official" definition of consumer behavior is "the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society." (Consumer Psychologist: 2011)

In addition, the American Marketing Association defines consumer behavior as the dynamic interaction of affect and cognition, behavior, and the environment by which human beings conduct the exchange aspects of their lives. " In other words, "consumer behavior involves the thoughts and feelings people experience and the actions they perform in consumption processes."(J. Paul Peter & Jerry C. Olson 2010: 5) and there is also a very simple but direct explanation of consumer behavior, which says "the study of when, why, how, and where people do or do not buy a product. It blends elements from psychology, sociology, social anthropology and economics." (Consumer psychologist: 2011)

Moreover, the nature of consumer behavior is expressed as an individual develops self-concepts and subsequent lifestyles based on a variety of internal (mainly psychological and physical) and external (mainly sociological and demographic) influences. These self-concepts and lifestyles produce needs and desires, many of which require consumption decisions to satisfy. As individuals encounter relevant situations, the consumer decision process is activated. This process and the experiences and acquisitions it produces in turn influence the consumer's self-concept and lifestyle by affecting their internal and external characteristics." (HAWKINS 2001: 26). The external influences include culture, subculture, demographics, social status, reference groups, family and marketing activities. The internal influences include perception, learning, memory, motives, personality, emotions and attitudes.

### 2.1.2 The Constitution of Consumer Behavior

Consumer behavior is constituted by two parts: the process of consumer decision making and the overt consumer behavior.” The process of consumer decision making is involved with all aspects and affects, including knowledge, meaning, and beliefs activated from memory and attention and comprehension process involved in interpreting new information in the environment. The key part of this process is the integration process by which knowledge is combined to evaluate two or more alternative behavior and select one.”(J. Paul Peter et al. 2010: 160) Overt behavior refers to the observable and measurable responses or actions of consumers. (J. Paul Peter et al. 2010: 191—192 In real life, these two parts are interpenetrate and interacted, forming the complete process of consumer behavior.

#### Consumer Decision Making

Decision making, as problem solving, is actually a continuous stream of interactions among environmental factors, cognitive and affective process, and behavior actions. Figure 1 shows the five stages of the decision making process.

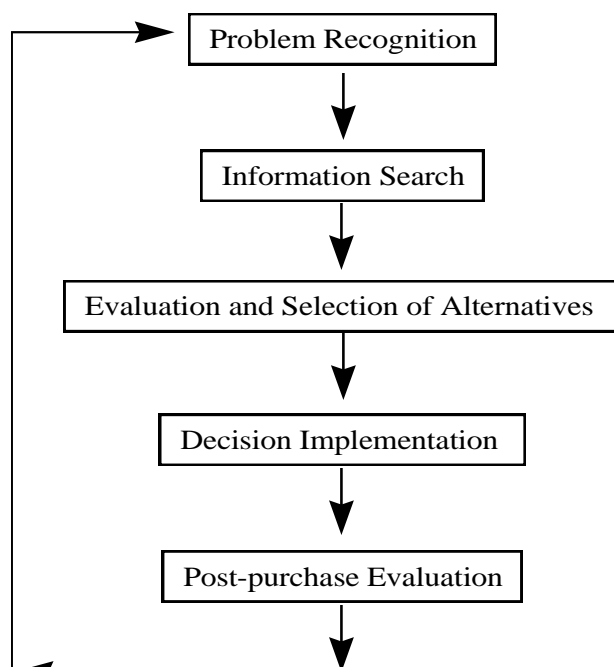


Figure 1 The Consumer Information Processing Model

Source: Adopted from Kotler (1997), Schiffman and Kanuk (1997), and Solomon (1996)

In this information processing model, the consumer buying process begins with the buyer's reorganization of a problem or need. When people find out a difference between the actual state and a desired state, a problem is recognized.

After we recognize the problem or need, we usually try to solve the problem. The first step people will be likely to do is to search for information. In the process of information-gathering, the consumer learns more about some brands that compete in the market and their features and characteristics from mainly four resources, which are

**Personal resources:** family, friends, neighbourhood, colleague

**Commercial resources:** ads, sales person, distributors

**Public resources:** mass media, consumer organizations

**Experience resources:** Experience of experiment, use of products

Then comes the stage as "interpretation processes", which need people to be exposed by information and combined with two cognitive processes- attention and comprehension. This is because of the information gathered is likely to be repetitive, sometimes even conflicting. As a result, analyzing, evaluating and selecting work, which are involved in the decisive phase, have to be done. Here come several notions in this process:

Attention means how and what customers will select from the information gathered.

Comprehension points to how they defined the information with their subjective view and thus build their individual understanding, knowledge and beliefs.

Consumer's product knowledge is part of the cognition. The more product knowledge the customers have, the more considerations will be made while purchasing and the more effective and correct decisions they will make. "The knowledge of the product is important in the interpretation information and decision-making when people purchase. Consumers can have three types of product knowledge: the attributes and characteristics of products, the positive consequences or benefits of using products and the values the products helps consumer satisfy or achieve. "(J. Paul Peter et al. 2010: page 70)

Consumers' product knowledge makes attribute to the product involvement. Involvement is a consumer's perception of importance or personal relevance for an object, event, or activity. "(J. Paul Peter et al. 2010: 88) Consumers who have higher product knowledge will be highly involved. There are two factors influencing involvement, intrinsic self-relevance, the means-end knowledge stored in memory; situational self-relevance, i.e. the temporary feelings of self-relevance due to specific external physical and social stimuli in the purchase environment. And what's more, the product knowledge gets changing as consumer keeps accumulating purchase experience and general knowledge in the process of cognitive learning which has three levels named accretion, turning and restructuring. " (J. Paul Peter et al. 2010:100) With this view, a consumer is trying to solve the problem and ultimately satisfying his/her need. The consumer, then, looks for products with a certain set of attributes that deliver the benefits.

Thus, consumer sees each product as a bundle of attributes with different levels of ability of delivering the problem and solving benefits to satisfy his/her need.

The distinctions among the need, benefits, and attributes are very important. One useful way to organize the relationships among the three is a hierarchical one.

For example, a Chinese customer bought a VW car basically because the needs of himself and his family. Benefits are the desirable consequences consumers seek when buying and using products and brands: the customer bought VW, so that he can arrive to his company on time with a safe trip. What's more, he may feel elegant when he drives this VW car. The VW car make the man feel he is living a

good and outstanding life. The man gets not only the safety, but also the feeling of having a good social status.

To actually implement the purchase decision, however, after comparing and evaluating the products, consumers' purchase decision will be influenced by two additional factors: first is the references' attitude, especially those people who have a close relationship with the purchaser, no matter to support or to oppose, will impact the final purchase decision; second is the accidental circumstances, e.g. unemployment, inflation in price, accidental needs and so on.

Post-purchase evaluation processes are directly influenced by the type of preceding decision-making process. Directly relevant is the level of purchase involvement of the consumer. Purchase involvement is often referred to as “the level of concern for or interest in the purchase” in a situation, and it determines how extensively the consumer searches for information in making a purchase decision. Although purchase involvement is viewed as a continuum (from low to high), it is useful to consider two extreme cases here. Suppose one buys a certain brand of product (e.g., Diet Pepsi) as a matter of habit (habitual purchase). For him/her, buying a cola drink is a very low purchase involvement situation, and he/she is not likely to search for and evaluate product information extensively. In such a case, the consumer would simply purchase, consume and/or dispose of the product with very limited post-purchase evaluation, and generally maintain a high level of repeat purchase motivation (Figure 2).

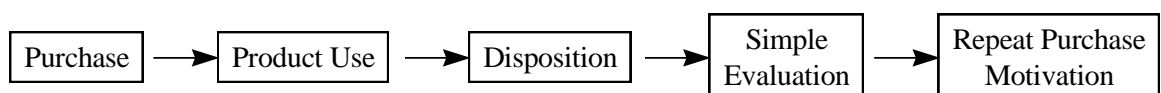


Figure 2 Low Involvement Purchase

Source: Hawkins, Best, and Coney (1983)



However, if the purchase involvement is high and the consumer is involved in extensive purchase decision making (e.g., personal computer), he/she is more likely to be involved in more elaborate post-purchase evaluation – often by questioning the rightness of the decision: “Did I make the right choice? Should I have gone with other brand?” This is a common reaction after making a difficult, complex, relatively permanent decision. (Ken Matsuno)

### **Overt Consumer Behavior**

Overt consumer behavior is of great importance in consumer analysis. The success of a marketing strategy depend on maintaining and changing overt consumer behavior, not just influencing affect and cognition. (J. Paul Peter et al. 2010 :192) Figure 3 is a model of a behavior sequence that occurs in the purchase of many consumer goods. However, this model is still limited in showing all kinds of purchases since the real buying situations vary a lot.

| <b>Consumption stage</b> | <b>Types of behavior</b>    |
|--------------------------|-----------------------------|
| Prepurchase              | Information contact         |
|                          | Funds access                |
| Purchase                 | Store contact               |
|                          | Product contact             |
|                          | Transaction                 |
| Postpurchase             | Consumption and disposition |
|                          | Communication               |

Figure3 A Common Behavior Sequence for a Retail store Consumer Goods Purchase (J. Paul Peter et al. 2010:194)

**Information contact:** This starts when a consumer contacts with information either intentionally or accidentally. And not only the marketers provide customers with information, the consumers search for information actively when buying higher-priced, more visible, and more complex products. There are mainly four resources, which include internal (stored experiences in memory), personal (friends, relatives), marketing (advertising), public (consumer reports, other studies), experiential (examining or testing product) source.

**Fund access:** Time, effort and money, which are involved in the process of purchase, money is the primary medium of consumer exchange. To make an exchange occur, consumers must access this intermediary in one appropriate form, engaging in fund access. The main issues at this stage are two: The methods used by consumers to pay for particular purchases; Marketing strategies to increase the probability that consumers can access funds for purchase. Usually, there exists a lot of ways to pay for a product, such as cash, credit card, debit card, checks, etc. Meanwhile, the marketers formulate various ways to increase the purchase probability like offering interest-free loans and discounts.

**Store contact:** As most of the purchases happen in the retail stores, it is an important task for retailers to get consumers into the store. Store contact includes locating the outlet, traveling to the outlet, entering the outlet. Different consumers in their roles as shoppers affect the probability of store contact.

**Product contact:** Push strategies and Pull strategies are often used in this stage. Three behaviors are usually necessary for a purchase to occur: 1). Locating the product or brand in the store; 2). Physically obtaining the product or brand; 3). Take the product or brand to the point of exchange.

**Transaction:** This is the stage when consumers 'funds are exchanged for products and services. The quality and value of the product and service itself are also important.

**Consumption and disposition:** While consumption and use would delineate, it seems to be very simple behavior they are not because of the vast differences in the natures of various products and services. Regardless of the type of product, a major marketing view is to increase the probability of a repurchase.

**Communication:** Marketers want consumers to communicate with two basic audiences: 1). Provide the company with marketing information; 2). Tell other potential consumers about the product and encourage them to purchase it.

## 2.2 The influencing factors of consumer behaviour

Two elements are mainly influencing consumer behavior, one is individual and psychological factors, the other is environmental factors. Individual and psychological factors include motivation, perception, learning and memory, attitude, and self-concept and life styles. Environmental factors includes culture, social class, groups and family.

### 2.2.1 The Individual and Psychological Factors

#### Motivation

Motivation is the reason for behavior. A motive is a construct representing an unobservable inner force that stimulates and compels a behavioral response and provides specific direction to that response. (HAWKINS 2001:362) McGuire's psychological motives delineate a fairly detailed set of motives to account for a limited range of consumer behavior.

Chart 1 McGuire's Psychological motives

|                                      |   |
|--------------------------------------|---|
| <b>Internal, non-social motives:</b> |   |
| Consistency:                         | Desire to have all facets of oneself consistent with each other |
| Attribute causation:                 | To determine who or what causes the                             |

|                                   |   |
|-----------------------------------|---|
|                                   | things that happen to us  |
| Categories:                       | We need to be able to categories/organize information and experiences in some meaningful/manageable way |
| Cues: or observable symbols       | To enable consumers to infer what is felt and known   |
| Independence:                     | For feelings of control & self-governance   |
| Novelty:                          | For variety   |
| <b>External, social motives :</b> |   |
| Self-expression:                  | To express one's identity to others   |
| Ego-defence:                      | To protect one's self-concept   |
| Assertion:                        | To engage in those activities which will increase self-esteem   |
| Reinforcement:                    | People act in a certain way because they are rewarded for it  |
| Affiliation:                      | To develop mutually helpful and satisfying relationships, share & be accepted                           |
| Modeling:                         | To base behavior on that of others  |

Motives can be categorized into manifest motives and latent motives. Manifest motives are those known and freely admitted. However, latent motives are either unknown to the consumer or the consumer is reluctant to admit them.

**Perception:**

When consumer is contacting a product or a service, it is actually a process of cognition. To be more specific, there are four stages in this process, which are exposure, attention, interpretation, memory. The first three build up perception. Perception is the process of selecting, organizing and interpreting information inputs to produce meaning, for instance, we choose what information which are the sensations received through sight, taste, hearing, smell and touch to pay attention to, organize and interpret. Selective Exposure-select inputs to be exposed to our awareness. More likely if it is linked to an event, satisfies current needs and the intensity of input changes. Selective Distortion-Changing/twisting current received information, inconsistent with beliefs. Selective Retention-Remember inputs that support beliefs, forgets those that do not. Interpreting information is based on what is already familiar, on knowledge that is stored in the memory.

**Learning and memory:**

Learning is changes in a person's behavior caused by information and experience. Therefore to change consumers' behavior about your product, you need to give them new information. When making buying decisions, buyers must process information. *Knowledge* is the familiarity with the product and expertise. Inexperienced buyers often use price as an indicator of quality more than those who have knowledge of a product. Experienced buyers will consider a lot besides price.

**Attitude:**

An attitude is an enduring organization of motivational, emotional, perceptual, and cognitive processes with respect to some aspect of our environment. Individual learns attitudes through experience and interaction with other people.

Consumer attitudes toward a firm and its products greatly influence the success or failure of the firm's marketing strategy.

### **Self-concept and life styles:**

Self-concept is how an individual thinks and feels about and defines himself/herself. There are four types of self-concept: actual self-concept, social self-concept, private self-concept and idea self-concept. Lifestyles are the consistent patterns people follow in their lives. Lifestyle is a function of one's inherent individual characteristics that have been shaped through social interaction as one move through one's life circle. (HAWKINS BEST CONEY 2001:451) (udel.edu : 2011)

### **2.2.2 The environmental factors**

#### **Culture:**

Culture is that complex whole which includes knowledge, belief, art, law, morals, customs and any other capabilities and habits acquired by humans as members of society. Culture influences the pattern of living, of consumption, of decision-making by individuals. Culture is acquired. It can be acquired from the family, from the region or from all that has been around us while we were growing up and learning the ways of the world. Culture forms a boundary within which an individual thinks and acts. When one thinks and acts beyond these boundaries, he is adopting a cross-cultural behavior.

When discussing the culture of a nation, Hofstede's cultural dimension theory is most often used.

**Individualism/ Collectivism:** In a collectivist culture people's loyalty lies with family, friends, and employer. Collectivist cultures value commitment to others

rather than to one. Personal relationships are very important. In collectivist cultures people are more likely to act in groups than singly. (Articlesbase: 2011)

**Power distance:** A business culture with high power distance emphasizes the different between people with power and those without. People in high power distance cultures like a hierarchical organization and ascribe a lot of influence and power to leaders. In low power distance societies, it is normal for companies to give responsibility to less important employees. (Articlesbase: 2011)

**Uncertainty avoidance:** Business cultures with low uncertainty avoidance are willing to take risks. Low uncertainty avoidance business is willing to work in situations where the rules and procedures have not been properly worked out. High uncertainty avoidance cultures do not like risk, and feel more comfortable where there are plenty of rules. (Articlesbase: 2011)

**Masculinity/ Femininity:** A masculine culture values ambition, material success, and career achievement. Women in a business context can be masculine, but not necessarily. In a feminine culture one's personal relationships, working environment and life style are much more important- men as well as women can value these things. (Articlesbase: 2011)

**Sub Culture** is a broad groups of consumers with similar values that distinguish them from society as a whole. According to different features, it can be categorized into ethnic groups, geographic areas, age groups, religious affiliations and socio-economic groups. (Articlesbase: 2011)

**Social class** refers to a hierarchy of social status in a society leading to interactions of people as equals, superiors or inferiors, which is influenced most heavily by educational credentials, occupation prestige level, income and area of residence.

**Reference groups and family:**

**Reference groups** involve a group of people that serves as a standard of reference in guiding an individual's thoughts, feelings and actions. There are three types of reference group influence:

- Informational: acceptance of information from others.
- Normative(utilitarian): conformity with expectations of others.
- Comparative(value-expressive): identification with values of others.

The reference groups often work in the following situation:

- To satisfy the expectations and hopes of fellow work associates.
- To seek information from people who have professional knowledge of the product.
- To achieve self-fulfillment when using some particular brand.

The brand which the individual selects is influenced by observing a seal of approval of an independent testing agency

**A family** is two or more persons residing together who are related by blood, adoption or marriage. In real life, many decisions are made by families or households, not individuals. Moreover, consumer behavior varies over the family life cycle, which is based on age, marital status, number and ages of children. (Scribd: 2011)

### **2.3 Chinese Consumer Behavior and Its Influencing Factors**

Under the combined influence of Chinese culture, subculture, policy, and social changes, Chinese spending habits and culture have been developing and forming as have the specific consumer behaviours. Within these habits and behaviours, there existed two major differences in both internal and external aspects, which are the holistic differences with western countries and the structural differences



with interior aspect.

Extended from the first major difference compared with western countries, the following diversities in the consumption process will appear:

- risk-averse and conservative consumption
- more caution in purchase decisions, reflected in the time span and information collecting
- different symbolic meaning of products
- high price sensitivity
- the higher separation of purchaser and user

The other differences consist of regional differences and generation differences.

### **Regional difference**

The existence of the regional differences of China are widely caused by the geography, climate, believes, customs, and regional social cultural background. Multiple factors create the diversity of Chinese business and consumer behaviour.

#### **2.3.1 Unique Consumption Behavior in China**

##### **1. Chinese "Mianzi (face) Consumption**

Mianzi consumption refers to the behavior of unrealistically and impractical consumption for the existence of "mianzi"--the face issue. As a traditional

Chinese concept, mianzi refers to an individual's reputation or social value in other people's eyes. From the social-psychological point of view, it is the synthesis originated from the combined action of Chinese traditional culture, traditional values, personality, and sense of shame in the perspective of social culture. In the Chinese culture and public relationship, "mianzi" is an essential element. Related to the collectivism and Guanxi issues, never losing face is very important for the Chinese people. Chart 2 explains mianzi more specifically.

Chart 2 Specific terms of mianzi and face

| <b>Specific terms of mianzi and face</b> | <b>Psychological explanations</b>                                     |
|--|---|
| lose face                                | Being hurt by getting lower value from others                         |
| no mianzi                                | Not recognized as expecting   |
| have Mianzi                              | To be considered in a very good way                                   |
| give face                                | Make the others feel satisfactory in recognition or reputation issues |

A very important premise of mianzi consumption is that people purchase for the purpose of balancing the psychological gap due to unrealistically comparison rather than the need of material satisfaction. Related activities are kinds of impression decoration behaviors which are done for the purpose of making a certain impression on others. For example, people's dressing, dwelling, cars, titles all matter in mianzi.

Therefore, the Chinese will attach importance to other people opinions and views when they purchase something. No matter whether in ancient times or in the present, rich or poor, all Chinese regard having mianzi or not as a basic need in daily purchasing and other pursues. Thus, the Chinese society and market witness

the forming of mianzi consumption. Moreover, mianzi has become a crucial motive of purchasing and brings up the huge consumer market.

## **2. Chinese "Root" Consumption**

Chinese culture also emphasizes “root”. The paramount reason China has experienced long-term and stable social structure and culture in hundreds of years in history without being taken possession of by a foreign culture is because the Chinese culture attaches extreme importance to the continuous gene of lives, nation and social value. We call this continuous gene the ”root” culture. In a Chinese family, which is completely different with a western family and culture, the relationship between generations is very tight and close. Parents and children are closely linked and taking care of each other for all their life time. As process of identifying needs, the aged and kids have extremely priority, especially children, who are almost the center of each parent's life, make those adults slog their whole life for them.

The root culture is rooted in deep heart of the Chinese and influences every aspects of consumption, generating a particular consumption type of the Chinese, the root consumption. The root consumption mainly includes educational consumption, ceremony consumption, festival consumption and sacred consumption.

**Education investment** is a typical example of this. In order to help their children have a bright future, parents could invest as much as possible in education. For most Chinese families, the education needs of a child is the first need of all. Take a simple example, over 200,000 Chinese students have been sent abroad to study up to 2010. And with no doubt, some of those families are suffering financial stress because of sending their children to study abroad..

**Ceremony consumption** is another big expense for the Chinese. Ceremonies are the constituent part of culture and China is one of the countries which is rich in ceremonies. The ceremony consumption includes marriage, funerals, having a

baby born in the family, moving to a new house, children entering university or even high school, and promotion.

### 3. Chinese Guanxi Consumption

“Guanxi” culture is another factor that results in luxury consumption in China. As most of Chinese know, good relationships with others, whether individual or organization are necessary for success.

According to the Chinese culture, an effective way to maintain a long-term good relationship is “gifts”. Together with “Mianzi”, “Guanxi” culture makes consumers make a good evaluation for high-scale products, and make their purchases, even those go beyond their ability to finance them. They believe, the more expensive the gift is, the more recognition will be gained, the more “Mianzi” they will have and give, and the better relationship they will achieve. So, in China, gifts usually present the degree in which the receiver is respected but not the real economic capacity of the giver.

Chart 3 the model of Guanxi Consumption

|                       |                     |
|-----------------------|---------------------|
| Personal emotion type | Social emotion type |
|-----------------------|---------------------|

|                           |                           |
|---------------------------|---------------------------|
| Personal utilitarian type | Business utilitarian type |
|---------------------------|---------------------------|

In fact, these three kinds of consumption types share some features with each other:

1. Involving broad appeal, mass market exists naturally
2. Less limited by income, low price sensitivity. ( As it is not money but mianzi more important in certain circumstances.)
3. The separation of purchaser and user leads to the result that people pay more attention to look rather than use.
4. Consuming follows the trend.

#### **4. Official consumption**

In China, the official consumption is made of public funds for oversea travel, public funds for banquets and public funds for official government cars. Apart from whether the public funds are used legally or not, it is an enormous amount of money which attracts extensive attention nationwide. Here we just discuss the official cars. The development of the official car market of China began with the establishment of the country and the market keeps increasing. In China, usually, the state official tends to purchase good cars to display stateliness and dignity. Official car purchasing has always played an important role and has a decisive impact in the Chinese car market. To earn the space of an official car, many auto businesses have enlarged their investment and research of this market. As a result,

different car types of various official versions made by many brands are launched in the market. For example, Audi A6 and Audi 100 in China are outstanding examples of this and representatives of official business vehicles.

### **2.3.2 Factors Influencing on Chinese Consumer Behavior**

#### **1. Policy influence**

The political elements that influence consumer behavior mainly include two aspects: the political system and national policy.

Political system that is guided by its "ideological" orientation as to the correct nature of the values and structures of the society - will determine the "budget" or financial allocations to various uses, pattern of consumption and behavior. For instance, in the feudal society of China, the ruling class repressed women and forced women to bind feet. As a result, women only wore small pointed shoes. But after the perish of Qing Dynasty, the feet binding rule was abolished. To adapt to the new situation, other models of women's shoes were designed and made. As another example, as China is a communist country, the production and exchange of goods should accord with the political, cultural and moral principles of communist country. Lots of products which are popular and used in western countries are forbidden in China. Therefore, the political system's influence on consumer consumption and behavior is existing objectively and not to be neglected.

National policy's influence on consumers is shown in what the government advocates promotes in the form of compulsory policy. Examples are: the one-child policy, private-house purchase policy, health-care policy and so on. To be more specific, the Chinese government's implementation of the one-child policy in 1979 was the first time in the world's history that such a strict fertility restriction was placed on a large population. The policy led to the fast-paced modernization of China from a third world country to a first world nation of only child also known as "Little Emperors". Parents and grandparents of these only

children had lived through the Great Leap Forward and the Cultural Revolution, and therefore see it as imperative to provide their children a better life than they have experienced.

## 2. Cultural influences

### Chinese cultural values

Figure 4 the Chinese cultural value

| <b>The Chinese cultural value</b> (Strotbeck's classification ) |   |
|---|---|
| Man-to-nature orientation                                       | - harmony with nature<br>- yuan   |
| Man-to-himself orientation                                      | - abasement<br>-situation-orientation   |
| Relational-orientational  | - respect for authority<br>- interdependence<br>- group-orientation<br>- face |
| Time orientation  | - continuity<br>- past-time orientation                                       |
| Personal-activity orientation                                   | - the doctrine of the mean<br>- harmony with others                           |

(Oliver H. M. Yau, Hanming You: 68)

A very momentous nature of culture is its national character. Each nation has its national culture shaped under the conditions of a specific natural, social and historical environment. Thus, the consumer behavior under different national cultures will be different. The oriental culture influence consumers in the following ways:

### **Traditional Chinese culture's impact on Chinese consumers**

The relationship between **human and nature**--- **man-to-nature** orientation and **Yuan** is the main value in Chinese traditional culture.

The Chinese believe that nature will be never controlled or defeated by man as man is a subordinate part of nature and people always try to accept and adapt what it gives to maintain a concordant relationship with it. The Chinese hold the idea that nature makes everything develop the way it should. The essence of nature is the intrinsically attribute and inherent rule of existence.

Yuan means karma. To be more specific, it is better to draw forth the concept of locus of control. **Locus of control** in social psychology refers to the extent to which individuals believe that they can control events that affect them. Individuals with a high internal locus of control believe that events result primarily from their own behavior and actions. Those with a low internal locus of control believe that powerful others, fate, or chance primarily determine events. (Wikipedia: 2011) .

Yuan is in line with the external locus of control. In another word, Yuan is referred to the predetermined relations with other things or people, which are beyond a person's control. This existence of the relations with universe is predetermined and mastered by some powerful but unknown supernatural force. We believe that ranging from friendship to marriage, from birth to death, everything is under the control of Yuan. I can take a very famous actor's line from the film Casablanca, "*Of all the gin joints in all the towns in all the world, she walks into mine.*" Yuan can lead to the encounter of people who are originally separated by thousands of miles.



### Relational orientation:

The Eastern communication tradition is known as relational orientation. It focuses on the relationship between communicators and emphasizes collective values such as social harmony, social respect, and cooperation. This orientation stresses that self is interdependence-based, and it promotes self-connectedness, the institutional self, and self-worth.

A theoretical foundation will make it clearer and easier to understand this Chinese's relation orientation:

Chart 4 Chinese theorists and their principles

| Two theorists                        | Principles & their relational orientation  |
|--------------------------------------|--|
| <b>Lao Tzu</b> ( 604 B.C.---unknown) |  |
| Nature                               | It is the core of Taoism. Nature is the key to human behavior, development and social advancement.   |
| Non-action                           | It is a very philosophical term. Non-action means action without an act. Many connotative meaning can derive from it such as Modeling non-action means an indirect action, an action which takes place at a subconscious level, e.g. Winning without fighting. |
| Balance                              | It is a dialectic look at social phenomenon and human behaviors.   |
| Reciprocity                          | People's relationships are reciprocal. People depend on and help each other to survive and succeed.  |

|                                 |   |
|---------------------------------|---|
| Selflessness                    | In order to enhance oneself, individuals should forget self first. Selflessness does not weaken self but enhances self in the process. A true leader is a person with an emphasis more on others not him/herself. |
| <b>Confucius</b> (551-479 B.C.) |   |
| Jen                             | The virtues of kindness, goodness, and gentility. Humanism and harmonious relationships between people. The ultimate goal for self-improvement is to be Jen.  |
| Li                              | Social structure, social norm, propriety and rites. People are supposed to be guided by social norms and social structure.  |
| Yi                              | Justice carries motivational properties. The opposite meaning of Yi is personal gains or personal interests.  |
| Zhongyung                       | Taking the middle of road without offending people on either side. Zhongyung makes people avoid conflicts and seek compromise and collaboration.  |
| Harmony                         | Harmony is a fundamental principle of human society and nature. Harmony maintains stability of the society and helps people enjoy their lives with happiness.   |

The five principles of Confucianism are closely dependent and connected to each other. The main theme of Confucian principles is humanism, which makes a unparalleled devotion to the relational orientation to communication. The view emphasizes the virtue of kindness, harmony and goodness. It accelerates the harmonious relationships among people. Based on this view, people are inspired by justice(Yi) to communicate with others in order to consistent with social norms and create harmony with others.

(Qingwen Dong, Kenneth D. Day: 2011)

Face is a very special and specific concept in the Chinese culture. It refers to a person's social status and reputation and the symbol of an individual's pride, sometimes respect, as the social rank and hierarchy are of great significance in the Chinese culture.

Consequently, when the Chinese purchase something, they will also regard these elements as a standard of purchase. Friends', families' and authority's advice are of great importance to them, sometimes those opinions and preferences are seem to be more important than the purchasers' own views. This is still because he want to maintain the harmonious relationship and show respect and intimacy to others. As a result of the respect for authorities, celebrity advertisement work very well in Chinese consumer. They can accept a new product or service more easily and faster because of the influence of those famous persons. Moreover, the Chinese will take whether the product can show their status and hierarchy and make himself respected, which means, he considers whether the product or service can bring him "face".

**Man-to-himself** Because being taught to be modest and self-effaced since childhood, the Chinese always put themselves in a subordinate status to show modest and respect to others. This complies with the Confucius's harmony as well. People are chasing the balance of personal interests and group interests and emphasize the compromise to the group. As for the situation orientation, the Chinese believe there is no absolute right or wrong in any circumstances. Right and wrong are always relative.

### **Time orientation**

Past-time orientation: The strong past-time orientation of the Chinese is widely agreed on. For example, Yau (1994) quoting Kluckhohn and Strodtbeck (1961): "Historical China was a society which gave first-order preference to the past-time orientation. So also was the Chinese attitude that nothing new ever happened in the present or would happen in the future; it had all happened in the far distant Past."

**Continuity:** The Chinese prefers and believe in long-term relationships. Once a relation is established, they will try to maintain it and not to break it. This character can be found in the Chinese characteristics like perseverance and patience.

As for marketing, a conclusion can be drawn from this time-orientation. That is, the Chinese usually have a high level of brand loyalty as they easily build emotions with the products they are using.

### **Activity orientation:**

The Chinese activity orientation is contained within the "doctrine of the mean," leading to moderation and harmony with others.

**Moderation:** The exact Chinese concept is the principle of *Zhongyung*, Taking the middle of road without offending people on either side. *Zhongyung* makes people avoid conflicts and seek compromise and collaboration. The principle of *Zhongyung* restrain people from going overboard on free self-expression.

**Harmony with others:** *Zhongyung* also applies in social relationships. Moderation, or seeking of the mean, tends to promote interpersonal harmony. (Alvin M. Chan, John R. Rossiter, 1998)

### **3. Reference groups**

As mentioned above, the Chinese society has a strong approved for collectivism, which makes the Chinese care a lot about how others think of them and whether

they approve of them or not; advertisements have great impact on consumers; people will always take others' opinions and advice into consideration; public praise influence the market a lot.

#### **4. Economic issues influences**

In this aspect, there are price, consumer's income, product's utility and economic environment all play a role. As mentioned in the previous context, the Chinese have high price sensitivity, which has mutual influence with income. These economic factors have on consumer behaviour.

#### **2.4 Transformation in cultural area in recent years:**

From the beginning of the 20<sup>th</sup> century, cultural, political and economical transformation and movement have been taking place and interplaying incessantly in China, following the stream of history and the tremendous changes happened worldwide. Of all the changes within that period, the following are of the greatest importance to China's social revolution angled respectively from culture, political and economy.

#### **Cultural movements**

##### **1. New Culture Movement**

The New Culture Movement of the mid 1910s and 1920s sprang from the disillusionment with traditional Chinese culture following the failure of the Chinese Republic founded in 1912 to address China's problems. Scholars like Chen Duxiu, Cai Yuanpei, Li Dazhao, Lu Xun, and Hu Shi, had classical education but began to lead a revolt against the Confusion culture. They called for the creation of a new Chinese culture based on global and western standards, especially democracy and science. The younger followers took up their call for:

\* Vernacular literature.

\* An end to the patriarchal family in favor of individual freedom and women's

liberation.

- \* An acceptance of China's place as a nation among nations, rather than the assertion of superiority of Confucian culture.
- \* The re-examination of Confucian texts and ancient classics using modern textual and critical methods, known as the \* Doubting Antiquity School.
- \* Democratic and egalitarian values.
- \* An orientation to the future rather than the past.

On May 4, 1919, students in Beijing protested the Paris Peace Conference giving German rights over Shandong to Imperial Japan, turning this cultural movement into a political one in what became known as the May Fourth Movement.

Many New Culture leaders promoted feminism as an attack on traditional values. More specifically, the movement replaced sexuality over the traditional Chinese idea of kinship positionality. This substitution is a staple of the emerging individualistic theories that occurred during the era. Thus, the New Culture Movement advocated focus on a range of topics that included science, technology, individualism, and democracy.

## **2. The Cultural Revolution**

The **Great Proletarian Cultural Revolution**, commonly known as the **Cultural Revolution**, was a socio-political movement that took place in the People's Republic of China from 1966 through 1976. Set into motion by Mao Zedong, then Chairman of the Communist Party of China, its stated goal was to enforce socialism in the country by removing capitalist, traditional and cultural elements from Chinese society, and to impose Maoist orthodoxy within the Party. The revolution marked the return of Mao Zedong to a position of absolute power after the failed Great Leap Forward. The movement paralyzed the country politically and significantly impacted the country economically and socially. In China, people criticize it as "ten-year periods of unrest".

Millions of people were persecuted in the violent factional struggles that ensued across the country, and suffered a wide range of abuses including torture, rape, imprisonment, sustained harassment, and seizure of property.

The Cultural Revolution has been treated officially as a negative phenomenon ever since.

## **Political movements**

### **1. The May Fourth Movement**

The May Fourth Movement was a thoroughly anti-imperialist and anti-feudal revolutionary movement. Young students acted as its pioneers. The Chinese working class went up on the political stage, and functioned as the main force in the later period of the movement. Li Dazhao, Chen Duxiu and other intellectuals directed and promoted the development of the movement, and played leading roles in it. On the local level, future Communist Party leader Mao Zedong rallied opposition against Hunan's warlord Chang Ching-yao.

The May Fourth Movement covered more than 20 provinces and over 100 cities of the country. It had a broader popular foundation than the Revolution of 1911. Its great contribution lay in arousing the people's consciousness and preparing for the unity of the revolutionary forces.

The May Fourth Movement promoted the spreading of Marxism in China, and prepared the ideological foundation for the establishment of the Chinese Communist Party. The October Revolution pointed out the direction for the Chinese revolution. The May Fourth Movement, which took place after the October Socialist Revolution, was a part of the world's Proletarian Revolution.

Scholars rank the New Culture and May Fourth Movements as significant turning points, along with the abolition of the civil service system in 1905 and the overthrow of the monarchy in 1911. Participants at the time, such as Hu Shi, referred to this era as the Chinese Renaissance because there was an intense focus on science and experimentation.

The challenge to traditional Chinese values, however, was also met with strong opposition, especially from the Kuomintang (nationalists). From their perspective, the movement destroyed the positive elements of Chinese tradition and placed a heavy emphasis on direct political actions and radical attitudes, characteristics of the emerging Chinese Communist Party. On the other hand, the Communist Party viewed the movement more favorably, although remaining suspicious of the early phase which emphasized the role of enlightened intellectuals, not revolution. In its broader sense, the May Fourth Movement led to the establishment of radical intellectuals who went on to mobilize peasants and workers into the Communist party and gain the organizational strength that would solidify the success of the Communist Revolution.

## **2. The Xinhai Revolution**

**The Xinhai Revolution** also known as the **Revolution of 1911** or the **Chinese Revolution**, was a revolution that overthrew China's last imperial dynasty, the Qing (1644–1912), and established the Republic of China. The revolution consist of many revolts and uprisings. The turning point is the Wuchang Uprising on October 10, 1911 that was a result of the mishandling of the Railway Protection Movement. The revolution ended with the abdication of the "Last Emperor" Puyi on February 12, 1912, that marked the end of over 2,000 years of Imperial China and the beginning of China's Republican era. The revolution name "Xinhai" is named after the sexagenary cycle of the Chinese calendar.

The Xinhai Revolution overthrew the Qing government and 4,000 years of monarchy. Throughout Chinese history, old dynasties had always been replaced by new dynasties. The Xinhai Revolution, however, was the first to overthrow a monarchy completely and attempt to establish a Republic.

The Xinhai Revolution established the Republic of China, the fourth democratic republic established in Asia. The laws of the democratic republic were undermined by the Beiyang warlords, and a monarchy was briefly restored. However, the republic enjoyed such broad public support that it could not be overturned.



The Chinese revolutionaries had not evolved their own form of republican government. As a result, they followed the American Constitution and the American political system, and they implemented a presidential republic. This continued despite social limitations and despite the provisional constitution's shortcomings. At one time, Sun Yat-sen modified the constitution to limit Yuan Shikai's power, while Yuan Shikai later annulled the constitution to proclaim himself emperor. During the early years of the Republic of China, democracy was not fully fledged. However, it was the first time China had attempted to form a republic, which nevertheless spread democratic ideas throughout China.

## Economic revolution

### 1. Gaige kaifang (Reform and Opening)

The **Chinese economic reform** refers to the program of economic reforms called "Socialism with Chinese characteristics" in the People's Republic of China (PRC) that were started in December 1978 by reformists within the Communist Party of China (CPC) led by Deng Xiaoping.

Economic reforms of a capitalist type began in 1978 and occurred in two stages. The first stage, in the late 1970s and early 1980s, involved the decollectivization of agriculture, the opening up of the country to foreign investment, and permission for entrepreneurs to start up businesses. However, most industry remained state-owned. The second stage of reform, in the late 1980s and 1990s, involved the privatization and contracting out of much state-owned industry and the lifting of price controls, protectionist policies, and regulations, although state monopolies in sectors such as banking and petroleum remained.

All these changes and movements make contributes to the development and advancement of China's society in different aspects, and the changes is happening still. Now we see although China is keeping its specific traditions of each aspect

in one hand, the lash from foreign culture against national culture is increasing day by day. People's views, values, lifestyles and behaviors are all burdening great impacts. (Wikipedia, 2011)

## **2.5 Chinese 's attitude to domestic and foreign goods**

As China embrace its new found status in international society, a national pride has been increasingly growing among the public. People begin wonder if this will influence the brand preference of Chinese consumers. However, facts that in markets, ranging from daily products to expensive ones, foreign brands occupy the most shares rather than the domestic brands show that although Chinese consumers often claim that they prefer domestic products because they are patriotic, patriotism plays a less effective role than expected in the practical purchasing process interestingly. Actually, Chinese' attitude towards brand is complicated but explainable.

The first reason that why Chinese would rather choose a foreign brand than a domestic one is because they don't actually know which product is foreign and which is domestic! It sounds strange and funny, but the truth is many foreign products have been put on the cloak of China, even acting as real domestic products through localizing the products in very traditional Chinese way to attract, or to say, to puzzle Chinese customer. Many foreign companies require their local R&D center to sinicize or asianize the products when designing. For examples, P&G, UNILIVER, Wrigley all successfully link their brands and products such as Olay, Safeguard, Avon, Lux soap, Pantene with Chinese customer. Some of them named the products in very Chinese style, some select popular Chinese stars and sinicize the situation and circumstances in the advertisements. After these packagings, Chinese consumers will easily regard them as domestic products mistakenly when they appeared in the shelves in the supermarkets. We can describe these products as chameleon. Among all the products, personal care products and household products are the representatives to be mistakenly taken easiliest. For instance, shampoo, toothpaste and washing powders. This

phenomenon is more popular in smaller cities and low income and old consumers. However, in the fields of home appliance, luxuries and consumer electronic, the chameleon effect become weak because these products are more expensive, less frequently purchased and planned and researched more sufficient by consumer before purchasing. Additionally, these products are usually actively remind consumers that they are designed and manufactured by foreign companies as foreign brands are always related to better design and technology in Chinese consumers' view.

The other reason that Chinese consumers prefer foreign brands depends on the structure of consumer, category of products and trading up, which play more important part than patriotism.

Firstly, demographic factors including age, income, residence are decisive elements to the Chinese consumers' attitude towards foreign and domestic goods. Usually rich consumers place themselves under the nature of western culture and have a positive financial prospects, so they are not only affordable to buy but also love to buy to pursue a so-called status symbol. Another group which prefers foreign brands is young consumers, especially the first generation under the one-child policy, they are happy to try fresh and new things even those relatively expensive goods.

Secondly, the category of goods also have influences on the purchase behavior. Facing different kinds of goods, consumers use different standards to judge them. When purchasing products whose design, durability and reliability are crucial, consumers are inclined to buy foreign brands, for instance, clothes, cosmetics and home appliances, sometimes even foods. Though these goods cost more, consumers feel safe and relieved about them.

Thirdly, trading up is one of the reason. On the one hand, the Western companies have reached success in the tendency of trading up, resorting to their mature marketing strategy and the fame of outstanding attribute. And coincidentally, Chinese consumer are willing to pay this bill. However, at the same time, in some fields' of products, consumers don not care where the goods

originally come from and would like to use local brands. On the other hand, in the recent years, with the advancement and effectiveness of media exposure and public awareness, many food scandals, especially the tainted milk, exposed to the public gradually and sparked angry denunciations of the whole society, which caused the crisis confidence with domestic food industry and even wider fields nation wide. A large number of consumer claim that they are so disappointed with domestic manufacturers that they will never consider the domestic brands again unless they are 100% sure about the safety of the products.

To conclude the Chinese consumers pay attention to the super quality, competitive price and some certain advantages of the products in a rational way rather than behave only influenced by the patriotism. Nationalism is a strong and common value of Chinese, but not the crucial drive for brand selecting. This fact challenges both domestic and foreign companies: to domestic brands, the quality and safety of the products are the biggest doubts and premise for consumer; to foreign brands, understanding this complicated and large market and properly localizing their products is the key issue pleasing the consumer.

## 2.6 Consumer Behaviors on buying a car

### 2.6.1 Consumer Buying Behavior on buying a car

The decision processes and acts of consumers are associated with evaluating, buying, consuming, and discarding products.

Let's assume the whole process of buying a car. We generally will not consider purchasing anything until some events trigger a need. Once this need has put us "on the market", we begin to ask our friends or search for information from all the ways that we can achieve recommendations regarding dealerships and car models. After gathering some information and visiting several dealerships, consumers test drive several models and finally make a choice on a particular model. Then the consumer has to pay for the product, using a lump sum or installments. Over some time, the car may have some unexpected disadvantage or advantages that make the user satisfied and that leads the consumer to want to purchase another brand or the same one again. However, the services of the local dealership are somehow another important issue that will influence the consumer's view of the brand.

The whole process is actually the general process when purchasing:

=====>need recognition

=====>information search

=====>evaluation of alternatives

=====>purchase decision

=====>post purchase behavior

Nevertheless, the degree of involvement will be different because of the price of product and frequency of purchase as consumers select products. Car-purchasing behaviour owns the attributes of complex buying behavior:

Consumers undertake complex buying behavior when they are highly involved in a purchase and perceive significant differences among brands. Consumers may be highly involved when the product is expensive, risky, purchased infrequently, and highly self-expressive. Typically, the consumer experience not only a buying process but a learning one as they have to learn about the product function and characteristics widely, and then compare and evaluate before they form their attitude toward different brands and make the final decision carefully.

Directing at this type of buying behavior, the following market strategy should be used:

1. Make product specification, help consumers learn about the product-class attributes and their relative importance, strengthening the faith of consumer to the brand.
2. Implement flexible pricing strategy.
3. Increase advertising, create the fame of the brand
4. Motivate and train store salespeople
5. Plan the after sales tracking, close the distance with customers

### **2.6.2 Group influence on consumer behaviour**

External factors that influence the consumer behaviour:

#### 1. Group

-e.g., cultural, family, reference group influences

#### 2. Environmental/situational

-e.g., time of day, temperature and humidity, etc.

Internal factors that influence the consumer behaviour:

Lifestyle, personality, decision making process, motivation, etc

## 1. Culture

Note that culture is something that is learned and that it has a relatively long lasting effect on the behaviors of an individual. An example of this is the color of the car. As for western country, people are very outgoing and unrestrained so that they always reflect this character in what they like purchase. So we can see a lot of cars in different colors in the streets. But in China, most of the people tend to be conservative and careful in choosing the color of the car.

## 2. Social Class

It refers to a group of individuals with similar social rank, based on such factors as occupation, education, and wealth. This will be associated with the brand and style of the car people may choose.

## 3. Reference Groups

Groups, often temporary, that affects a person's values, attitudes, or behaviour. In different countries a certain reference group will perform different level of influence on decision making.

## 4. Family

A group of people related by blood, marriage, or other socially approved relationship. Family will also partly influence the decision making of buying a car. As mentioned earlier, one of the ultimate usage for a car is for family or households.

### **2.6.3 Environmental/situational influence on consumer behavior**

Environmental/situational influence includes circumstances, time, location, etc are factors.

Everyday situations cause an interaction between various factors which influence our behaviors. But the situational issues will influence the general products more than those expensive and particular products like house, cars, or jewelry.

## 1. INTERNAL INFLUENCES ON CONSUMER BEHAVIOR

### a. Personality

It refers to an individual's highlighted psychological characteristics that lead to relatively consistent and lasting responses to stimuli in the environment. We are each unique as individuals, and we each respond differently as consumers. This factor influences the choice of a car a lot as a person faces so many choices when purchasing a car, ranging from the brand to color. Every detail can reflect the buyer's personality.

### b. Lifestyle and Psychographics

Lifestyle is a pattern of living expressed through a person's activities, interests, and opinions. Psychographics is a technique for measuring personality and lifestyles to developing lifestyle classifications. The car which a consumer chooses to buy can also reflect his or her attitude and style of life.

### c. Motivation: Multiple motives

Consumers usually have multiple motives for particular behaviors. These can be a combination of manifest and latent.

Manifest: known to the person and freely admitted

Latent: unknown to the person or the person is very reluctant to admit

For buying a car, the manifest reason could be a need for a car to as a good way of transport. In addition, in the deep heart, a car can also be bought to show our status, taste and a good life. This is the desire for status, superiority, self-respect, and prestige, in other words, it is an esteem need, which relates to the individual's feelings of usefulness and accomplishment.

### d. Involvement

This is associated with the individual's intensity of interest in a product and the importance of the product for that person. The purchase of a car is much more



risky than the purchase of a general product, as car is unfamiliar, expensive and infrequently purchased, and therefore presents a higher involvement situation. This modifies the way that the generic model works.

As involvement increases, consumers have greater motivation to comprehend and elaborate on information salient to the purchase. The purchaser will spend more time and effort in searching for the perfect car for himself.

#### **2.6.4 Post-purchase consumer behaviour**

##### 1. Satisfaction

After the sale, the buyer will likely feel either satisfied or dissatisfied. If the buyer believes that s/he received more in the exchange than what was paid, s/he might feel satisfied. If s/he believes that s/he received less in the exchange than what was paid, then s/he might feel dissatisfied. Dissatisfied buyers are not likely to return as customers and are not likely to send friends, relatives, and acquaintances. They are also more likely to be unhappy or even abusive when the product requires post-sale servicing, as when an automobile needs warranty maintenance.

##### 2. Cognitive dissonance

Cognitive dissonance has to do with the doubt that a person has about the wisdom of a recent purchase. It is very common for people to experience some anxiety after the purchase of a product that is very expensive or that will require a long term commitment.

## **2.7 Chinese consumer behavior on buying a car**

### **2.7.1 Chinese core value on car consumption:**

Face (mianzi):

This is one of the most important factors influencing car consumption. As mianzi has been mentioned a lot in this thesis, it is the most remarkable character of the Chinese culture. People always try to make efforts to earn "mianzi" and build a good reputation and impression which corresponds with their social status. Therefore, when they choose a car, brand is emphasized and paid much attention to.

B. Group psychology (crowd mentality)

Group psychology refers to the group member make judges and change attitude, basing on some certain group norm or majority opinion consciously or unconsciously. From the social aspect's view, different individuals in society can have various and diverse behaviors, attitudes, emotions and values; on the other hand, in certain social environment, the behavior and values can have a lot in common, which is caused by crowd mentality. This phenomenon may occur frequently in everyday decisions based on learning from the information of others because: firstly, the information pressure and norm pressure. Information pressure refers to individuals getting information from different social groups and channel; when they believe observing some individuals who master more information and knowledge will be helpful and worth-learning, they will simulate those people's behavior. In addition, as the possibility that majority opinion is correct, therefore, when some individuals in dilemma, especially when they lack of reference standards, individual will be easier to believe in other people who are at present, which leads to the conformity behavior .

C. Aesthetic orientation

The aesthetic orientation of a car is a deep reflection of culture, which is associated with value, attitude and personal preference. For example, "Big" size is

more preferred in the Chinese market. A level and B level cars are the main stream in the market and popular among most families, as that big size car looks impressive and inner part of the car will be comfortable.

### **2.7.2 Factors influencing Chinese consumer behavior on buying a car**

#### Policy

In China, government policy is of great significance in people's life. The national macro policy emphasizes the general structure of the auto market; the local code establishes specific policy according to the local factor. The combination of the national macropolicy and local code has a great impact on the Chinese car purchasers and users. Since those policies are compulsory and applied in people's lives in detail, they directly influence people's decisions in many aspects.

The newest policy involving car buying and car users are as follows:

Green-car subsidy: China released details of its green-car subsidy program designed to boost the nation's auto industry and cut vehicle emissions."

Fuel-efficient subsidy

Purchase tax halved

Old foe new service

New traffic regulations

Insurance regulations

Public transportation

B. Product. There is no need to mention the significance of the character of product in the purchasing process. But here, the focus is more the character of a product that fits the Chinese consumer. When the Chinese choose a car, the following issue are important:

Appearance. As we have analyzed the Chinese people emphasize mianzi, consequently, the appearance of a car is obviously significant as the image will give people the first impression and judgement. The Chinese people always pay attention to the details of the car, and extend to the combination of different details. For example, a Chinese car consumer prefers a car which looks very impressive and good enough with a tasteful upholstery of car's interior etc.

About comfort level. For example, the seats in the rear are hoped to be more comfortable, the seats should have armrest, air-conditioner, etc.

About room. As for the Chinese consumer, especially the private car consumer, indoor space of the car is another crucial issue to think about. This is within reason. As compared to western countries almost per capita a car, in China it is estimated 50 capita a car. In some places, one family owns a car. Therefore, usually every car will at least carry three people, which naturally gives rise to the Chinese customers' request of big room.

Type of the car. For different people and their needs, three types of cars are popular in the Chinese market: the first one is the small family car, which has the weakest dynamic performance but good fuel-efficiency; the second is sporty cars and intermediate cars with good power performance; the third is city SUVs, which provide a more adequate power to accelerate quickly enough to meet the needs of the general cross-country running. These cars are all keeping the potential of continuous increase in the share in the Chinese car market.

### C. Social and cultural influences (Reference group)

As Chinese people are influenced by Chinese cultural issues, reference group is significant for them. The reference group, including friends, families, neighbors, and colleagues make a great impact on the purchaser. Especially when the product to buy will be seen by others and will be expensive, like cars, purchasers will pay more attention to other's opinions. As car is not only a product for the Chinese, it is more like a symbol of one's social status and role.

## **2.8 International marketing segmentation and strategy**

Market segmentation is the process of dividing a market into groups of similar consumers and selecting the most appropriate groups and individuals for the firm to serve. (J. Paul Peter & Jerry C. Olson 2010: 371)

### **2.8.1 Consumer markets can be divided on the following bases:**

- Geographic
- Demographic
- Psychographic
- Behavioralistic
- Benefit

#### Geographic Segmentation

The following are some examples of geographic variables often used in segmentation.

Region: by continent, country, state, or even neighbourhood

Size of metropolitan area: segmented according to size of population

Population density: often classified as urban, suburban, or rural

Climate: according to weather patterns common to certain geographic regions

#### Demographic Segmentation

Some demographic segmentation variables include:

- Age
- Gender
- Family size

- Family lifecycle
- Generation: baby-boomers, Generation X, etc.
- Income
- Occupation
- Education
- Ethnicity
- Nationality
- Religion
- Social class

Many of these variables have standard categories for their values. For example, family lifecycle often is expressed as bachelor, married with no children (DINKS: Double Income, No Kids), full-nest, empty-nest, or solitary survivor. Some of these categories have several stages, for example, full-nest I, II, or III depending on the age of the children.

#### Psychographic Segmentation

Psychographic segmentation groups customers according to their lifestyle. Activities, interests, and opinions (AIO) surveys are one tool for measuring lifestyle. Another best known tool is VALS, which stands for values and life-styles. (J. Paul Peter & Jerry C. Olson 2008: 374)Some psychographic variables include:

- Activities
- Interests
- Opinions
- Attitudes
- Values

#### Behavioralistic Segmentation

Behavioral segmentation is based on actual customer behavior toward products. Some behavioralistic variables include:

- Benefits sought
- Usage rate
- Brand loyalty
- User status: potential, first-time, regular, etc.
- Readiness to buy
- Occasions: holidays and events that stimulate purchases

Behavioral segmentation has the advantage of using variables that are closely related to the product itself. It is a fairly direct starting point for market segmentation.(Netmba, 2011)

#### Benefit segmentation

This approach is that the benefits people seek in consuming a given product are the basic reasons for the existence of true market segments. And it thus attempts to measure consumer value systems and consumers' perceptions of various brands in a product class.(J. Paul Peter & Jerry C. Olson 2008: 371)

### **2.8.2 Structural Differentiation inside Chinese Consumer Behavior: generation differentiation and regional differentiation**

#### **1. Generation Differentiation**

A generation is a group of persons who have experienced a common social, political, historical, and economical environment. Each generation behaves differently from other generations as it passes through the different age categories. The forces that shaped the lives of these generations were different and their behaviors will differ throughout their life cycles.

The following chart shows two kinds of segmentation of the Chinese consumer:

A. 3-generation segmented by Hellmut Schutte

B. 5-generation segmented

Chart 5 3-generation segmented by Hellmut Schutte

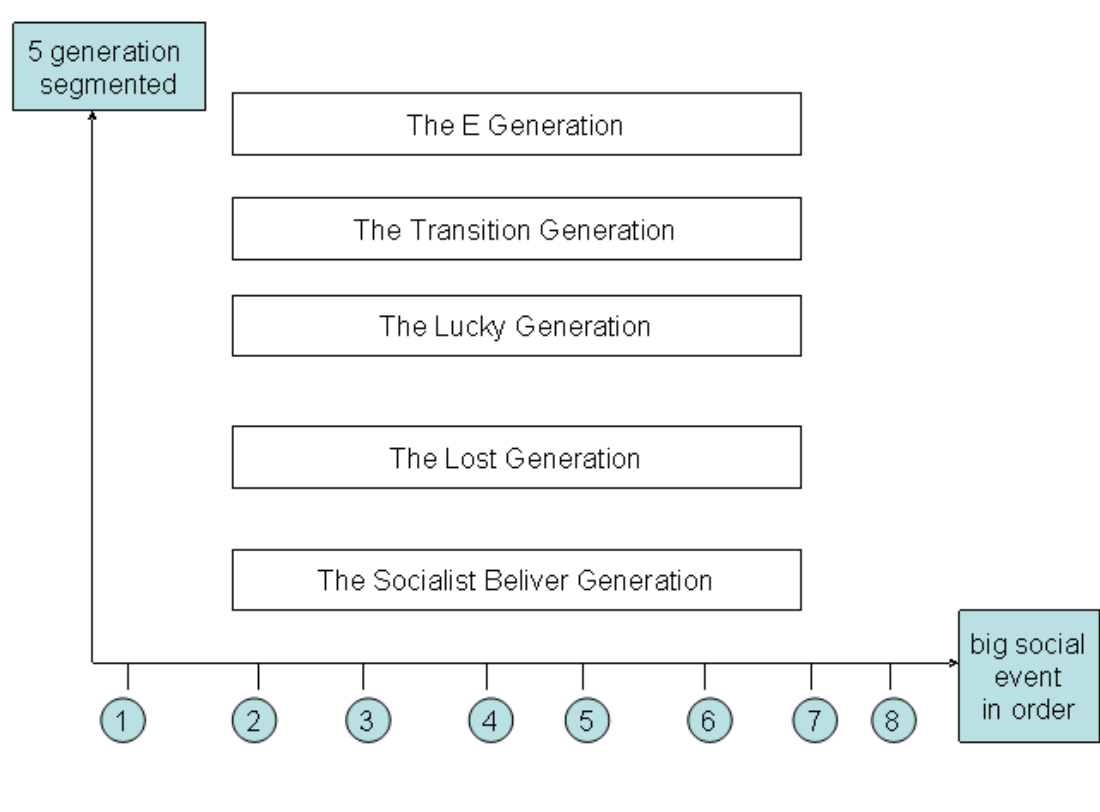
| Time of birth | Generation the consumers belong to |
|---------------|------------------------------------|
| Before 1945   | The socialist believer Generation  |
| 1945-1960     | The lost generation                |
| After 1960    | The lifestyle-cared generation     |

Chart 6 5-generation segmented

| Time of birth | Generation the consumers belong to |
|---------------|------------------------------------|
| Before 1945   | The tradition-preferred generation |
| 1945-1960     | The lost generation                |
| 1960-1970     | The lucky generation               |
| 1970-1980     | The transition generation          |
| After 1980    | The E-generation                   |



Figure 5 Transformational social events influences on Consumer Behavior



Notes: each number represents one important historical activity in China's modern history since 1937.

1. Anti-Japanese war, war of liberation, communist ideological trend
2. The Great Leap Forward
3. The Great Famine the
4. The Cultural Revolution
5. Educated Youth movement
6. The resumption of college entrance examination
7. Reform and Open and family planning
8. The reform of college entrance examination

E-generation of China, which points to the group who are born and growing up and influenced by the Internet and the information era and digital era, has been the powerhouse of the consumer group.

The feature of the E-generation:

1. Tolerance
2. Strong curiosity
3. Strong self-assertion

The consumption features of E-generation:

1. Self-selection
2. Made to measure products
3. Diversification of consumption
4. Yearn for new experience

## **2. Regional differentiation**

Distinct regional subcultures arise due to climate conditions, the natural environment and resources, the characteristics of the various immigrant groups that have settled in each region, and significant social and political events. Therefore, individuals living in different regions will have different consumption values, consumption patterns and consumer behavior. The regional differentiation is influenced by economic elements and non-economic elements. Economic elements include average income, regional economic development; non-economic elements include local social culture, psychological factor and geographical factors. These elements interact and influence the consumer behavior.

Figure 6 Regional map of China



Usually the whole China is zoned into 7 major areas, which are North East China, North China, North West China, East China, Central China, South West China and South China, among which the most developed and advanced areas are North and East China.

As a reference for investors and decision-makers, Chinese Academy of Social Sciences, a major think tank in China, released its ninth edition of the Blue Book on Urban Competitiveness on May 6, 2011.

The report surveyed 294 Chinese cities for a wide range of indicators including comprehensive growth, economic scale, economic efficiency and development cost in 2010.

According to the report, Hong Kong, Shanghai and Beijing take the first three spots in the overall ranking. Shenzhen, Taipei, Guangzhou, Tianjin, Dalian, Changsha and Hangzhou also made their way into the top ten list. (China.org., 2011)

According to a recent report released by the World Luxury Association (WLA), the total consumption of luxury products by Chinese consumers – excluding private jets, yachts and limousines – totaled \$10.7 billion last year, accounting for 25 percent of the global market, and second only to Japan’s 34 percent share of the global market.

The WLA expects China to overtake Japan with the largest number of luxury goods consumers by 2012.

According to the WLA, the top ten Chinese cities with the largest luxury goods consumption are:

|              |       |                                   |
|--------------|-------|-----------------------------------|
| 1. Shanghai  | 18.3% | 2010-2011 Percent of Total Market |
| 2. Beijing   | 16.2  |                                   |
| 3. Hangzhou  | 13.4  |                                   |
| 4. Chengdu   | 11.6  |                                   |
| 5. Dalian    | 10.2  |                                   |
| 6. Qingdao   | 8.9   |                                   |
| 7. Wenzhou   | 7.5   |                                   |
| 8. Chongqing | 5.1   |                                   |
| 9. Zhengzhou | 4.5   |                                   |
| 10. Shenzhen | 4.3   |                                   |

Figure 7 Top 10 Chinese cities with the largest luxury goods consumption



Industry powerhouses are eyeing the next hotpots for expansion. The ten “hotly contested” cities for expansion include Ordos in the Inner Mongolia autonomous region, Taiyuan in Shanxi province, Tangshan in Hebei province, Hefei in Anhui province, and Qingdao in Shandong province, according to WLA. (Red-luxury, 2011)

#### **The different cultural values of the seven representative cities of China:**

**Beijing:** Living in the central of politics, culture and education of the great country, Pekinese are endowed with the character of well-bred and noble and sense of superiority inevitably.

**Shanghai:** The financial center as well as the most international metropolis of China molds its people into very smart and tasteful purchasers.

**Guangzhou:** Intense commercial atmosphere makes Cantonese very adventurous and practical.

**Shenyang:** People have typical Northerner character: straightforward, loyal and generous.

**Wuhan:** This is a full-bodied commercial culture and civic culture, people are shrewd

**Xi'an:** people inherit the dignity and generosity from the glorious ancient capital of China.

**Chengdu:** Individuals living here pursue a relax and flexible life style, enjoying their unwound and lazy life tempo.

### **The feature of consumer behaviour of these seven cities:**

#### 1. The tendency of premature consumption

People from Shanghai, Chengdu, Shenyang are more inclined to the premature consumption, holding the point "good at spending money is more important than good at making money"; Beijing, Wuhan, Xi'an, and Guangzhou's citizens prefer "safe and soundness" in purchasing and behave more careful in purchasing.

#### 2. The reaction to advertisement

People from Peking pursue the classy taste of advertisements and feel awful about the tacky and immature items. In Shanghai, Guangzhou and Chengdu individuals are so sensitive about the sales promotion ads that they can hardly refrain the appetite for buying when having the chance.

#### 3. The purchasing standard of products

For Pekinese and Xi'anese, brand issue is the key point to purchase; however, price issue influence Cantonese and Shenyang people most; People from Shanghai and Chengdu are more interested in the style and physical appearance of item.

Chart 7 the main feature of consumer behavior in each region.

| Consumption type | Pragmatic | Shuiyu an type | Conservative | hedonim | loyal | Conformity type | Rational |
|------------------|-----------|----------------|--------------|---------|-------|-----------------|----------|
| 7 regions        |           |                |              |         |       |                 |          |
| North-east China |           | *              |              |         | x     | x               | x        |
| North China      |           | *              |              | x       | x     |                 | x        |
| North west China |           | *              | x            | x       | x     | x               |          |
| South east China | x         | *              |              |         |       | x               |          |
| Central China    | x         | *              |              | x       |       | x               |          |
| South China      | x         | *              | x            |         |       |                 |          |
| East China       |           | *              |              |         |       |                 |          |

Note, \* means each region doesn't have obvious difference. ( wenku.baidu: 2011)

#### 4. The Basic Categories Models of Regional Differentiation of Consumption

**Nielsen Claritas PRIZM** is a revolutionary new segmentation system that harnesses the power of both household and geographic level data. PRIZM

captures the essence of the existing PRIZM and Micro Vision systems, while using a patent-pending methodology that marries demographic and lifestyle data to help companies target their customers. In PRIZM, the rural and town classes are combined-leaving the following four classes: urban, suburban, second city and town& country. (enertexmarketing : 2011)

This model is used because people who own similar cultural backgrounds, means of livelihood and views will attract and influence each other and are likely to have common behavior mode in the aspect of purchase and using media.

**TOFA** is the other basic model of consumption. R and S are used to distinguish the four kinds of consumer behavior.

S refers to style, measuring the area between fashion and tradition

R refers to risk, measuring the area between thrifty and hedonism

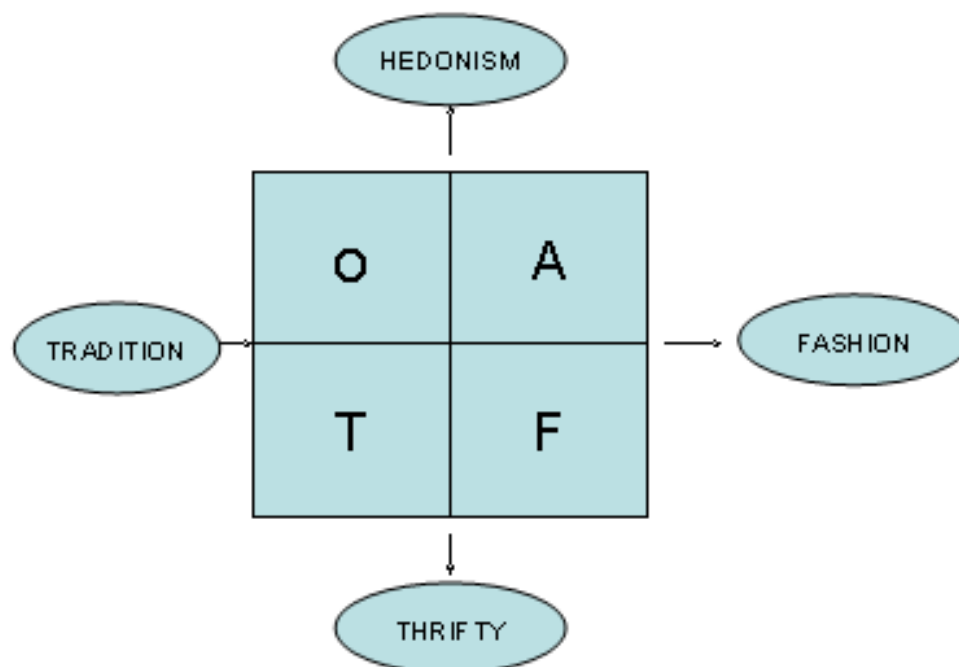


Figure 8 TOFA Model



The characteristics of each type of consumers.

Chart 8 Characters of each type of consumer

| Type                       | Type description  | characteristics                     |
|----------------------------|-------------------|-------------------------------------|
| A( high stylish high risk) | Advance           | Fashionable and dare to spend money |
| F( high stylish low risk)  | Fashion financing | Fashionable and shrewd              |
| T(low stylish high risk)   | Optimism          | Traditional and dare to spend money |
| O(low stylish low risk)    | Traditionalism    | Traditional and thrifty             |

#### 5. Marketing implications

To successfully draw up the most efficient marketing plans, foreign marketers have to discover each region's basic consumption feature; choose the most possible tipping point; design and promote the products based on the characteristics of each region; price the products in proper method and appropriate sales promotion.

## **2.9 Volkswagen's International Car Marketing Strategy**

### **2.9.1 Current Chinese Car Market**

The first decade of the new century has been so extraordinary for China's auto industry that the national auto sales have been increasing fast from 2,000,000 to 18,000,000 in this period. According to the statistics, auto industry and its related industry have made the second biggest contribution to China's GDP in 2010. Meanwhile, auto industry also ate huge benefits for the Chinese people as the price of cars has kept decreasing while price of all consumption goods are increasing. What's more, from this respect, auto industry develops healthily and quickly, satisfying the Chinese consumers with tangible benefits and convenience. However, of China's auto market, foreign companies occupy the most shares. China's entry into the WTO cut import tariffs drastically, heightening pressure on the local producers. It will also allow global carmakers to own businesses in which they have unmatched advantages: sales, service, and distribution, as well as loan services to car buyers—services that are sure to be welcome in a market where personal credit is scarce.

The dominant production and sales joint ventures between global and local companies have the best position for meeting that demand. Only 15 years after Volkswagen entered the market, more than half of the passenger cars sold in China roll out of VW's Changchun and Shanghai joint ventures. Other foreign joint ventures account for nearly all the rest—a further 43 percent. In the shadow of these foreign alliances, 20 domestic carmakers share just 3 percent of the market. (McKinseyquarterly: 2011)

### **2.9.2 Basic facts of VW group**

The Volkswagen Group with its headquarters in Wolfsburg is one of the world's leading automobile manufacturers and the largest carmaker in Europe. In 2010, the Group increased the number of vehicles delivered to customers to 7.203 million (2009: 6.336 million), corresponding to a 11.4 percent share of the world

passenger car market.

In Western Europe just over one in five new cars (21.0 percent) comes from the Volkswagen Group. Group sales came in 2010 to 126,9 billion Euros (2009: 105.2 billion). Profit after tax in the 2010 financial year amounted to 7.2 billion Euros (2009: 0.9 billion).

The Group is made up of nine brands from seven European countries: Volkswagen, Audi, SEAT, Skoda, Volkswagen Commercial Vehicles, Bentley, Bugatti, Lamborghini and Scania.

Each brand has its own character and operates as an independent entity on the market. The product range extends from low-consumption small cars to luxury class vehicles. In the commercial vehicle sector, the product offering includes pick ups, buses and heavy trucks.

From the first quarter of 2011 the Group operates 62 production plants\* in fifteen European countries and a further seven countries in the Americas, Asia and Africa. Around the world, nearly 400,000 employees produce about 30,000 vehicles or are involved in vehicle-related services each working day. The Volkswagen Group sells its vehicles in 153 countries.

It is the goal of the Group to offer attractive, safe and environmentally sound vehicles which are competitive on an increasingly tough market and which set world standards in their respective classes.

### **2.9.3 Volkswagen's international marketing strategy**

The chairman of Volkswagen AG's supervisory board wants to turn Volkswagen Group into the world's largest automaker. And now VW Group prepares to fulfill his dreams of growth. Volkswagen Group CEO Martin Winterkorn has announced

plans to spend 51.6 billion Euros, or about \$72.9 billion, over the next five years on VW's automotive division. That excludes another \$14.1 billion VW plans to spend in China with its joint venture partners. In the United States, VW has ambitious plans--and significant challenges. To increase its U.S. market share, VW will focus on improving its core lineup rather than entering new segments.

To refine the brand and inspire loyalty, Browning said VW has identified six areas of focus: products, quality, customer experience, brand development, dealer networks and used-car performance. (autoweek : 2011)

Media promotion:

A car manufacturer using a video game as a promotional tool is nothing new; Toyota generated a lot of buzz with its laughably bad (but free) *Yaris* on Xbox Live Arcade two years ago. However, Volkswagen is taking the adver-gaming concept a huge step forward, by releasing a free iPhone game in lieu of a traditional advertising campaign.

MTV helps Volkswagen launch new Beetle

After teasing the 2012 Beetle on Oprah's year-end giveaway and then with a Super Bowl spot (and memorable YouTube interactive), Volkswagen announced on April 18th the global reveal for the next generation Beetle. The event will be simulcast online from three cities on three continents (New York, Shanghai and Berlin) in partnership with MTV, in a musical kick-off aimed at the under-40 crowd. The Beetle is an icon of the automotive world, just like MTV is an icon of the music world. In the context of this marketing alliance, the VW is taking the new Volkswagen directly to customers and fans of the Volkswagen brand and they are doing it globally. VW International also launched BeetleStories.com, a look back at the classic "automotive icon":

## E-BUSINESS ACTIVITIES

In close collaboration with its suppliers, Volkswagen has progressed its e-

Business activities begin in 2001 from a B2B marketplace to a B2B supplier platform. The portal at [www.vwgroupsupply.com](http://www.vwgroupsupply.com) optimizes the information flow between the Volkswagen Group and its partners while at the same time creating a stronger link between supplier and Group processes.

The core of the system is the new "VW Group Supply" supplier database, which in future – containing, as it does, all the suppliers to the Volkswagen Group – will represent one of the largest component supplier listings in the automotive industry. In it, all suppliers will be able to record their individual calling cards – that is, the range of products and services they offer to the Volkswagen Group.

The virtual applications, including the "Electronic Supplier Link (ESL)" online inquiry facility online negotiating online catalogue purchasing "eCAP" capacity management online standard texts will save time, cut costs and so boost the competitiveness of the Volkswagen Group. This communications platform now also integrates other processes, such as technical modifications and invoice processing, online.

The Volkswagen Group already manages nearly its complete procurement volume of more than € 50 billion via the Internet.

The internet platform started in early summer of 2000 is up and running. Under the domain "VW Group Supply.com" the most important components Online Catalogs, Online Inquiries, Online Negotiations and Capacity Management have already been introduced to all brands and regions of the Volkswagen Group.

( reingex: 2011)

## 2.9.4 Volkswagen marketing strategy in china

### 1. History of VW in China

1978: Connection with China started.

1984: VW signed a 25-year contract to make passenger cars in Shanghai.

1991: Second joint venture, FAW-VW Automotive Company Ltd. was established in Changchun.

2004: VW Group had concentrated its strengths in the founding of VW Group in China.

Figure 9 VW in China

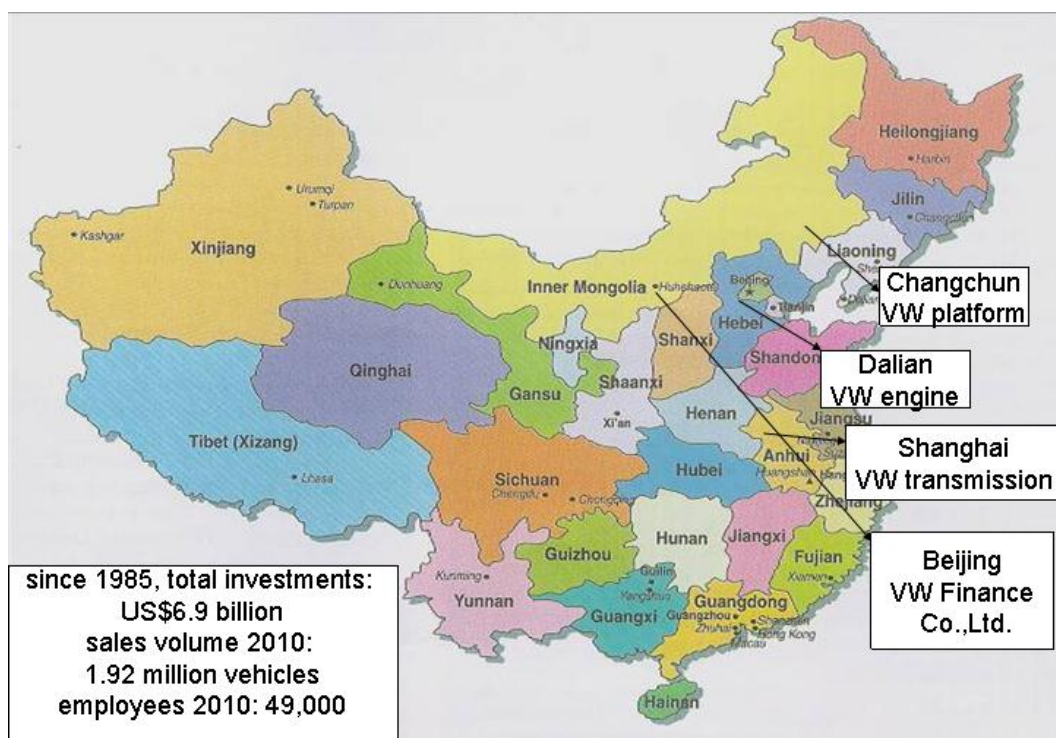


Figure 10 VW Passenger cars sales of each subsidiaries

| Ranking(deli veries to customers) | 2005     | 2007     | 2010     | 2015     |
|-----------------------------------|----------|----------|----------|----------|
| USA                               | 1        | 1        | 1        | ?        |
| JAPAN                             | 2        | 2        | 3        | 3        |
| GERMANY                           | 3        | 4        | 4        | 4        |
| <b>CHINA</b>                      | <b>4</b> | <b>3</b> | <b>2</b> | <b>?</b> |
| ITALY                             | 5        | 5        | 5        | 5        |

#### Marketing strategy

Technical differentiation (German Technology), as German technology has a very good reputation in the Chinese minds. It's almost the symbol of high quality, safety, and high-tech. The success of TSI+GSG technology in China is the best proof.

Positioning: It emphasizeS on the customers who want reliable, high quality car at a reasonable price, meanwhile, making its product more famous and international than other European car makers and at the same time more fit for the Chinese than other car makers.

Product: the image of VW-made cars are associated with quality, safety, and newest technology, modern and popular design. And those cars which belong to each level from low, middle to high-end give different consumers various choice.

Price: in recent years, prices of middle and low-end cars are falling, but the luxury cars prices are quite stable.

Place (distribution): VW keeps separate distribution channels, but in strengthening the dealership network, sale and service stores, and after-sale service. The distribution network is scattered all around China, from tier 1, tier 2, and tier 3 to tier 4 cities, which create more chances for people to know and get a VW. Moreover, 4S shop (combine sale, spare part, service and survey together in one shop) is the main sales and service channel.

Promotion: Primarily the advertisement on TV, newspapers, main-stream car magazines and the Internet. Celebrity ads are one method used in marketing as this works in China. Nowadays auto shows are extremely popular in China. Actually there are lots of multinational auto corporations which enter the auto exhibition to display their modern techniques to build good image for the brand and to expand operations and attract the consumers on the market. VW is one of these corporations. VW also promotes new programs like *Think Blue*, The people's car Project and so on. *Think Blue* is about the new type of an electric car which are made based on the principles of environment-friendly and green. *The people's car project* will first be applied in China, which will collect people's idea about car design and let people communicate with VW's car engineers on line to create some total in new cars. Besides, discounts and special offers are provided in certain holidays to attract customers. VW also pays attention to the corporate ethics and social responsibility in China.



Figure 11 Restructing program of VW

| <b>Restructuring Programme -- Olympic Programme</b> |   |
|---|---|
| <b>Key restructuring areas</b>                      | <b>Key targets</b>  |
| A. Branding and Positioning                         | Strongest band/product portfolio in China   |
| B. Products   | -VW. 3-4 carlines per JV, 100,000 units/carline<br><br>-Audi: up to 3 models, 50000units/carline<br><br>-Skoda: 3 models, 50000 units/carline |
| C. Product costs                                    | Competitive cost structures   |
| D. Capacity, structure & synergies                  | 90% capacity utilization  |
| E. Sales & Marketing                                | Market leader, best in class dealer network and customer satisfaction   |
| F. Corporate culture & Teamwork                     | -Productivity of > 40% cars/employee<br><br>-localized lean management<br><br>-most attractive Chinese car manufacturer                       |

Figure 12 Sustainability in China

## Sustainability in China

- profitability
  - stabilisation of market share
  - leading to renewed earnings strength
  - investment financing out of own cash flows
- Environment
  - development of alternatives powertrain technology
  - compliance with toughening emission and consumption regulations whilst remaining affordable
- social
  - VW Group's declaration on human rights setting out global social standards for VW's employees
  - Road safety
- Cost level
  - development of local R&D resource
  - purchase of components driving efficiency into supply chain

### 3 RESEARCH METHODOLOGY

#### 3.1 Marketing Research

Marketing research is "the function that links the consumer, customer, and public to the marketer through information---information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process.( wikipedia:2011)

### 3.2 Marketing Research Process

Most marketing research involves the following steps:

- Define the problem
- Determine research design
- Identify data types and sources
- Design data collection forms and questionnaires
- Collect the data
- Analyze and interpret the data
- Prepare the research report

Consequently, I conducted this research study as above as well.

#### 1. Define the problem:

The decision problem faced by management must be translated into a market research problem in the form of questions that define the information that is required to make the decision and how this information can be obtained. Thus, the decision problem is translated into a research problem. For example, a decision problem may be whether to launch a new product. The corresponding research problem might be to assess whether the market would accept the new product.

The objective of the research should be defined clearly. To ensure that the true decision problem is addressed, it is useful for the researcher to outline possible scenarios of the research results and then for the decision maker to formulate plans of action under each scenario. The use of such scenarios can ensure that the purpose of the research is agreed upon before it commences.

For example, bad sales, what possible factor may have an impact? It could be the price, the competitors, the recession, bad location, service personnel and so on. Then we use these clues can be used to come up with the research question.

In this research, I want to find out in what way VW can perform better in China's auto market, in the mean time the Chinese consumer can benefit from the result. Therefore I listed some factors, about car's utility, character, price and promotion, sales person. However, after digging deeper and abandoning all these general elements which will influence a car's sale, I believe the most effective way is find out the character and demand of a Chinese consumer. Only by really combining the local people's need with their product design and marketing can VW make profits for themselves and create benefit for the customer. So the research question is " How should VW combine Chinese consumers' specific behavior and preference with their product and service design and improvement in order to occupy more market in China ? "

## 2. Research Design

Marketing research can be classified in one of the three categories according to the objective of the research:

### Exploratory research

Goal: Formulating problems more precisely, clarifying concepts, gathering explanations, gaining insight, eliminating impractical ideas, and forming hypotheses.

Research methods: Exploratory research can be performed using a literature search, surveying certain people about their experiences, focus groups, and case studies.

Interviewee selecting: Seek to interview those who are knowledgeable and who might be able to provide insight concerning the relationship among variables.

Character: flexibility.

Descriptive research

Goal: To describe users of a product, determine the proportion of the population that uses a product, or predict future demand for a product.

Research method: Descriptive research should define questions, people surveyed, and the method of analysis prior to beginning data collection. In other words, the who, what, where, when, why, and how aspects of the research should be defined.

Character: Such preparation allows one the opportunity to make any required changes before the costly process of data collection has begun.

D. Types: Longitudinal studies and cross-sectional studies. Longitudinal studies are time series analyses that make repeated measurements of the same individuals, thus allowing one to monitor behavior such as brand-switching. However, longitudinal studies are not necessarily representative since many people may refuse to participate because of the commitment required. Cross-sectional studies sample the population to make measurements at a specific point in time. A special type of cross-sectional analysis is a cohort analysis, which tracks an aggregate of individuals who experience the same event within the same time interval over time. Cohort analyses are useful for long-term forecasting of product demand.

Causal research

Goal: seeks to find cause and effect relationships between variables.

Research methods: laboratory and field experiments.

The research design suggested by the researcher should be specified. Provide information on: methods of collecting data, instrument to be used in collection (e.g. questionnaire, sampling plan, sampling size)

My research type belongs to the second type: description research. As the research problem is to figure out a better marketing strategy according to the characters of a certain group people. In addition, the research method used is quantitative methods: i.e. questionnaire. Since I am living in Finland and the interviewees have to be Chinese customers, I will send electronic questionnaires through Internet to the respondents. After collecting all the result, I will sort the 343 respondents into segmentations classified with different standards. However, the population of the respondents is small, which add limitations and to the research results.

### 3. Identify data types and sources

#### Secondary Data

Before going through the time and expense of collecting primary data, one should check for secondary data that previously may have been collected for other purposes but that can be used in the immediate study. Secondary data may be internal to the firm, such as sales invoices and warranty cards, or may be external to the firm such as published data or commercially available data. The government census is a valuable source of secondary data.

Secondary data has the advantage of saving time and reducing data gathering costs. The disadvantages are that the data may not fit the problem perfectly and that the accuracy may be more difficult to verify for secondary data than for primary data.

Some secondary data is republished by organizations other than the original source. Because errors can occur and important explanations may be missing in republished data, one should obtain secondary data directly from its source. One also should consider who the source is and whether the results may be biased.

There are several criteria that one should use to evaluate secondary data.

- Whether the data is useful in the research study.

- How current the data is and whether it applies to time period of interest.
- Errors and accuracy - whether the data is dependable and can be verified.
- Presence of bias in the data.
- Specifications and methodologies used, including data collection method, response rate, quality and analysis of the data, sample size and sampling technique, and questionnaire design.
- Objective of the original data collection.
- Nature of the data, including definition of variables, units of measure, categories used, and relationships examined.

#### Primary

#### Data

Often, secondary data must be supplemented by primary data originated specifically for the study at hand. Some common types of primary data are:

- demographic and socioeconomic characteristics
- psychological and lifestyle characteristics
- attitudes and opinions
- awareness and knowledge - for example, brand awareness
- Intentions - for example, purchase intentions. While useful, intentions are not a reliable indication of actual future behavior.
- Motivation - a person's motives are more stable than his/her behavior, so motive is a better predictor of future behavior than is past behavior.

Primary data can be obtained by communication or by observation. Communication involves questioning respondents either verbally or in writing. This method is versatile, since one need only to ask for the information; however, the response may not be accurate. Communication is usually quicker and cheaper than observation. Observation involves the recording of actions and is performed by either a person or some mechanical or electronic device. Observation is less versatile than communication since some attributes of a person may not be readily observable, such as attitudes, awareness, knowledge, intentions, and motivation.

Observation also might take longer since observers may have to wait for appropriate events to occur, though observation using scanner data might be quicker and more cost effective. Observation is typically more accurate than communication.

Personal interviews have an interviewer bias that mail-in questionnaires do not have. For example, in a personal interview the respondent's perception of the interviewer may affect the responses.

In the process in which I collected data, I mainly use the primary data from the questionnaire, and few sources from the State Statistics Bureau of China and the website of Mckinseyquarterly.

#### 4. Design data collection forms and questionnaires

The respondents should be the potential car buyers in each age range. However, most of people I know are students. Therefore I turned to my adult relatives for help and am using the snowball sampling to gather as many and appropriate as possible information. At last, there are 343 respondents, 201 men and 142 women; people's age ranges from 20 to 50 years old. However, young people occupy a percentage of 36.44, which is the biggest scale. They are definitely the potential buyers in the future, but now they are also the poorest among all the respondents as most of them don not have steady income. In the questionnaire, of course, I have mentioned that all the data will be used only for academic research and it will not be published. I believe people will trust in me and give their true answer as much as possible. Still I cannot be sure that they are all 100% true. Otherwise I think the respondents' sources are good and valid.

#### 5. Data Analysis

Before any analysis can be performed; raw data must be transformed into the right format. First, it must be edited so that errors can be corrected or omitted. The data must then be coded; this procedure converts the edited raw data into numbers or



symbols. A codebook is created to document how the data was coded. Finally, the data is tabulated to count the number of samples falling into various categories. *Simple tabulations* count the occurrences of each variable independently of the other variables. *Cross tabulations*, also known as contingency tables or cross tabs, treats two or more variables simultaneously. However, since the variables are in a two-dimensional table, cross tabbing more than two variables is difficult to visualize since more than two dimensions would be required. Cross tabulation can be performed for nominal and ordinal variables.

Cross tabulation is the most commonly utilized data analysis method in marketing research. Many studies take the analysis no further than cross tabulation. This technique divides the sample into sub-groups to show how the dependent variable varies from one subgroup to another. A third variable can be introduced to uncover a relationship that initially was not evident.

This time I am using e-lomake and SPSS in doing the statistical analysis. E-lomake 3 is a browser based application which can be used to define and publish diverse e-forms and to handle their responses. The collected information can be transferred into a spreadsheet or statistics software, such as Excel or SPSS. The data can also be browsed in several different ways within the application and accessed directly using database views. Also it is possible to do cross tabulation by e-lomake directly.

In the analysis process, each question's result is analyzed and then a hierarchical analysis, with the numbers and cultural and social background of China, related the empirical part to the theoretical part is carried out.

## 4 EMPIRICAL STUDY

### 4.1 Research Result

The questionnaire aims to find out the preference of each consumer segmentation. The segmentations are categorized by gender, age, income level, etc. 343 respondents took part into this survey.

The results are explained in the following:

Question 1 asked " What's your gender?" Chart 9 shows gender distribution.

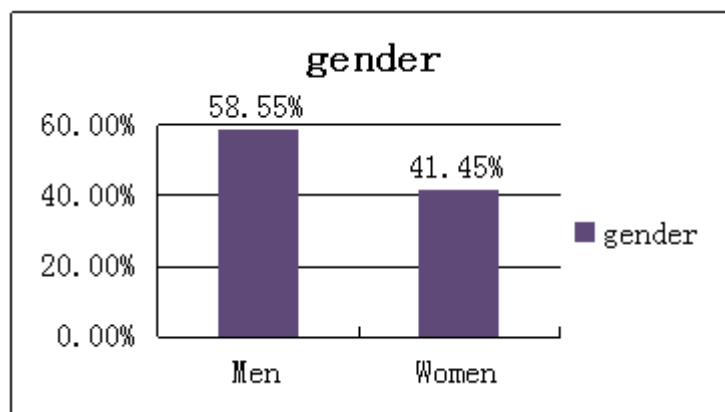


Chart 9 Gender distribution

201 men and 142 women taking part took part in this survey. The reason why this question was included in this research is because in car buying behaviour, men and women can make different choices in the same aspects. So, to seize the hearts of the customers, it is necessary to do this segmentation.

Question 2 asked what is the respondents' age. Chart 10 shows the distribution of the age.

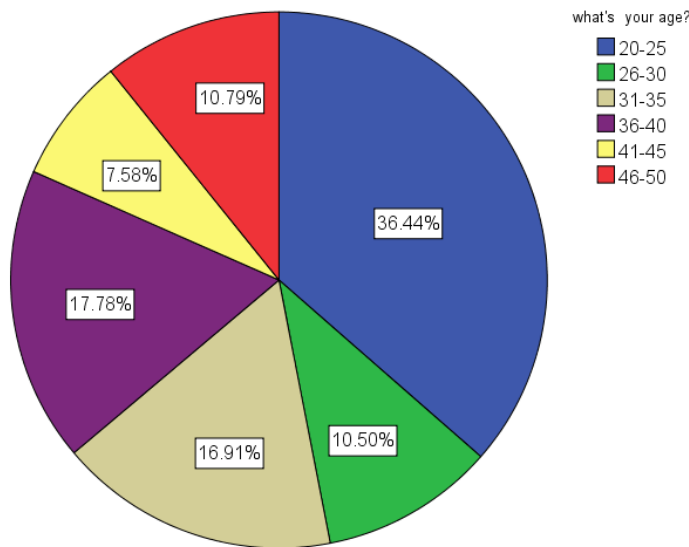
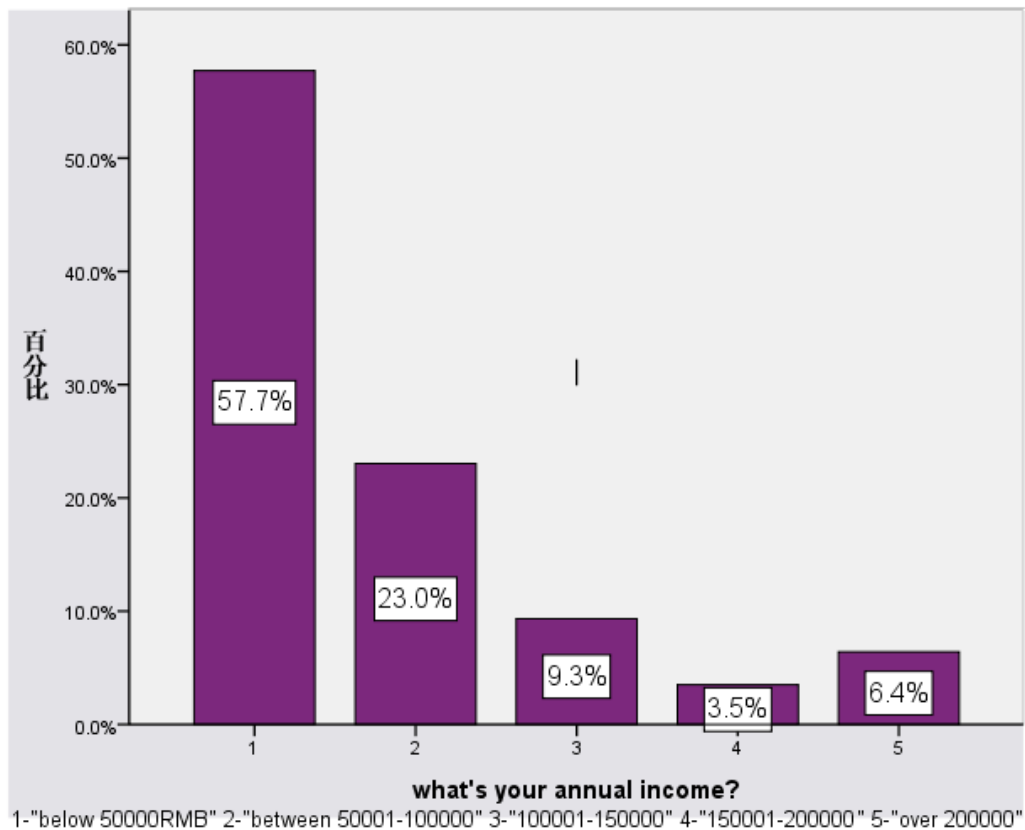


Chart 10 what's your age?

The respondents are widely aged from 20 to 50 years old, which is the main consumer group of cars. And obviously, youngster from 20 to 25 years old form about one thirds of all. In China, individuals between this age are not that rich as most of them are students or graduates who just start working life. Still, more and more having a car is a trend among young people. However, people in this range of age, as said, which I mean, being a student living at school, don not have steady income and mainly rely on their parents economically. Consequently, they will see and think much more than "buy" the car. This conclusion is also supported by the results of question 6, which shows among those who have not owned a car now only 37.97% of individuals state that they want to buy a car within a year. So, those individuals are potential customers in the near future but not now. The other three age ranges which are from 26-40 are the existing purchasers, as they have steady income and life, the need for car in both working and private life.

Question three asked about annual income. Chart 11 shows annual income distribution.

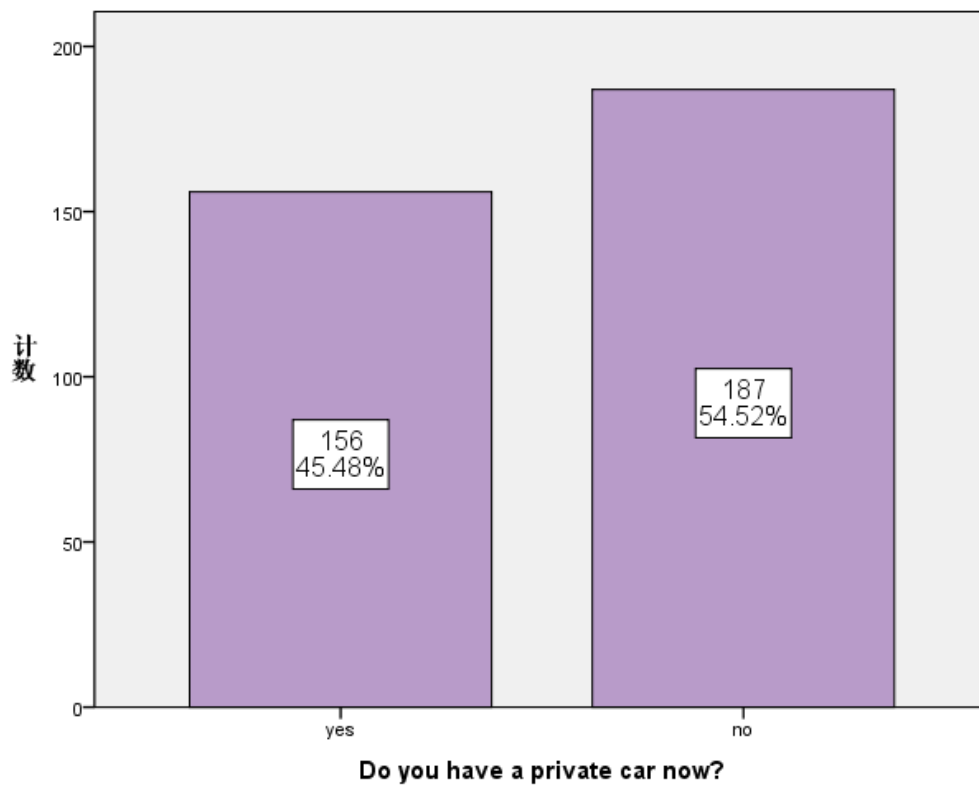
Chart 11 Annual income



As the figure shows, over half of the respondents' annual income is below 50,000 RMB and, as I have mentioned above, 36.44% of people from 20-25 do not have steady income. 23% of respondents can earn 50,000-100,000 RMB per year. And the rest have an income of above 100000 RMB. According to National Bureau of Statistics of China's newest survey, an average urban Chinese person's annual disposable income is 19,109 RMB, with an increase of 11.3%. (National Bureau of Statistics of China, 2011)

Question 4 inquired if the respondent has a car at the moment and shows the result.

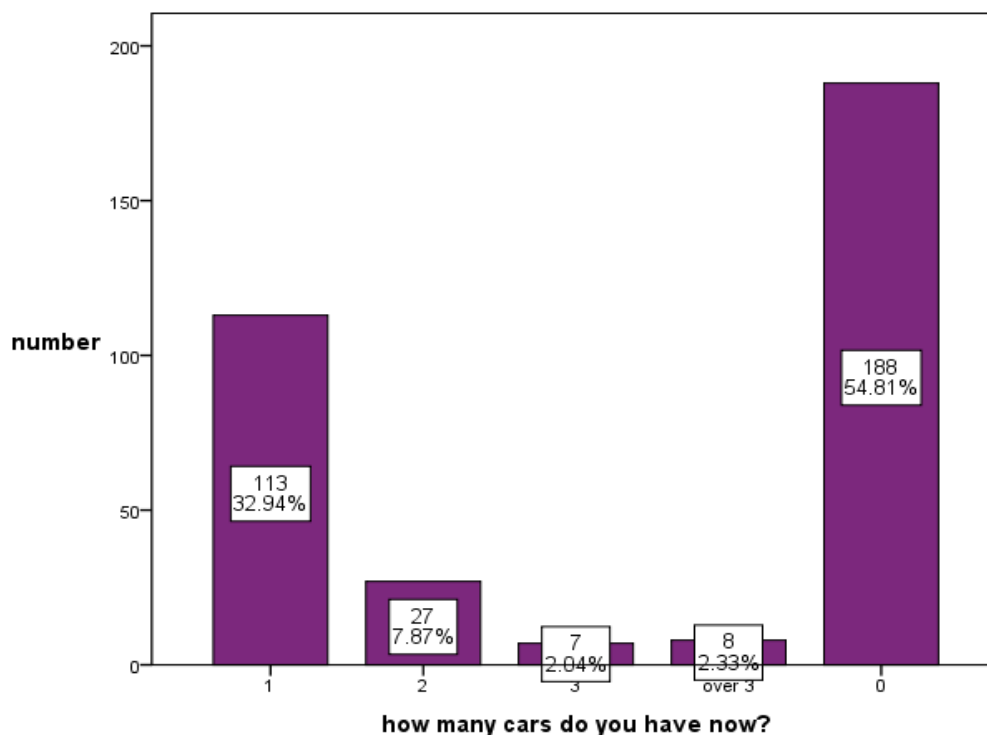
Chart 12 Do you have a car now?



Of all the 343 respondents, nearly half of them have already got a car. It is apparent that those 36.44% youngsters form the main group who don not have a car.

Question 5 asked if the respondent has car, how many cars do they have now. Chart 13 shows the result of the above question.

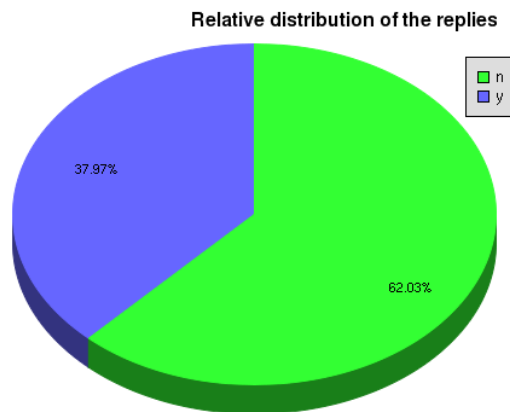
Chart 13 How many cars do you have now?



Among all the respondents who have cars, 73% of them have only one, the rest own more than two cars, which means that there is still very much growing space in the car market as the needs for a car develops. Usually one car for one family is not enough anymore for urban Chinese people because life is getting more complicated and many-sided than before: shopping, for going to and back from work, family travelling, picking up children and elders, visiting friends, meeting with clients, etc. It is obvious in a typical family of three in China, a mother, a father and a child, added with each adult's parents, relatives, friends, etc. The car is actually used by many more than three people. So, the trend of buying a car will keep its pace with people's actual demands and needs.

Question 6 asked if the respondent is going to buy a car in a year. Chart 14 shows the result of this question.

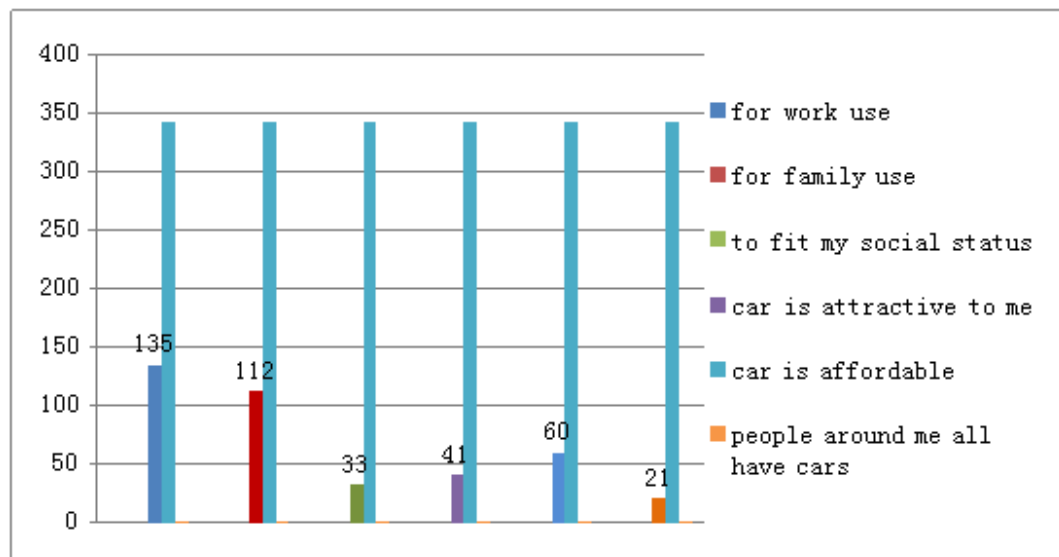
Chart 14 The distribution of people's will on buying a car



In this question, over half people say that they do not want to buy a car, this is mostly because of economic issues. And again, those respondents from 20-25 are not able to buy a car now with their own savings.

Question 7 asked the reason why the respondent want to or why not want buy a car. Chart 15 shows the result of this question.

Chart 15 Why did you or why do you want to buy a car?



When asked about why do they want to buy a car, 39% of the respondent answer “for work” use and 32% of them answer “for family” use. From this we can get to a conclusion that the Chinese pay attention to the car's practical usage. What's more, 17% of people admit they bought or will buy a car when they had or have enough money, which means 83% of respondents will consider to buy a car even they are not afford to buy a car at the moment. We can draw a conclusion that for most of people a car is needed and useful.

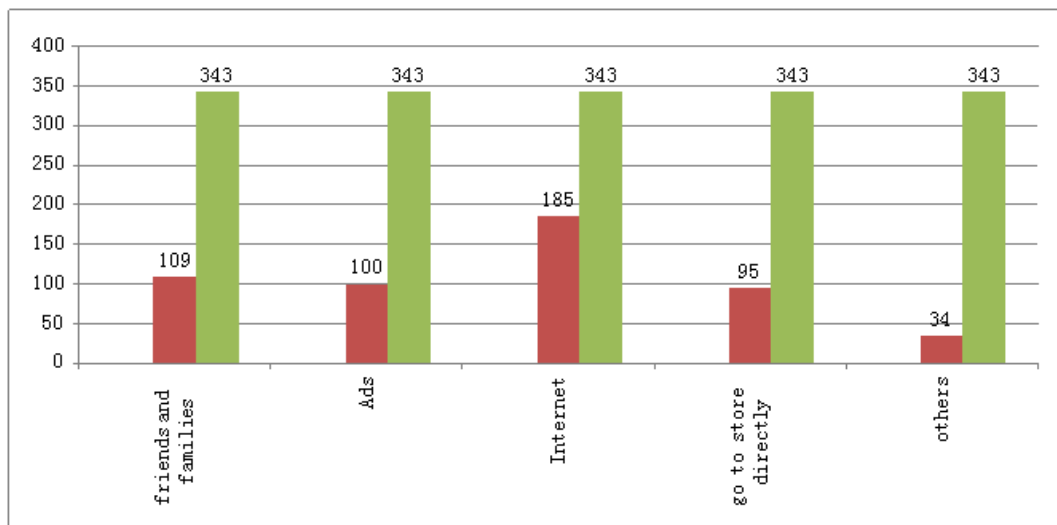
However, there is also find a problem here, that is the low rate for result of "to fit my social status" and "people around me all have cars". These two answers, in essence, is the reflection of the "mianzi" issue. As I have emphasized in the theoretical study, "mianzi" has been accompanying the Chinese people for thousands of years, being one of the most special cultural characters of Chinese. But here, only few people admit that the reason they buy a car is because of "mianzi", which is seemingly strange and inconsistent with the analysis. After digging it deeper, I figured out two reasons to explain it. Firstly, over one thirds(36.44%) of the respondents are between 20-25, which means, according to China's current circumstances, most youngsters in this range are still studying in a university and don not have steady income at all. They are now focusing on their studies and relationships with friends, who are also students. That is to say, they are still in a stage of simple and pure life and do not think they have to “ keep up with the Joneses”, especially the expensive items like cars. Moreover, unlike in western countries, in China's campuses, there are seldom students going to school by private car. So, not to even mention conformity. Besides, they don not have the so-called "social status", but rather, they are just common college students even without a job. Youngsters in this age is the phase of chasing personality and new fashions, e.g. low carbon and green life, with bicycles and subways, which can satisfy them both mentally and economically. The second reason is the human nature. Sometimes people say one thing and do another. You cannot point everyone to tell you the truth, especially if something can expose their falsity. Of course, I don not mean chasing for "mianzi" is a bad thing, but usually people just don not want to admit that they have done something just for that reason. The last



reason could be that people now care for their real feelings much more than before, so "mianzi" gradually don not play such an important role in their behaviour.

Question 8 asked from what ways do the respondent looks for information of a car. Chart 16 shows the result to this question.

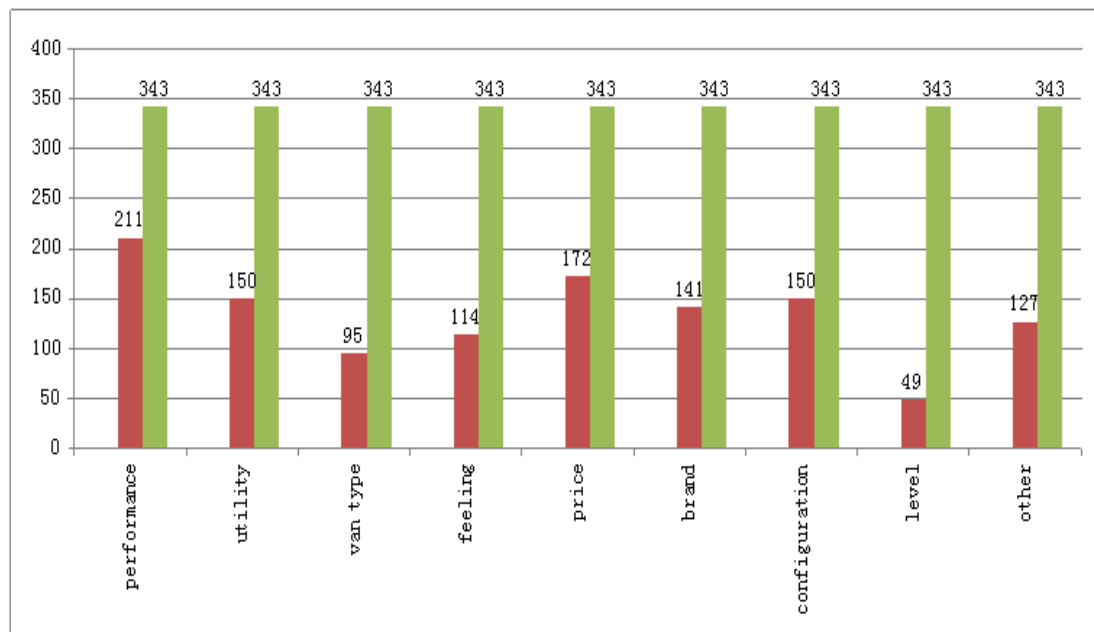
Chart 16 From what ways do you look for information of the car?



Obviously, over half the respondents surf on the Internet to find out answers about cars. This really helps at the beginning of looking for a proper car. The other two ways, friends and advertisements, are chosen in alike frequencies.

Question 9 asked which part of the car will the respondent pay attention to. Chart 17 shows the result of this question.

Chart 17 Which part of the car will you pay attention to?



In this question, the most prevailing answers are performance, price, utility, configuration and brand, each occupying 62%, 50%, 44% and 41% respectively. Chinese will consider almost all aspects of the expensive goods, which gives a result that they care about the performance and utility of the car to satisfy their practical need for the car, price to satisfy their tolerable economic pressure, brand to satisfy their social status and "mianzi" issue. 33% of the respondents mentioned feeling will be one criterion in choosing a car, corresponding to "Yuan" in the Chinese mind, meaning the abstract mental feeling and affection for the car will influence the buying process. 37% of respondents have still other considerations not mentioned in the question.

Question 10 asked what appearance of a car the respondent prefers. Chart 18 and chart 19 show the result of this question.

Chart 18 The preferred appearance of a car

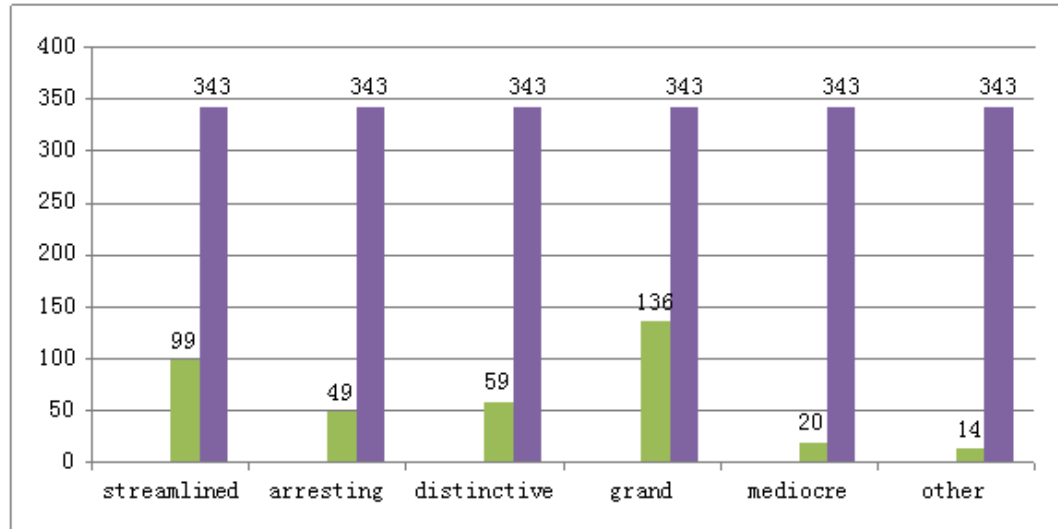
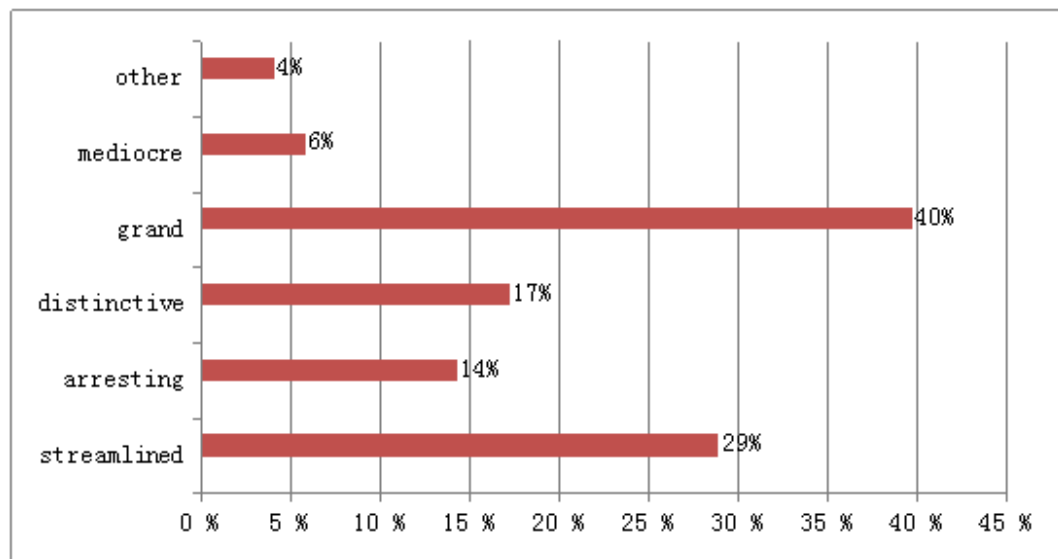


Chart 19 The preferred appearance of a car



In question 10, 40% of the respondents state that they want a grand car, in a Chinese mind, the grand combined with the size, shape, the car body, style, reflects in the contour of a car. Because of the cultural atmosphere and national character, the Chinese like atmospheric, openhanded, simple and freely flowing curve shape designs which reflect refined atmosphere of life in which you become ecstatic and comfortable. It can also be seen that only 6% choose mediocre meanwhile 17% of the respondents choose distinctive, which offers us a very important clue that the

Chinese are now is gradually starting to highlighting their personality rather than keeping it low-key.

Question 11 asked what elements will make the respondent thinks a brand is a good one. Chart 20 and chart 21 show the result to this question.

Chart 20 The elements will make the respondent think a brand is a good one

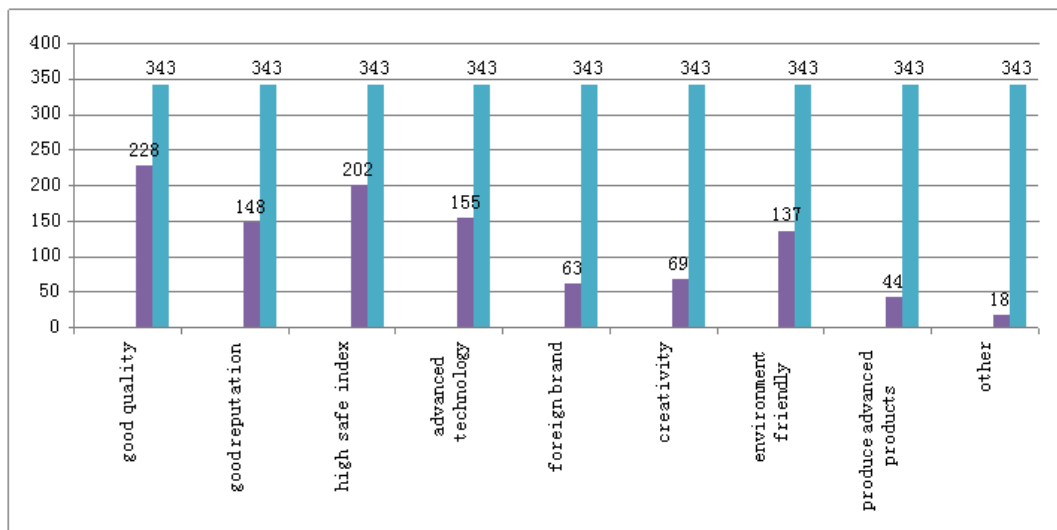
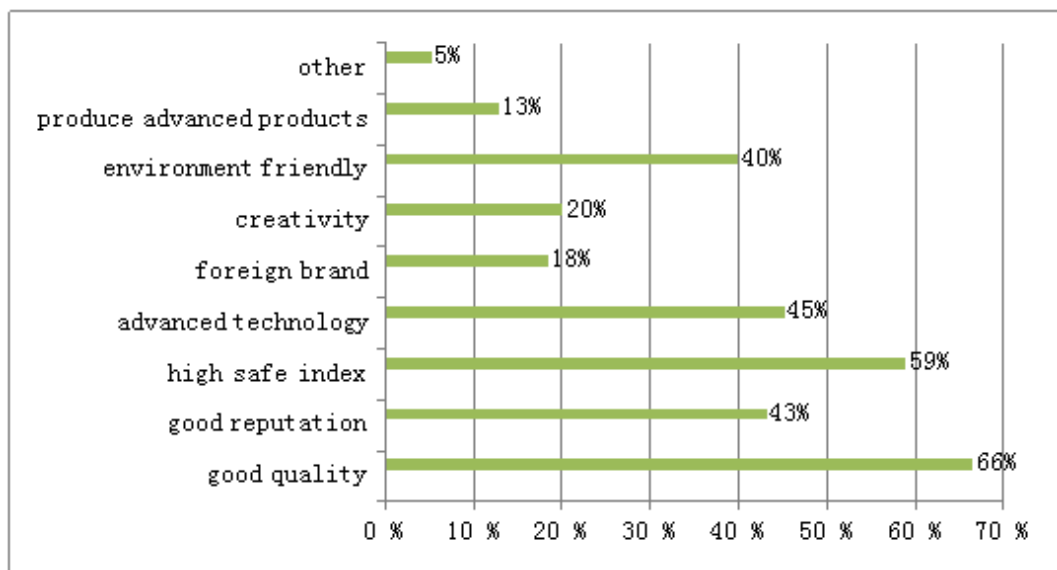


Chart 21 The elements will make the respondent think a brand is a good one



When given 9 choices in this question, 66% of people regard good quality and high safety index as the most important issue. Actually, these two elements are interactive. The other popular choices are advanced technology, good reputation and environmental friendly, which all exceed 40% support. All these choices prove that the Chinese attach importance to the quality of a car, as to the safety index, technology and reputation are all linked to it closely. However, only 18% of the respondents think that foreign brand is one of the standards for being a good brand. Seemingly it is not a high rate, but the foreign brands' influence on the Chinese cannot be ignored.

In addition, the answer "environment friendly" being so popular is against my expectations. This concept was introduced into China from the western countries at the end of 1990s. I know it is true that now in China more and more individuals, especially those educated young adults, would like to accept the "green" idea and begin to care about the environment. However, most people cannot bring this principle completely into their daily lives and practice it. It is more like a slogan to show one's advanced thoughts. Anyway, despite people's real practices on this part, the result proves that the idea is now regarded as an important issue in the Chinese people's minds.

Question 12 asked what elements will influence the respondent when he/she buys a car except for the car itself. Chart 22 and chart 23 show the result of this question.

Chart 22 The elements will influence the respondent when he/she buys a car except for the car itself

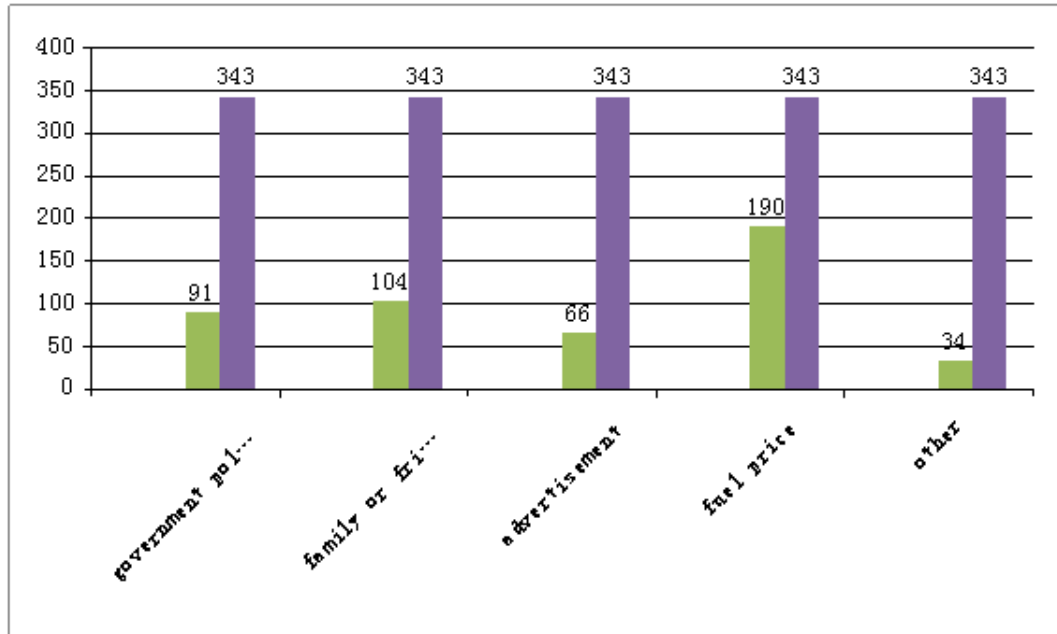
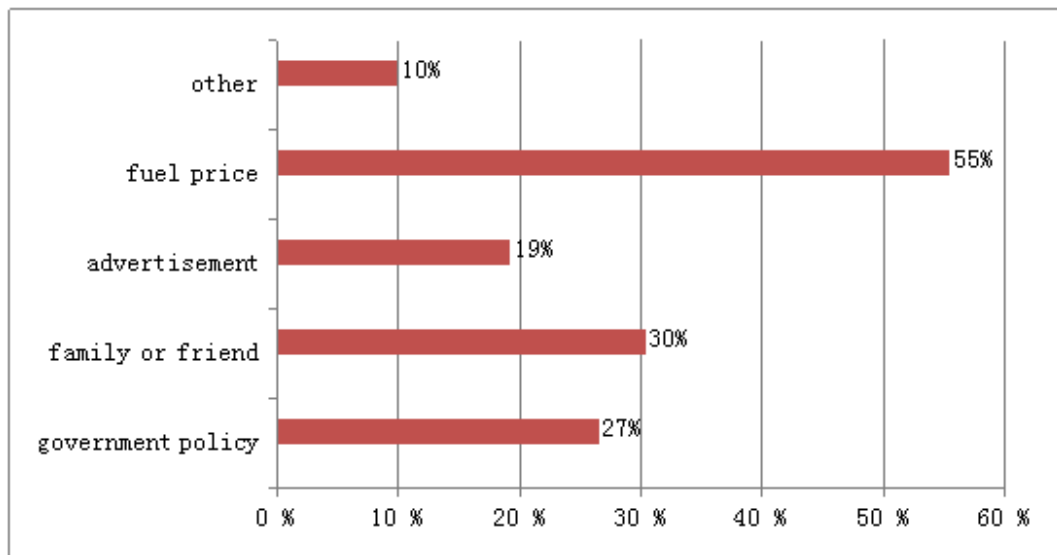


Chart 23 The elements will influence the respondent when he/she buys a car except for the car itself



Apparently, in all the selections listed, fuel price is paid the most attention to. Next is the influence and advice given by family or friends and the government policy.

Question 13 asked what is the impression of certain aspects of VW. Chart 24 and chart 25 show the result of this question.

Chart 24 The impression of the respondents in certain aspects of VW

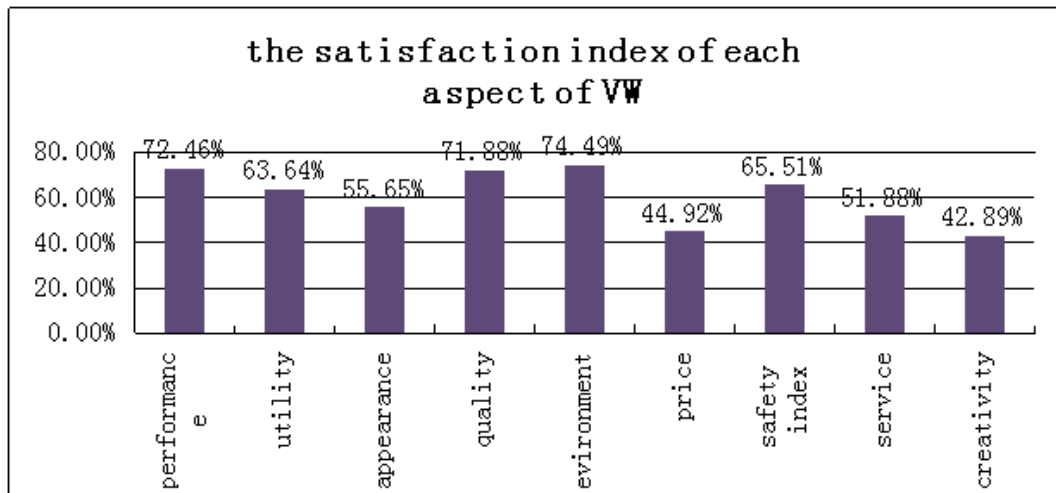
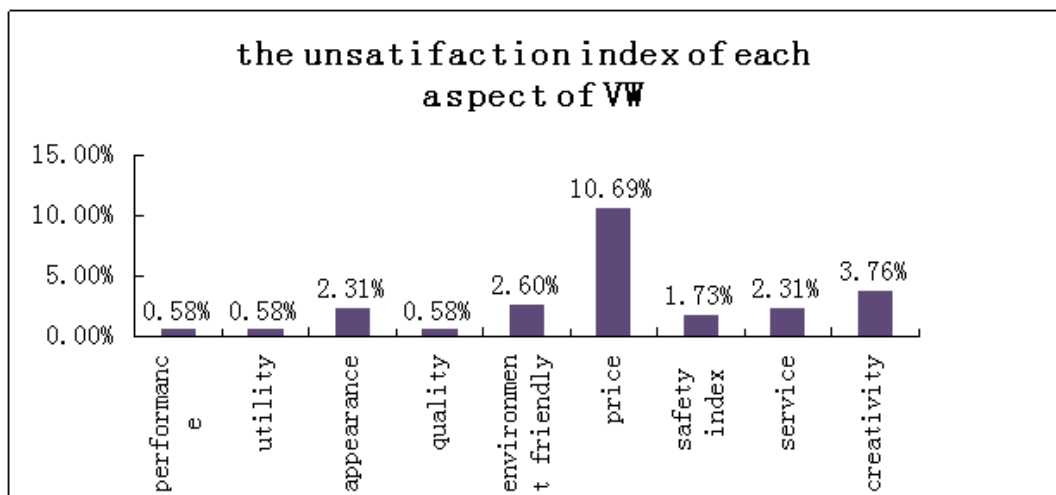


Chart 25 The impression of the respondents in certain aspects of VW



From the result of the impression of each aspect of VW, it is easy to find out that in the aspect of environmental friendly, performance and quality people show very high comments. Most of people show satisfaction in these parts. According to the previous questions and results, we see that the Chinese really focus on the quality of the car, the utility and environment-friendliness as well. Perhaps the

highly accordance with a Chinese individuals' needs and requirements is the reason why VW is so popular in China. In addition, over half of the respondents are satisfied with VW's safety index, appearance and service.

However, the high price seems to be a problem for one tenths of the respondents. Creativity is another aspect that people want VW to improve. I would like to regard this "creativity" as "customization", since creativity is to provide a safer and more a comfortable driving experience, to satisfy people's newest needs and requirements in order to make individuals feel that they really own their own car. Anyway, it seems that VW have done a good job in the Chinese market as most aspects of the car are satisfying.

#### **4.2 Reliability and Validity of the Results**

The questionnaires are sent through the Internet, and answered by 343 respondents made of women and men from different social industries, age groups and with different preferences and character. As all the personal information is kept secret, the respondents can give as true answers as possible. However, according to authentic statistics, up to 2011, the number of cars were sold has exceeded 18 million. (Chinabyte, 2011) which is to say, the sum of the consumers, as well as the owners of these cars has been numerous at the same time.

Additionally, considering the answer number limit, I didn't analyse the statistics from different layer division, for instance, age, sex, income level etc. This may result in more uncertainty and ambiguity in the results.

Consequently, the results summarized from this research cannot be totally trusted and relied on.



### 4.3 Advice for VW

Combined with the theoretical study and the research results, I think now it is possible to make a conclusion.

Firstly, quality is the priority of all the requirements that Chinese customers will think about. Only when they are sure that the car is worth the money, they will make the final decision. No matter what kind of a product it is, with no doubt that quality is a crucial element in attracting customers, especially with such an expensive product. But, having said that, VW is famous for its high and reliable quality around the world, just as the research result in the questionnaire shows. So, in a word, VW only needs to aim for perfection in this aspect like before.

Secondly, the design of the car. Chinese customers' high aesthetical and technical requirements for a car is the perfect combination of powerful horsepower and spacious compartments of American cars, fashionable style and flowery interior of Japanese cars and outstanding performance and reliable durability of German cars. The Chinese show great concern to form, which is "mianzi". Of course, they also treasure the essence, but "mianzi" is much more important than essence. In the eyes of Chinese people, car are much more meaningful than just a car, it's the symbol of social status and wealth. In a word, it is a floating name card. Moreover, Chinese are a group people who live in the world called "keeping-up-with-the-Jones", which is equal to comparison. Comparisons is a mental struggle to be the winner, or to compare with others and be better than others for the purpose of consumer psychology.

No matter whether rich or the poor, people think and behave this way. Consequently, the appearance of a car and style become so important, as the appearance is to a car what a car is to Chinese. Apparently, VW should pay attention to the appearance design of its cars. In fact, German cars always give people the impression of being rigid. However, from 2004 VW has made some changes in the appearance design which was better than before. VW should keep the classic design and continue to modify the new designs to fit the taste of Chinese people. Remember, in the results of the questionnaire, the most popular

answer is "grand cars", "streamlined cars" and "distinctive cars", only few people is interested in "mediocre cars".

Thirdly, car models. The Chinese are considered to have sheer enthusiasm for large models. So, in the respect of the car, when faced two cars costing the same, the bigger one will be picked. In a word, the bigger, the better. As the results showed, "grand cars" are popular, grand meaning not only the appearance, but also the size. I have explained earlier that when we say that one family owns a car, that means the whole family, including many other relatives, even friends, besides the father, mother and a child. Many people share one car, that's one of the reasons why Chinese prefer a bigger size car. Consequently, sports utility vehicles (SUVs) have been becoming more and more popular in the recent years. However, the disadvantage of a SUV, such as high emissions and high fuel consumption, from the biggest bottlenecks for the Chinese consumer. Many auto manufacturers have begun to research new energy vehicles. At the moment most of the new energy vehicles are all labeled with high price. Consequently, if VW can combine new technology of energy conservation and emission reduction with cutting cost, creating the perfect bundle of technology and price, it will become a very competitive auto maker in the market and popular among consumers. In addition to SUVs, jeeps are now a trendy car model for many Chinese, no matter men or women. Various types of jeeps appear on the roads, giving rise to the turning from the niche markets to the mass market. Both private car buyers and official business car are the target buyers. However, jeeps have the same disadvantage as SUVs.: high fuel consumption and high horsepower. Except for the price issue, Chinese would love this type of a car.

Fourthly, VW should localize the 4Ps according to a different market. To some degree, a province is an independent market. As for different market demand and features, stress each of the 4Ps should be stressed effectively.

#### 4.4 Conclusion

To state old news first: since the reform and opening-up policy began in 1978 in China, the acceleration of China's social transition, industrialization and urbanization has made families enter a violent change stage. With the acceleration, China has witnessed a remarkable rise in national income and a high demand for foreign commodities. People's demand for a resourceful material life has turned to be so strong that they are eagerly seeking for items they like and which can make them really feel the rich. That is also the reason why most people regard "environment-friendly" and "low-carbon" as slogans but not life principles. To live a environment-friendly and low-carbon life, to some degree, means that you have in some ways lower the level and convenience of your life, e.g. you cannot drive a fabulous car any more but rather a bicycle. Though, Chinese are not letting these principles prevent themselves from enjoying the higher standard of material life right now. They are just entering the nirvana, so it is not possible for them to accept a low-carbon life soon in the near future. As a result, these standards will not influence most of their purchase decisions. Moreover, they are chasing a comfortable and luxurious life. The rich are already enjoying this type of lifestyle, the rest are still chasing. So, VW should make efforts to help to brand a comfortable and sweet life for all these people. I am using this picture as an final conclusion:

Figure 13 Intangibles drive purchasing behaviour

|  |
|--|
| Intangible drive purchasing behavior                             |
| Top 10 attributes that lead car buyers in China to make purchase |
| <i>1. For people to like me</i>                                  |
| 2. Attractive styling  |
| <i>3. Friends say it's a good car</i>                            |
| <i>4. A pleasure to drive</i>                                    |
| 5. Good maintenance record/rarely breaks down                    |
| 6. A good family car   |
| 7. Reliable  |
| <i>8. Makes me feel safe</i>                                     |
| <i>9. Makes me feel attractive/successful</i>                    |
| <i>10. Manufacturer is industry leader</i>                       |

(Mckinsey: 2011)

#### **4.5 Suggestion for further research**

Through the contents discussed above, the characteristics of the Chinese consumers have been generally represented in the aspect of what they usually think and how they behave and also the reason behind these. However, due to the vast territory, large population, and colorful people, many nationalities have

varied customs and cultural traditions and economic development of different districts differ from each other, giving a result that to some degree, each province is an independent market. As a result, a brand should take its place in the market, subdivide the market segment and localize the place, price, promotion and products effectively. These are the most crucial factors to take into account. Consequently, to know of and make deep research of each market segment is important.

Finally, in this thesis, I only used the auto market to observe and analyse the character of Chinese consumers, which can be limited and one-sided because a consumer will behave and think differently when facing to different kinds of products. So it would be more complete and persuaded to take some other kinds of products to compare to cars.

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Del I. Hawkins & Roger J. Best & Kenneth A. Coney 2001 8<sup>th</sup> Edition Consumer Behavior: Building Marketing Strategy

Roger Bennett 1998 2<sup>nd</sup> Edition International Marketing

### ARTICLES

Oliver H. M. Yau, Hanming You 2011 Consumer behavior in China: customer satisfaction and cultural values

Qingwen Dong, Kenneth D. Day A Relational Orientation to Communication: Origins, Foundations and Theorists

## **APPENDIX**

### **WEBSITES**

[http://www.business-in-asia.com/china/china\\_automotive\\_industry.htm](http://www.business-in-asia.com/china/china_automotive_industry.htm)

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## **APPENDIX**

[http://www.fortunechina.com/magazine/content/2008-05/29/content\\_7464.htm](http://www.fortunechina.com/magazine/content/2008-05/29/content_7464.htm)

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## **Questionnaire: Research about Chinese Consumer Behavior on Buying a Car**

Dear Mr. /Ms., I'm a student from Vaasa University of Applied Sciences. This questionnaire about the Chinese consumer behavior on car purchasing is an important part of my thesis, aiming to figure out what consumer will behave and emphasize when buying a new car. It will take no more than 10 minutes to answer. I am appreciate your help and I promise the answers will be kept confidential and not be published and only used for academic research. Thanks for your help!

### Basic information

1.What is your gender?

a.Male

b.Female

2.What is your age?20-25

a. 26-30

b. 31-35

c. 36-40

d. 41-45

e. 46-50

3.What is your annual income?below 50000RMB

a. 50001-100000rmb

b. 100001-150000

c. 150001-200000

d. over 200000

#### Consumer behaviour

4. Do you own a car now? (If your answer is yes, please go on with the fifth question; if not, please go to the sixth question.)

a. Yes

b. No

5. How many private cars do you own now?

a. 1

b. 2

c. 3

d. more than 3

6. Do you have the plan to buy a private car in the following year? (if your answer is no, please go to the last question directly)

a. Yes

b. No

7. Why did you buy or do you want to buy a car? (multiple-choice question)

a. For convenient transportation

b. For fitting my social status

c. For family use

- d. For cars are attractive for me
- e. For the price of car is affordable
- f. For many people around me all have cars

8. From what ways do you gather information before you buy a car? (MCQ)

- a. From advertisements or programmes on TV, radio, newspaper, magazine
- b. Consult friends or families
- c. Internet ( auto website or forums )
- d. Go to the dealership directly
- e. other

9. What factor (s) of car will you consider most when you are choosing a car?  
(MCQ)

- a. Function
- b. Brand
- c. Price
- d. Usage
- e. Configuration
- f. Van type
- g. Feeling
- h. Level
- i. others

10. What kind of an appearance of a car do you think is nice? (MCQ)

- a. Streamlined
- b. Arresting
- c. Distinctive
- d. Grand
- e. Mediocre
- f. Other

11. What do you think GOOD BRAND refers to ? (MCQ)

- a. Good quality
- b. Creativity
- c. Foreign brand
- d. Producing high-level products
- e. Advanced technology
- f. High safety index
- g. Good reputation
- h. Friendly service
- i. Others

12. What factors will influence you when you purchase a car except for the car itself?(MCQ)

- a. Government policy
- b. Advertisements
- c. Families and Friends' advice

d. Fuel price

e. Other

13. What's your impression of certain aspects of VW?

14. Do you have any suggestions for VW?

|                          | Very<br>satisfied | Satisfied | Just so so | Unsatisfie<br>d | I don't<br>know |
|--------------------------|-------------------|-----------|------------|-----------------|-----------------|
| Function                 | [ ]               | [ ]       | [ ]        | [ ]             | [ ]             |
| Utility                  | [ ]               | [ ]       | [ ]        | [ ]             | [ ]             |
| Appearance               | [ ]               | [ ]       | [ ]        | [ ]             | [ ]             |
| Quality                  | [ ]               | [ ]       | [ ]        | [ ]             | [ ]             |
| Environment-<br>friendly | [ ]               | [ ]       | [ ]        | [ ]             | [ ]             |
| Price                    | [ ]               | [ ]       | [ ]        | [ ]             | [ ]             |
| Fafety index             | [ ]               | [ ]       | [ ]        | [ ]             | [ ]             |
| Service                  | [ ]               | [ ]       | [ ]        | [ ]             | [ ]             |
| Creativity               | [ ]               | [ ]       | [ ]        | [ ]             | [ ]             |